

Securities Suit Alleges AI-Washing Stock Price "Pump"

K [dandodiary.com/2026/02/articles/securities-litigation/securities-suit-alleges-ai-washing-stock-price-pump](https://www.dandodiary.com/2026/02/articles/securities-litigation/securities-suit-alleges-ai-washing-stock-price-pump)

Kevin LaCroix

February 3, 2026



The filing of AI-Washing related securities suits is by now a [well-established phenomenon](#). But a securities suit filed earlier this week presents an interesting new variant on this phenomenon. The new lawsuit alleges that the defendant company used the announcement of a supposed AI-related "collaboration" with Microsoft allegedly to "pump" the company's share price just before disclosing an at-the-market private placement. As discussed below, the new lawsuit is just the latest in a recent series of securities class action lawsuits alleging share price pumping schemes.

Background

Richtech Robotics describes itself as a "robotics and artificial intelligence ('AI') technology company focused on developing advanced embodied AI systems that aims to improve the efficiency and productivity of U.S. businesses."

On January 27, 2026, the company issued a [press release](#) announcing "a hands-on collaboration with [Microsoft](#) through the [Microsoft AI Co-Innovation Labs](#) to jointly develop and deploy agentic artificial intelligence capabilities." Among other things, the press release referred to a "joint engineering effort" between the two companies. According to the subsequently filed securities lawsuit complaint, the company's share price rose over 44% on this news.

On January 28, 2026, at 8:00 AM EST, Richtech issues a press release announcing a \$38.7 million private placement priced at-the-market. According to the announcement, the private placement was expected to close on January 29, 2026.

On January 29, 2026, Hunterbrook Media (a media outlet affiliated with Hunterbrook Capital, which sometimes acts as a short seller) [published a report](#) entitled "Breaking: Microsoft Denies Partnership with Richtech Robotics." Among other things, the report claimed that the agreement with Richtech was a "standard" customer program with "no commercial element." Instead, the program Richtech entered is "available to any customers/partners looking to implement Microsoft's AI tools."

The report noted that the company's Microsoft program press release had increased Richtech's market cap by \$370 million, just before the announced at-the-market private placement. Depending on when the private placement agreement was signed, the report said, the price spike was either a "pump" baked into the price calculation for the private offering, or, if the private placement agreement was signed before the Microsoft announcement, the subsequent soaring share price meant the institutional investor in the placement is "now sitting on immediate paper gains." On this news, the company's share price declined 20.87%, and the next day fell a further 10.9%.

The Lawsuit

On February 2, 2026, a plaintiff shareholder filed a securities class action lawsuit in the District of Nevada against the company and certain of its directors and officers. A copy of the complaint can be found [here](#). The complaint purports to be filed on behalf of investors who purchased the company's shares between January 27, 2026, and 12:00 pm EST on January 29, 2026.

The complaint alleges that during the relatively brief class period, the defendants made false or misleading statements or failed to disclose that "(1) Richtech claimed that it had a collaborative and commercial relationship with Microsoft when it did not; and (2) as a result, Defendants' statements about Richtech's business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all times."

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

Discussion

This lawsuit has only just been filed and it remains to be seen how it will fare. The Hunterbrook report states on its face that Hunterbrook capital held a short position in Richtech Robotics shares. As I have noted in prior post on this site (most recently [here](#)), there arguably are reasons, in light of the financial incentives involved with short sellers, to be wary of securities lawsuit allegations based solely on a short seller's report.

What is apparent is that this company clearly sought to burnish its AI-related credentials by promoting the existence of the supposed Microsoft relationship. The whole point of the company's press release was to try to enhance the perception of the company's supposed AI-related capabilities and prospects. To the extent the company overstated or misrepresented the extent of the company's supposed relationship with Microsoft, the as-yet unproven allegations represent a classic example of alleged AI-washing.

The interesting variation in this lawsuit on the classic AI-washing allegations has to do with the added fact of the alleged share price "pump." The fact is that just hours after announcing the supposed Microsoft "collaboration," the company announced the at-the-market private placement. Depending on the timing of the company's agreement with the institutional investor about the private placement – at least according to the Hunterbrook report – the company either managed to "pump" the price calculation for the placement transaction or to allow the placement investor to reap paper gains due to the "pump."

The price "pump" allegations are interesting to me as this new suit is just the latest new securities class action lawsuit filed in just the last few days with key allegations asserting that the defendant company allegedly engaged in stock price manipulation.

For example, on January 30, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Southern District of New York against China Liberal Education Holdings, Ltd. alleging that the company and certain of its executives and related parties engaged in a social-media driven scheme to pump the defendant company's share price, in what the complaint describes as a classic pump and dump scheme. The complaint in the China Liberal Education Holdings lawsuit can be found [here](#).

In addition, on February 2, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Southern District of New York against Picard Medical, Inc., certain of its directors and officers, and its offering underwriters, alleging that the

defendants engaged in "an illicit social-media-based promotion scheme that artificially inflated its price." The complaint in the Picard Medical lawsuit can be found [here](#).

The China Liberal Education Holdings and the Picard Medical cases of course do not involve the kind of AI-washing related allegations contained in the new lawsuit against Richtech Robotics. And the stock price "pump" scheme alleged in the Richtech lawsuit do not involve the kind of social media related allegations alleged in the China Liberal Education Holdings and Picard Medical lawsuits. However, all three of the lawsuits involve allegations of schemes to "pump" the defendant companies' respective share prices.

The quick filing of these recent lawsuits with a very short time frame suggests at least a couple of things. First, there seems to be a research surge of supposed activities intended to manipulate companies' share prices. Second, these kinds of activities appear likely to result in follow-on securities class action litigation.

