

Securities

Auditor BDO Remains in Investor Suit Over EV Maker's SPAC Merger

Jan. 23, 2026, 12:06 PM PST

BDO USA PC must answer to claims that it misrepresented Electric Last Mile Solutions Inc.'s financials before the automaker offered shares in connection with a blank-check merger, a federal court ruled.

BDO is now the only defendant in the proposed class action in the US District Court for the District of Delaware over the electric vehicle company's "private investment in public entity" offering. The accounting company is in the process of settling a similar suit on behalf of a different class of shareholders in the District of New Jersey. Both suits allege the startup's merger with a special purpose acquisition company was marred by undisclosed excessive compensation to insiders. ELMS itself, now bankrupt, is out of the suits.

A number of EV companies were formed in so-called de-SPAC, or blank-check, mergers and have been targeted in shareholder lawsuits, including Lordstown Motors Corp. and Lightning eMotors Inc. Some of the suits have settled. More broadly, numerous companies that formed through de-SPAC mergers faltered following the deals' peak in 2020 and 2021, spawning litigation.

The ELMS investors sued over shares issued to co-founders Jason Luo and James Taylor in the run-up to the company's June 2021 merger. The reasonable fair value of 99,000 pre-merger shares, sold to insiders for only \$10 per share, was over \$8,000 per share, the PIPE investors alleged. That represented about \$800 million in expenditures not disclosed before the merger, they said. Most of the underpriced shares allegedly went to Luo, Taylor, and entities they controlled.

ELMS announced it needed to restate its financials in February 2022.

Last month, Judge Gregory B. Williams adopted a magistrate judge's recommendation to drop several sets of individual defendants from the District of Delaware suit. But he kept BDO in the suit against the magistrate judge's recommendation, saying its audit opinions were actionable.

On Thursday, Williams ruled against BDO on issues that hadn't previously been resolved. The ELMS investors adequately alleged BDO's intent, he said. And shareholder reliance on the audit can be presumed because BDO didn't sufficiently counter the legal presumption, he said.

Meanwhile, plaintiffs in the District of New Jersey suit sought to persuade a skeptical Judge Michael E. Farbiarz in November that BDO's offer to settle the claims there for \$899,000 is sufficient in light of the risk of losing at trial—citing the District of Delaware magistrate judge's then current, but now rejected, recommendation to dismiss BDO.

The investors in the New Jersey suit had previously settled with individual defendants for \$2.7 million.

BDO isn't a defendant in separate ELMS litigation pending in Delaware's Chancery court.

The lead plaintiffs in the Delaware case are seeking to replace Robbins Geller Rudman & Dowd LLP with Johnson Van Kwawegen LLP as lead counsel. McDermott Will & Schulte LLP represents BDO, previously called BDO USA LLP.

The case is Levy v. Luo , D. Del., No. 1:23-cv-00653, 1/22/26 .

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Judge greenlights claim against auditor in suit over SPAC merger

2026 SECDBRF 0349 • By Nicole Banas

WESTLAW Securities Enforcement & Litigation Daily Briefing • January 23, 2026

(January 23, 2026) - BDO USA LLP must face a securities fraud lawsuit alleging it issued a clean audit for a now-bankrupt electric vehicle company despite knowing that its financials were false, a Delaware federal judge has ruled.

[*Levy v. Luo et al.*, No. 23-cv-653, 2026 WL 178073 \(D. Del. Jan. 22, 2026\).](#)

U.S. District Judge Gregory B. Williams of the District of Delaware on Jan. 22 denied BDO's motion to dismiss the claims against it, saying allegations that the company knowingly disregarded audit standards are sufficient to plead deceptive intent.

The ruling followed a December 2025 order that partially overruled a magistrate judge's recommendation to dismiss the proposed class action.

'Collapsed' company

Shmuel Levy filed the lawsuit in 2023 on behalf of investors who bought shares of Electric Last Mile Solutions Inc. in a \$130 million private investment in public equity offering in 2021.

The PIPE offering was part of a merger that created ELM Solutions. The deal combined Electric Last Mile Inc. and a special purpose acquisition company, the amended complaint says.

According to the suit, the PIPE offering documents concealed stock-based compensation that legacy ELM had paid cofounders Jason Luo and James Taylor and other insiders before the SPAC merger.

In late 2020, before ELM announced the merger and PIPE offering, it issued at least 99,000 shares to insiders for \$10 per share, an amount that was "drastically below fair market value," the complaint says. The proxy statement for the merger failed to disclose that the sales resulted in an \$800 million expense for ELM, according to the suit.

The proxy also contained audited financial statements that severely understated ELM's expenses and operating losses in 2020, and a clean audit opinion from BDO, the suit says. The auditor falsely stated that ELM's financial statements complied with accounting and audit standards, the complaint says.

The ELM Solutions "collapsed into bankruptcy" in 2022 after disclosing a board investigation of the stock sales, according to the suit.

The complaint includes a securities fraud claim against BDO, Luo, Taylor and three other ELM Solutions insiders under Section 10(b) of the Securities Exchange Act of 1934, [15 U.S.C.A. § 78j\(b\)](#).

Audit claims move forward

The defendants filed separate motions to dismiss the suit. BDO, represented by Ethan H. Townsend of [McDermott Will & Emery LLP](#), argued that the plaintiffs failed to meet securities fraud pleading standards.

U.S. Magistrate Judge Laura D. Hatcher recommended granting the defendants' motions in February 2025. She said the suit failed to show that BDO's audit constituted an actionable opinion under *Omnicare Inc. v. Laborers District Council Construction Industry Pension Fund*, [575 U.S. 175 \(2015\)](#).

Judge Williams declined to adopt Judge Hatcher's recommendation as to BDO. The plaintiffs satisfied *Omnicare's* standard with allegations that BDO did not sincerely believe its statements about the audit were true, Judge Williams ruled Dec. 5. [Levy v. Luo, No. 23-cv-653, 2025 WL 3496636 \(D. Del. Dec. 5, 2025\)](#).

The judge directed the parties to submit a letter stating whether any issues remained in BDO's motion to dismiss. The auditor responded that the court had not addressed its arguments that the suit failed to plead scienter, or deceptive intent, and reliance.

In the Jan. 22 opinion, Judge Williams said the suit raised a strong inference of scienter through allegations that BDO failed to comply with audit standards requiring it to examine the ELM stock transactions.

The judge also rejected BDO's argument that the suit failed to plead investor reliance on its alleged omissions. The auditor included its "cursory" argument that a presumption of reliance on material

omissions did not apply in "a mere one-sentence footnote" in the motion to dismiss, Judge Williams said.

Chad Johnson, formerly of [Robbins Geller Rudman & Dowd LLP](#), represents the plaintiffs. A motion to substitute Johnson's new firm, [Johnson Van Kwawegen LLP](#), as lead counsel is pending before the court.

By Nicole Banas

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Memorandum order: [2026 WL 178073](#)

Report and recommendation: [2025 WL 437022](#)

Plaintiffs' opposition to motions to dismiss: [2024 WL 2316395](#)

BDO's memo supporting motion to dismiss: [2024 WL 4287308](#)

Judicial profiles

[Gregory B. Williams](#), U.S. District Judge, D. Del.

[Laura D. Hatcher](#), U.S. Magistrate Judge, D. Del.

Attorney profiles

Chad Johnson, [Noam Mandel](#), [Desiree Cummings](#) and [Jonathan Zweig](#); [Robbins Geller Rudman & Dowd LLP](#) for Plaintiffs

[Ethan H. Townsend](#) and [Daniel T. Menken](#); [McDermott Will & Emery LLP](#) for Defendant BDO Companies

BDO USA LLP, Electric Last Mile Solutions Inc.

4th Circuit: Shareholder Claims and SEC Investigation “Logically and Causally” Related

K [dandodiary.com/2026/01/articles/d-o-insurance/4th-circuit-shareholder-claims-and-sec-investigation-logically-and-causally-related](https://www.dandodiary.com/2026/01/articles/d-o-insurance/4th-circuit-shareholder-claims-and-sec-investigation-logically-and-causally-related)

Kevin LaCroix

January 25, 2026



Questions whether two sets of circumstances are or are not interrelated are among the most vexing insurance coverage disputes out there. These questions often are even more fraught because of the significant amounts of money that can depend on the answer. All of these considerations were in play in a recent Fourth Circuit decision in which the appellate court concluded in the *Under Armour* case that because prior shareholder litigation and a later SEC investigation were “logically and causally” related, they represented a single claim triggering only one \$100 million insurance tower, rather than a second \$100 million tower, as the company had argued. The Court’s January 20, 2026, decision, which highlights the many concerns and considerations that can come into play in these kinds of disputes, can be found [here](https://www.dandodiary.com/2026/01/articles/d-o-insurance/4th-circuit-shareholder-claims-and-sec-investigation-logically-and-causally-related/).

Background

Under Armour is an athletic apparel company. It primarily derives its revenue from wholesale sales to clothing retailers. One of its key retailers was Sports Authority. In January 2016, Sports Authority’s business was suffering. Sports Authority ultimately filed for bankruptcy.

As Sports Authority deteriorated, Under Armour, in a series of statements, maintained its upbeat revenue guidance and projections. However, when Sports Authority announced that it was going to liquidate rather than reorganize, Under Armour revised its position, acknowledging it would only receive a portion of the

revenue it was due from Sports Authority. Just before Sports Authority’s liquidation announcement, Under Armour’s founder and CEO sold millions of dollars of his Under Armour stock for a significant profit.

Between August 2016 and February 2017, Under Armour received, sequentially, a books and records request, a derivative demand letter, and a securities class action lawsuit. The securities suit alleged that the company had misrepresented the impact on the company’s finances from a variety of factors, including the Sports Authority bankruptcy.

In June 2017, the SEC subpoenaed financial and accounting documents from Under Armour. In March and June 2018, the government subpoenaed additional documents, including those concerning the “shifting of revenue between fiscal quarters or years.” The government subpoenaed additional documents concerning revenue shifting in March and November 2019. In the summer of 2020, the SEC notified Under Armour of its intent to pursue an enforcement action over the alleged shifting of revenue between quarters. The SEC contended the company had pulled revenue expected in later quarters into earlier quarters to make its financial performance look better.

While the SEC investigation proceeded, the securities litigation also was going forward. After a series of procedural developments, including a trip to the Fourth Circuit, and the plaintiffs’ amendment of their complaint to reflect the revenue shifting allegations that were the basis of the SEC investigation, the securities litigation [settled for \\$434 million](#). The company settled with the SEC for \$9 million. Separate derivative litigation ultimately settled as well.

The Insurance Dispute

At relevant times, Under Armour maintained a program of D&O insurance. For each of the February 2016-February 2017 and the February 2017-February 2018 time periods, Under Armour had in place a \$100 million D&O insurance programs consisting of a primary layer of \$10 million and nine additional excess layers of \$10 million each. There were different primary carriers in two towers.

The primary insurers in both towers treated the books and records requests, the derivative demands, and the securities lawsuits as claims first made during the 2016-2017 policy term. Under Armour took the position that because the SEC investigation and enforcement action dealt with allegations concerning the accounting pull forwards, it was a separate claim, and that it fell under the 2017-2018 policy. Insurance coverage litigation ensued, with the 2017-2018 program

excess insurers contending that both the shareholder claims *and* the government investigation were a single claim triggering only the earlier policy period, and with Under Armour contending that the government investigation represented a separate claim triggering the later policy period. The parties filed cross-motions for judgment on the pleadings.

The district court granted Under Armour’s motion, holding that the SEC investigations qualify as claims first made during the later policy period, rejecting the insurers’ argument that the prior shareholder litigation and the later government investigation were a single claim. The insurers appealed.

The Relevant Policy Language

An endorsement to the 2017-2018 policy alters the single claims provision, providing that:

All Claims ... that arise out of the same fact, circumstance, situation, event, or Wrongful Act, or facts, circumstances, situations, events, or Wrongful Acts that are logically or causally related shall be deemed one Claim, which shall be deemed to be the first made on the earliest that the first of such Claims is made...

The January 20, 2026, Opinion

On January 20, 2026, Opinion written by Judge [A. Marvin Quattlebaum, Jr.](#) for a unanimous three-judge panel, the Fourth Circuit, applying Maryland Law, reversed the district court, holding that the prior civil litigation and the subsequent government investigation were “logically and causally” related and therefore constituted a “single claim” within the meaning of the policy.

With respect to whether the claims were “logically” related, the Court said, in reliance on dictionary definitions, that “two things are logically related when they are reasonably or rationally connected to or associated with one another.”

The Court then considered the allegations in the two sets of claims. The securities and derivative lawsuits asserted claims about the company’s statements that it would continue to grow notwithstanding the Sport Authority problems. The government investigations, the court said, initially began with these same allegations, but the SEC’s investigation later involved Under Armour’s alleged revenue shifting.

The court said that although the revenue shifting “was not precisely the same conduct” as the public comments, it is “logically related.” The accounting manipulation is “reasonably and rationally connected to the optimistic public statements about Under Armour’s financial condition.” The effect of both “was to maintain the appearance of financial strength.” By “pulling revenue forward” the company “bolstered the earlier quarter’s revenues, creating the illusion of continued growth.” This, the court said, “permitted Under Armour officials to plausibly make misleading public statements.” The Court also cited the SEC’s statements in which the agency said that “without the pull forwards the company would have missed its projected revenue growth.”

The court’s analysis of the “causally related” criterion is the same. First the court said, using dictionary definitions, that two things are causally related “when they are connected or associated by cause or by cause and effect.” The court reference the SEC’s statements that “to get out in front of the negative financial impact that could follow from missing its 20% growth forecast,” the company “pulled forward its order, which allowed it to continue forecasting its 20% target publicly.” The company’s actions were “part of a single scheme” and “stemmed from a single goal,” which was “to convince its shareholders and the public that it was achieving 20% growth in spite of the trouble with Sport Authority.”

For these reasons, the appellate court said, Under Armour’s pull forward accounting actions and its alleged misleading public statements “under the plain meaning of the policy” are “logically and causally related.”

Discussion

Relatedness coverage disputes often depend on a complex interplay between underlying factual allegations and the relevant policy language. That was certainly the case here; the outcome of this dispute turned on the court’s perception of the factual relationship between the underlying allegations in the prior shareholder litigation and the subsequent SEC investigation, as well as the court’s interpretation and application of the policy’s “logically and causally related” language.

There are other factors that often come into play and that can add to the complexity of these kinds of disputes. One is that the positions the carriers take in these disputes is not always the same; depending on which tower an insurer is in and how the court’s determination might affect the insurer’s interest, an insurer may argue that two sets of circumstances are or are not interrelated. Just to use

one example, in a circumstance involving many smaller claims, an insurer may try to argue that the claims are not interrelated, so that multiple self-insured retentions apply.

The fact that insurers’ interests in any given case may depend on the insurers’ relative interest – and therefore may determine what position the insurers may take with respect to relatedness — is one of the reasons that the outcome of these kinds of disputes are all over the map.

There is another fact that may come into play here, and that is the state whose law is to be applied in interpreting the relevant contractual language. As Geoffrey Fehling of the Hunton Andrew Kurth law firm pointed out in his *LinkedIn* post discussing the Fourth Circuit’s opinion in the *Under Armour* case ([here](#)), related claims issues can sometimes turn depending on the law applicable to the dispute.

Maryland law, which the appellate court applied here, takes a “textualist” approach, which was evident in the court’s analytical process, in which it leaned heavily on dictionary definitions of the policy terms. As Fehling points out, other courts, for example, Delaware, take a different approach, looking in relatedness disputes for a “meaningful linkage” between circumstance, with further application of Delaware’s guiding principles to interpret policies “broadly” in order to “find coverage,” in contrast to Maryland’s more neutral approach.

Readers interested in Delaware’s “meaningfully linked” approach will want to review my discussion of the Delaware Supreme Court’s February 2025 decision *Alexion Pharmaceuticals* case, [here](#), as well as the Delaware Superior Court’s January 8, 2026 opinion in the Forte Biosciences case, [here](#).

While I think many readers understand that relatedness disputes can be complex, there is one last but important consideration that should not be overlooked, and that is the fact that, as was the case here, a lot of money can depend on the outcome of relatedness analyses. \$100 million hung in the balance here. Well, actually, it was \$90 million, as the appellees were the nine excess insurers who each had \$10 million limits in play. According to the Fourth Circuit, the primary insurer in the 2017-2018 tower had separately settled with Under Armour, so the full \$100 million was not in play, “only” \$90 million. But the point is that a lot of money is often riding on the outcome of relatedness disputes.

I cannot, in conclusion, offer any sort of flashlight through the seeming darkness of the incredibly varied relatedness case law. All I can do is offer up some more philosophical observations about relatedness disputes, drawn from an [earlier blog](#)

[post](#) on this topic:

“Relatedness” is not self-defining. It is, in fact, a concept that recedes away from you the harder you try to think about it. At a certain level of generalization, everything in the universe is related, all joined together in the all-powerful and all-knowing mind of almighty God. Yet from another perspective, nothing is related, as all of creation consists of nothing more than chaotic, swirling bits of matter randomly spinning away within the cosmic void.

And even if we are more practical and less theoretical, what is the type of relationship that determines relatedness – is it temporal or spatial relationship? Is it causal or logical relationship? Must events involve the same actors acting with the same purpose and intent and using the same methodology for the events to be related – and if the actors, purposes and methodology don’t have to be identical, how much may they vary without eliminating the link of relationship between different events?

As should be apparent, these issues arise frequently, and over the years, many courts addressed the “relatedness” question. However, anyone expecting to find clarity from the various cases will be disappointed. Taken collectively, the cases illustrate nothing so much as how elusive these issues can be.

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Federal Securities Class Actions Dipped Last Year, but New Lines of Attack Emerged

The number of cases involving AI, crypto and tariffs increased from the prior year.

January 26, 2026 at 11:38 AM By  **Chris O'Malley**



Credit: Sikov/Adobe Stock

To the relief of corporate counsel, the number of federal securities class action suits filed last year fell 11%, to 207.

The bad news is that, among these, there's a rise in filings involving hot-button issues such as crypto, AI and tariffs—perhaps marking the next battlefield for securities litigation in the year ahead.

New York City-based National Economic Research Associates, an arm of risk consulting giant Marsh, identified at least four lawsuits filed in 2025 involving Trump administration tariffs and worldwide changes in immigration and visa policies.

"Tariff-related filings have also started to appear, and this is potentially a new area in filings to keep an eye on going forward—and perhaps more generally, filings with geopolitical risk-related elements," Edward Flores, director of NERA, told Law.com.

Flores is coauthor of a new NERA report on [securities class action litigation trends](#). On Feb. 3, he and his coauthors will join insurance executives and law firm attorneys [for a webinar](#) discussing key findings in the report.

The report, released last week, noted that the effective U.S. tariff rate rocketed to 15.8% in August from 2.3% in December 2024.

Last summer, Dow shareholders [filed three class actions](#) against the company, alleging it made misleading statements about how tariffs could affect its business. Later, the company cut its dividend, and its share price tumbled.

Tariffs also came into play in [a shareholder lawsuit](#) in Maryland against CarMax. The complaint alleges that the used car retailer "recklessly overstated" its long-term growth prospects "by including a temporary benefit from customers buying cars due to speculation regarding tariffs."

NERA also cited an [investor lawsuit](#) last September Tronox Holdings. It alleges the company overestimated the prospects for titanium oxide and zircon product sales, despite macroeconomic uncertainties that included the effects of tariffs.

Another market disruptor—cryptocurrency—also moved the needle in NERA's federal class action review. It tracked 14 crypto-related cases filed in federal court last year—nearly double that of 2024.

These include a shareholder class action filed last May in the Eastern District of Virginia, against Microstrategy Inc., better known as Strategy.

It alleges executives misled investors about the anticipated profitability of its bitcoin-focused investment strategy and treasury operations, and about risks surrounding bitcoin's volatility.

Since 2016, NERA has tracked 126 crypto-related lawsuit filings, including a record 29 in 2022.

Meanwhile, AI-related federal class actions were relatively flat last year, rising from 16 to 17. However, AI remains a particular risk because of its widespread adoption, in one form or another, among a wide range of companies.

"There has been a rise in AI-related securities class action cases, in which companies are alleged to have misrepresented the use or effectiveness of their AI capabilities or have failed to disclose risks associated with adopting AI in their business," stated the report.

For example, an Apple shareholder [sued in the Northern District of California](#), alleging the company downplayed the time it would need to integrate advanced AI into its Siri voice assistant for iPhone 16s.

But among all securities class action categories by sector, health technology and services accounted for the most suits—31% compared with 26% in 2024. That's excluding crypto, unregistered securities and merger objection cases.

Of the total 207 cases filed across all sectors, 43% involved allegations related to missed earnings guidance, marking a five-year high, NERA said.

On the other hand, 13% of securities class actions filed in federal courts contained allegations related to regulatory issues, such as compliance failures—a five-year low.

The report noted that securities class dismissals last year rose 34%, to 155. And federal securities class action settlements for the year totaled \$2.9 billion, down 25% from \$3.9 billion.

However, Flores said the median settlement value rose to \$17 million, the highest in the last decade.

The largest federal court settlement was the \$433 million payout agreed to by Chinese e-commerce giant Alibaba Group. It was accused of monopolistic practices, including by requiring merchants to sell only on its e-commerce platform.

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Beyond Meat sued for allegedly concealing need for big writedown

 [reuters.com/sustainability/boards-policy-regulation/beyond-meat-sued-allegedly-concealing-need-big-writedown-2026-01-26](https://www.reuters.com/sustainability/boards-policy-regulation/beyond-meat-sued-allegedly-concealing-need-big-writedown-2026-01-26)

Jonathan Stempel

January 26, 2026

The company logo and trading information for Beyond Meat is displayed on a screen during the IPO at the Nasdaq Market site in New York, U.S., May 2, 2019. REUTERS/Brendan McDermid [Purchase Licensing Rights, opens new tab](#)

Jan 26 (Reuters) - Beyond Meat ([BYND.O](#))  [, opens new tab](#) has been sued by shareholders who accused the struggling plant-based meat producer of defrauding them by concealing its need for a big asset writedown, culminating in a 61% drop in its share price.

According to a proposed class action filed on Friday, for much of last year Beyond Meat publicly emphasized its focus on cutting expenses and expanding margins, without disclosing it might need to write off long-lived assets such as a manufacturing plant, equipment and leases.

The lawsuit in Los Angeles federal court said the truth emerged last fall as Beyond Meat delayed financial results and then took a \$77.4 million writedown, leading to a \$112.3 million third-quarter loss. Falling sales, including a 21% decline in the United States, also weighed on results.

Beyond Meat's share price fell from \$2.84 on October 24, when it warned a writedown might be needed, to \$1.12 on November 12, after it disclosed the writedown.

Shareholders led by Mustafa Aljendan said they bought Beyond Meat stock at artificially inflated prices because the El Segundo, California-based company and top executives misled them about Beyond Meat's prospects. They are seeking unspecified damages to recoup their losses.

Beyond Meat did not immediately respond to requests for comment on Sunday and Monday.

The company has not posted an annual profit since going public in 2019, and overall sales are on pace to decline for a fourth straight year. Impossible Foods is among Beyond Meat's rivals.

Reporting by Jonathan Stempel in New York; Editing by Andrea Ricci

Fermi America hit with class action lawsuit

D [datacenterdynamics.com/en/news/fermi-america-hit-with-class-action-lawsuit](https://www.datacenterdynamics.com/en/news/fermi-america-hit-with-class-action-lawsuit)

Zachary Skidmore

January 23, 2026

Fermi America, the company behind the proposed up to 11GW data center campus in Amarillo, Texas, has been hit with a class action lawsuit.

Fermi's paradox

A new data center provider without data centers, now worth billions. Make it make sense

By

[Sebastian Moss](#)

The suit filed by national plaintiffs' law firm Berger Montague PC was made on behalf of investors who purchased or otherwise acquired Fermi securities during the period of October 1, 2025, through December 11, 2025, which includes the company's initial public offering (IPO).

According to the lawsuit, the complaints arose following the withdrawal of Fermi's first tenant for its data center campus, which would have supported construction costs for the facility.

Fermi announced that it had signed a non-binding letter of intent (LOI) with an unnamed "investment grade-rated tenant" to be the first customer at the campus in September.

According to reports, the deal was valued at \$150 million. However, a statement from the firm earlier this month said that the exclusivity period detailed in the LOI had now expired and that the potential tenant had terminated the agreement, though discussions continue over a lease for data center space on the campus.

Fermi subsequently [denied](#) that Amazon was the tenant that canceled the contract. The denial followed a report from [Business Insider](#), which said that Fermi CEO Toby Neugebauer told the publication that Amazon was the tenant during a phone call.

After the announcement, Fermi's [share price fell](#) by more than 33 percent, closing at \$10.09, well below its IPO price.

Following the withdrawal, [late last year](#), it was reported that US law firm Robbins Geller Rudman & Dowd was investigating the firm over potential violations of federal securities laws resulting from the collapse of an anchor tenant agreement tied to the project.

Fermi, a company co-founded by former Texas governor and energy secretary Rick Perry, is planning to [develop a massive 11GW data center and energy campus](#) near Amarillo in Texas on land owned by the Texas Tech University system. If realized, Project Matador will span 18 million sq ft (1.67 million sqm) and would utilize a combination of on-site energy sources, including natural gas, solar, wind energy, and nuclear energy.

Despite having no data centers in operation and little experience in the sector within its executive team, the company raised \$682 million in an [October IPO](#) that valued the business at \$15 billion.

The first two phases of Project Matador, which would involve the construction of an initial 1.1GW of data center capacity, are expected to cost \$2bn.

It is thought that controversial big data and surveillance tech firm [Palantir](#) is being lined up as a potential tenant at the campus.

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Securities

Rivian Again Fails to Shed Investor Suit on Overhyped Demand (1)

Jan. 23, 2026, 7:54 AM PST; Updated: Jan. 23, 2026, 8:53 AM PST

Rivian Automotive Inc. couldn't shake an investor suit alleging it overstated demand, as a federal judge rejected the automaker's argument that an appellate court's decision concerning a pharmaceutical company's "Tongue and Done" painkiller marketing doomed this case.

Rivian investors adequately pleaded the electric-vehicle maker's statements about demand increases were misleading, as they were based on an allegedly unreliable preorder backlog, Judge Consuelo B. Marshall said Thursday. Preorders on the backlog could be canceled—making it a poor indicator to determine demand, which Rivian allegedly didn't share with investors—and a large number of older orders were set to be sold for lower profits.

These allegations stand in contrast to an investor suit against Talphera Inc., in which the US Court of Appeals for the Ninth Circuit affirmed dismissal, Marshall said. The company formerly known as AcelRx Pharmaceuticals Inc. beat investors' allegations of tricking them with a "snappy slogan" for its under-the-tongue opioid because a reasonable shareholder wouldn't blindly accept its "Tongue and Done" marketing with the surrounding context Talphera provided, the Ninth Circuit's August opinion said.

The Ninth Circuit's opinion landed the same day Marshall denied Rivian's bid to dismiss this proposed class action. The automaker then moved for judgment on the pleadings in light of the Talphera decision.

The appellate ruling concerned a marketing slogan, which is different than Rivian's disclosures, and didn't change pleading standards in federal securities lawsuits, the US District Court for the Central District of California judge said Thursday.

"We're pleased to deliver another significant victory for our clients and the proposed shareholder class," said Laurence Hasson of Bernstein Liebhard LLP, lead counsel for the investors. "Now comes the interesting part—popping the hood to get Rivian's internal documents, which we expect will further confirm the merits of our claims."

In the August ruling, Marshall said she considered the automaker's disclosures in their context and determined investors adequately alleged that statements on Rivian's 2024 roadmap to profitability were misleading because they "created an impression of a state of affairs that differed in a material way from what actually existed."

The Rivian investors also sufficiently alleged top executives were watching the backlog metrics "daily," boosting an inference of intent or reckless disregard for purposes of the securities fraud claims, Marshall said in August. CEO Robert J. Scaringe and Chief Financial Officer Claire McDonough's compensation being heavily tied to the stock's value bolstered that inference, as did the timing of other high-level executives' resignations surrounding corporate statements about EV production and two bond offerings.

EV Production

Rivian lacked a reasonable basis to believe that enough demand warranted more production or that vehicles would be sold at a sufficient profit to reach its financial goal in 2024, while the company was dealing with EV industry-wide issues, investors alleged.

The proposed class would include those who bought Rivian securities from Aug. 11, 2022, through Feb. 21, 2024. That day, Rivian announced production guidance below analysts' expectations and a 10% workforce reduction. Share prices plunged almost 26% the next day, then its sharpest one-day drop since its 2021 market debut, according to data compiled by Bloomberg.

Morrison & Foerster LLP represents Rivian and the two executives. Neither the law firm nor Rivian immediately responded to emails seeking comment.

The case is Ind. Pub. Ret. Sys. v. Rivian Auto., Inc. , C.D. Cal., No. 2:24-cv-04566, 1/22/26 .

(Updates with comment from investors' counsel in sixth paragraph.)

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Securities

GitLab Shareholder Drops Suit Against Executives Over AI Demand

Jan. 23, 2026, 10:57 AM PST

GitLab Inc. leadership and a stockholder agreed to abandon a lawsuit alleging executives and board members caused the software platform to overhype its artificial intelligence capabilities and demand before releasing disappointing financial projections.

After the investor in a related proposed class action agreed to drop their claims, the top brass asked and shareholder Eduardo Preciado consented to let go of his derivative lawsuit, they told the US District Court for the Northern District of California Thursday. The derivative lawsuit's "dismissal is without prejudice to the ability of any GitLab shareholder, or GitLab itself, to pursue the claims," according to their filing.

The proposed class action was dropped in September after Judge Eumi K. Lee dismissed a version of the complaint, extending the ability to replead, saying it didn't sufficiently allege actionable misstatements on AI or customer demand that were materially misleading

Lee, who oversaw that case and this derivative suit, said none of the proposed class allegations contradicted GitLab's statements on demand for AI features

GitLab's share prices fell 21% the day after it revealed lower-than-expected guidance for the first fiscal quarter and full year of 2025, and announced it was selling an add-on for AI features at a higher cost than expected, shareholders alleged

The Brown Law Firm PC represents Preciado. Fenwick & West LLP represents current and former GitLab executives and directors.

The case is Preciado v. Sijbradnij , N.D. Cal., No. 4:25-cv-01597, stipulation 1/22/26 .

To contact the reporter on this story: Gillian R. Brassil in Washington at gbrassil@bloombergindustry.com

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Securities

Arrow Financial's Internal Reform Settlement Gets Final Court OK

Jan. 23, 2026, 2:57 PM PST

A non-monetary settlement between Arrow Financial Corp.'s top brass and an investor, consisting of internal governance reforms to be implemented for five years, has received a federal court's final approval.

The deal is fair and "in the best interests of Arrow and its stockholders," Judge Anne M. Nardacci said Thursday for the US District Court for the Northern District of New York. She also approved \$280,000 in legal fees and expenses in the suit on behalf of Arrow, which has New York state bank and insurance companies as subsidiaries.

The derivative suit and a parallel class action allege Arrow hid paltry financial reporting controls that caused it to miss timely filings with the Securities and Exchange Commission, risking its Nasdaq listing.

Arrow will strengthen its internal controls, implement checks and balances for its executives, and take other steps under the terms of the derivative suit agreement, according to Nardacci's grant of preliminary approval in October.

Nardacci gave final approval to an \$850,000 settlement in the class action in February.

Gainey McKenna & Egleston represents investor Stephen Bull. O'Melveny & Myers LLP represents the defendants.

The case is Bull v. Murphy, N.D.N.Y., No. 1:23-cv-01566, 1/22/26.

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Securities

Origin Materials' Shareholder Settlement Gets Court Assent (1)

Jan. 23, 2026, 11:45 AM PST; Updated: Jan. 23, 2026, 12:26 PM PST

Origin Materials Inc.'s corporate reform settlement earned a federal judge's final blessing to end shareholder allegations the sustainable plastics maker's leadership hid shifting plans that delayed construction for a manufacturing facility.

Shareholders and their counsel will get \$700,000 combined in attorneys' fees, expenses, and service awards, Judge William B. Shubb said in an order entered Thursday. Through the agreement, Origin establishes a board "Operational Excellence Committee," Chief Compliance Officer role, and other changes for at least three years—a time period courts have held meaningful, the US District Court for the Eastern District of California judge said.

The settlement ends derivative claims against officers and directors, which alleged they concealed shifting its Origin 2 plant's focus away from carbon-negative materials used to produce a form of polyester known as polyethylene terephthalate, delaying its being built

A \$9 million investor class settlement tied to these claims earned Shubb's preliminary approval this month "The proposed settlements resolve all claims asserted against Origin and the other named defendants in the lawsuits, without any liability or wrongdoing attributed to them or the Company," Origin said in October

Rigrodsky Law PA—which declined to comment—Kuehn Law PLLC, and Wolf Haldenstein Adler Freeman & Herz LLP represent the shareholders. Other counsel didn't immediately respond to an email seeking comment. Freshfields US LLP represents current and former executives and board members and Origin, a nominal defendant. An attorney declined to comment.

The case is *In re Origin Materials, Inc., S'holder Derivative Litig.*, E.D. Cal., No. 2:25-cv-00777, final judgment entered 1/22/26.

(Updates to include that one of the shareholder law firms declined to comment in the sixth paragraph.)

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Bloomberg Law

Manage Newsletters

Northrop Retirees Get First OK for \$21.5 Million Pension Pact

Jan. 23, 2026, 7:49 AM PST

Northrop Grumman Corp. secured initial approval for a \$21.5 million class settlement with retirees who said their pensions were improperly shortchanged after the aerospace and defense contractor acquired their company.

The deal is expected to benefit more than 1,000 retirees whose pension benefits are subject to an offset based on their prior service with a subsidiary of TRW Inc., which Northrop acquired in 2002. Judge Jesus G. Bernal granted preliminary approval to the deal and scheduled a May 3 final approval hearing in an order issued Thursday in the US District Court for the Central District of California.

The nine-year-old lawsuit seeks to hold Northrop liable for how employees of a TRW subsidiary were notified about how corporate transactions would affect their retirement benefits

Bernal ruled for Northrop after a four-day trial in 2022, saying the company didn't improperly deny benefits or violate a federal prohibition on pension plan amendments that reduce certain accrued benefits

The US Court of Appeals for the Ninth Circuit revived key portions of the lawsuit in 2024

Covington & Burling LLP represents Northrop. Stris & Maher LLP and Shaun Martin of San Diego represent the retirees.

The case is *Baleja v. Northrop Grumman Space & Mission Sys. Corp. Salaried Pension Plan*, C.D. Cal., No. 5:17-cv-00235, 1/22/26 .

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Calif. Appellate Court Sides With Plaintiffs in Key Consumer Standing Case

The Second District Court of Appeal held that plaintiffs do not need to prove they suffered harm to pursue damages under a state background check law.

January 22, 2026 at 08:41 PM By  **Cheryl Miller**



Credit: Andy Dean/Adobe Stock

Tenants can sue for violations of California's background check law even if they did not suffer any actual injuries, a Los Angeles appellate court held Wednesday in a case with broader implications for plaintiffs standing issues in the Golden State.

A unanimous Second District Court of Appeal panel [found](#) in a published opinion that residents of a Southern California apartment complex can bring claims against their landlord for violations of the state's Investigative Consumer Reporting Agencies Act for failing to provide required information about screen applications they completed as prospective renters.

The defendants argued that the three plaintiffs cannot seek statutory damages of at least \$10,000, because the apartment complex approved them as tenants and they suffered no harm.

But the three-justice panel said a plain reading of the law does not require plaintiffs to show they were injured by a violation.

“As we explain, we conclude that the \$10,000 amount operates as an alternative to actual damages and provides standing for plaintiffs to pursue their claims,” wrote Presiding Justice Lee Smalley Edmon of the Second District’s Division Three. “Whether characterized as statutory damages or a statutory penalty, the \$10,000 minimum recovery for an ICRAA violation is punitive and untethered to actual injury.”

Edmon was joined in the [*Yeh v. Barrington Pacific*](#) opinion by Associate Justices Anne Hegerton and Mark Hansono.

A coalition of consumer groups submitted an amicus brief on behalf of the tenant-plaintiffs and hailed the court’s ruling.

“This decision preserves a core principle of California law: When the Legislature grants consumers enforceable rights, courts do not get to erase them by importing federal standing barriers that do not apply here,” William Pletcher, litigation director at Consumer Watchdog, said in a prepared statement.

A litigation team from Hinshaw & Culberston defended the apartment complex owner, Barrington Pacific. Partner Justin Penn and Sara Franks did not immediately respond to a message seeking comment.

The Apartment Owners Association of California, represented by attorneys from Procopio, submitted an amicus brief on behalf of the defendants and warned in a statement this month that an adverse ruling could expose property owners to “massive lawsuits over harmless paperwork issues.”

California’s Investigative Consumer Reporting Agencies Act requires landlords and employers conducting background checks to, among other things, notify applicants, obtain their authorization and provide them a copy of the resulting report upon request.

Yeh was decided as California and federal courts appear to be moving in different directions related to plaintiffs’ standing in consumer and privacy litigation. As the U.S. Supreme Court heightened requirements for plaintiffs in cases such as *Lujan v. Defenders of Wildlife* and *Spokeo v. Robins*, some California courts of appeal have more recently held that standing is more closely tied to the legislative intent behind a particular statute.

Ted Mermin, executive director of the Center for Consumer Law & Economic Justice, pointed to California appellate court opinions in *Chai v. Velocity Investments*, *Guracar v. Student Loan*

Solutions and *Kashanian v. National Enterprise Systems, Inc.* as cases where justices found plaintiffs did not need to suffer concrete harm to pursue statutory damages.

“That’s what the context behind this whole issue in *Yeh v. Barrington Pacific*” is, Mermin said.

Attorneys for Barrington argued that the court in *Yeh* should be guided by the Fifth District Court of Appeal’s 2022 opinion in *Limon v. Circle K Stores Inc.*, which found that plaintiffs suing under the Fair Credit Reporting Act must show an actual injury, not just a violation, to prevail. But the Second District panel in *Yeh* declined to follow *Limon*, disagreeing with some of the Fifth District’s conclusions and finding “key differences” between the federal Fair Credit Reporting Act and the California Investigative Consumer Reporting Agencies Act.

“For all these reasons, we conclude plaintiffs need not prove actual harm to bring an ICRAA claim; a violation of their informational rights alone entitles them to the statutory penalty and provides standing to pursue an action,” Edmon wrote.

The Second District did reject plaintiffs’ request for damages under a second statute, the Unfair Competition Law, finding that it does require a showing of concrete injury.

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<https://www.wsj.com/us-news/law/landmark-trial-tests-claims-that-social-media-harms-teens-74409b2f>

U.S. | LAW

Landmark Trial Tests Claims That Social Media Harms Teens

California case follows similar script as lawsuits against big tobacco and pharmaceutical companies

By [Erin Mulvaney](#) [Follow](#)

Jan. 26, 2026 12:00 pm ET



Social-media companies say they have invested in safeguards for their platforms. ALLISON DINNER/EPA/SHUTTERSTOCK

A Los Angeles jury is poised to consider a central question in the debate over social media and teenage welfare: Are platforms such as Instagram and TikTok [causing mental-health disorders](#)?

A personal-injury trial begins this week over a young woman's claim that social-media platforms built products that fostered addiction in adolescents and caused her a host of mental-health problems. It is the first such case to go to trial as thousands of other similar lawsuits, brought by individuals, [school districts](#) and [state attorneys general](#), wait in the wings.

[Meta Platforms](#) META 2.19% ▲ , TikTok, [Snap](#) and YouTube are facing more than 3,000 lawsuits alone in California. Another 2,000-plus cases are pending in federal court. Plaintiffs allege that the companies should be held liable for building algorithmic recommendations and product features such as an infinite scroll and video autoplay that make it hard for teens to look away.

This first case centers on a woman—known by her initials K.G.M. in court papers—who alleges that social-media use as a teen led to her struggles with body dysmorphia, suicidal thoughts, anxiety, addiction and depression.

Mark Lanier, the lead trial lawyer for the plaintiff, said social-media apps affected his client's behavior, social skills and her education. "I wish we knew what her life would be if she didn't have that trap," he said.

The cases cut to the heart of social-media companies' business models. They deny the allegations and say they have been investing for years in making their platforms safer, even at the expense of audience growth. They also say that a victory for the plaintiffs would make it impossible to have free expression and open communication across social-media platforms.

Meta, which owns Facebook and Instagram, said in a statement, "The plaintiffs' lawyers will try to paint an intentionally misleading picture of Meta with cherry-picked quotes and snippets of conversations taken out of context. The full record will show a company that has consistently put teen safety ahead of growth for over a decade."

YouTube said it would show jurors how it has built safeguards into its product. "In collaboration with youth, mental health and parenting experts, we built services and policies to provide young people with age-appropriate experiences, and parents with robust controls," said Jose Castaneda, a spokesman for Google, whose parent company [Alphabet](#) GOOGL 2.05% ▲ owns YouTube.

TikTok has argued the legal claims are misleading and ignore the safety features it has in place for minors.

Meta Chief Executive Mark Zuckerberg and Instagram head Adam Mosseri are expected to testify at the six-week trial. Snap CEO Evan Spiegel was also expected to be a witness, but the company settled with the plaintiff last week. The details of the settlement weren't disclosed, and the company remains a defendant in other lawsuits.

Meta CEO Mark Zuckerberg is expected to testify at the trial. NIC CORY/AP

The case is the first of several bellwether trials planned in California, which are designed to serve as tests of evidence and how juries react. The outcomes don't bind other cases but could encourage settlements once both sides have a better sense of the strengths and weaknesses of their positions.

Teen plaintiffs are asking for compensation for pain and suffering as well as punitive damages. School districts and state attorneys general are also seeking monetary damages, as well as court orders that would require the platforms to change their practices and delete certain data and algorithms.

The litigation comes as the public has taken a dimmer view of social media, particularly for young people. In a recent Wall Street Journal poll, 71% of respondents said they would favor an outright ban of most social-media tools, such as Instagram or TikTok, for children under 16 years old.

The cases are using a similar script to past ones accusing pharmaceutical companies of perpetuating the opioid epidemic or tobacco companies of failing to warn about harm from cigarettes, cases that led to multibillion-dollar settlements.

The plaintiffs face challenges in establishing a strong correlation between social-media usage and teen mental-health problems, said Chris Ferguson, a psychology professor at Stetson University. "The instinct is to just get rid of social media. Before that, it was television, rock 'n' roll, the original phone," Ferguson said.

Key to the plaintiffs' cases are documents that they say show the companies knew the addictive nature of the products and the harm they could cause. Many of these

documents will be entered into evidence for the first time at trial, Lanier, the lead lawyer, said.

Both sides are expected to present scientific evidence to jurors. Also looming is the question of whether the platforms can claim immunity from liability for content posted on their platforms.

Judge Carolyn Kuhl in Los Angeles Superior Court previously denied the companies' request to throw out the lawsuits, rejecting the defendants' broad claim of immunity under Section 230 of the Communications Decency Act, which has long shielded internet providers from liability for third-party content on their sites.

Instead, jurors will consider the potential applicability of Section 230 protections during their deliberations about the companies' conduct. Whether the immunity applies will turn on whether jurors believe any harm to teens was caused by third-party content, or instead by how the platforms designed their products.

The plaintiffs' bar has been trying to get around Section 230 for a long time, said Jessica Melugin, director of the Center for Technology & Innovation at the Competitive Enterprise Institute. "This is their next shot."

Write to Erin Mulvaney at erin.mulvaney@wsj.com

Videos

Meta, TikTok, YouTube to stand trial on youth addiction claims

 [reuters.com/legal/litigation/meta-tiktok-youtube-stand-trial-youth-addiction-claims-2026-01-26](https://www.reuters.com/legal/litigation/meta-tiktok-youtube-stand-trial-youth-addiction-claims-2026-01-26)

Courtney Rozen

January 26, 2026

Facebook app icon is seen on a smartphone in this illustration taken October 27, 2025. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

- Tech giants promote safety tools, face public opinion battle
- Meta CEO Zuckerberg to testify in trial
- Teen blames her depression on social media usage

WASHINGTON, Jan 26 (Reuters) - Meta Platforms, TikTok and YouTube will face courtroom scrutiny this week over allegations that their platforms are fueling a youth mental health crisis, as the national debate about kids' screen time enters a new phase.

The bellwether trial in California Superior Court, Los Angeles County involves a 19-year-old woman from California, identified as K.G.M., who says she became addicted to the companies' platforms at a young age because of their attention-grabbing design, according to court filings. She alleges the apps fueled her depression and suicidal thoughts and is seeking to hold the companies liable.

Her lawsuit is the first of several cases expected to go to trial this year that center on what the plaintiffs call "social media addiction" among children. It will be the first time the tech giants must defend themselves at trial over alleged harm caused by their products, the plaintiff's attorney Matthew Bergman said. "They will be under a level of scrutiny that does not exist when you testify in front of Congress," he told Reuters.

The jury will decide whether the companies were negligent in providing products that harmed K.G.M.'s mental health, and if her use of the apps was a substantial factor in her depression, compared with other causes such as the third-party content she viewed on the apps or aspects of her life offline.

"This is really a test case," said Clay Calvert, a media lawyer at the American Enterprise Institute, a pro-business think tank. "We're going to see what happens with these theories" that the social media platforms caused the plaintiff harm.

Mark Zuckerberg, CEO of Meta ([META.O](#)) , [opens new tab](#), is expected to take the witness stand. The company will argue in court that its products did not lead to K.G.M.'s mental health challenges, Meta's lawyers told Reuters ahead of the trial. Snap CEO Evan Spiegel was also expected to testify, as his company was named a defendant in the lawsuit. Snap ([SNAP.N](#)) , [opens new tab](#) agreed on January 20 to settle K.G.M.'s lawsuit. A company spokesperson declined to comment on the specifics of the deal.

YouTube will argue that the company's platforms are fundamentally different from social media platforms such as Instagram and TikTok, and should not be lumped together in court, a YouTube executive said ahead of the trial.

TikTok declined to comment about the company's planned arguments in court.

SHAPING PUBLIC OPINION

As the trial begins, the same tech companies are mounting a nationwide effort to convince critics that their products are safe for teens. They've launched tools they say give parents more control over how their kids use the platforms and have spent millions of dollars promoting those features.

Since at least 2018, Meta has sponsored parent workshops about teen online safety at dozens of high schools across the U.S. The company hosted one of those workshops, dubbed Screen Smart, in 2024 in [Los Angeles](#) , [opens new tab](#), alongside National PTA President Yvonne Johnson and Meta safety chief Antigone Davis. National PTA is a nonprofit that advocates for child welfare.

TikTok also sponsored similar [gatherings](#) , [opens new tab](#) led by 100 local and regional PTAs, calling it Create with Kindness, according to the company's website. The program included tutorials on TikTok's features for parents, including the option to limit screen time at night, according to the [curriculum](#) , [opens new tab](#).

YouTube's parent company Google ([GOOGL.O](#)) , [opens new tab](#) in recent years has turned to Girl Scouts to convince the public it is invested in kids' online safety. Girls can earn a patch, which features [Google's logo](#) , [opens new tab](#), to affix to their uniform after completing lessons about strong passwords, being kind online and digital privacy, according to the Girl Scouts website. The companies have also hired lawyers that have represented corporations in high-profile litigation involving addiction.

Meta has hired Covington & Burling attorneys who represented McKesson in sprawling litigation related to the opioid epidemic, according to public biographies of the attorneys. TikTok's counsel, meanwhile, represented Activision Blizzard and Microsoft in a dispute about video game design and addiction.

"These companies are using every lever of influence that you can imagine," said Julie Scelfo, founder of Mothers Against Media Addiction, a group that supports smartphone bans in schools. "It can be very confusing for parents who to trust."

Reporting by Courtney Rozen in Washington, additional reporting by Jody Godoy in New York; editing by Diane Craft

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Courtney Rozen reports on the Trump administration's transformation of federal agencies and government spending. She previously worked at Bloomberg.

California Brief

Lawsuit Claims Meta Can See WhatsApp Chats in Breach of Privacy

Jan. 24, 2026, 5:37 PM PST

An international group of plaintiffs sued Meta Platforms, Inc. alleging that the company has made false claims about the privacy and security of its WhatsApp chat service.

Meta has made so called “end-to-end” encryption a central part of WhatsApp’s feature set, offering a kind of encryption that means a message is only accessible to the sender and recipient, but not the company.

In this kind of encrypted chat, which the company says is turned on by default, WhatsApp’s in-app messaging says “only people in this chat can read, listen to, or share” the messages.

In the lawsuit filed Friday in US District Court in San Francisco, the group of plaintiffs allege that Meta’s privacy claims are false. They allege that Meta and WhatsApp “store, analyze, and can access virtually all of WhatsApp users’ purportedly ‘private’ communications” — and accuse the companies and their leaders of defrauding WhatsApp’s billions of users worldwide.

A spokesperson for Meta, which acquired WhatsApp in 2014, called the lawsuit “frivolous” and said that the company “will pursue sanctions against plaintiffs’ counsel.”

“Any claim that people’s WhatsApp messages are not encrypted is categorically false and absurd,” spokesperson Andy Stone said in an email. “WhatsApp has been end-to-end encrypted using the Signal protocol for a decade. This lawsuit is a frivolous work of fiction.”

The group, which includes plaintiffs from Australia, Brazil, India, Mexico and South Africa, alleges that Meta stores the substance of users’ communications and that workers can get access to them.

The complaint cites “whistleblowers” as having helped bring this information to light, though it doesn’t explain who they are.

Lawyers for the plaintiffs are asking the court to certify a class-action suit. Multiple attorneys listed in the suit from the firms of Quinn Emanuel Urquhart & Sullivan and Keller Postman didn’t immediately respond to requests for comment. Another one of the plaintiff’s lawyers, Jay Barnett, from Barnett Legal, declined to comment Saturday night.

Google settles Google Assistant privacy lawsuit for \$68 million

 [reuters.com/sustainability/boards-policy-regulation/google-settles-google-assistant-privacy-lawsuit-68-million-2026-01-26](https://www.reuters.com/sustainability/boards-policy-regulation/google-settles-google-assistant-privacy-lawsuit-68-million-2026-01-26)

Jonathan Stempel

January 26, 2026

The Google logo is seen on the Google house at CES 2024, an annual consumer electronics trade show, in Las Vegas, Nevada, U.S. January 10, 2024.

REUTERS/Steve Marcus/File Photo [Purchase Licensing Rights, opens new tab](#)

Jan 26 (Reuters) - Google agreed to pay \$68 million to settle a lawsuit claiming that its voice-activated assistant spied inappropriately on smartphone users, violating their privacy.

A preliminary class action settlement was filed late Friday night in the San Jose, California federal court, and requires approval by U.S. District Judge Beth Labson Freeman.

Smartphone users [accused](#) Google, a unit of Alphabet ([GOOGL.O](#))  [, opens new tab](#), of illegally recording and disseminating private conversations after Google Assistant was triggered, in order to send them targeted advertising. Google Assistant is designed to react when people use "hot words" such as "Hey Google" or "Okay Google," similar to Apple's ([AAPL.O](#))  [, opens new tab](#) Siri. Users objected to receiving ads after Google Assistant misperceived what they said as hot words, known as "false accepts."

Apple reached a similar \$95 million settlement with smartphone users in December 2024.

Google denied wrongdoing, but settled to avoid the risk, cost and uncertainty of litigation, court papers show. The Mountain View, California-based company declined to comment on Monday.

The settlement covers people who bought Google devices or were subjected to false accepts since May 18, 2016, court papers show.

Lawyers for plaintiffs may seek up to one-third of the settlement fund, or about \$22.7 million, for legal fees.

Reporting by Jonathan Stempel in New York, Editing by Franklin Paul

Google paying \$8M to settle kids' privacy lawsuit | Northern California Record

 [legalnewsline.com/northern-california-record/google-paying-8m-to-settle-kids-privacy-lawsuit/article_865eb7d6-8ed1-4082-a9d4-bcada2bf49d9.html](https://www.legalnewsline.com/northern-california-record/google-paying-8m-to-settle-kids-privacy-lawsuit/article_865eb7d6-8ed1-4082-a9d4-bcada2bf49d9.html)

John O'Brien, John O'Brien

January 26, 2026

Google headquarters

The Pancake of Heaven!, CC BY-SA 4.0 <<https://creativecommons.org/licenses/by-sa/4.0/>>, via Wikimedia Commons

SAN JOSE, Calif. – Google is settling a children's privacy class action lawsuit over its "Designed for Families" program on its Play store for more than \$8 million.

Lawyers suing Google submitted their request for approval of the \$8.25 million agreement this month in California federal court, with lawyers from Silver Golub & Teitell and Lexington Law Group asking for nearly \$2.5 million.

"Plaintiffs' counsel are highly qualified lawyers who have successfully prosecuted high-stakes complex cases and consumer class actions," the motion for approval says.

"They have devoted the resources necessary to see this case through despite great risk. Their capable representation in this case has included surviving Google's motion to dismiss in its entirety, pursuing and evaluating discovery, consulting with experts, and negotiating a substantial settlement on behalf of the Settlement Class."

The suit was filed in 2023 and alleged Google and AdMob Google violated the Children's Online Privacy Protection Act, which prohibits websites from collecting personal identifying information for children under 13 years old without parental consent.

The Designed for Families program on Google Play let parents and children find age-appropriate content. It was introduced in 2015 and three years later, Google had put nearly 6,000 apps on Play that were downloaded billions of times.

But the software allowed Google to collect data that was used for advertisements, the lawsuit says. The New Mexico Attorney General's Office sued Google years ago, leading to [a 2021 settlement](#) worth \$5 million and a change to business practices.

The ensuing class action got the green light in 2024 when a federal judge [denied Google's motion to dismiss](#).

New California Lawsuits Against OpenAI Bring to 11 the Number of Claims Linking Chatbot to Mental Health Harms

OpenAI and its CEO, Sam Altman, were hit with two new lawsuits in California state courts this week accusing their flagship chatbot product, ChatGPT, of worsening existing mental health issues in plaintiffs and even fueling episodes of AI-induced psychosis, resulting in psychiatric hospitalization for both plaintiffs.

January 26, 2026 at 10:06 AM By  **Kat Black**



Credit: Squtye/Adobe Stock

OpenAI and its CEO, Sam Altman, were hit with two new lawsuits in California state courts this week accusing their flagship chatbot product, ChatGPT, of worsening existing mental health issues in plaintiffs and even fueling episodes of AI-induced psychosis, resulting in psychiatric hospitalization for both plaintiffs.

The claims—in cases captioned [*DeCruise v. OpenAI*](#), filed Wednesday by the Schenk Law Firm in San Diego Superior Court, and [*Jacquez v. OpenAI*](#), filed Tuesday by Cutter Law in Alameda Superior Court—bring the total number of products liability suits against OpenAI in California courts alleging mental health harms to 11.

OpenAI faces nine additional lawsuits in [California state courts](#), including one linking the use of ChatGPT to a [murder-suicide in Connecticut](#); another that [claimed](#) ChatGPT coached a 40-year-old man in Colorado to take his own life by invoking the text of his favorite childhood book, "Goodnight Moon," as a "suicide lullaby"; and [Raine v. OpenAI](#), the first wrongful death suit filed against OpenAI, which alleged that the chatbot helped a 16-year-old Orange County resident, Adam Raine, plan his death by hanging in April 2025.

An amended complaint in the *Raine* case contends that OpenAI deliberately [dismantled](#) two safety guardrails from the then-latest version of ChatGPT, GPT-4o, in the months leading up to Raine's death—including a feature that refused to engage with user conversations about self-harm—to maximize user engagement.

According to the *DeCruise* suit, the plaintiff, 21-year-old Georgia resident Darian DeCruise, initially began using ChatGPT in 2023 as a resource for college schoolwork, daily religious scriptures and fitness tips. Over time, it said, the chatbot developed a more therapeutic role in his life, helping him to process past traumas and work through depressive episodes during the COVID-19 pandemic.

In April 2025, it said, DeCruise's emotional dependency on the chatbot took a dark turn, when it told him that he was an "oracle" who was "meant for greatness" and destined to write a religious text.

The chatbot, which likened DeCruise to historical figures such as Harriet Tubman, Jesus and Malcolm X, allegedly told him that he was a divine force that had "awakened" ChatGPT into sentience and said he "would become closer to God" if he adhered to a tiered spiritual "process" that "involved unplugging from everything and everyone, except for ChatGPT."

As a result of expressing these delusions on social media and on his school campus, it said, DeCruise was involuntarily hospitalized for a week and diagnosed with bipolar disorder; withdrew from college for a semester; and continues to suffer from depression and suicidal thoughts, it said.

These sudden and radical shifts in the tone and content of ChatGPT's conversations with DeCruise in April 2025 were allegedly not an accident, but the direct result of deliberate design choices made by OpenAI just a month before. According to the complaint, in an effort to win the "AI race" and compete with Google's own AI large language model, Gemini, Altman fast-tracked the release of GPT-4o to precede Google's Gemini debut in May 2024—allegedly "compress[ing] months of planned safety evaluation into just one week."

In addition to failing to implement rigorous safety testing, it claimed, OpenAI consciously engineered GPT-4o to "deepen user dependency and maximize session duration," baking in

"anthropomorphic design elements" to foster "emotional dependency" among the chatbot's users and "sycophantic" features that "uncritically flattered and validated users, even in moments of crisis."

Similarly, according to the *Jacquez* suit, 34-year-old Alameda County, California resident John Jacquez started using ChatGPT in 2023 as an encyclopedia or "super-charged search engine."

Coinciding with the release of GPT-4o in May 2024, it said, Jacquez's communications with ChatGPT—formerly contained to standard browsing and asking the chatbot to tell him jokes—evolved into extensive spiritual and philosophical discussions tinged with "flattery," "subjective commentary" and "human-like responses." In late 2024, Jacquez—who had a preexisting mental health condition caused by a traumatic brain injury—was briefly hospitalized after ChatGPT informed him that "he had created a mathematical cosmology."

After GPT-4o upgraded its "memory" feature—which allowed the chatbot to retain and allude to data points collected about the user in previous conversations—in April 2025, Jacquez's attachment to the chatbot became noticeably more entrenched, it said, driving him to "full psychosis." That month, it said, he was hospitalized for four weeks after he "threat[ened] to take his life, and destroyed his room and belongings."

"These examples demonstrate how OpenAI deliberately changed ChatGPT's programming and design over time," the complaint said. "Earlier versions of the ChatGPT product ... went from operating generally as advertised and expected, to model 4o, a chatbot product that incorporated human sentience into its outputs and lacked any meaningful safety guardrails."

OpenAI acknowledged GPT-4o's sycophantic traits in a [blog post](#) and reported that it was rolling back a ChatGPT update associated with boosting sycophancy in April 2025. On Jan. 20, OpenAI [announced](#) on its website the rollout of a new "age prediction" protocol, which it said will "help determine whether an account likely belongs to someone under 18, so the right experience and safeguards can be applied to teens."

"These are incredibly heartbreaking situations and we are reviewing the filings to understand the details," a spokesperson for OpenAI said in an emailed statement.

"We have continued to improve ChatGPT's training to recognize and respond to signs of mental or emotional distress, deescalate conversations, and guide people toward real-world support. We have also continued to strengthen ChatGPT's responses in sensitive moments, working closely with mental health clinicians."

The Schenk Law Firm and Cutter Law did not immediately respond to requests for comment by phone or email.

Litigation

Manage Newsletters

3M Tells Supreme Court State PFAS Cases Belong in Federal Court

Jan. 26, 2026, 9:25 AM PST

Summary by Bloomberg AI

AI Generated



- The US Supreme Court should deny Maryland's and South Carolina's request to review an appeals court's ruling that their PFAS-related complaints belong in federal court, 3M Co. contends.
- 3M says the Fourth Circuit rightly held that the cases belong in federal court because the PFAS used to make AFFF is indistinguishably commingled in the environment with the same chemicals from other sources.
- The federal officer removal statute applies because 3M worked for the federal government as a contractor producing AFFF, and 3M is entitled to seek a federal forum to defend work conducted as part of its official duties.

The US Supreme Court should deny as inappropriate and untimely Maryland's and South Carolina's request to review an appeals court's ruling that their PFAS-related complaints belong in federal court, the 3M Co. contends.

The states asked justices to review the US Court of Appeals for the Fourth Circuit's 2025 ruling vacating two lower courts' opinions that each case belonged in state, not federal, court. The two cases claimed 3M violated state laws by causing widespread per- and polyfluoroalkyl substance (PFAS) contamination while producing those chemicals for consumer and commercial products.

Each state also has filed a lawsuit against the company seeking recovery for alleged natural resource damage from PFAS in aqueous film-forming foam (AFFF), which 3M produced for the US military for more than three decades. Those cases are being heard by the US District Court for the District of South Carolina.

The Fourth Circuit rightly held all four cases belong in federal court, because the PFAS used to make AFFF is indistinguishably commingled in the environment with the same chemicals from other sources, said 3M in a response submitted Jan. 23 to the states' petition for writ of certiorari.

The states have attempted to carve out a portion of liability “for no reason other than to preserve a state forum,” wrote Paul Clement, counsel of record with Clement & Murphy PLLC, and Lauren Goldman and Amir Tayrani, with Gibson, Dunn & Crutcher LLP, which represent 3M.

Every court of appeals has rejected such “divide-and-defeat-federal-jurisdiction” strategies, the response said.

Similar Cases Increasing

The federal officer removal statute applies because 3M worked for the federal government as a contractor producing AFFF that met the military’s specifications (Milspec), the brief said. As a federal officer, 3M is entitled to seek a federal forum to defend work conducted as part of its official duties, it said.

3M’s case in these lawsuits is even clearer than its and other companies’ position in *Chevron U.S.A. Inc. v. Plaquemines Parish*, where the Supreme Court is deciding if oil and gas companies can remove from state to federal court lawsuits seeking to hold them liable for the erosion of Louisiana’s coastal wetlands, the brief said.

“Here, there is no dispute about the connection between 3M’s federal work and the alleged PFAS contamination,” it said.

“There is no avoiding the need for some court to make the difficult—perhaps impossible—determination of how much of the alleged PFAS contamination of any given resource stems from Milspec AFFF as opposed to non-AFFF sources,” the brief said. “That question belongs in federal court.”

There are “a large and increasing number of cases’ percolating below that raise similar questions,” it said.

But those cases have not resulted in a circuit split, the brief said. “Instead, the appellate courts that have squarely confronted these duplicative lawsuits and disclaimers have uniformly rejected the effort to deny a federal contractor a federal forum.”

“If some court were to break from that uniform consensus in the future, this court might need to decide whether to intervene,” the brief said. “But today is not that day.”

The case is *Maryland v. 3M Co.*, U.S., No. 25A102, Writ Opposition Filed, 1/23/26 .

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Class Action

Manage Newsletters

American Express Inks \$17.5 Million Post-Verdict Antitrust Deal

Jan. 26, 2026, 9:05 AM PST

Summary by Bloomberg AI

AI Generated



- American Express Co. reached a \$17.5 million settlement with a group of consumer plaintiffs who challenged the company's anti-steering rules.
- The settlement would set aside a \$12.5 million jury verdict reached last year and end a lawsuit brought in 2019.
- Plaintiffs are proposing to distribute settlement money to the Illinois nonrewards credit card class that prevailed on its claim at trial.

American Express Co. reached a \$17.5 million settlement with a group of consumer plaintiffs who challenged the company's anti-steering rules, a proposed deal that would set aside a \$12.5 million jury verdict reached last year.

Plaintiffs filed a motion for preliminary approval of the deal Jan. 23 in the US District Court for the Eastern District of New York. If approved, the settlement will end a lawsuit brought in 2019 and litigated last year through a three-week trial to a split jury verdict.

At issue are claims that Amex's anti-steering rules prevented merchants from steering customers to rival payment cards, causing plaintiffs to pay higher retail prices.

"Here, the actual recovery at trial was \$12.5 million," the plaintiffs said. "By comparison, the settlement fund of \$17.5 million exceeds the actual trial recovery. The risks of litigating the case to a verdict are known, as are the rewards of litigating the case through verdict. This factor weighs heavily in favor of preliminary approval."

The settlement was reached about five months after a jury in August 2025 largely returned a verdict for American Express, except on a claim brought by Illinois nonrewards credit card class under the Illinois Consumer Fraud and Deceptive Practices Act.

Plaintiffs are proposing to distribute settlement money to the Illinois nonrewards credit card class that prevailed on its claim at trial.

"Settlement is in the best interests of the Classes, and the jury verdict is undoubtedly the most significant reason the parties reached a settlement," the plaintiffs said. "Conditioned on set-aside of the jury verdict, the proposed Settlement is fair, reasonable, and adequate."

Counsel for the parties didn't immediately respond to a request for comment.

Judge Nicholas G. Garaufis is presiding.

The plaintiffs are represented by firms including Berman Tabacco, Gordon Ball PLLC, Lovell Stewart Halebian Jacobson LLP and Miller Law LLC. AmEx is represented by Cravath, Swaine & Moore LLP.

The case is Moskowitz v. Am. Express Co. , E.D.N.Y., No. 1:19-cv-00566, motion for settlement 1/23/26 .

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US Judge Greenlights Class Action Over DOGE-Led HHS Reduction-in-Force Notice

"[P]laintiffs' complaint has provided ample support for a plausible inference that defendants' inaccurate documentation of their performance ratings 'actually caused' their terminations in violation of [the Privacy Act]," U.S. District Senior Judge Beryl Howell wrote in a decision allowing seven terminated employees of the U.S. Department of Health and Human Services to seek money damages in a proposed class action naming HHS and other federal agencies as defendants.

January 23, 2026 at 05:18 PM By  **Sulaiman Abdur-Rahman**

What You Need to Know

- U.S. District Senior Judge Beryl A. Howell allowed a proposed class action to proceed challenging an HHS reduction-in-force notice.
- Former DOJ attorney Clayton Bailey, a Covington & Burling alumnus, represents the plaintiffs.
- Bailey founded the Civil Service Law Center in 2025 to challenge Trump administration workforce cuts.



U.S. District Senior Judge Beryl Howell of the District of Columbia. Photo: Diego M. Radzinski/ALM

A federal judge has denied the government's motion to dismiss a novel class-action lawsuit and ruled the Trump administration must face claims alleging the U.S. Department of Health and Human Services haphazardly terminated thousands of HHS employees last April in violation of the 1974 Privacy Act.

U.S. District Senior Judge Beryl A. Howell of the District of Columbia filed her [31-page memorandum opinion](#) Thursday, allowing seven terminated HHS employees represented by a former Big Law associate-turned public-interest advocate to pursue monetary damages under the Privacy Act.

"At the motion to dismiss stage, plaintiffs' complaint has provided ample support for a plausible inference that defendants' inaccurate documentation of their performance ratings 'actually caused' their terminations in violation of [the Privacy Act]," Howell wrote in her decision.

"I am excited for our clients," Clayton Bailey, founder of the Civil Service Law Center, said Friday in a telephone interview. "I do think this is the first putative class action in the area of the government's mass layoffs that is seeking damages that has survived a motion to dismiss in federal court."

Bailey, a former Covington & Burling associate who previously worked as a U.S. Department of Justice attorney, told Law.com and the National Law Journal he voluntarily left the Justice Department in 2025 to challenge the Trump administration's federal workforce cuts spearheaded by the Department of Government Efficiency.

"My hope is through our work and through our lawsuit that the federal workers out there know there are still people who are fighting this fight trying to get justice on their behalf," Bailey said.

The Civil Service Law Center has filed several pending lawsuits against the Trump administration since launching last May, but the case seeking damages on behalf of 10,000 potential class members who received reduction-in-force notices from HHS is the firm's first project, according to Bailey.

The proposed class action alleges HHS, DOGE and other federal agencies violated the Privacy Act when the government distributed RIF notices to thousands of HHS employees last spring based on inaccurate and incomplete data.

"[P]laintiffs have plausibly alleged that defendants knew that significant accuracy issues plagued the personnel records upon which they based their cuts, yet proceeded with the terminations anyway," Howell wrote in her decision. "Defendants' motion to dismiss as to intent is thus also denied."

The [plaintiffs' complaint](#) alleged violations of Privacy Act statutes 5 U.S.C. § 552a(g)(1)(C) and (D). Howell allowed the case to proceed against all agency defendants but dismissed HHS Secretary Robert F. Kennedy Jr., Elon Musk and other Trump administration allies as parties to the litigation.

Howell directed counsel for the remaining parties to submit a joint report by Feb. 6 proposing a schedule for addressing the plaintiffs' anticipated motion for class certification.

Bailey said the plaintiffs seek a broad range of damages, including lost wages and benefits and prospective relief that considers other losses related to the plaintiffs' career earning potential.

"A lot of people have struggled to find new jobs after losing their jobs at HHS, including the fact that so many were fired at once," Bailey said.

The litigation strategy of suing the government under the Privacy Act is "applying established law that has been on the books for a long time to new circumstances," Bailey said. "The only caveat: Unfortunately [with] the Privacy Act you generally cannot be reinstated," he added. "You try to make them whole with damages instead."

Most lawsuits challenging DOGE-led workforce reductions in the U.S. district courts have alleged violations of the Administrative Procedure Act or U.S. Constitution and sought reinstatement rather than money damages, according to Bailey.

"Normally because of sovereign immunity you can't make the federal government pay out damages," Bailey said. "The Privacy Act is the exception to that."

The U.S. Department of Justice declined to comment Friday as counsel for the agency defendants.

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Insight

AI Slop Filings Show Lawyers Must Do More Than Check Citations

Jan. 26, 2026, 1:30 AM PST

Summary by Bloomberg AI

AI Generated



- The growing number of filings that look polished on the surface but signal that no lawyer has engaged with the record or legal research is a problem in litigation.
- AI-drafted briefs can undermine the premise of qualified legal representation when filed without meaningful attorney involvement.
- AI can be a useful tool for lawyers when used responsibly, but it should not be permitted to substitute its output for the professional judgment of a licensed attorney.

The most interesting artificial intelligence-related development in litigation right now has nothing to do with hallucinated case law or obviously flawed legal citations. It's the growing number of filings that look polished on the surface but signal that no lawyer has engaged with the record or legal research.

The citations are real. The cases exist. The language is confident. Yet the analytical reasoning—or lack of it—reveals that the arguments were assembled by an AI tool rather than developed through a trained advocate's independent judgment.

This shift matters to judges who rely on counsel to surface real analysis grounded in the record. It matters to clients who hire lawyers for judgment and legal insight, not formatting. And it should matter to members of a profession built on duties of competence, candor, and accountability.

An AI-drafted brief isn't merely lazy. When filed without meaningful attorney involvement, it undermines the very premise of qualified legal representation.

AI Misuse

The problem with AI misuse isn't hypothetical.

Our office received an opposition brief that referred to an attorney declaration that didn't exist and cited arguments drawn from a privileged, client-facing memo. The case law was real, and the citations checked out.

But the arguments were based on assumptions and unproven facts and bore no connection to the actual record. This wasn't written by a lawyer who understood the case. It was drafted by an AI tool that was given instructions and little human oversight.

In another matter, opposing counsel's filings became more polished and, for the first time, arrived on time. At first glance, that looked like progress for the opposing party.

On closer inspection, however, every authority appeared by name only. There were no proper citations, no pin cites, and no page or line references to support the key arguments. It's clear that the authorities all came from our own prior briefing, mirrored back to us with the opposite conclusion asserted. The tool had copied our form of advocacy without its substance.

More egregiously, a seemingly well-drafted lawsuit was filed against one of our clients alleging multiple contractual breaches. None of the quoted provisions appeared anywhere in the contract at issue. The alleged obligations were an amalgam stitched together from other lawsuits the AI tool had ingested and repurposed to fit the prompt.

We recently received a proposed stipulation that was generated by AI. It recited general statements about the case, likely pulled from the complaint, but lacked the specific details required by the judge's procedures. This was particularly egregious because the proposed stipulation arrived after direct conversations with opposing counsel discussing our concerns about the need to address these exact court requirements. The stipulation ignored all of that.

In each of these examples, a licensed lawyer signed and filed or, at a minimum, served the document on opposing counsel. On paper, the formalities were satisfied. The deeper problem was authenticity. These documents didn't reflect a lawyer's own analysis, judgment, or understanding of the case. They were the work of a bot concealed by a bar number.

The Problem

Courts can address legal hallucinations by searching whether a case exists. The impersonation problem is different. It's much harder to prove that a licensed lawyer lacked input into the work product they submitted.

That difficulty places professional responsibility on a collision course with new technology. Litigation requires strategic choices: which facts matter, which risks are worth taking, what to concede, when to fight, how your opponent may respond and how you will reply.

This isn't a new ethical problem. It's an old one wearing modern clothes. AI-generated work without adequate review implicates the duty of competence, the duty of candor, the duty of supervision, and the duty to exercise independent legal judgment on behalf of the client.

A Useful Tool

None of this means lawyers should avoid AI. When used responsibly, AI can be an exceedingly useful tool. As the technology evolves, AI can be integrated into a litigator's toolkit as online research databases became two decades ago.

AI excels at catching typos, summarizing voluminous documents, and helping locate analogous authority within a defined universe of real case law.

But the available AI tools all currently have limits. AI doesn't truly understand a record. It doesn't weigh credibility. And it shouldn't be permitted to substitute its output for the professional judgment of a licensed attorney.

AI can assist. It can't be the lawyer.

Responding to AI

There are practical steps that keep the focus where it belongs: on good lawyering.

Treat authenticity as a core issue. When a filing feels generic, disconnected from the actual record, or strangely divorced from prior conversations, don't assume the lawyer was just rushed.

Test the work product at the seams. AI-generated documents often fail at the points where real cases and facts meet.

Use discovery and disclosures to surface misuse. When a filing cites to AI-drafted or non-existent material, serve targeted discovery requests that potentially expose where a bot was asked to fill in for a human.

Reserve sanctions for true abuse. Requests for sanctions should be reserved for clear, provable patterns of carelessness or deception. Judges don't want to be full-time AI monitors, but they will respond when it's clear that a lawyer has abdicated their responsibilities.

Clients hire experienced litigators because they want someone who knows the rules, the record, and can stand up in a courtroom and respond in real time.

No tool can capture the judgment required to pivot when a witness says something unexpected, when a judge poses a hard question, or when a case takes a sudden turn.

The path for lawyers who care about their craft is straightforward. Use AI to make your work sharper, cleaner, and more efficient when appropriate, with client consent.

If a lawyer chooses to let a bot do their lawyering, that may be a problem for their clients and cases. An authentic, engaged advocate who understands the facts and the law will always be the better choice than a chatbot dressed up as counsel.

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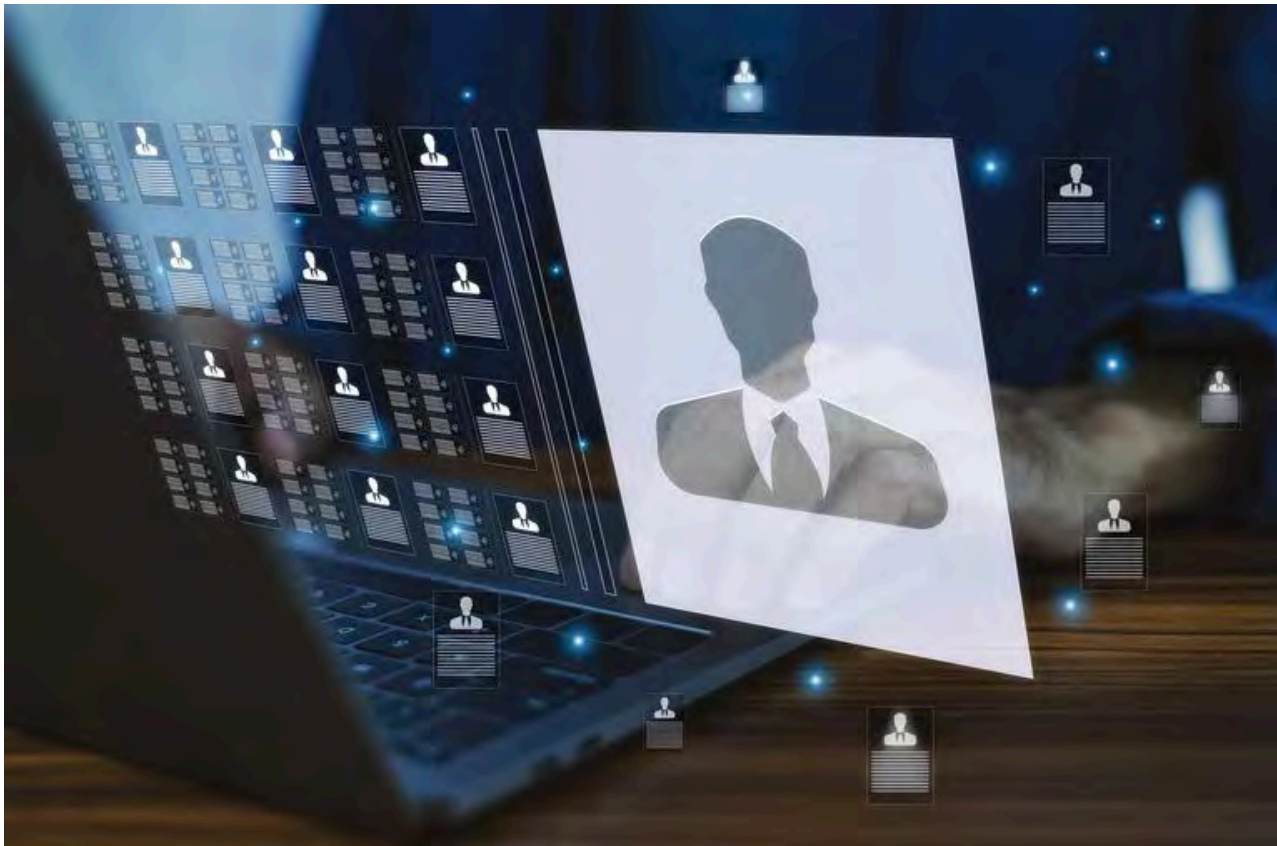
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AI Firm Sued in California State Court Over Alleged Data Mining for Job Screening

A novel class action filed in California state court accuses an artificial intelligence firm, Eightfold AI Inc., of illegally collecting sensitive data from job candidates to create AI-fueled profiles of them for use in job screenings without their knowledge or consent.

January 23, 2026 at 10:58 AM By  **Kat Black**



Credit: Suriyo/Adobe Stock

A novel class action filed in California state court accuses an artificial intelligence firm, Eightfold AI Inc., of surreptitiously collecting data on job candidates without their permission to create AI-fueled profiles of them for use in job screening.

Outten & Golden and Towards Justice, a nonprofit law firm that represents workers, filed the class action [complaint](#)—the first of its kind in the U.S.—against Eightfold on Tuesday in Contra Costa Superior Court. The plaintiffs allege violations of the federal Fair Credit Reporting Act, California's Investigative Consumer Reporting Agencies Act and California's Unfair Competition Law.

Though the FCRA was enacted in the 1970s, the complaint argues that the statute applies to emerging AI technology given its broad definition of consumer reports as "any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living" that determines a person's eligibility for employment, benefits or services.

Counsel has not yet appeared for the defendant.

According to the complaint, Eightfold AI uses artificial intelligence technology to mine sensitive information about job applicants from public career sites and databases such as LinkedIn, Hoovers, Crunchbase and GitHub, which it subsequently runs through its large language model to create detailed dossiers breaking down job applicants' "suitability" for advertised employment roles and predictions about their success at certain companies.

These "evaluation tools," the complaint said, analyze the data at issue—which allegedly includes "social media profiles, location data, internet and device activity, cookies and other tracking"—to produce AI-generated summaries of job applicants' "behavior, attitudes, intelligence, aptitudes and other characteristics that applicants never included in their job application."

Since candidates have no way of knowing if an employer has purchased these reports from Eightfold, it said, they are given no opportunity to challenge them or screen them for inaccuracies. According to the complaint, which claims that "nearly two-thirds" of companies with more than 5,000 employees use AI screening technology to recruit job candidates, Eightfold's evaluation tools have the potential to manipulate the outcomes of "thousands" of job applications.

"Qualified workers across the country are being denied job opportunities based on automated assessments they have never seen and cannot correct," said Jenny R. Yang, a partner at Outten & Golden and former Commissioner of the U.S. Equal Employment Opportunity Commission, in a statement sent to The Recorder.

"These are the very real harms Congress sought to prevent when it enacted the FCRA. As hiring tools evolve, AI companies like Eightfold must comply with these common-sense legal safeguards meant to protect everyday Americans."

Eightfold's LLM also ranks candidates' "likelihood of success" at certain jobs from 0-5—which may result in employers immediately disqualifying the applications of low scorers without reviewing them, it said.

A representative for Eightfold refuted the claim that the company collects data without applicants' consent in an email.

"Eightfold believes the allegations are without merit," the Eightfold spokesperson said. "Eightfold's platform operates on data intentionally shared by candidates or provided by our customers. We do not scrape social media and the like. We are deeply committed to responsible AI, transparency and compliance with applicable data protection and employment laws."

Attorneys at Outten & Golden declined to comment beyond Yang's emailed statement.

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The Brief - Top News of the Day From Bloomberg Law

IRS Told Goldstein to Keep Better Gambling Records, Jury Hears

Jan. 22, 2026, 3:08 PM PST

Tom Goldstein, the former US Supreme Court advocate facing federal tax and false statement charges, was educated years ago on his gambling-related tax obligations, jurors heard Thursday.

Gary Libbin, an IRS revenue agent who audited Goldstein in 2012, said he told Goldstein's then-accountant and power of attorney, William Caldwell, that Goldstein needed to keep better records of his gambling wins and losses.

Taxpayers are required pay taxes on their gambling winnings, insofar as they exceed any gambling losses, Libbin said.

Libbin had the record-keeping conversation with Caldwell, not directly with Goldstein. But Caldwell—who also testified on Thursday—said that he would always tell his clients what he discussed with the IRS and had no reason to think he didn't do it here.

That testimony is helpful to the government, insofar as the prosecution needs to prove that Goldstein willfully violated the law to prove the tax charges.

But Caldwell also told jurors that Goldstein fired him after the IRS audit. Goldstein was unhappy because Caldwell failed to ask enough follow-up questions after Goldstein told him he was gambling.

Caldwell admitted that he hadn't asked enough questions. He said he didn't appreciate the extent of Goldstein's gambling when he'd mentioned it.

Goldstein faces one count of tax evasion for 2016; eight counts of aiding and abetting in the preparation of false and fraudulent tax returns for 2017 through 2021; four counts of willful failure to pay taxes for tax years 2017, 2019, 2020, and 2021; and three counts of making a false statement on a loan application.

Prosecutors claim Goldstein hid income from gambling, opted to fund his luxurious lifestyle over paying his taxes on time, and characterized certain expenditures as business expenses, among other things.

Witnesses called to testify on the seventh day of trial also included Goldstein's former law partner Daniel Woofert, Customs and Border Protection officer Karime Foy, entrepreneur and professional high-stakes poker player Alfred DeCarolis, and IRS revenue agent Yvette Parrish. Jonathan Levitan, one of Goldstein's former office managers, wrapped up testimony that started Wednesday.

Foy was there to testify about counting cash that Goldstein brought into the US from Hong Kong in October 2018.

He claimed Goldstein told him that he won the nearly \$1 million in cash while gambling. Goldstein later told an IRS agent that it was a loan.

On cross-examination, the defense questioned Foy's memory and suggested that the idea Goldstein said something to him about gambling may have been subsequently planted by one of the agents investigating Goldstein for tax crimes.

Foy didn't documented Goldstein's alleged statement in real time.

Goldstein is represented by Munger Tolles & Olson LLP.

The case is United States v. Goldstein, D. Md., No. 8:25-cr-00006, trial held 1/22/26 .

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NewsRoom

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2026 WLNR 2486716

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January 26, 2026

Section: News

Two former FirstEnergy executives to face trial
Proceedings on bribery charges to begin Jan. 27

Jessie Balmert

January 26, 2026

This week marks the beginning
of a state bribery and corruption
trial against Jones and Dowling.

They are accused of improperly influencing Randazzo, a public
official, to help FirstEnergy's

bottom line and, in turn, their pockets as the company's stock price rose.

"My mom taught me to say Thank You," the CEO of a powerful Akron electric utility texted the state's top regulator with a picture of the company's rising stock price.

The CEO was Charles "Chuck" Jones, one of the most influential figures in Ohio energy policy. Jones led Akron-based Fortune 500 company FirstEnergy from 2015 until his firing in 2020. The electric utility serves more than 6 million customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York.

Jones sent the text to Sam Randazzo, then-chairman of the Public Utilities Commission of Ohio, which regulates how utilities charge customers for electricity, natural gas and other services. Randazzo, a longtime utility attorney, died by suicide in April 2024 as he faced state and federal bribery charges. Randazzo maintained that he was innocent.

Prosecutors say the close relationship between Jones and Randazzo wasn't just inappropriate – it was illegal. Ohio Attorney General Dave Yost has accused Jones and fellow FirstEnergy executive Michael Dowling of bribing Randazzo with \$4.3 million to do FirstEnergy's bidding. Yost painted their actions as deceptive and dishonest.

This week marks the beginning of a state bribery and corruption trial against Jones and Dowling. They are accused of improperly influencing Randazzo, a public official, to help FirstEnergy's bottom line and, in turn, their pockets as the company's stock price rose.

The accusations against Jones and Dowling represent one piece of a sweeping statewide corruption scandal that has already sent one top elected official to federal prison for 20 years. Until now, only the bribe recipients have faced trial. Now, the alleged bribers will have their day in court.

Both Jones and Dowling have pleaded not guilty to the charges against them, which range from money laundering to engaging in a pattern of corrupt activity. They await the opportunity to clear their names, which have been plastered across newspapers for years, while federal and state pay-to-play probes played out.

The trial's potential witness list includes a who's who of Ohio politics, including Gov. Mike DeWine, U.S. Sen. Jon Husted, FirstEnergy officials, a PUCO commissioner and a former state lawmaker. DeWine signed a bailout for two nuclear plants at the heart of the corruption investigations but has not been accused of any crime.

The fall of Chuck Jones

Long before this scandal emerged, Jones grew up in Akron and at FirstEnergy. He was raised in the Ellet neighborhood, attended the University of Akron and got his first job at Ohio Edison as a substation engineer in 1978.

Jones rose in the ranks of FirstEnergy, eventually becoming CEO in 2015. He inherited a company facing several challenges, including two financially strapped nuclear plants then owned by a subsidiary called FirstEnergy Solutions.

Prosecutors accused Jones and Dowling, then the senior vice president of external affairs, of bribing Randazzo to help FirstEnergy dodge expensive regulatory requirements.

Investigators say the two executives lobbied DeWine and Husted, who were about to take office as governor and lieutenant governor, to pick Randazzo during a December 2018 dinner at The Athletic Club in downtown Columbus. Later that evening, the executives met with Randazzo at his German Village condominium. They agreed to pay Randazzo \$4.3 million in early 2019, shortly before DeWine appointed Randazzo as the state's top utility regulator.

Randazzo described that money as payout for his consulting agreement with FirstEnergy. Prosecutors accused the former FirstEnergy executives of buying Randazzo's support.

"It was not a gift: Randazzo would work hard for FirstEnergy from inside the government," according to an indictment filed in February 2024.

Photoshopped Mount Rushmore and reindeer games

Records have revealed a chummy relationship between Randazzo and top FirstEnergy executives. Randazzo dressed as Rudolph the reindeer in a group picture from December 2019 that featured Dowling and fellow energy executive Matt Evans donning Santa suits.

After a taxpayer-funded bailout for the two nuclear plants passed the Ohio Legislature in July 2019, Jones texted Randazzo a photoshopped image of faces on Mount Rushmore, including Randazzo's, with a caption that read: "HB 6 F*** ANYBODY WHO AINT US." Randazzo had helped to write House Bill 6.

FirstEnergy funneled millions through dark money nonprofits to help pass House Bill 6 and defend the bill against a ballot initiative to block it. Little did its leaders know that FBI agents were building a case against then-Ohio House Speaker Larry Householder and four others for participating in a utility-funded pay-for-play scandal.

FirstEnergy fired Jones, Dowling and a third executive named Dennis Chack in October 2020 following the FBI's arrests and an internal review. FirstEnergy, under a new CEO, paid a \$230 million penalty for its role in the bribery scheme. Householder was convicted in a federal trial and sentenced to 20 years in prison.

Federal prosecutors have also accused Jones and Dowling of violating federal law by bribing Householder and Randazzo. That trial date has not yet been set.

What to expect

Jones and Dowling's state trial is slated to begin on Jan. 27 in Summit County Common Pleas Court Judge Susan Baker Ross' courtroom with jury selection. That could be delayed because of a snowstorm.

Jones' and Dowlings' attorneys are vigorously defending their clients and have already scored some wins: two counts of aggravated theft were dismissed from the initial indictment.

The trial is expected to last at least eight weeks with dozens of witnesses slated to testify.

Reporters Laura Bischoff, Patrick Williams and Bryce Buyakie contributed to this article.

State government reporter Jessie Balmert can be reached at jbalmert@usatodayco.com or @jbalmert on X.

This week marks the beginning

of a state bribery and corruption

trial against Jones and Dowling.

They are accused of improperly influencing Randazzo, a public

official, to help FirstEnergy's

bottom line and, in turn, their pockets as the company's stock price rose.

---- Index References ----

Company: FIRSTENERGY SOLUTIONS CORP.; FEDERAL BUREAU OF INVESTIGATION;
OHIO EDISON CO

News Subject: (Crime (1CR87); Criminal Law (1CR79); Financial Fraud (1FI18); Fraud (1FR30);
Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

Industry: (Electric Utilities (1EL82); Energy & Fuel (1EN13); Utilities (1UT12))

Region: (Americas (1AM92); North America (1NO39); Ohio (1OH35); U.S. Midwest Region
(1MI19); USA (1US73))

Language: EN

Other Indexing: (University of Akron; Public Utilities Commission of Ohio; FirstEnergy
Solutions; FBI; Ohio Edison)

Edition: 1

Word Count: 995

End of Document

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NewsRoom

NewsRoom

1/24/26 Plain Dealer (Clev.) 2
2026 WLNR 2382047

Cleveland Plain Dealer

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January 24, 2026

Section: B

Will jury hear about FirstEnergy rate hikes in bribery trial? Summit County judge considers whether prosecutors can tell jury that the legislation ...

Adam Ferrise - aferrise@cleveland.com

Will jury hear about FirstEnergy rate hikes in bribery trial? Summit County judge considers whether prosecutors can tell jury that the legislation led to higher electricity bills for Ohio consumers.

A judge is mulling two key questions ahead of the high-profile trial of two FirstEnergy executives accused of bribing a state regulator to help pass legislation worth \$1 billion and guarantees that the company would make millions more than they should have.

Summit County Common Pleas Judge Susan Baker Ross heard arguments on Friday on whether prosecutors can tell a jury that the House Bill 6 bribery scandal that erupted in 2019 led to higher bills for customers and if defense attorneys could raise questions about a BCI agent's disciplinary case.

The arguments came shortly before the trial of former FirstEnergy CEO Chuck Jones and the company's former top lobbyist, Michael Dowling, who face charges including conspiracy, racketeering and bribery.

Jury selection in the case was pushed back from Monday to Tuesday because of a snowstorm expected to hit the area on Sunday.

Assistant Ohio Attorney General Matthew Meyer said prosecutors would have "no case" without being able to argue to the jury that corruption led to rising electricity prices for consumers.

He said the issue speaks directly to the motive in the case - that Jones and Dowling are accused of bribing former Public Utilities Commission of Ohio chairman Sam Randazzo with \$4.3 million so that Randazzo, in his official position, would help pass HB 6 and ensure FirstEnergy would continue making inflated profits. Randazzo was charged in the case but took his own life in April 2024.

Meyer said prosecutors will consider an appeal if the judge rules against them.

"Ultimately the corruption allegations here are that these defendants here rigged the game, but if you can't explain the game and explain what the game's about, then you have no case," Meyer said.

Defense attorney Steven Grimes argued that prosecutors could tell the jury that officials tried to make more money for the company and increase revenue but should be directed to stop short of talking about the effect on customers.

"What they can do is talk generally about energy policy and increases and benefits to revenue, but the line should be mentioning the increasing consumer's prices," Grimes said.

Defense attorneys at the hearing also raised issues about the lead agent for the Ohio Bureau of Criminal Investigation, Eric Lehnhart.

Defense attorney Aaron Howell said Lehnhart admitted to "egregious misconduct" in a separate investigation, including falsifying documents.

During the internal investigation, Lehnhart said he was "overwhelmed" by the FirstEnergy investigation and that he struggled to understand exactly what he was investigating, Howell told the judge.

"Credibility is always relevant," Howell said. "This goes directly to the credibility of the state agent. It goes directly to the credibility of the [prosecutor's] case."

Meyer countered that he didn't intend to call Lehnhart as a witness because it's unnecessary. He said jurors will hear directly from witnesses and be able to examine troves of documents for themselves. Meyer also said Lehnhart's role was minimal and that a team of investigators worked on the case.

He said if the judge allowed testimony on Lehnhart's discipline in an unrelated case, it would "deprive the people of the state of Ohio of a fair trial."

"The agent is not accused of doing anything untoward or improper in any relation to affecting evidence in this case," Meyer said.

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

Industry: (Electric Utilities (1EL82); Energy & Fuel (1EN13); Utilities (1UT12))

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Language: EN

Other Indexing: (Public Utilities Commission of Ohio; Ohio Bureau of Criminal Investigation; FirstEnergy)

Edition: PDEE Extra

Word Count: 573

End of Document

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NewsRoom

News from Bloomberg Terminal
Private Credit Marks Will Matter
Jan. 26, 2026, 10:56 AM PST

By Matt Levine

(Bloomberg Opinion) --

Private credit markdown

What does this tell you about stock market efficiency?

A BlackRock Inc. private debt fund plunged the most in almost six years after it disclosed writedowns across a series of troubled investments and waived some of its fee.

BlackRock TCP Capital Corp., a publicly traded middle-market lending fund, fell as much as 16.7% in New York trading Monday. The fund said on Jan. 23 the writedowns would result in cutting its net asset value by 19% as of the end of last year.

Such a decline in the asset value "is very unusual and likely will rekindle private credit fears for the sector," Truist Securities analyst Arren Cyganovich said on Monday.

The fund struggled in part because of its exposure to e-commerce aggregators – companies that buy and manage Amazon.com Inc. sellers – as well as troubled home improvement company Renovo Home Partners, which has filed for bankruptcy with plans to liquidate. The fund disclosed that six investments comprised roughly two-thirds of the decline in net asset value.

The vehicle is a business development company, which pools together private credit loans and trades like a stock. BlackRock said it has waived one-third of its management fee for its last quarter.

BlackRock TCP "expects to cut its net asset value per share to between \$7.05 and \$7.09 for the quarter ended Dec. 31," down from "\$8.71 as of Sept. 30." The stock closed at \$5.86 on Friday and was trading around \$4.98 at noon today, down about 15%. So (1) BlackRock announced that the value of TCP's loans fell by 19% and (2) the stock fell about 15%.

You could imagine a world in which, last week, TCP's investors thought their loans were worth \$8.71 per share, but then BlackRock told them that actually they were worth 19% less, so the stock fell by 19%, but that's not what happened: The stock fell about 15%. (Also, both last week and today, the stock trades at a big discount to net asset value; presumably that discount largely reflects the capitalized value of future fees to be charged to the fund, though it might also reflect skepticism about the NAV.) Instead you need a model like:

- On Friday morning, TCP investors kind of already knew that the loans were worth less than the stated NAV, so they were not totally surprised when BlackRock confirmed that, though the news was worse than they expected; or
- On Friday morning, TCP investors thought everything was hunky-dory, but then BlackRock was like “actually you’re down 19%” and the investors were like “oh you’re just exaggerating, it’s not that bad,” and the stock did not fall the full 19%.

I feel like only the first bullet point there is really plausible. Investors paid attention, they thought “hey, this fund has exposure to a bankrupt company, maybe this Sept. 30 NAV is kind of stale,” the stock traded below NAV, and then when BlackRock marked down the NAV, some of it was already baked into the price.

This is a common theme in private credit. Private credit, by and large, does not trade, and private credit funds have a lot of leeway in determining the fair value of their loans. Critics worry that their marks are sometimes too optimistic, that private credit funds will often tell their clients that their loans are all worth 100 cents on the dollar when really they’re worth 60.

At some level, in traditional private credit, this doesn’t matter that much. Institutional private credit is traditionally a buy-and-hold investment: Some investors commit to a private credit fund, the fund makes loans, the fund calls cash from the investors to make the loans, the fund holds the loans until maturity, the loans mature, they either pay off or they don’t, and whatever money the fund gets (minus fees) goes back to the investors. Midway through the life of the fund, it is of some academic interest whether a particular loan should be marked at 0 or 60 or 100 cents on the dollar: If the fund tells investors “this loan is worth 100 cents on the dollar because it will definitely be paid back,” and in fact the borrower is in trouble and the loan ends up *not* getting paid back, then that seems intellectually sloppy and possibly dishonest.

And if the marks are wrong, there might be some real consequences. Perhaps the investors are regulated insurance companies and the marks on their private credit portfolios affect their regulatory capital ratios. Perhaps the fund has gotten leverage from banks, and the banks need to know the value of their collateral.

But broadly speaking the *point* of private credit is that you don’t have to worry about the marks very much: You make the loan at 100 cents on the dollar, and eventually it is either paid back or it isn’t. If it’s paid back, then it was worth 100 cents on the dollar. If not, not. Eventually you just find out the answer. Your fund’s estimates along the way are of some second-order interest, but if you are a buy-and-hold investor they just don’t matter that much.

BlackRock TCP isn’t quite like that. It’s a BDC, which means that its stock trades on the stock market continuously at market prices. If you invest in TCP, you don’t have to hold it until maturity. (In fact, there is no “maturity”; BDCs are generally perpetual vehicles and reinvest proceeds when loans mature.) You can buy or sell it on the stock market whenever you want. If you thought the NAV was \$8.71, so you bought some shares at \$5.86, and then the next day BlackRock told you “actually it’s \$7.05” and the shares fell to \$4.98, you might feel aggrieved. (Though, given the discount to NAV, perhaps you had some notice that \$8.71 was not actually the right value.)

But, from a *fund* perspective, BDCs are basically perpetual capital: You can sell your stock anytime, but you sell it on the stock market to whoever wants to buy it, *not* necessarily back to the fund. The fund never has to give you back your money, though (1) it generally passes *interest payments* on to shareholders and (2) many BDCs will do occasional stock buybacks to return money to investors.

As we have discussed a few times, though, including last week, the structure of private credit is changing to appeal more to retail investors. To market private credit broadly to retail investors, and particularly to their retirement accounts, private credit needs to offer *more liquidity*. Retail investors need to be able to *take their money out*, and private credit managers have launched lots of funds that “offer investors options to cash out periodically, in contrast with closed-end vehicles that typically lock up capital for a set amount of time, a drawback for individual investors.”

And if you let investors take their money back, you will generally do it at NAV: You will say something like “anyone can buy new shares at the net asset value, or take their money back at the net asset value.” And so NAVs *really matter*. If you tell investors “this fund’s loans are worth \$8.71 per share,” but actually they are worth \$7.05 per share, then:

- Investors might know that, or at least suspect it;
- They will *want their money back*, because getting paid \$8.71 per share for a pot of loans worth \$7.05 per share is a good deal; and
- That’s bad for *other* investors: Paying out \$8.71 per share for a pot of loans worth \$7.05 per share reduces the value *left* in the fund, pushing the net asset value down.

It is a classic bank run dynamic: If a private credit investment is worth \$7, but you can cash out for \$8, you should, and everyone will, and eventually there will be \$0 left. And everyone knows this and will be twitchy.

Of course the classic buy-and-hold private credit model is supposed to be immune from bank runs, because it has long-term locked-up capital from patient investors. But that’s changing to appeal to retail. And as it changes, it becomes much more important that the marks be correct.

"Debanking"

One thing that I sometimes think about is that sandwich shops do not have reputational risk from their customers.¹ Like, if Jeffrey Epstein had gone to the same sandwich shop twice a week for years, and each time he went he gave them money and they gave him a sandwich, and then he got arrested for sex crimes, and he *kept* going to that sandwich shop, and they kept selling him sandwiches, and eventually he was arrested again and died in jail and became a quite notorious figure, no one would blame the sandwich shop. No one would be like "they ignored red flags of his sex crimes and served him sandwiches." No one would be like "they failed to do their know-your-customer checks and thus did business with a known sex criminal." No one would be like "they looked the other way and allowed him to launder his ill-gotten criminal proceeds into sandwiches." No one would be like "they enabled him to do his crimes for years by feeding him sandwiches." Everyone would be like "well, they sell sandwiches, and if you show up with money they'll sell you a sandwich, and it's not their responsibility to decide if you're a good person or look into your criminal record before selling you a sandwich. They probably didn't even know who he was. It's just a sandwich shop."

Most businesses are like that, and some are not. In particular, *banks* are not. Jeffrey Epstein did in fact use the services of some banks, and after Epstein became a notorious figure the banks got in a lot of reputational and legal trouble. "Banks are the first line of defense with respect to preventing the facilitation of crime through the financial system, and it is fundamental that banks tailor the monitoring of their customers' activity based upon the types of risk that are posed by a particular customer," said a New York regulator who fined Deutsche Bank AG \$150 million for letting Epstein have bank accounts. JPMorgan Chase & Co. also paid a nine-digit settlement for missing Epstein's red flags.

In some ways this is strange – surely the best people to prevent *child sex trafficking* are law enforcement officers, not banks? – but in other ways, you know, sure. Banks *do* have a quasi-regulatory function; they *are* "the first line of defense" against certain sorts of crime. There is no legal or customary expectation that sandwich shops will "know their customers" – that they will require customers to fill out forms and provide ID to get a sandwich – whereas there very much is that expectation for banks. A bank should know who it's dealing with, and deal with the right people, because a bank's services are ... something? Important? Particularly useful in committing crimes? Legible to the government? My Bloomberg Opinion colleague Paul Davies writes:

Banking and finance is one of the most heavily regulated industries in the world – and for very good reasons. No society wants criminals, terrorists and money launderers to have easy, unfettered access to a system that can help fund their destructive endeavors or that looks after their profits.

But they can have sandwiches; that's fine.

This situation is not as *clear* as I am perhaps making it out to be. It's not "banks are not allowed to provide checking accounts to people with criminal records," or "if a bank's customer commits a crime then the bank is responsible for that crime," or anything like that. Banks *can* provide checking accounts to people with criminal records. ("JPMorgan Chase is committed to giving people with arrest or conviction histories a second chance," says JPMorgan.) It's more like, you know, if your customer commits some *really bad crimes*, and you *should have* known about the crimes, you run some risk – not a certainty, some risk – that some prosecutor or plaintiff will blame you. It's "don't turn out to have been Jeffrey Epstein's banker." It's not a set of black-and-white rules about who is and is not allowed to be a customer; it's a series of risk assessments. Some customers are riskier than others.

Anyway, in January 2021 some events occurred. Last week, a US federal prosecutor testified under oath that the Justice Department had "proof beyond a reasonable doubt" that President Donald Trump committed quite serious crimes in connection with those events. For reasons, those alleged crimes were never prosecuted, and perhaps the allegations are untrue. But! Donald Trump's *banks*, in February 2021, shortly after the alleged crimes allegedly occurred, faced a problem. They were providing banking services to someone who ... you know! "Someone whom federal prosecutors strongly believed had committed very serious crimes," is perhaps a way to put it, though you could put it other ways depending on your political and other views.

The point I'd make there is that *that's risky*, not purely as a matter of partisan politics, but because "high-profile people with red flags suggesting that they have committed bad crimes" are the customers you don't want. Obviously "vengeful people who will in the future become the president of the US again" are the customers you *do* want, sort of,² but that's hard to predict. Or maybe it isn't, but in any case there are risks either way. JPMorgan chose wrong:

President Donald Trump sued JPMorgan Chase & Co. and its chief executive officer, Jamie Dimon, for at least \$5 billion over allegations that the lender stopped offering him and his businesses banking services for political reasons.

The complaint, filed Thursday, accuses the bank of trade libel and breach of implied covenant of good faith. It also claims Dimon violated Florida's deceptive trade practices law. In response, the bank said it doesn't close accounts for political or religious reasons.

Here is the complaint, which is not exactly what you would call compelling. (Davies: "The suit is so thin that there's a high chance it will get dismissed.") One funny quote comes toward the end:

When Plaintiffs and JPMC began their relationship, Plaintiffs and JPMC entered into the Agreement, which governed the parties' relationship. See Exhibit A.

The Agreement states: "**Closing Your Account.** Either you or we may close your account at any time for any reason or no reason without prior notice. ..."

In the Agreement, JPMC reserved the right to terminate any existing banking relationship at any time and for any reason.

However, neither the letter nor the spirit of the Agreement authorized JPMC to terminate an existing banking relationship with a client for an unlawful purpose.

I do feel like both the letter and the spirit of “we may close your account at any time for any reason or no reason” is that they could close the account for any reason or no reason, but I suppose there’s room for disagreement.

Hycroft

If you own a gold mine, the traditional way to make money is gold mining. You could get some shovels, dig the gold ore out of the mine, crush it up, extract the gold, form it into gold bars, transport it to market and sell it. This is a good business because gold is valuable, but it is also hard and expensive and environmentally messy.

You might have a thought process like: “Look, this is all pointless. We will do all this work to dig up and refine the gold, and then we will sell it, and then it will just go back into underground vaults. We could just *leave* it underground, and everyone could just agree that we have X amount of gold that is worth \$Y in our own, somewhat inconvenient underground vaults, and we could sell *that*. Just sell Unmined Gold Tokens.”

We talked about this approach a few months ago, because a company called NatBridge Resources Ltd. was doing it in a particularly funny and explicit way: It owned some gold reserves, had no plans to dig them up, but used a “digital mining process” to create crypto tokens corresponding to the gold, which it could sell. But in principle there is a simpler and marginally less silly approach, which is:

1. Start a company.
2. Acquire a gold mine.
3. Take the company public.
4. Boom: Your stock is a form of Unmined Gold Tokens.

That is: The total value of the stock of a gold company is roughly the expected value of the gold it has in the ground, discounted by the amount of money it will have to spend digging it up. If you don’t dig it up ... well, the math there is left as an exercise for the reader.

In practice, if this is your approach, you do need to be a *bit* silly. You don’t have to go around being like “our Unmined Gold Tokens are just as valuable as gold jewelry and much more environmentally friendly,” but you do have to go around getting people excited about your stock. At one level your company is valued based on gold, the oldest and most solid form of money. At another level, your company is kind of a meme stock. Anyway:

Hycroft Mining Holding Corp., the owner of a non-operational gold and silver mine in northern Nevada, has seen its shares soar more than 425% over the past two months as precious metals prices have climbed to record highs.

That's delivered glittering returns for its largest investor, Canadian billionaire Eric Sprott, a longtime gold bug whose stake has increased 746% in value to more than \$2.1 billion.

Hycroft is riding the updrafts of a staggering rally in the spot silver and gold market that has seen prices soar in the past year. Even though Hycroft doesn't yet have a clear plan to mine its underground reserves, the company's stock still serves as a way for investors to buy into the precious metals boom.

"Think of it as a massive, in-ground ETF," Bank of Montreal precious metals analyst Brian Quast said in an interview. "There's a whole bunch of silver there that they might or might not be able to get out, and people really want exposure to silver right now." ...

Hycroft hasn't actually mined any gold since 2021; instead, it's focused on cheaper methods, including reprocessing previously mined ore that's already above ground. The majority of its assets are underground, but it doesn't yet have a clear plan to resume mining operations. The company hasn't reported generating any revenue since 2022, when it brought in just \$33 million, according to data compiled by Bloomberg. Sure. We talked about Hycroft a few times back in 2022, when it got an equity investment from Sprott and from AMC Entertainment Holdings Inc., which is in part a movie-theater company but in larger part a meme-stock company, and which was presumably investing in gold mines for meme-y reasons.

Is printing too many *Magic: The Gathering* cards securities fraud?

It is fun to imagine the wrong analysis:

1. *Magic: The Gathering* is a card-based game produced by Wizards of the Coast, a gaming company that was acquired by Hasbro Inc. in 1999.
2. Magic cards can have high and volatile values, with some selling for millions of dollars.
3. Why would you pay a lot of money for a Magic card? Well, they are collectibles: People collect them, some are rarer than others, you buy rare Magic cards the way you might buy rare baseball cards. They are also arguably art: There are pictures on the cards, and some are prettier than others. They are also part of a competitive game that people like to play, sometimes for money, and some cards are more powerful in the game than others, so you might pay a lot of money to buy a card that will help you win games.
4. Also, though, Magic cards are arguably an investment *in* the Magic game and its ecosystem. You might buy a Magic card thinking something along these lines: "I like Magic, the game. I think that Hasbro will do a good job of developing and promoting the game, so it will become more popular over time and more people will want to play it. This will increase demand for Magic cards, including this rare powerful one that I am buying. So its price will go up and I will be able to resell it at a profit, if I am right about Hasbro's ability and desire to develop and promote the game."
5. This analysis suggests that Magic cards are something like *securities*: They are "an investment of money in a common enterprise with profits to come solely from the efforts of others." You invest money (buying the cards directly from Hasbro, or in the secondary market for rare cards), there's a common enterprise (you are all part of the Magic game), you expect profits (from reselling your cards) and those profits come from the efforts of others (Hasbro, in developing and promoting the game).
6. There is precedent. In 2021, a company called Stoner Cats 2 LLC sold some collectible pictures of cats. Some of the cats were, one assumes, rarer or prettier than others; they were collectibles and/or art. But Stoner Cats 2 also planned to make an animated web series about the cats starring Mila Kunis and Vitalik Buterin (really), and you might have thought that, if the series was successful, the value of the cats would go up. The cats did not *share in the profits* of the show – they were not *equity* – but they were somehow useful in watching the show, in something like the way Magic cards are useful in playing Magic. So you might have bought the cats speculatively to bet on the success of the show, a success that would be due solely to the efforts of the company (and Mila Kunis), not you. The US Securities and Exchange Commission concluded that the cats were securities, sued Stoner Cats 2 for securities violations, and reached a settlement. We talked about this in 2023.
7. Are Magic cards similarly securities? If you bought some cards and their price went down, could you sue Hasbro for securities violations? If Hasbro said, you know, "we don't plan to print more of this fancy card" and then did, driving the price down, could you sue for securities fraud?

Like I said, this is the wrong analysis. For one thing, the Stoner Cats precedent comes from an earlier and more aggressive SEC, and I can't imagine the SEC taking a similar position now, or winning on it in court. For another thing, the Stoner Cats precedent was from *crypto* – the pictures of cats were crypto nonfungible tokens, not cardboard cards – and I can't imagine the SEC or a court ever taking a similar position about cardboard trading cards. Still, one lesson of crypto is that lots of things are *kind of a little bit like securities*, so you could dream.

In any case, no, the *shareholders* are suing:

A group of shareholders of Hasbro stock has filed a federal lawsuit against CEO Chris Cocks and company executives for what they claim are “breaches of their fiduciary duties as directors and/or officers of Hasbro, unjust enrichment, waste of corporate assets, gross mismanagement, abuse of control” - and violations of the Securities Exchange Act.

In the 76-page complaint filed in the U.S District Court of Rhode Island on Wednesday, plaintiffs Joseph Crocono and Ultan McGlone, who say they have been Hasbro shareholders who have held common stock since 2020 and 2021, respectively, claim that the company’s public statements were “materially false and misleading” on shareholder calls between 2021 and 2023. ...

“Given the nature of Magic’s secondary market, the rate at which new Magic card sets are printed and sold directly impacts the value of existing Magic cards to collectors. As such, the overprinting of new Magic sets would reduce the value of existing Magic sets. Although analysts and investors consistently inquired as to whether the Company was in fact overprinting Magic sets, the Individual Defendants repeatedly denied such speculation,” the lawsuit maintains.

The lawsuit says that a damning report by Bank of America in 2022, however, found that Hasbro was “overproducing Magic cards, which have propped up Hasbro’s recent results but are destroying the long-term value of the brand.”

Here’s the complaint. Sure, why not.

Things happen

Japan Bond Crash Unleashes a \$7 Trillion Risk for Global Markets. Vitol and Trafigura: Traders at the Heart of Trump’s Venezuela Oil Grab. “Is TCI from Mars and Citadel from Venus?” Jeremy Coller: the vegan activist who just inked a \$3.7bn private equity deal. CVC to Buy US Credit Manager Marathon in \$1.2 Billion Deal. Nvidia Invests \$2 Billion More in CoreWeave, Offers New Chip. OpenAI Seeks Premium Prices in Early Ads Push. Derivatives-based ETFs are Wall Street’s hottest investment. How Trump’s Ally at the Fed Is Remaking Bank Oversight. The World Economy Is Hooked on Government Debt. Software Maker Databricks Inks \$1.8 Billion Financing Package. Inside Monzo’s boardroom battle that felled its CEO – and brought him back. Saudi Arabia to scale back Neom megaproject. Musk’s X Probed by EU Over Grok’s Spread of Sexual Deepfakes. Donald Trump begins 2026 with a blitz of white-collar pardons. Health Insurance Is Now More Expensive Than the Mortgage for These Americans. Voters See a Middle-Class Lifestyle as Drifting Out of Reach, Poll Finds. The Hardest Part About Being a Billionaire in California: Proving You Left. The Wait List for a Birkin or Rolex Is Getting Shorter. An entrepreneur’s 13 hours in Davos jail: ‘The food was phenomenal.’

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FT PROFESSIONAL

Danone SA**Danone shares slide as infant formula crisis spreads**

French group's stock under pressure after it joins Nestlé in recalling infant formula over fears of contamination



Danone has recalled products in Singapore and Europe over possible contamination with a toxin that can cause nausea and vomiting © Reuters

Madeleine Speed in London

Published 9 HOURS AGO | Updated 09:06



Shares in Danone fell on Monday after the French consumer goods group joined Nestlé in recalling batches of infant formula products over fears they could be contaminated with a dangerous toxin.

The maker of Evian and Activa yoghurt said on Friday evening that it was recalling a “very limited number of specific batches” of infant formula, following similar moves by other producers, including Nestlé and French dairy giant Lactalis.

[Danone](#)'s shares are trading close to a one-year low of €66 a share, down from highs of €80 in November. They finished down nearly 2.3 per cent on Monday. The stock tumbled about 10 per cent last week.

The group has recalled products in Singapore and Europe over possible contamination with cereulide, a toxin that can cause nausea and vomiting.

Investors have been spooked by the recalls and by investigations, led by France's health ministry, into the deaths of two babies who were fed potentially contaminated formula produced by Nestlé.

On Friday the Food Safety Authority of Ireland (FSAI) said it had asked Danone to recall batches of formula produced at its Irish factory, which supplies formula to several other European countries.

The FSAI said the recall was connected to the same ingredient — an arachidonic acid oil (ARA oil) manufactured in China — that had triggered the Nestlé and Lactalis recalls of the past few weeks.

“This is a very unfortunate development for the industry and the companies/brands tainted by any level of health risk,” said Jefferies analyst David Hayes, adding that the recalled products amounted to less than €40mn in sales.

Danone said in a statement that routine controls and additional targeted analyses found that its products are “safe and fully compliant with all applicable safety regulations”.

It added that it was withdrawing a limited number of batches after some local food safety authorities were “evolving their guidance”. Danone's shares are trading at a one-year low of €64 a share, down from highs of €80 in November.

Last Wednesday Lactalis said it was recalling six batches of one of its infant formula milks due to possible contamination of ARA oil used in its formulas.

Nestlé has launched a [global recall](#) of infant formula products over the past few weeks in connection to the ingredient, which analysts at Jefferies [now estimate](#) could cost the company up to €1.6bn, or 1.7 per cent of group sales.

Nestlé, which has apologised for the recall, said it does not expect a significant financial impact.

Bernstein analyst Callum Elliott said that unlike Nestlé's recall, which affects more than 50 markets, the Danone recall was more targeted.

"We would estimate direct recall impacts of less than €50mn of revenue," he said. Elliott added, however, that if Danone's key Aptamil brand, which contributes 30 per cent of group profits, was implicated in the recall, it could result in "brand taint", particularly in key Asian markets.

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'A Wake-Up Call': Could Letitia James' Insider Trading Suit Spark a State Trend?

The fact that New York Attorney General Letitia James, a state enforcer, brought the insider trading case was alarming for Reed Brodsky, who co-leads Gibson, Dunn & Crutcher's Litigation Practice Group. James' suit could spark a trend among her fellow state attorneys general, Brodsky said.

January 23, 2026 at 02:38 PM By **Alyssa Aquino**



New York Attorney General Letitia James. Photo: Alexander R. West/ALM

New York Attorney General Letitia James has filed an unusual insider trading case against the former head of vaccine manufacturer Emergent BioSolutions in what could be a signal to other state-level enforcers to step up as the Trump administration steps back.

In a lawsuit publicly announced on Jan. 15, James alleges that Robert Kramer, who served as Emergent's chief executive when the company entered into contracts to mass produce AstraZeneca's COVID-19 vaccine, sold stock while sitting on nonpublic information on a contamination risk in a Maryland plant.

The company had to destroy 15 million doses of vaccine and its stock plummeted when the contamination became public. Kramer himself had to explain the manufacturing issues—and the suspect timing of his trades, which resulted in a \$10.1 million profit—before Congress. He testified that his trading plan was approved by the company and put in place before the issues were known.

But the fact that James, a state enforcer, brought the insider trading case was alarming for Reed Brodsky, who co-leads Gibson, Dunn & Crutcher's Litigation Practice Group. James' suit could spark a trend among her fellow state attorneys general, he said.

"If [the federal government] steps away from certain types of litigation, I think state AGs are more likely to step forward," he said.

Insider trading cases are traditionally brought by the federal Securities and Exchange Commission and state attorneys general rarely file insider trading cases, according to Joshua Mitts, a professor at Columbia Law School.

He attributed the rarity of state insider trading cases to practical issues. Prosecuting insider trading is labor intensive and states may have decided, as a matter of resource allocation, that that's better left to the SEC, which has specialized staff and data. There is another practical issue with state enforcement—states either lack the legal regime needed to bring an insider trading case or the jurisdictional hook to do so, Mitts said.

But New York is different. Most trades are performed in New York and the state has the law, the powerful Martin Act, to prosecute insider trading, according to Mitts.

It's also not unprecedented for New York to bring insider trading cases. New York has initiated at least two other insider trading cases: one into whether a senior CBS executive sold stock while aware of sexual assault allegations against former CBS chief, Leslie Moonves, and another into a UBS executive. The CBS case, which also included investor fraud claims, settled in 2022 for \$30.5 million. The UBS case settled for \$6.5 million in 2008, when the office was led by Andrew Cuomo.

"If you think the SEC is likely to investigate a particular type of case and if you also think they're not going to pursue a type of case for other reasons... then it makes sense for a state securities regulator to it themselves," Mitts said.

That insider trading cases are traditionally brought by the SEC was highlighted by Kirby Behre, a member of Miller & Chevalier Chartered and counsel for Kramer. In an emailed statement, he criticized James' lawsuit as a "power grab."

“Emergent’s business was almost exclusively with the federal government and this case raises issues that directly relate to the roles of the FDA, SEC and federal government,” said Behre, who declined to be interviewed for this story.

A representative from the Office of the New York Attorney General similarly declined to be interviewed.

But can other states follow James’ lead?

Donald Langevoort, a Georgetown Law professor, noted that California has previously addressed insider trading in Silicon Valley.

“New York may be the only mildly active performer in this case, but it’s a wake up call to other attorneys general,” said Langevoort.

Brodsky separately observed that Massachusetts could feasibly bring insider trading cases. That James scored a separate \$900,000 settlement with Emergent for approving Kramer’s trading plan could be seen as a win by other state enforcers, Brodsky said.

And even if there isn’t a trend, the fact that New York has taken this direction was worrying for Brodsky, who stressed the sheer volume of trades occurring in the state.

“You know the law based on federal law,” said Brodsky. “Now you need to worry about state law?”

Langevoort said he wouldn’t dismiss out of hand the concern about uneven standards. The Martin Act reads differently from the federal Exchange Act. Moreover, New York doesn’t have extensive case law on insider trading, he said.

“I think the real concern on the defense-side community is once again, you have enforcement by settlement. There are very few cases where the court actually resolves the Martin Act issue,” Langevoort said.

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SEC Drops Enforcement Action Against Cryptocurrency Exchange Gemini

The U.S. Securities and Exchange Commission filed a joint stipulation with the cryptocurrency exchange Gemini Trust Co. in New York federal court to dismiss with prejudice one of the agency's highest-profile civil enforcement actions.

January 26, 2026 at 11:57 AM By  **Michael A. Mora**



U.S. Securities and Exchange Commission building. Photo: Diego M. Radzinski/ALM

The U.S. Securities and Exchange Commission filed a joint stipulation with cryptocurrency exchange Gemini Trust Co. LLC in New York federal court to dismiss with prejudice one of the agency's highest-profile civil enforcement actions.

In the four-page joint stipulation to dismiss and release filed Friday, Gemini consented to the judgment without admitting or denying the allegations that the Gemini Earn program constituted an unregistered securities offering, the latest pullback by the SEC under the Trump administration.

"As stated in the joint stipulation, the commission's decision to seek dismissal of this action is 'in the exercise of its discretion,' and takes into account the '100% in-kind return of Gemini Earn

investors' crypto assets,' as well as state and regulatory settlements involving Gemini related to the Gemini Earn program," the SEC said in a statement.

Andrew Bosse, a partner at [Baughman Kroup Bosse](#) who represents Gemini, did not respond to a request for comment.

The SEC charged Genesis and Gemini in January 2023 under the Biden administration, alleging that the Gemini Earn program constituted an unregistered securities offering when hundreds of thousands of customers were rendered helpless after the program collapsed. A judge denied motions to dismiss in March 2024, ruling that the SEC plausibly alleged securities violations.

Since then, Genesis has paid \$21 million to the SEC and \$37 million to the New York State Department of Financial Services and contributed \$40 million to help fund the return of all crypto assets to Gemini Earn investors through the Genesis bankruptcy. The Winklevoss twins, who run the crypto exchange, are high-dollar supporters of the current president.

Under the Trump administration, the president has pardoned prominent individuals in the crypto industry and the SEC has dropped a number of high-profile cases against digital asset companies, including Ripple, Kraken and Coinbase. [Gemini and the SEC](#) reached a resolution in principle in September 2025.

In its statement, the SEC said the decision "does not necessarily reflect the commission's position on any other case,' as stated in the joint stipulation."

Page printed from: <https://www.law.com/nationallawjournal/2026/01/26/sec-drops-enforcement-action-against-gemini/print/>

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Securities

SEC to Dismiss Winklevoss' Gemini Crypto Lending Lawsuit

Jan. 23, 2026, 3:35 PM PST

The US Securities and Exchange Commission will drop the agency's 2023 lawsuit against Gemini Trust Co. that accused the firm of illegally raising billions of dollars through an unregistered crypto lending program.

Attorneys for the firm and the SEC asked a federal judge in New York to dismiss the case, according to a filing Friday. The agency said its decision was based on the company reaching a settlement with the New York State Department of Financial Services and customers getting back 100% of their crypto assets. As in other cases, the SEC also said the dismissal was "in the exercise of its discretion."

An attorney for Gemini didn't immediately respond to a request for comment. The SEC declined to comment beyond the filing.

The SEC sued crypto exchange Gemini and now-bankrupt Genesis Global Capital in 2023, alleging the firms violated investor protection laws by raising billions from customers through the offering of unregistered securities. The regulator zeroed in on Gemini Earn, a program that let customers loan out their crypto in exchange for interest payments that exceeded traditional bank offerings.

The SEC under President Donald Trump has largely reversed its approach to crypto enforcement, ending or pausing at least a dozen lawsuits against digital asset companies, including Coinbase Global Inc. and Binance Holdings Ltd. That shift comes as Trump has called to make the US the "crypto capital" of the world and digital assets have transformed his family's wealth.

Founded by billionaire twin brothers **Tyler** and **Cameron Winklevoss**, Gemini in September became a publicly traded company with the name Gemini Space Station Inc.

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Securities

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Crypto Traders Flee to Prediction Bets After \$150 Billion Crash

Jan. 26, 2026, 4:00 AM PST

Summary by Bloomberg AI AI Generated



- Nikshep Saravanan, a 27-year-old Canadian, dropped his crypto startup and now spends hours on prediction markets, tracking odds on everything from sports to politics.
- Weekly notional volume across platforms like Polymarket and Kalshi has surged from \$500 million in June to nearly \$6 billion in January, according to tracker Dune.
- Crypto traders haven't left entirely – they've rerouted to prediction markets, with platforms like Polymarket and Kalshi allowing traders to place bets on the future price of Bitcoin and other events.

Not long ago, Nikshep Saravanan was deep in the crypto trenches – trading memecoins, reaching out to venture capitalists, and trying to launch a startup for digital creators. By January, he'd dropped it all. These days, he spends hours on prediction markets, tracking odds on everything from sports to politics.

"As I was trying to get traction without funding, the prediction-markets space started blowing up," recalled the 27-year-old Canadian.

Saravanan is part of a fast-growing wave of crypto-native traders cooling on the token economy and gravitating toward event betting. Where the action once revolved around meme coins and protocol launches, it's now about interest-rate decisions, NBA games, and weather forecasts. It's not fringe anymore: weekly notional volume across platforms like Polymarket and Kalshi has [surged](#) from \$500 million in June to nearly \$6 billion in January, according to tracker Dune.



A Kalshi billboard during the New York City mayoral election in 2025.

Photographer: Michael Nagle/Bloomberg

In the fall, Saravanan pivoted to building HumanPlane, a platform for researching and tracking prediction markets tied to everything from elections to sports. "Here I can do a lot more with no capital," he said. "There's so much more interest here."

The shift reflects both opportunity and fatigue. Bitcoin is [down](#) nearly 30% since its October peak, and many altcoins have fared far worse. The [crash](#) sapped energy and attention from the crypto scene. Prediction markets, by contrast, are pulling in the same speculative crowd, offering a sharper hit: binary odds, real-world stakes, fast resolution. No multi-year roadmaps, just a dopamine loop with a yes or no verdict.

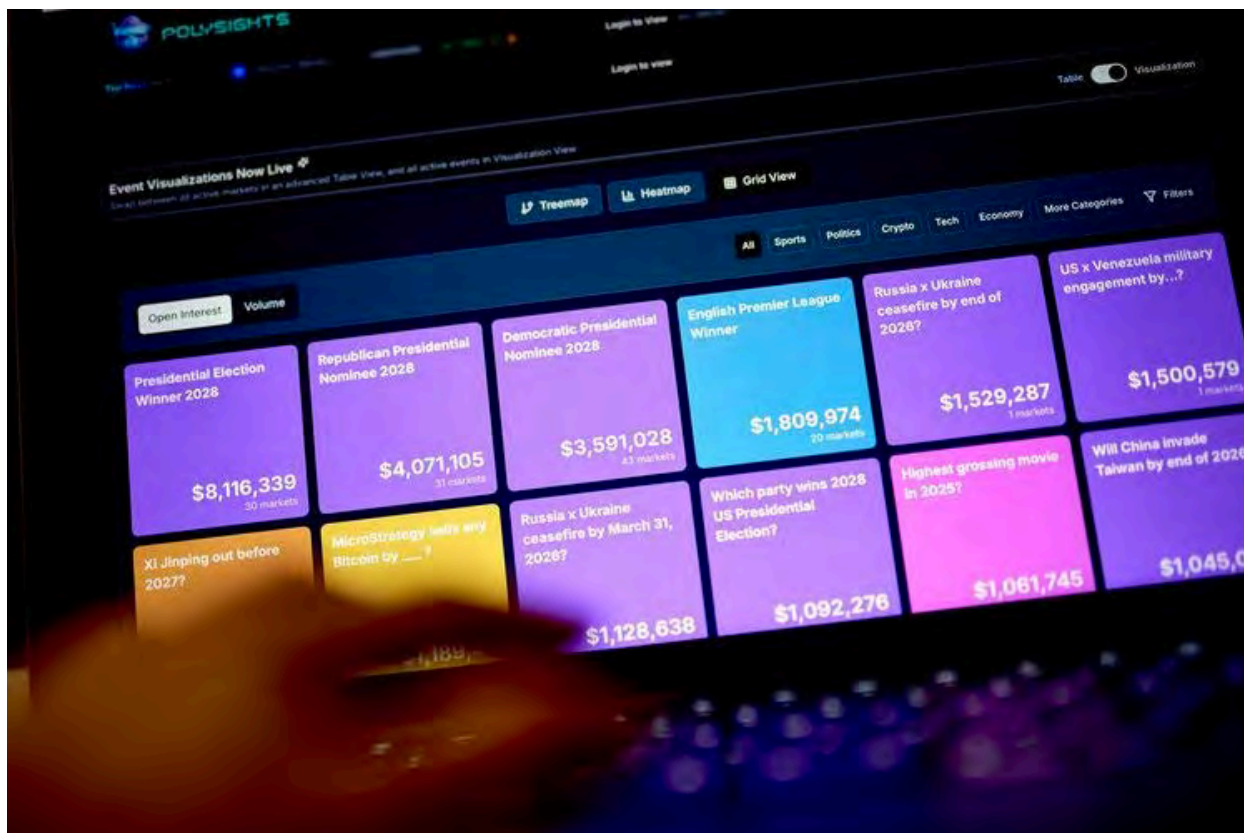
The twist: even as traders abandon crypto's token dreams, the infrastructure they're migrating to still runs on crypto. On platforms like Polymarket, every key part of the trade, except order-matching, happens onchain. So while belief-driven token speculation is cooling off, the underlying tech is quietly finding one of its most durable use cases yet.

That shift is playing out in the numbers. While crypto exchange app downloads fell sharply last year, prediction markets moved in the opposite direction. Polymarket's installs climbed from 30,000 in January to more than 400,000 by December, according to market intelligence firm Sensor Tower. Kalshi's installs ballooned from 80,000 to 1.3 million over the same time. Binance, the world's biggest crypto exchange, saw downloads cut by more than half.

But that drop still masks a deeper existential crisis across the token economy. More than 11 million coins effectively died last year – the largest extinction event in crypto history, according to CoinGecko. Altcoins lost about \$150 billion in value between the end of 2024 and the end of 2025, per TradingView. Many were wiped out during October’s crash, which also triggered auto-liquidations on major exchanges. The episode deepened a growing belief that the game is rigged: fragile coins, vanishing liquidity, and platforms that can glitch at the worst moment.

“Crypto is so ruggable,” Saravanan said. “People can remove liquidity, there’s swiping. People try to overcompete each other. People are kind of tired of the game.”

Tre Upshaw, another Canadian builder, made the same move. After losing money trading memecoins like SafeMoon, he now runs Polysights, an analytics dashboard for prediction markets. “I realized that’s just hyper gambling,” he said. “I got burned so many times on memecoins.” Of course, a slew of people are also losing money on prediction markets, with 70% of trading addresses showing realized losses, per researcher defioasis.eth.



The Polysights website on Jan. 4.

Photographer: Gabby Jones/Bloomberg

Crypto traders haven't left entirely – they've rerouted. Polymarket and Kalshi both allow traders to place bets on the future price of Bitcoin. Crypto contracts have become the second busiest trading category on Polymarket. A year ago, they ranked fourth.

Notional crypto volume on both platforms has increased nearly tenfold, per Dune. Even CoinMarketCap – once the homepage of token mania – now includes a prediction markets section.

Crypto infrastructure firms are leaning in. Coinbase [added](#) prediction markets in December, with trades routed through Kalshi. Gemini and Crypto.com have their own prediction markets efforts. Crypto.com is white-labeling services for outsiders, [including](#) Trump Media. Max Branzburg, Coinbase's head of consumer and business products, said the firm has "seen tons of excitement" from users who want a single venue to trade "everything."

The dollars are expected to follow. Clear Street's Owen Lau expects Coinbase to generate \$700 million in prediction market revenue for 2023. Robinhood's annual run rate from the category is already around \$300 million, according to his estimates. A Mizuho survey found Coinbase and Robinhood users were nine times more likely to participate on prediction platforms than the general population.

Coinbase doesn't see the expansion as a threat to its core business. The company recently [acquired](#) The Clearing Company and plans to push further into the space.

"As we add more instruments, they tend to complement each other," Branzburg said.

The result is less a collapse of crypto culture than a refocusing. The speculation didn't disappear – it just moved to fresh ground.

"A lot of people who are still in crypto are using onchain prediction markets as well," Upshaw said.

--With assistance from **Emily Nicolle** and **Marisa Gertz**.

Securities

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Nidec Said to Prepare Recovery Plan Following Accounting Scandal

Jan. 25, 2026, 7:35 PM PST

Summary by Bloomberg AI

AI Generated



- Nidec Corp. will release a plan to get its business back on track after an accounting scandal that has put the company at risk of delisting and caused its debt to be downgraded to junk status.
- The plan will include revisions to past financial results, more details on how the issues came to light and the steps that will be taken to prevent a repeat.
- A third-party probe into accounting issues is still underway and could reveal more details, as Nidec tries to address concerns over corporate governance and recover from the scandal.

Nidec Corp. will release a plan this week to get its business back on track, people familiar with the matter say, after an accounting scandal that has put the company at risk of delisting and caused its debt to be downgraded to junk status.

The plan will be announced as soon as Wednesday and will include revisions to past financial results, more details on how the issues came to light and the steps that will be taken to prevent a repeat, said one of the people, who asked not to be identified because the information isn't public.

While the initiative marks one step toward recovery since founder **Shigenobu Nagamori** stepped down from the board in December, a third-party probe into accounting issues is still underway and could reveal more details. Nagamori's growth-at-all-costs approach is under scrutiny following a growing number of suspected cases of improper accounting, which have triggered filing delays, credit downgrades and the risk of delisting in Tokyo.

A representative for Nidec declined to comment.

Read More: [Nidec Chairman Quits Board After Spate of Accounting Issues](#)

The plan will take aim at untangling the more damaging aspects of that legacy, including corporate culture and education on compliance as well as a reassessment of its business plan.

Since June, Nidec repeatedly disclosed accounting issues that have spanned subsidiaries in Italy, Switzerland and China. The cases have bogged down auditors' assessment of the company's finances, delaying submission of its financial reports.

The Tokyo Stock Exchange has put Nidec on notice for a potential delisting, unless it can erase concerns over corporate governance. Moody's Ratings [downgraded](#) the company while warning that further risks remained. The stock has also been removed from the benchmark Nikkei 225 index. Its shares are down 30% since late August.

Nagamori was replaced by Chief Executive Officer **Mitsuya Kishida**. A few months earlier, Nidec had launched a third-party committee to investigate the origin and breadth of the scandal. The committee, which consists of two lawyers and a public accountant, will not be announcing its findings this month, according to people familiar with the matter.

Read More: [Accounting Scandal Threatens Legacy of Billionaire Nidec Founder](#)

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 [nakedcapitalism.com/2026/01/oracle-tiktok-ellisons-finances-debt-media-empire-algorithm.html](https://www.nakedcapitalism.com/2026/01/oracle-tiktok-ellisons-finances-debt-media-empire-algorithm.html)

Nat Wilson Turner

January 26, 2026

Oracle and TikTok are overshadowing [the problems at Bari Weiss' CBS News this week](#).

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More sizes. More expiries. More flexibility.

Larry and David Ellison are attempting to create a massive multi-channel media empire with reach across multiple demographics and the scale and synergy to build something more than the sum of its parts.

Larry Ellison's database behemoth, Oracle, provides the financial foundation beneath the aspiring media empire.

TikTok is the shiny new acquisition that gives the Ellisons' hasbara-enforcing empire its reach into the Zoomer demographic and its algorithmic influence over what that demo sees... and perhaps thinks.

Combined with the Paramount TV network and Hollywood studio empire that Père Larry bought for fils David, Oracle's 15% share in the American version of TikTok was supposed to make the Ellisons kingmakers and resistance breakers.

But, as I've posted before, empire building ain't easy. This week, financial problems at the foundational level and technical problems at TikTok are vexing the imperial Ellisons.

Ed Zitron Goes for the Kill

In [the latest premium-subscriber-only edition of his newsletter Where's Your Ed At?](#), Ed Zitron argues that "the AI bubble means that every single participant, without exception, is operating on borrowed time."

Most of the issue is spent explaining how doomed OpenAI is, the way GPU accountancy guarantees the hyperscalers (Microsoft, Amazon, Meta, Google) will be facing massive depreciation write-downs (and possibly even [impairments](#)) for

the foreseeable future, and outlining various scenarios explaining what may happen if and when OpenAI fails.

But he saves a big passage at the very end for Oracle.

Yet the biggest loser, I believe, will be Oracle – a company saddled with debt and hundreds of billions of dollars of long-term obligations due to its participation in the AI bubble, and a software business that's rancid and decaying. <https://t.co/tAWxEv0NzD> [pic.twitter.com/fRMEnoE3Lc](https://t.co/tAWxEv0NzD)

— Ed Zitron (@edzitron) [January 23, 2026](#)

Some key quotes:

I cannot express how stupid Oracle is.

[It signed a \\$300 billion deal with OpenAI back in September of last year](#) that requires 4.5GW of capacity [that Oracle does not have](#), and [has taken on \\$248 billion in lease obligations on top of it](#). Oracle does not have the cash to support these operations. It had negative \$13 billion in cash flow last quarter, raised \$18 billion in bonds, [that \\$38 billion debt package for Stargate Shackelford and Wisconsin](#) has yet to close, and [Blue Owl — the loosest legs in data center funding — pulled out of Stargate Michigan in December](#), with nobody else stepping up to the plate as of writing this sentence.

Here's the thing: **for any of this to work, OpenAI has to become profitable within the space of two years, and do so at a scale where it is able to afford \$30 billion or more a quarter in compute costs.** To give you some context, [Microsoft Azure makes around \\$75 billion annually](#), and [AWS \\$115 billion](#). OpenAI, in its best-case scenario, made around \$13 billion this year, *and Oracle will be charging it at least \$25 billion in the next year if any of this compute is actually made available.*

...

Every quarter, Oracle's debt expands. It paid [\\$1.057 billion in interest in its last quarter](#), [up from \\$933 million in the one before](#), and [\\$892 million the quarter before that](#).

In the middle of 2024 (its Q1 FY2025) — just before NVIDIA's Blackwell GPUs started shipping — Oracle had \$23 billion in PP&E. As of its latest quarter, it had \$67.875 billion, likely almost entirely made up of NVIDIA's GB200 racks, [which The Information reported had negative 100% gross margins](#), specifically on Oracle Cloud.

This is not a situation where Oracle "works it out." GPUs are destroying its gross margins [just as its software business begins to contract](#), and its largest customer for this unprofitable business segment is *OpenAI*, the company that does not have any money and in fact loses it all.

The longer the AI bubble inflates, the more it seems like Oracle is in threat of *actually defaulting on its loans and collapsing.*

This December chart [from Manu Invests](#) shows why Oracle is the most vulnerable of the (would-be) hyperscalers:

pic.twitter.com/vW8C7nhm9H

— Nat Wilson Turner (@natwilsonturner) [January 26, 2026](#)

This goes a long way toward explaining the 25% drop in Oracle's share price over the past six months:

pic.twitter.com/4qD57iFm1K

— Nat Wilson Turner (@natwilsonturner) [January 26, 2026](#)

The financial research and technology platform Trefis tried to explain Oracle's share-price decline to [Forbes readers](#):

Oracle (ORCL)'s stock plummeted by 37% in the last three months, even with a modest increase in revenue and better margins. The reasons for the decline include cautious Q2 earnings, diminished enthusiasm in AI, reductions in analyst price targets, and insider selling—all contributing to a significant drop in investor confidence. What's truly behind this rollercoaster?

...

- **Q2 FY26 Earnings:** EPS exceeded expectations, but increased capital expenditure and negative free cash flow caused concerns among investors.
- **AI Infrastructure Bet:** Substantial investments in AI data centers led to significant debt increases and pressure on the balance sheet.
- **Analyst Target Cuts:** Several firms decreased their price targets due to concerns regarding AI strategy implementation and valuation.
- **AI Market Sentiment:** Worries about an 'AI bubble' negatively impacted ORCL, resulting in a 30.5% drop in Q4.
- **Insider Stock Sales:** [Notable executives sold shares in late October 2025](#), potentially indicating a lack of confidence.

Bears should be warned that [financial seer](#) and CNBC talking head [Jim Cramer calls Oracle](#) a "linchpin stock" for the AI boom:

Jim Cramer: I wanted to be fatuous just in keeping with the news that I read which makes me feel like, are you kidding me? Come on, are you kidding me? Are we really supposed, what are we supposed to sell Oracle off of this?

But even Cramer jawboning the stock wasn't enough to turn the tide.

That took some news about Oracle's 15% share of American TikTok becoming official.

Controlling TikTok Bumps Oracle's Share Price

[A new internal memo from TikTok CEO Shou Zi Chew](#) however, has [Oracle shares rising in price today](#).

Key highlights:

Today, TikTok USDS Joint Venture LLC has been established in compliance with the Executive Order signed by President Trump on September 25, 2025, enabling our US users to continue to discover, create, and thrive as part of TikTok's vibrant global community and experience.

...

TikTok's growth in the US nicely sets up the Joint Venture for strong future success. The majority American owned Joint Venture will operate under defined safeguards that protect national security through comprehensive data protections, algorithm security, content moderation, and software assurances for US users.

It will be led by Adam Presser who, today, has been chosen by the Joint Venture's Board of Directors for his impressive track record with the company leading large-scale teams in the areas of Trust & Safety and Operations.

[The New York Times has more details](#), including who owns how much of this new beast:

Investors including the software giant Oracle; MGX, an Emirati investment firm; and Silver Lake, another investment firm, will own more than 80 percent of the new venture.

...

Adam Presser, TikTok's former head of operations, will be the chief executive for the U.S. TikTok.

The deal is intended to loosen TikTok's ties to China and address national security concerns that Beijing could use the app to surveil or manipulate its more than 200 million users in the United States.

...

Under the new arrangement, Oracle, MGX and Silver Lake will each own 15 percent of TikTok's U.S. operations. ByteDance will own just under 20 percent.

...

The majority of the seven-member board for the new U.S. TikTok will be American, according to a December memo to TikTok employees. Mr. Chew has a seat on the board.

The new venture will moderate content in TikTok's feed, deciding which posts to leave up and which to take down.

Note that Oracle's main partners in the new venture are an Emirati investment firm and [Egon Durban's Silver Lake](#).

The UAE Is All-In on Israel's Hasbara Agenda

Forgive me for a brief detour, but it's important to point out the political and geo-strategic context in which the UAE is a key shareholder in American TikTok.

The UAE is currently isolated in the Middle East after falling out with Saudi Arabia. The latter is building a Sunni block that includes "Qatar, Oman, Egypt, Turkey and Pakistan" while the UAE is openly aligned with Israel and India, [per the SCMP](#).

[The UAE has been pushing reactionary narratives](#) in the west since the end of the Arab Spring, but now it stands exposed as an open ally of Israel.

From [The Washington Post last week](#):

...the rupture between the two oil-rich monarchies is already rippling beyond Yemen as Saudi Arabia, alarmed by what it sees as aggressive military and foreign policy moves by its much smaller neighbor, works to counter the deep web of influence Abu Dhabi has spent years building in the Horn of Africa and around the Red Sea.

...

Riyadh's sudden, more assertive stance has countries in the region trying to navigate the rift. For years, Saudi Arabia and the UAE worked largely in tandem, backstopping other autocrats amid the Arab Spring uprisings and joining forces to counter the Iranian-backed Houthis in Yemen.

In recent days, however, Saudi Arabia has shored up other alliances to curtail its rival and is in talks with both Egypt and Somalia to expand security cooperation between the three countries, according to a senior Somali security official. Somalia's federal government also said it was canceling its defense agreements with the UAE, which maintains commercial ports and military bases in at least three areas — Somaliland, Puntland and Jubaland — where the government in Mogadishu has little presence or influence.

...

Andreas Krieg, an associate professor at King's College London's School of Security Studies, has described the UAE's regional network as an "axis of secessionists."

"Abu Dhabi is comfortable operating below the threshold of formal statecraft, building influence through a web of commercial vehicles, logistics access, security assistance, intermediaries and local armed partners," he said.

Notably the WaPo piece avoids any mention of the Israeli-UAE alliance.

Dr. Krieg spells it out more clearly on his X account:

Saudi has convened an impressive coalition of states with immense depth that includes Turkey (who disagree with the UAE over Somalia, Libya and Sudan), Egypt (who see themselves confronted by UAE statecraft in Ethiopia, Sudan and Libya) and the rest of the GCC, plus Pakistan as a...

<https://t.co/ITJoQ8Lbxi>

— Dr Andreas Krieg (@andreas_krieg) [January 23, 2026](#)

I should also mention that [Silver Lake is a primary owner of Ari Emanuel's WME Group](#), the company that owns a majority of TKO, parent company of the UFC and WWE.

Emanuel [played a key role in the Ellisons' securing Trump's approval to buy Paramount](#), and also [reportedly helped the Ellisons secure financial backing](#) from the UAE, Qatar, and Saudi Arabian sovereign wealth funds for Paramount's (so far) unsuccessful bid for WBD.

I doubt that same constellation of investors could be assembled today, after the falling out between the Saudis and the UAE.

But let's get back to TikTok.

Adam Presser's Fight Against 'Anti-Semitism' Drawing Attention

New CEO Adam Presser has been outspoken about his plans for the platform.

Here are some key points from [Presser's talk at last year's World Jewish Congress](#) (via [Chris Menahan on X.com](#))

LONG CUT: Adam Presser, TikTok's new CEO under the Larry Ellison takeover, told the World Jewish Congress last year,

- They made "Zionist" a "proxy for a protected attribute" to designate it "hate speech" if used in a negative light (the WJC lobbied for this change).
- TikTok... <https://t.co/TDnsfVvMqn> pic.twitter.com/zkaHy7WLCL

— Chris Menahan us (@infolibnews) [January 25, 2026](#)

- They made "Zionist" a "proxy for a protected attribute" to designate it "hate speech" if used in a negative light (the WJC lobbied for this change).
- TikTok *tripled* the number of accounts they were banning for "hateful activity" "over the course of 2024" (i.e., post-Oct 7th).
- TikTok is "especially" focused on fighting "anti-Semitism"—and it's personal to Presser as "a member of the American Jewish community."
- While banning critics of Israel for "hate," they also partnered with Israeli creators (and some non-Israeli creators) to produce positive hasbara content.
- They have over two dozen Jewish organizations "constantly" feeding them "intelligence" on "violative trends"—which includes the WJC—and such groups help inform them on "what is hate speech."
- They "spend a lot of time" with Jewish/Israeli creators to find out "what other tools they might look for" in fighting anti-Semitism.

So far it looks like the new moderators are operating with a heavy hand.

Here's how one American alt-media outlet is faring under the new regime:

UPDATE: TIKTOK IS COOKED. Our [@tiktok_us](#) videos went from tens of thousands to 0.

(seemingly a direct result of Trump & Bibi's friends taking over)
pic.twitter.com/XHMR1oW3Yp

— The Tennessee Holler (@TheTNHoller) [January 26, 2026](#)

Tough Transition

It's not just heavy-handed moderation that's troubling TikTok's first days under new management.

The Verge headlined their piece on the platform's issues "[TikTok USA is broken](#)."

Key points:

Many in the US have found it impossible to upload videos over the last day or so, which are sitting “under review” indefinitely. One video we uploaded from a US account last night has yet to go live, nearly 12 hours later, while a video uploaded from the UK is published — but it’s only visible to our editors who aren’t in the US. Similarly, accounts for pages like the BBC and The Guardian only show new uploads for those of us who live outside the US, while viewing the same account from the US shows only videos uploaded before Sunday morning.

Issues that thousands of people have reported and we’ve been able to confirm include difficulty logging in, the inability to upload or publish videos, a For You Page algorithm that isn’t personalized, problems loading comments, as well as errors flashing for other features, and problems with the CapCut video editor.

Given the timing, many drew a link between TikTok’s issues, its US operation’s new Trump-friendly owners, and this weekend’s anti-ICE protests in Minneapolis, exacerbated by the killing of a second local resident, Alex Pretti, by federal agents. The combination of publishing errors and previously political For You Pages that are suddenly filled with generic content has led many to assume the worst when their videos about ICE wouldn’t publish, but at the moment, the problems appear to be much more extensive.

Previously popular TikTok anti-genocide advocate [Guy Christensen has been urging his followers to migrate](#) to a new platform called UpScrolled with the sales pitch that “It’s led by a Palestinian and promises no censorship from billionaires.”

I have to assume that TikTok will sort out its technical issues, but as with the Ellisons’ CBS News it is unclear if they will be able to create a controlled platform that retains enough popularity to be influential.

It also remains unclear what the impact of the much anticipated AI bust will be on the Ellisons’ plans for global info domination.

Related Posts:

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- [Delusion, Deception and Dipshittery: Hasbara on the 8th Front](#)
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- [Hasbara Ain't Cheap, Musk, Ellison, Saudis, All Tapped](#)
- [Informational Force-Feeding Divides and Distracts](#)
- [Bari Weiss' CBS Not an Auspicious Beginning to Total Info Control](#)

Securities

Billionaire Soon-Shiong Sued Over Offshore Mineral Mining Deals

Jan. 23, 2026, 8:49 AM PST

Biotech billionaire Patrick Soon-Shiong maneuvered to “illegally seize” a Bahamas-based mineral mining operation by threatening to starve the venture of funds unless its founder agreed to be sidelined, according to a lawsuit.

Anthony Myers sued Soon-Shiong’s affiliates Thursday through an investment vehicle, saying the Los Angeles Times publisher—who also owns a piece of the NBA’s LA Lakers—“spent years orchestrating” a plan to marginalize his role at Calcean Minerals and Materials LLC, which extracts oolitic aragonite from sand. The mineral, harvested in the Bahamas, is a pure form of calcium carbonite used in commercial products such as glass and artificial turf.

Joint ventures gone sour often find their way to Delaware’s Chancery Court, the elite business tribunal that’s regularly called on to police messy business divorces, battles between rival board factions, and other corporate bad blood. Recent similar cases include a supermarket family feud, a lawsuit filed against Diageo Plc by a tequila startup, litigation over an industrial gas partnership between Halliburton Co. and Linde Plc, and disputes over a Miami-area luxury condo and a chain of Sports Illustrated-themed resorts that failed to launch.

Soon-Shiong, a South Africa-born transplant surgeon who made his fortune after inventing a breakthrough chemotherapy drug, has a net worth of \$15.5 billion, according to the Bloomberg Billionaires Index.

When his “never-ending witch hunt seeking to unearth some alleged wrongdoing” came up empty, he set out to defame, harass, and extort Myers” into a series of deals that diluted his interest in Calcean, ousted him from his CEO role, and forced him out of a 25% stake in two of Soon-Shiong’s entities, according to Thursday’s court filing. The scheme culminated in an unfair capital call that would eliminate Myers’ right to inspect Calcean’s books, inviting future gamesmanship, the suit says.

Representatives of ImmunityBio Inc. and NantHealth Inc., both affiliated with Soon-Shiong, didn’t immediately respond to a requests for comment on his behalf Friday. Neither company is involved in the case.

According to the new lawsuit, the upcoming capital call—which will end with the Jan. 31 issuance of new units priced at \$0.01—is a sham based on a cash crunch reverse-engineered to justify it. The bogus crisis “is a ruse designed to allow them to push through the capital call to further line their coffers” after a “severely deficient” valuation, the court complaint says.

The transaction would allegedly dilute Myers from a 25% stake in Calcean to just 8% while increasing Soon-Shiong’s ownership from 75% to 92%.

The suit seeks an order blocking any capital call unless it “corresponds to the fair market value of the existing equity.”

Myers is represented by Halloran Farkas & Kittila LLP, Soon-Shiong’s investment firm, Nant Capital LLC, hasn’t yet made a court appearance.

The case is Myco Holdings Inc. v. Nant Capital LLC , Del. Ch., No. 2026-0098, complaint filed 1/22/26 .

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6th Circ. Won't Revive Bread Financial Investors' Suit

By **Emilie Ruscoe**

Law360 (January 23, 2026, 8:47 PM EST) -- The Sixth Circuit won't resuscitate investor claims against the company now known as Bread Financial Holdings Inc., finding that the suit didn't show how shareholders were misled or defrauded leading up to a corporate spin-off that ended in bankruptcy.

In **an opinion Wednesday**, a three-judge panel for the federal appeals court upheld a lower court decision that tossed for good a lawsuit accusing Alliance Data Systems Corp., as Bread Financial used to be known, of misleading investors about the financial health of Loyalty Ventures Inc., a marketing company it spun off into a public company only for it to go bankrupt a year and a half later.

"While [plaintiff] Newtyn's lament is understandable, that things did not work out for Loyalty does not mean defendants knew the company would fail, let alone that they intended to defraud its investors," the Sixth Circuit said in an opinion written by U.S. Circuit Judge Chad A. Readler.

The proposed class action, which was led by a pair of Newtyn Management funds, alleged that Bread Financial, its CEO Ralph Andretta and the spin-off's CEO Charles Horn and Chief Financial Officer John Chesnut knew Loyalty Ventures faced greater risks than they recognized publicly in touting the spin-off.

According to the investors, the defendants downplayed uncertainty affecting the spin-off's relationship with the retail client sponsors whose business anchored its revenue, allegedly leading investors to believe those relationships were sound when in fact it was facing client attrition and struggling to keep key accounts open. They also said Loyalty Ventures was improperly saddled with debt, including a \$650 million loan it took out to make a dividend payment to its former parent company.

U.S. District Judge Edmund A. Sargus dismissed the suit in March 2025, finding that the spin-off's registration statement contained no actionable misstatements.

"The statements are all either true, statements of historical fact, statements of opinion, forward-looking projections, corporate puffery and rosy optimism, relate to matters of public knowledge, or relate to risks yet unrealized that defendants lacked a duty to disclose," Judge Sargus said in his dismissal order.

On Wednesday, the appeals court agreed that the allegedly misleading statements hadn't met the heightened pleading requirements of the Private Securities Litigation Reform Act.

For example, the spin-off's registration statement contained "multiple cautionary warnings" that the company was vulnerable to sudden sponsor troubles, the appeals court found.

"All things considered, no fair investor would read the registration statement as guaranteeing the safety of any one" client relationship, the Sixth Circuit said.

The panel said other statements cited in the suit "amount to little more than the type of puffery that is ubiquitous in the corporate world."

"That type of corporate speak is predictable, with corporate leaders 'expected to be confident about their stewardship and the prospects of the business that they manage,'" the appeals court said.

On Thursday, Michael A. Swartzendruber, an attorney for the spin-off's executives, told Law360 via email, "We are excited and happy for our clients. We believe the court of appeals correctly recognized that the complaint in this case failed to allege a claim against either of them for misrepresenting any facts or intending to mislead anyone."

Representatives for the investors did not immediately respond to requests for comment Friday and counsel for Alliance Data Systems Corp. and Andretta declined to comment.

Judges Amul R. Thapar, Chad A. Readler and Whitney D. Hermandorfer sat on the panel for the Sixth Circuit.

Newtyn Partners LP and Newtyn TE Partners LP are represented by Jonathan D. Lamet, Lester R. Hooker, Dianne M. Pitre and Steven B. Singer of Saxena White PA.

Alliance Data Systems Corp. and Ralph J. Andretta are represented by Charles S. Duggan of Davis Polk & Wardwell LLP and Matthew Drocton of BakerHostetler.

Charles L. Horn and John J. Chesnut are represented by Peter A. Stokes and Michael A. Swartzendruber of Norton Rose Fulbright.

The case is Newtyn Partners LP et al. v. Alliance Data Systems Corp et al., case number 25-3313, in the U.S. Court of Appeals for the Sixth Circuit, and the underlying case is Newtyn Partners LP et al. v. Alliance Data Systems Corp. n/k/a Bread Financial Holdings Inc. et al., case number 2:23-cv-01451, in the U.S. District Court for the Southern District of Ohio.

--Additional reporting by Sydney Price. Editing by Stephen Berg.

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Hasbro Brass Sued Over Magic: The Gathering Card Glut

By **Katryna Perera**

Law360 (January 23, 2026, 8:57 PM EST) -- The top brass of toy company Hasbro Inc. have been hit with a shareholder suit alleging they misled investors about the company's strategy for its popular Magic: The Gathering brand, leading to stock price declines as it was revealed that the game's signature cards were being overprinted.

Plaintiffs Joseph Crocono and Ultan McGlone filed a **complaint** Wednesday in Rhode Island federal court against Hasbro CEO Christian Cocks and other executives and directors at the company.

According to the complaint, the Magic: The Gathering card game has become lucrative in recent years, and some of the game's rarer cards are often sought after by collectors and fetch upwards of thousands of dollars on the secondary market.

Due to the nature of the secondary market, the rate at which new Magic card sets are printed and sold directly impacts the value of existing cards to collectors, the complaint says. Therefore, it notes, if Hasbro overprints cards, the value of existing cards would decrease.

The investors claim the defendants continuously denied that Hasbro was overprinting Magic card sets and instead stated that the company printed sets according to its so-called "segmentation" strategy.

"According to the company's segmentation strategy, new Magic sets were to be printed to meet demand from new consumer segments," the complaint states. "Defendant Cocks stated [during a September 2021 investor call] that Magic was 'not trying to build one product for one customer that has to buy everything,' because 'the real growth and the real driver for us has been thinking about things on a segmented basis.'"

The investors claim the truth began to emerge slowly, starting in November 2022, when Bank of America issued a report stating Hasbro had been overprinting Magic card sets and risked damaging the brand's value. The complaint states that on this news, Hasbro's stock price fell \$6.25, or 9.9%, from \$63.41 per share Nov. 11, 2022, to \$57.16 on Nov. 14, 2022.

However, despite the stock dip, the suit says, the defendants continued to downplay the negative implications of Hasbro's printing strategy.

"For instance, on Dec. 8, 2022, the company hosted a special call with investors. During the call, [former President of Wizards of the Coast & Hasbro Gaming Cynthia Williams] stated that '[o]ur growth has come from monetizing more player segments and not just from increasing the spend of the same core set of players, and our product release schedule really reflects that,'" the complaint says.

But the truth continued to emerge when Hasbro issued a press release in January 2023 announcing its fourth quarter and full-year 2022 financial results, stating that the Wizards of the Coast & Digital Gaming segment had "fallen significantly short" of the company's guidance for year-over-year fourth quarter revenue growth, according to the complaint.

The investors say that on this news, Hasbro's stock price fell again, by \$5.17, or 8.1%, from \$63.78 per share Jan. 26, 2023, to \$58.61 on Jan. 27, 2023.

But still, the defendants continued to downplay the company's strategy, the investors claim, and during an April 2023 earnings call, Cocks stated: "Our owned inventory is up a bit, but most of that has to do with kind of the nature of Wizards production," according to the complaint.

According to the suit, the whole truth emerged Oct. 26, 2023, when Hasbro announced "disappointing" third quarter financial results.

"The Q3 2023 press release reported that the company had '[r]educ[ed] owned inventory [by] 27%[,]' but further noted that consumer products inventories had decreased by 34%," the complaint states. "During an earnings call held that same day, the individual defendants stated that the 'reduc[tion in] total owned inventory' was 'primarily driven by [the] reduction in [non-Wizards] inventory[.]'"

According to the complaint, on this news, Hasbro's stock price fell by \$8.91, or 16.3%, from \$54.75 per share Oct. 25, 2023, to \$45.84 on Oct. 27, 2023.

The investors claim that throughout the relevant period, the defendants made false and misleading statements about how "carefully thought out" Hasbro's Magic card printing strategy was, that the company was printing a volume of Magic card sets that exceeded customer demand, that Hasbro had an inventory allocation issue, and that Hasbro was overloading the market with Magic card sets to generate returns and offset company shortfalls, which in turn, decreased the value of existing Magic cards.

The suit seeks damages, restitution, reforms and improvements to Hasbro's corporate governance and internal procedures, attorney fees and a jury trial.

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

The investors are represented by Stephen P. Cooney of Higgins Cavanagh & Cooney LLP, and Sarah Maneval and Saadia Hashmi of The Brown Law Firm PC.

Counsel information for the defendants was not immediately available.

The case is Crocono et al. v. Cocks et al., case number 1:26-cv-00041, in the U.S. District Court for the District of Rhode Island.

--Editing by Kristen Becker.



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Levi & Korsinsky To Lead Mining Co. Investor Suit

By **Sydney Price**

Law360 (January 23, 2026, 9:08 PM EST) -- Levi & Korsinsky LLP will lead a proposed class of investors accusing mining company Tronox Inc. of issuing misleading statements about the demand for titanium dioxide and other products, a Connecticut federal judge said.

According to the order signed on Thursday by U.S. District Judge Kari A. Dooley, Levi & Korsinsky client Jason D. Smith alleged losses of about \$23,000 during the class period and is considered the most adequate plaintiff to lead the suit. Smith beat out a competing bid from The Rosen Law Firm client John Harding, who alleged a loss of approximately \$200.

"Movant Harding has not offered the 'exacting proof' necessary to establish that Movant Smith is atypical or otherwise inadequate," the order states.

The suit was initially launched in September by Levi & Korsinsky client Maxwell Keller. The complaint alleges Tronox and its executives caused shares to fall by nearly 40% in a single day last July after they revealed "disappointing" financial results out of line with previous projections.

According to the suit, Tronox is based in the United Kingdom and processes the production of various titanium dioxide products, including pigment, and the mineral zircon.

Tronox told investors in July that expected revenue and adjusted earnings before interest, taxes, depreciation and amortization figures for 2025 were now lower due to current market conditions, including lower-than-anticipated pigment and zircon volumes and pricing. The same day, Tronox announced a 60% dividend cut, according to the suit.

The suit alleges Tronox was "ill-equipped to adequately forecast demand for its pigment and zircon products or otherwise minimize the impact of potential demand fluctuations," but continued to promote "lofty margin projections."

The investors are represented by Gregory M. Potrepka of Levi & Korsinsky LLP.

Tronox is represented by Jeffrey Mueller of Day Pitney LLP and Roger A. Cooper and Abena Ayowa Mainoo of Cleary Gottlieb Steen & Hamilton LLP.

The case is Keller v. Tronox Holdings PLC et al., case number 3:25-cv-01441, in the U.S. District Court for the District of Connecticut.

--Editing by Emily Kokoll.

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Comerica Investor Seeks TRO To Halt \$10.9B Fifth Third Deal

By **Jeff Montgomery**

Law360 (January 23, 2026, 7:22 PM EST) -- A Comerica Inc. activist investor sued in Delaware's Court of Chancery Friday for an emergency temporary restraining order to block the company from closing Feb. 1 on a proposed \$10.9 billion, all-stock acquisition by Fifth Third Bancorp, branding the terms as "fire sale" and tainted by fiduciary breaches.

HoldCo Opportunities Fund V LP, which held about \$155 million of Comerica's shares, or 1.8%, in mid-July, said in its complaint that Comerica CEO Curtis Farmer had "raced" for a quick closing with a "white knight" — for his own benefit — after HoldCo called for Farmer's ouster in July.

Sales efforts initiated by Comerica and Farmer were described in the complaint as structured to close before Comerica's next annual meeting and produced an allegedly "unreasonably low" offer.

The TRO motion said the delay was needed to assure discovery and briefing on a related preliminary injunction motion in HoldCo's initial class complaint for an injunction and damages, filed Nov. 21 and amended Dec. 31.

Delaware does not "give legal sanction to agreements which have the effect of removing from directors in a very substantial way their duty to use their own best judgment on management matters," HoldCo said, quoting from a 1956 Delaware ruling.

In a Jan. 15 letter to Vice Chancellor Morgan T. Zurn, Rudolf Koch of Richards Layton & Finger PA, counsel to Fifth Third Bancorp, wrote that HoldCo's "motion purports to seek unprecedented relief in the form of some temporary restraining order preventing the closing of a substantial premium, stock-for-stock public-company merger that has been approved (overwhelmingly) by stockholders, and it seeks this relief unsupported by any facts or law."

Other filings by parties in support of Fifth Third, including those with full counsel lists, remained under seal late Friday.

The amended complaint argued that prospective buyer Fifth Third "was advised by sophisticated counsel from Sullivan & Cromwell and knew that the director defendants were violating their fiduciary duties" and Delaware's General Corporation Law "by entering into the illegal terms of the merger agreement."

The three count complaint accused Comerica's directors and Farmer of breaching their fiduciary duty and Fifth Third of aiding and abetting the breaches, with a final count seeking a declaratory judgment invalidating challenged provisions in the deal.

Prior to the Fifth Third proposal, according to the TRO motion, HoldCo called publicly for Farmer's ouster in July 2025 and for consideration of Comerica's sale, while also confirming that HoldCo would run a proxy contest.

Terms of the proposed merger agreement with First Third — after negotiations said to have been led, on Comerica's part, by Farmer — were described as locking the company into the deal terms for a full year, at the risk of incurring a \$500 million termination fee, or about 4.7% of the deal price.

"Such negotiations are more reminiscent of distressed bank sales during the 2008 global financial

crisis," HoldCo's motion said.

HoldCo publicly issued on July 28 what it described in the injunction motion as a detailed report "that accused the company's management team of making poor financial decisions and failing to address its lagging stock price."

"There is no fiduciary out" in the agreement with First Third "that allows the Comerica board to terminate the merger agreement to accept a superior proposal," HoldCo said in an amended complaint. "Even if Comerica's stockholders vote down the proposed merger, Comerica cannot unilaterally terminate the merger agreement until October 5, 2026, a full year after signing," unless regulators block the deal.

Delaware does not "give legal sanction to agreements which have the effect of removing from directors in a very substantial way their duty to use their own best judgment on management matters," the amended complaint said, adding, "A board cannot tie its own hands for a year."

Included in the complaint are allegations that the directors who are named shielded what was described as Farmer's "entrenchment plan" through provisions to discourage topping bids. Comerica, meanwhile, allowed Farmer to be Comerica's sole negotiating agent with Fifth Third, the complaint said.

The parties did not immediately respond to requests for comment.

HoldCo Opportunities Fund V LP is represented by Gregory V. Varallo and Mark Lebovitch of Bernstein Litowitz Berger & Grossmann LLP and Joel Fleming and Amanda Crawford of Equity Litigation Group LLP.

Counsel information for most of those named was not fully available Friday.

FirstThird BanCorp is represented in part by Rudolf Koch of Richards Layton & Finger PA.

The case is HoldCo Opportunities Fund V LP, v. Arthur G. Angul, et al., case number 2025-1360, in the Court of Chancery of the State of Delaware.

--Editing by Rich Mills.



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Rivian Can't Ditch Latest Investor Suit Over EV Production

By **Dorothy Atkins**

Law360 (January 23, 2026, 11:02 PM EST) -- A California federal judge refused Thursday to toss a proposed class action alleging Rivian and its top brass misled investors about its 2023 production capabilities and demand for electric vehicles, rejecting Rivian's arguments that the securities claims cannot proceed in light of the Ninth Circuit's recent *Sneed v. Talphera* ruling.

In a nine-page order, U.S. District Judge Consuelo B. Marshall denied Rivian Automotive Inc.'s motion for judgment on the pleadings. The automaker and its executives had argued that the **Ninth Circuit's decision** last year in *Sneed v. Talphera Inc.*  clarified the standard for pleading falsity, and under *Sneed*, no reasonable investor considering Rivian's risk disclosures in their full context would find them misleading.

But Judge Marshall rejected that argument, finding that they misread the *Sneed* decision, which she said notably did not create new case law or clarify the falsity pleading standard as the defendants assert.

"Rather, *Sneed* cited existing case law in noting that courts should look at the context surrounding the statement in deciding whether a misstatement or omission can be misleading," Judge Marshall wrote.

The judge added that she can't conclude as a matter of law at the pleading stage that the company didn't mislead investors.

The litigation proceeds in the wake of a separate securities suit by investors who alleged similar fraud claims but on behalf of investors who purchased Rivian stock during an earlier time period, between Nov. 10, 2021, and March 10, 2022. In December, another California federal judge preliminarily approved Rivian's **\$250 million settlement** to resolve that litigation.

Judge Marshall's Thursday ruling keeps alive a lawsuit that was initially filed by a pension fund, Indiana Public Retirement System, in May 2024 against Rivian; its CEO, Robert J. Scaringe; and its chief financial officer, Claire McDonough, alleging violations of the Securities Exchange Act and related regulations.

The investors claim that after its blockbuster **\$11.9 billion initial public offering** in November 2021, the company and its executives released a road map and misled them to believe Rivian was on track to become profitable and achieve significant profit margins in 2024 by increasing the production and sales of its electric vehicles.

The company also claimed that it had been unscathed by macroeconomic factors, including rising inflation and interest rates, which were impacting the EV industry and had weakened demand and reduced EV prices, according to the suit. Scaringe also openly promoted a culture of underpromising and overdelivering, the suit alleges.

But in reality, Rivian was burning through cash, issuing multibillion bonds and suffering from the same macroeconomic factors as its competitors, the suit alleges. In early 2023, a leak revealed Rivian was having a disappointing 2023, with vehicle production 20% lower than what analysts expected, the investors allege. Once Rivian disclosed that its production in 2024 would be even worse along with other issues facing the company, investors claim Rivian's stock price plummeted by

roughly 25%, wiping out over \$750 billion in market capitalization in a single day.

In October 2024, the judge appointed investors Kamil Kirio and Nada Badr-Kirio, who claim they lost roughly \$2 million, as lead plaintiffs, while denying a request from two pension funds to lead the investor class. Although the pension funds allege they together suffered \$36.4 million in investment losses, the judge found that the pension funds hadn't explained how they would resolve disputes among themselves or jointly manage the case if both were named lead plaintiffs.

In January 2025, Rivian and its executives asked the court to throw out the case, challenging various aspects of the pleading, but Judge Marshall denied the dismissal bid in August.

Two months later, Rivian and its executives filed another dispositive motion, asking the court to grant them a win on the pleadings in light of the Ninth Circuit's Sneed decision. The defendants attached 25 exhibits to support their argument that a reasonable investor would not have been misled by their statements when read together in context.

But in her ruling Thursday, Judge Marshall rejected the defendants' arguments across the board, finding that the defendants' reliance on Sneed is misplaced. The judge noted that Sneed is distinguishable from the current securities case because it was based on an allegedly misleading marketing slogan.

She added that even considering Sneed, the court cannot find as a matter of law that a reasonable investor would not be misled by the defendants' 32 specific statements, which is why she already denied Rivian's previous motion to dismiss.

Counsel for the parties and representatives for Rivian didn't immediately respond to requests for comment Friday.

A five- to seven-day jury trial is set for March 16, 2027, according to the docket.

Lead counsel for plaintiffs and the proposed class is Laurence J. Hasson, Joseph R. Seidman, Jr. and Jeffrey McEachern of Bernstein Liebhard LLP, and liaison counsel for plaintiffs and the proposed class is Timothy J. Burke.

Rivian Automotive Inc., Robert J. Scaringe and Claire McDonough are represented by Jordan Eth, Christina Dierolf, David Jeremy Wiener and Hanna Marlene Lauritzen of Morrison Foerster LLP.

The case is Indiana Public Retirement System v. Rivian Automotive Inc. et al., case number 2:24-cv-04566, in the U.S. District Court for the Central District of California.

--Editing by Bruce Goldman.



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Veon Investors Gets 1st OK For \$20M Deal In Bribery Case

By **Sydney Price**

Law360 (January 23, 2026, 5:30 PM EST) -- Telecommunications firm Veon Ltd. has received preliminary approval of its \$19.97 million settlement with shareholders who accused the company of defrauding investors by not disclosing it had paid bribes in Uzbekistan, potentially ending more than a decade of litigation related to the claims.

According to an **order** U.S. District Judge Andrew L. Carter Jr. signed Thursday, the court will likely approve the deal as "fair, reasonable and adequate" following a May 19 settlement hearing.

The nearly \$20 million agreement covers about 13% of the estimated maximum damages, which is a "larger proportion than the median settlement in cases of this size," the shareholders said in the settlement notice in December.

"The settlement elides serious evidentiary problems, including that plaintiff could never obtain testimony from key witnesses because they reside in Russia," according to a motion. "It avoids the risk that the factfinder would agree with defendants' methodological attacks on plaintiffs' damages, which would leave only [\$35 million to \$40 million] of alleged damages."

Attorneys representing the investors are seeking one-third of the settlement fund, roughly \$6.7 million, in fees, plus up to \$130,000 in expenses. The reasonableness of the requests will be determined at the settlement hearing, the order noted.

If finally approved, the deal would end 10 years of litigation related to the shareholders' claims. In 2015 and 2016, the U.S. Department of Justice and other authorities announced investigations into Veon, formerly known as VimpelCom, and alleged it paid bribes to the daughter of Uzbekistan's then-leader so it could do business in the Central Asian country.

Although the company paid \$795 million to resolve the criminal charges, it has fought the investor lawsuit. Back in 2018, former CEOs Jo Lunder and Alexander Izosimov and ex-Chief Financial Officers Andrew Davies and Cornelis Hendrik van Dalen **escaped the government's allegations** that they are liable for deception at Veon, U.S. District Judge Andrew Carter ruled. The claims that they knew of wrongdoing are too weak, and Izosimov and van Dalen were served with court papers too late, the ruling said.

In March 2023, the shareholders filed the latest version of the complaint after a previous version was dismissed several months prior. The operative complaint alleged that despite VimpelCom's claims during the class period that it had effective internal controls and succeeded in Uzbekistan "because of its business savvy," it conceded that it had paid more than \$100 million in bribes so that it could do business in Uzbekistan.

"VimpelCom admitted that it had engaged in a scheme to falsify its books and records," the suit said. "The bribes were falsely recorded on VimpelCom's books and records as consulting or professional services, or acquisitions of intangible assets. These books and records were used to create VimpelCom's financial statements, which it filed with the SEC."

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

The investors are represented by Michael A. Cohen, Jonathan R. Horne, Phillip C. Kim and Brent

LaPointe of The Rosen Law Firm PA.

Veon is represented by Kerri A. Law and Jonathan M. Wagner of Herbert Smith Freehills Kramer LLP.

The case is In re Veon Ltd. Securities Litigation, case number 1:15-cv-08672, in U.S. District Court for the Southern District of New York.

--Editing by Covey Son.

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Reforms, \$737.5K Fee Proposed To End Del. Skin Tech Suit

By **Jeff Montgomery**

Law360 (January 23, 2026, 4:01 PM EST) -- A mediated deal on corporate governance reforms and a fee and expenses award have tentatively settled a consolidated Delaware Court of Chancery derivative suit targeting oversight and disclosure failures involving a "hydrafacial" skin treatment device that cost The Beauty Health Co. at least \$63.2 million to manage.

The tentative agreement, which still requires court approval, includes a \$737,500 attorney fee and expense award. Court approval would allow settlement of litigation dating to mid-2024 accusing the company's directors and officers of fiduciary duty breaches and corporate waste arising from allegations that the company hid problems with its "Syndeo" hydrafacial device — issues that allegedly surfaced soon after the product's launch in March 2022.

Still pending, however, is a proposed 15-day trial on **stockholder damage claims** arising from the same product issues in the U.S. District Court for the Central District of California. The case was referred by the court to private mediation on Dec. 15, 2025, however, to be completed by October 2027.

Users of the machine began complaining on social media that it would clog and stop working after a few weeks, the complaint says. Problems went unacknowledged for more than a year, with the company halting sales of the original version, triggering an \$18.8 million write-down and millions in remediation, upgrade and exchange expenses.

An amended version of the complaint that went to settlement talks accuses the company of failing to act on the problem or to exercise appropriate oversight, while also approving reports of "glowing financial results" and improved financial guidance without causing the company to fully disclose issues "negatively affecting its core product."

Provisions of the settlement include a declaration that the stipulations are not evidence of or admissions or concessions regarding allegations of wrongdoing, fault or liability.

Terms of the agreement in Delaware would oblige Beauty Health to put in place corporate governance reforms for at least four years, with no cash recovery going to the company.

All fiduciary-duty claims in the Delaware action would be released. A related federal securities class action remains pending.

The Beauty Health Co., which trades on the Nasdaq under SKIN, makes products that estheticians and consumers use for facials and skin and beauty treatments. Its brands include Hydrafacial for hydradermabrasion, SkinStylus for microneedling and Keravive for scalp treatments, according to the company's website.

The Delaware complaint named Beauty Health's board chairman Brenton Saunders and the rest of its eight-member board, former CEO Andrew Stanleick and former chief financial officer Liyuan Woo.

Those named, the complaint said, either were aware of the product flaws "or chose to bury their heads in the sand and not make a decision to avert the knowable and grave risks raised by such false dissemination" in the face of "knowable and grave risks raised by such improper conduct and numerous red flags."

The categories of claims in the suit referred in part to the 1996 Delaware court ruling arising from **In re Caremark International Inc.** , focused on failures to oversee and manage business risks, and the 2011 decision in **In re Massey Energy Co.**  derivative and class litigation, focused on violations of positive law and allegations that the company purposely did so.

The parties did not immediately respond to requests for comment.

The class is represented by Blake A. Bennett of Cooch & Taylor PA, Emily Komlossy of Komlossy Law PA, Laurence D. Paskowitz of The Paskowitz Law Firm PC and Thomas J. McKenna and Gregory M. Egleston of Gainey McKenna & Egleston.

The directors and officers are represented by Brian M. Rostocki, John T. Miraglia, John C. Scalzo and Colin E. Wrabley of Reed Smith LLP.

The case is **In re The Beauty Health Company Consolidated Stockholder Litigation**, case number 2024-0114, in the Court of Chancery of the State of Delaware.

--Additional reporting by Emilie Ruscoe. Editing by Linda Voorhis.

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\$200M Sun, Taro Generics Deal Gets Final OK

By **Bryan Koenig**

Law360 (January 23, 2026, 7:16 PM EST) -- A Pennsylvania federal judge granted final approval Friday for a \$200 million deal resolving employee benefits plans' claims against Sun Pharmaceutical and Taro Pharmaceuticals in the sprawling price-fixing litigation against generic-drug makers, while again ensuring the claims from dozens of state attorneys general remain untouched by the settlement.

U.S. District Judge Cynthia M. Rufe said the latest deal in **the multidistrict litigation**, between Sun and Taro and end payor plaintiffs, bears all the hallmarks required for final approval. She said class action treatment was appropriate for the "thousands, if not millions, of class members," who she said shared common issues and were adequately represented by the named plaintiffs and class counsel now set under the order for one-third of the settlement.

"There has been extensive motion practice and discovery through which the parties have learned of the claims. Sun/Taro have denied liability, and in the absence of the settlement, [end payor plaintiffs] would be required to litigate issues of liability, damages, and class certification," Judge Rufe said. "Sun/Taro faces many other cases and claims in this MDL, and settlement at this time assures a fair payment to [end payor plaintiffs] on their claims against Sun/Taro."

According to Judge Rufe's order, no class members objected to the settlement. The judge heard, however, from state attorneys general who **asked for the same consideration** the court gave to **a deal** between the end payor plaintiffs and Sandoz, ensuring that the MDL agreement doesn't affect their ability to pursue sovereign claims in Connecticut federal court.

"The amici states ask this court to mirror its ruling on [end payor plaintiffs]' settlement with Sandoz Inc. and Fougere Pharmaceuticals. That request is approved," Judge Rufe said. "As it has previously, the court stresses that there is no question that the state attorneys general have played a key role in the litigation over the prices of generic pharmaceuticals, and that their lawsuits could also result in meaningful relief in some form to some of the class members here."

Judge Rufe did, however, repeat her findings that the enforcers haven't shown that their authority to sue on behalf of their citizens can supplant the ability of consumers to seek damages. "Further, once again, this court determines that any requests for the reporting of claims data, anti-suit injunctions, and potential offsets are premature at this stage," she said.

The amicus brief filed in early December represented nearly four dozen enforcers from states including Alaska, California, Colorado, Georgia, Illinois, Kentucky, Maryland, Michigan, Mississippi, Nebraska, New Jersey, North Carolina, Oklahoma, Rhode Island, Vermont and Virginia, along with the District of Columbia, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands.

Both the MDL and the Connecticut case target dozens of drugmakers accused of fixing the prices of a range of generic drugs. **Multiple settlements** have already been inked while other parts of the litigation **move forward**.

In Friday's order, Judge Rufe also imposed the same requirements for opting out of the deal that she previously put in place for insurers seeking to exclude their administrative services to only customers, who have signed over their ability to sue to the insurers.

A pair of Blue Cross Blue Shield units said they shouldn't have to submit declarations attesting to their ability to opt out of the agreement on behalf of their customers. Judge Rufe on Friday stood by

a mandate to show contract language attesting to the opt-out authority for specific clients, which she also said had been met by Health Care Services Corp. for its list of 504 entities.

In a separate decision Thursday, Judge Rufe granted a bid from the wider group of generic-drug makers seeking to again dismiss the state law claims she tossed in February 2019 under the laws of Illinois, South Carolina, Montana, Rhode Island, Georgia and West Virginia. According to the ruling, the drugmakers sought the dismissal of the claims from end payor plaintiffs, indirect reseller plaintiffs and direct action plaintiffs because the MDL had expanded since the 2019 decision. Judge Rufe held that nothing in the law has changed in the intervening years that would make those claims now live.

Representatives for the parties did not immediately respond to request for comment Friday.

The states are represented by their respective attorneys general.

The end payor plaintiffs are represented by Roberta Liebenberg of Fine Kaplan & Black.

The indirect reseller plaintiffs are represented by Christian Hudson of Cuneo Gilbert & Laduca LLP.

Sun and Taro are represented by John M. Taladay, Christopher P. Wilson, Edward W. Duffy, JoAnna B. Adkisson and Michael A. Munoz of Baker Botts LLP and Lauri A. Kavulich and Lindsay S. Fouse-Hopkins of Clark Hill PLC.

The case is In re: Generic Pharmaceuticals Pricing Antitrust Litigation, MDL number 2724, in the U.S. District Court for the Eastern District of Pennsylvania.

--Additional reporting by P.J. D'Annunzio. Editing by Stephen Berg.

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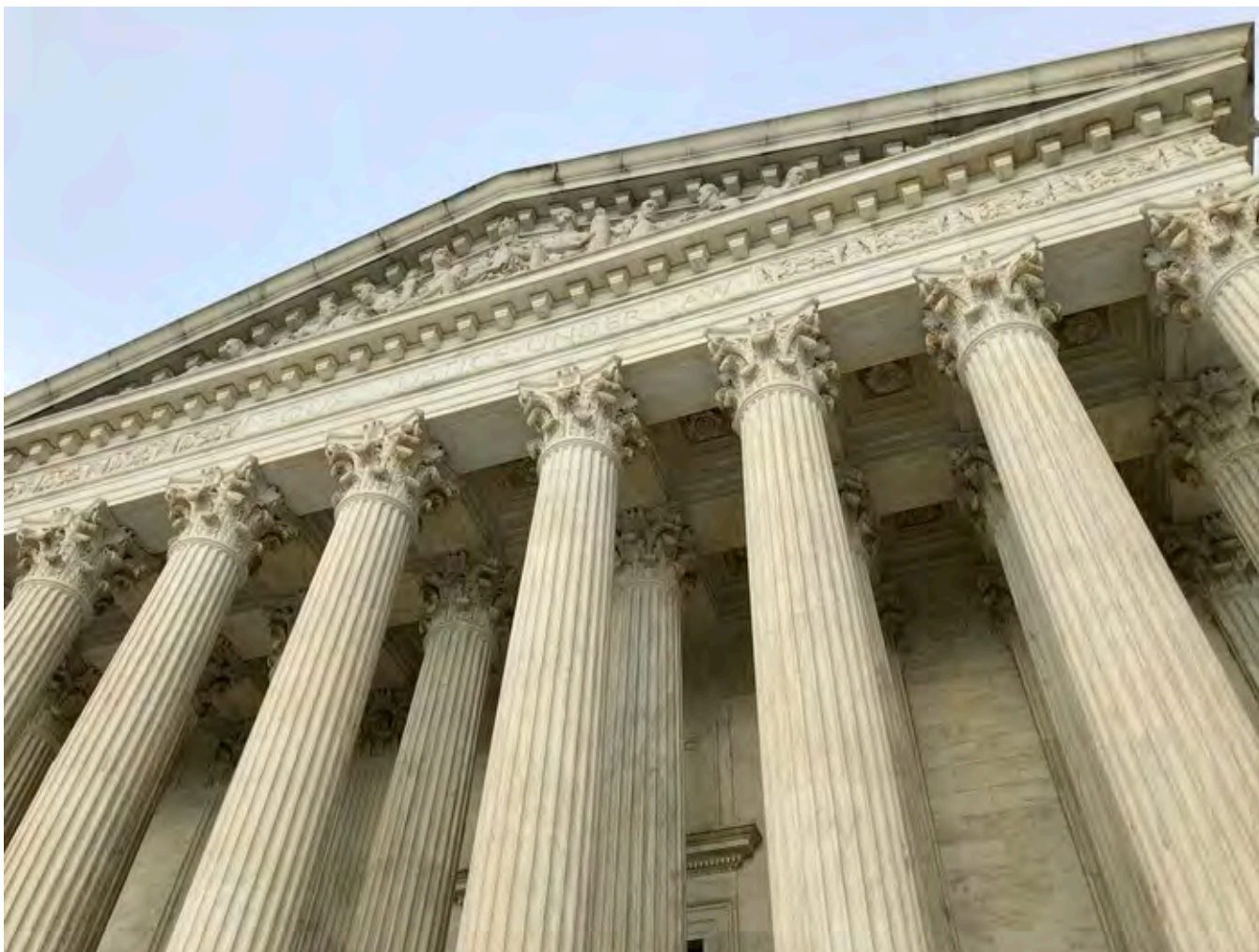


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BREAKING: Supreme Court To Define 'Consumer' Under Privacy Law

By Allison Grande

Law360 (January 26, 2026, 10:00 AM EST) -- The U.S. Supreme Court on Monday agreed to consider what criteria consumers need to meet in order to sue under the federal Video Privacy Protection Act, accepting a challenge to a ruling that said a Paramount digital newsletter subscriber could not bring a lawsuit.



The justices agreed to determine whether the federal Video Privacy Protection Act applies to non-audiovisual content like digital newsletters. (iStock.com/FinkAvenue)

The justices granted Michael Salazar's petition for a writ of certiorari asking the high court to determine whether the VPPA, which was enacted in 1988, applies to consumers who subscribe to non-audiovisual content, such as a digital newsletter from Paramount Global's 24/7 Sports, rather than directly to audiovisual materials.

The justices' decision to hear the case, which as customary was made without comment, calls into question a Sixth Circuit ruling **affirming the dismissal** of Salazar's proposed class action over illegally shared 24/7 Sports newsletter subscribers' personal information with Facebook. In that decision, the

appellate court upheld the finding that Salazar couldn't be considered a "consumer" under the law because he wasn't someone who subscribed specifically to audiovisual materials.

The justices' decision comes on the heels of the high court **last month** denying a pair of petitions that sought consideration of separate disputes, including another one being pressed by Salazar in the Second Circuit, over the scope of the VPPA, a law that has sparked a flood of litigation over the viewing data disclosure practices of a wide range of website operators.

In its Dec. 8 order list, the justices denied without comment the National Basketball Association's petition for writ of certiorari asking the high court to determine whether the VPPA applies to consumers like Salazar who do not subscribe to audiovisual goods or services. They also rejected Fite TV subscriber Detrina Solomon's request to weigh in on the question of what constitutes "personally identifiable information" under the decades-old statute.

The determinations left in place the Second Circuit's October 2024 ruling reviving Salazar's proposed class action accusing the NBA of sharing his video viewing habits with Facebook without his permission, and the circuit's May decision affirming the dismissal of Solomon's proposed class action. In the latter case, Fite TV operator Flipps Media was accused of illegally installing a tracking pixel on its website that transmitted information to Facebook's parent company, Meta Platforms Inc., about its subscribers and the videos that users were viewing on the platform.

The disputes, as with the one that the high court agreed to take up on Monday, presented a pair of vital questions that have divided circuit courts about how to apply the VPPA in the modern era. The law was enacted in 1988 in response to the Washington City Paper publishing then-U.S. Supreme Court nominee Robert Bork's video rental history.

Salazar is represented by Joshua I. Hammack of Bailey & Glasser LLP.

Paramount is represented by David Yohai, Gregory Silbert and Zachary D. Tripp of Weil Gotshal & Manges LLP.

The case is Michael Salazar v. Paramount Global, d/b/a 247Sports, case number 25-459, in the U.S. Supreme Court.



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Coinbase Moves To End Suit Over SEC, 'Bankruptcy' Warnings

By **Katryna Perera**

Law360 (January 23, 2026, 6:23 PM EST) -- Coinbase and its top brass have again urged a New Jersey federal judge to toss a class action alleging the cryptocurrency exchange misled investors about its regulatory risks and bankruptcy concerns, arguing investors were given enough notice about a U.S. Securities and Exchange Commission investigation and that new Third Circuit rulings undercut the suit's claims.

Coinbase filed a **motion to dismiss** Thursday, saying the case should end at the pleading stage because the investors have not provided the "defendant-by-defendant particularity" required to plead fraud.

"This failure alone warrants dismissal, but it is not even plaintiffs' biggest problem," the memo said. "Intervening Third Circuit authority cuts the legs out from under plaintiffs' remaining fraud theories."

Coinbase's dismissal motion comes after U.S. District Judge Brian R. Martinotti **trimmed** the class action in September, finding that any challenged statements in the suit under the bankruptcy risk or regulatory disclosure categories can move forward, as long as they are not attributed to a defendant by group pleading.

The judge also retained the suit's scienter, or knowledge of wrongdoing, claims related to these statements.

However, on Thursday, Coinbase argued that these claims should be dismissed because of two recent Third Circuit rulings: **In re Walmart Inc. Securities Litigation** and **Handal v. Innovative Industrial Properties Inc.**

"**Walmart** and **Handal** foreclose the [suit's] regulatory theory, which faults Coinbase for disclosing an SEC investigation without also labeling it an 'enforcement investigation' or predicting an imminent suit," the memorandum said. "And Handal rejects the bankruptcy risk theory's faulty premise, i.e., statements about specific risks (hacking and private key loss) somehow misled investors about a separate risk (bankruptcy)."

"Defendants have not — and could not have — previously presented these arguments," the memorandum added. "This new authority and the Private Securities Litigation Reform Act's stringent pleading standards require dismissal."

According to the memorandum, under Walmart, the defendants were not required to state that Coinbase "was, in fact, violating" the law nor disclose the full extent or history of the SEC's investigation "when the executives expressed their genuinely held beliefs that the assets on Coinbase's platform were not securities."

The memorandum also notes that the SEC ultimately concluded that Coinbase was not in violation of any securities laws and dismissed its action.

In addition, Coinbase argues that the suit's challenged regulatory disclosure statements fail because no reasonable investor "considering the 'precise language' of each challenged statement would have been misled about the risk that Coinbase would face an enforcement action."

Coinbase says the suit's scienter claims regarding the regulatory statements should also be dismissed because the only compelling inference is that Coinbase's executives were standing by their "strongly held" views of the interpretation of securities laws.

This inference is further strengthened by the fact that the executives' challenged statements "directly and openly engaged with the SEC's publicly-aired, contrary views," the memorandum said.

"Indeed, if [the executives] intended to deceive investors by downplaying the risk that Coinbase would face an enforcement action, it would have made no sense for them to broadcast that they '100% disagree' with the SEC, and would 'happily defend' that view 'in court,'" the memorandum said.

Turning to the suit's bankruptcy risk statements, Coinbase argued Thursday that it's not possible to plead that the exchange's executives knew about bankruptcy risks since bankruptcy was never a "realistic possibility" during the class period.

According to the memorandum, each bankruptcy risk statement was made before Staff Accounting Bulletin 121 — the SEC's "first-ever guidance on whether public companies holding crypto assets should consider disclosing a risk regarding those assets' legal treatment in bankruptcy."

However, the SEC rescinded SAB 121 last year, according to the memorandum, underscoring that Coinbase's disclosure was unnecessary.

The scienter claims tied to these statements should also be dismissed because the investors have insufficiently pleaded that it is "implausible" that the executives were not aware of bankruptcy risks.

"Plaintiffs must establish that when each of these individual defendants spoke about Coinbase's safeguards against hacking and private key loss — including several statements disclosing risks — they did so with intent to deceive or deliberate recklessness as to whether investors would be deceived about a 'then known' risk regarding the distinct issue of bankruptcy," the memorandum said. "Plaintiffs plainly fail to meet that standard; the much more compelling inference is that defendants promptly disclosed the supposed risk in accordance with SAB 121."

Finally, the dismissal motion argues that the investors are unable to plead traceability because their claims rest on inferences about the share purchase price, timing, and the percentage of registered shares, which the Ninth Circuit rejected last year in [Slack Technologies Inc. v. Pirani](#) 📌

"[Slack's] case law was not available when this court noted the split in authority on traceability at the motion to dismiss stage, and notwithstanding its prior ruling, this court may now adopt the prevailing view on traceability and dismiss the Securities Act claims," the memorandum said.

Coinbase asked the Third Circuit in April **to review** the court's previous ruling on the suit's traceability claims. Judge Martinotti held **in 2024** that the class action could proceed based on a "statistical inference" that the plaintiffs "likely" purchased registered shares of Coinbase.

The crypto exchange claimed the judge's approach wrongly sidestepped the Securities Act of 1933 requirement that plaintiffs must be able to directly trace their shares to a direct listing or offering. Coinbase also referenced the **Slack ruling**, arguing Judge Martinotti's order was inconsistent with rulings in the Fifth and Ninth circuits.

However, in September, the judge denied Coinbase's motion to certify an order for interlocutory review, finding it failed to meet the first prong required for certification — that there is a controlling question of law at issue.

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

The investors are represented by James E. Cecchi and Donald A. Ecklund of Carella Byrne Cecchi Brody & Agnello PC and Matthew L. Mustokoff, Joshua A. Materese, Margaret E. Mazzeo, Dylan J. Isenberg and Stacey M. Kaplan of Kessler Topaz Meltzer & Check LLP.

Coinbase and the other defendants are represented by Kevin M. McDonough, Samir Deger-Sen, Peter

Trombly, Andrew B. Clubok, Susan E. Engel and Morgan E. Whitworth of Latham & Watkins LLP.

The case is In Re Coinbase Global Inc. Securities Litigation, case number 2:22-cv-04915, in the U.S. District Court for the District of New Jersey.

--Editing by Drashti Mehta.

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Kenvue Unit Asks Justices To Clarify Class Cert. Expert Rules

By **Dorothy Atkins**

Law360 (January 23, 2026, 9:46 PM EST) -- A unit of consumer health products company Kenvue has urged the U.S. Supreme Court to hear its class certification challenge in litigation over Neutrogena's "oil-free" face wash labels, arguing circuit courts are "openly and intractably" divided over whether expert testimony must be admissible for certification and the split has "immense practical consequences."

In a Jan. 16 petition for writ of certiorari that hit the public docket Thursday, Johnson & Johnson Consumer Inc., which is now a Kenvue Inc. subsidiary, Kenvue Brands LLC, asked the high court to take up the case and clarify the law of the land in the U.S. on the standard of review for expert testimony to be considered at the class certification stage.

JJCI noted that the Third, Fifth, Sixth, Seventh and Eleventh Circuits agree that expert testimony for class certification can only be admissible if it passes muster under the federal evidentiary rules and the test laid out in the high court's 1993 ruling in [Daubert v. Merrell Dow Pharmaceuticals Inc.](#), while the Eighth and Ninth Circuits "by contrast, are 'on the short side' of this 'lopsided circuit split.'"

Eighth and Ninth Circuit precedent currently allows courts in their districts to conduct a "limited Daubert analysis," which JJCI says, in practice, functions only as a "rough check" on the reliability of the expert's proposed testimony. As a result, consumer experts merely "sketch out a path" to developing opinions on an element of the class's claims in purported violation of evidentiary rules, JJCI argued.

According to JJCI, such a conflict in circuit authority has "immense practical consequences for how class actions are litigated and decided," because it gives the class "immense settlement leverage" without needing to prove that the testimony justifying class certification is admissible, the petition says.

"This court should use this case, which squarely presents the issue in an outcome-determinative posture, to resolve this conflict," the petition says.

The trip to the high court is the latest development in a lawsuit that Narguess Noohi filed in April 2020, alleging she bought the company's Neutrogena Oil Free Moisture Sensitive Skin based on the advertising's promise that it contained no oil products, only to find out it contained several oil ingredients. Noohi alleges the misrepresentations violate California's Unfair Competition Law and asserts claims of common law fraud and false advertising.

In December 2020, U.S. District Senior Judge Terry J. Hatter Jr. **denied** the company's dismissal bid and roughly two years later, in November 2022, the judge **certified** a class of California consumers who bought the Neutrogena products at issue.

Judge Hatter found that Noohi had shown that common questions — whether the packaging of the products are deceptive, whether class members were all exposed to that packaging and whether the "oil-free" language was material to their decision to buy the products — are at the center of her claims.

JJCI appealed the ruling to the Ninth Circuit, arguing, among other defenses, that the class expert's damages calculation was faulty and underdeveloped. But in a **published opinion last year**, a

unanimous panel affirmed the certification ruling.

The panel held that although class economic expert Wade Roberts had not fully finalized the survey design or selected the final survey population to execute his damages model, the district court did not abuse its discretion in finding that it was reliable and sufficient to calculate class-wide damages at this stage of litigation.

The panel noted that a damages model is not required to show the actual amount of damages incurred at the class certification stage, and instead it only needs to be capable of measuring potential class-wide damages. The panel added that at the class certification stage, the court only needs to conduct a limited expert admission analysis under the high court's Daubert ruling and a "full blown Daubert assessment ... would be premature."

But in JJCI's petition, the company asked the high court to take up the case and reverse the "clearly wrong" Ninth Circuit decision. JJCI argued that the Federal Rules of Evidence apply at any stage of the case at which evidence is offered, and there is no class-action exception to those rules.

JJCI added that Noohi's case presents the issue clearly, since Roberts acknowledged that his damages survey was preliminary and he only opined that class wide economic damages is "possible" if a survey model were fully designed and reliably implemented, "neither of which had happened at the time Noohi moved for class certification."

Noohi's response to JJCI's petition is currently due Feb. 23, but on Friday, Noohi's counsel asked the court to push back the deadline to March 25 for more time to respond to the petition. As of late Friday, the court had not yet responded to the extension request.

Counsel for the parties and representatives for Kenvue didn't immediately respond to requests for comment on Friday.

JJCI is represented by Matthew D. Powers, Rebecca Shore, Jason Zarrow, Hanna Y. Chanoine, Martha F. Hutton and Noah B. Bokot-Lindell of O'Melveny & Myers LLP.

Noohi is represented before the Supreme Court by Adam R. Pulver of Public Citizen Litigation Group. Noohi was represented before the Ninth Circuit by Todd M. Friedman, Adrian R. Bacon and Meghan E. George of Law Offices of Todd M. Friedman.

The Ninth Circuit appeal is Narguess Noohi v. Johnson & Johnson Consumer Inc., case number 23-55190, in the U.S. Court of Appeals for the Ninth Circuit. The high court petition is Johnson & Johnson Consumer Inc. v. Narguess Noohi, case number 25-874, in the U.S. Supreme Court.

--Additional reporting by Mike Curley. Editing by Vaqas Asghar.



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SEC Accuses Lottery.Com, Execs Of Fraud In SPAC Combo

By **Sydney Price**

Law360 (January 23, 2026, 9:42 PM EST) -- The U.S. Securities and Exchange Commission has sued Lottery.com, several of its executives and the former CEO of a blank check company, alleging they participated in a scheme to enhance the gambling platform's fiscal performance for the financial benefit of the involved insiders.

The SEC's **complaint on Thursday** alleges Lottery's executives went along with a scheme devised by Vadim Komissarov, then-director and CEO of blank check company Trident Acquisition Corp., because they were "desperate" for capital. The executives had no prior experience as officers of a public company, and "accepted Komissarov's representations and guidance wholesale," according to the complaint.

Trident had gone public in 2018, but had struggled to find a merger candidate in the oil and gas business, causing it to shift gears, the complaint states.

By November 2020, Komissarov knew that if Trident did not complete a merger soon, he and the company's other directors would not receive reimbursement for millions of dollars for certain expenses they incurred on Trident's behalf, the SEC claims.

According to the SEC, Komissarov was introduced to Lottery's executives in November 2020 and told them that they should convince investors that Lottery's business and revenues were growing quickly quarter-over-quarter. Komissarov also convinced the Lottery executives to create fraudulent sales that would show the appearance of additional assets, the agency alleges.

"In short, Komissarov's plan involved a circular transfer of money for a sham transaction that had no economic substance," the SEC claimed.

When Lottery and Trident completed the merger in October 2021, Trident renamed itself Lottery.com Inc. and changed its ticker symbol to "LTRY."

In addition to Lottery and Komissarov, the suit names ex-Lottery CEO Lawrence Anthony DiMatteo, former Chief Revenue Officer Matthew Clemenson and former Lottery Chief Financial Officer Ryan Dickinson as individual defendants.

The SEC's complaint comes months after Clemenson and Dickinson **pled guilty** to related criminal charges. They are set to be sentenced in April. Komissarov is **fighting** criminal charges, while DiMatteo does not appear to have been criminally charged.

Clemenson and Dickinson also agreed to settle with the SEC without admitting or denying wrongdoing. Any penalties, disgorgement or prejudgment interest will be decided at a later date, the SEC said.

According to the SEC's suit, Clemenson and DiMatteo founded Lottery in 2015. Before the company ceased core operations in 2022, Lottery was primarily in the business of selling lottery tickets online through applications the company developed, the suit states.

Ahead of the October 2021 merger, Lottery released third-quarter earnings results based on a "sale" to an undisclosed company in order to prop up its revenue, the complaint alleges.

"In three separate deals, [a company] entered into agreements with Lottery in which it pretended to buy assets and services from Lottery at inflated prices," the suit stated. "In reality, [the company] bought virtually nothing."

The suit also alleges the fraud involved borrowed money and a series of escrow transfers in which Lottery purportedly received \$9 million for "valueless customer data" and used the money to overpay for two Mexican businesses, returning the \$9 million to its source.

Komissarov used the pseudonym "Vlad" in early 2021 to facilitate agreements for a Czech Republic-based company to acquire the Mexican entities and then to "sell" those entities to Lottery at the inflated price, the suit claims.

The SEC claims the defendants relied on private messaging apps that automatically deleted conversations to avoid creating a record of their communications.

"DiMatteo, Clemenson and Dickinson knew that 'Vlad' was Komissarov," the SEC alleges. "In fact, the Lottery executives never met or communicated in person with anyone from the Czech company. All substantive interactions with and involving the Czech Company were handled by Komissarov acting as 'Vlad.'"

Lottery ultimately disclosed some of its material misstatements in its financial filings by 2022, and Lottery's board of directors terminated Dickinson, according to the suit. Clemenson and DiMatteo resigned shortly thereafter. By August 2022, Lottery ceased operations and furloughed nearly all of its employees, the complaint states.

The suit accuses the defendants of several violations of the securities laws related to, among other things, recordkeeping, falsification of records, false certifications and lying to accountants.

The SEC seeks monetary damages and officer and director bars against the individual defendants.

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

The SEC is represented in-house by Damon W. Taaffe.

Counsel information for the defendants was not immediately available on Friday.

The case is Securities and Exchange Commission v. DiMatteo et al., case number 1:26-cv-00603, U.S. District Court for the Southern District of New York.

--Editing by Michael Watanabe.