These two related developments can only be viewed with alarm by D&O underwriters, especially to the extent the follow-on suits involve the type of smaller public companies that are generally assumed to be flying below the plaintiffs' lawyer's radar. In general, small market publicly traded companies are perceived as lower risk. However, these latest suits underscore the fact that these kinds of companies are by no means risk-free and that in some cases smaller publicly traded companies may be susceptible to alleged stock price manipulation schemes.

A related note about the China Liberal Education Holdings and Picard Medical cases is that they both allegedly involve social media-driven stock price manipulation schemes, which serves as a reminder that ubiquitous social-media tools can be used as stock price manipulation devices, perhaps suggesting an area of underwriting inquiry concerned with applicant company's social media practices and controls.

One final note about the Richtech Robotics case is just the observation that in the current environment when perceived AI opportunities can drive share prices, companies with AI-related prospects may seek to promote their AI-related prospects as a way not only to raise their profile but also as a way to promote their share price, clearly an important element in assessing companies' AI-related risks.

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Securities

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Masimo's \$33.8 Million Investor Settlement Gets First Court Nod

Feb. 3, 2026, 9:27 AM PST

Summary by Bloomberg AI

AI Generated



- Masimo Corp.'s nearly \$33.8 million settlement garnered a federal court's preliminary approval to resolve investor allegations that the medical technology company and top executives overhyped financial projections.
- The settlement class includes those who got Masimo stock from May 4, 2022, through Aug. 8, 2023, and the investor accord would end about two-and-a-half years of litigation against Masimo and its executives.
- The company and executives denied wrongdoing through the investor deal, which comes as Masimo urges a different California federal court to maintain a \$634 million patent-infringement verdict against Apple Inc.

Masimo Corp.'s nearly \$33.8 million settlement garnered a federal court's preliminary approval to resolve investor allegations that the medical technology company and top executives overhyped financial projections following a 2022 acquisition.

Magistrate Judge Daniel E. Butcher preliminarily approved a settlement class of those who got Masimo stock from May 4, 2022, through Aug. 8, 2023, while providing his initial blessing of the deal Monday. If finally approved by the US District Court for the Southern District of California magistrate judge, the investor accord would end about two-and-a-half years of litigation against Masimo, its billionaire founder Joe Kiani, and other current and former executives.

Pension funds leading the case had sufficiently alleged misstatements about Masimo's integration of consumer audio firm Sound United and earnings projections tied to the acquired unit's accounting practices, according to Judge M. James Lorenz's order partially dismissing the lawsuit in 2024. The investors, Masimo, and executives consented to have this case wrapped up by the magistrate judge in January.

Masimo last year sold the Sound United consumer audio business to Harman International, a wholly-owned subsidiary of Samsung Electronics Co. Ltd.

The company and executives denied wrongdoing through the investor deal. Kiani, who resigned as Masimo CEO in 2024 after an activist investor battle ended in shareholders ousting him from the company's board, was not one of the settling executives on the agreement. Masimo and Kiani are currently fighting each other in court, with the company alleging he participated in a scheme to manipulate its board election.

The settlement's first court nod comes as Masimo urges a different California federal court to maintain a \$634 million patent-infringement verdict against Apple Inc. over its smartwatch's heart-rate alerts. The Apple Watch maker had asked to overturn or reduce the award rendered by a November verdict in which a jury found its heart-rate notifications dug into a Masimo patent that expired in 2022.

Labaton Keller Sucharow LLP, settlement class counsel, declined to comment. Quinn Emanuel Urquhart & Sullivan LLP represents settling defendants Masimo, chief financial officer Micah Young, executive Eli Kammerman, and former chief operating officer Bilal Muhsin. Hueston Hennigan LLP represents Kiani. Media contacts for these law firms and Masimo didn't immediately respond to emails seeking comment.

The case is *Vazquez v. Masimo Corp.*, S.D. Cal., No. 3:23-cv-01546, preliminary approval 2/2/26 .

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Lawyers who sued Tesla dealt big pay cut from settlement | State AGs & Supreme Courts

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Daniel Fisher, Daniel Fisher

February 3, 2026

Seitz Jr.

<https://courts.delaware.gov/>

DOVER, Del. - A Delaware court has for the second time slashed fees for plaintiff lawyers involved in litigation over Tesla's pay practices, cutting a \$176 million fee award down to \$71 million after Tesla challenged the value of a settlement with its directors.

The Delaware Supreme Court agreed with Tesla that 3.1 million options outside directors returned to the company were worth far less to [Tesla](#) than the directors. The options were in the money, or eligible to be sold at a large profit at market price, but Tesla canceled them upon return and placed the underlying shares in its employee stock compensation fund.

"As we measure it, \$71 million reflects a reasonable fee for counsel's efforts and does not result in a windfall," the court said in a Jan. 30 decision. The lead plaintiff, Police and Fire Retirement System of the City of Detroit, argued for a higher fee for attorneys McCarter & English, Fields Kupka & Shukurov and Bleichmar Fonti & Auld.

The fee cut came a month after the Delaware Supreme Court slashed fees in another lawsuit over Elon Musk's multibillion-dollar pay package, where plaintiff attorneys sought as much as \$7 billion in stock. The lawyers succeeded in blocking Musk's \$100 billion-plus compensation deal in Chancery Court, possibly the largest in U.S. history, but the Supreme Court reversed and awarded plaintiff lawyers led by Bernstein Litowitz only \$54 million in fees.

The court's clampdown on fees could reflect pressure by companies that fear Delaware's courts have swung too far in favor of plaintiff lawyers and shareholder litigants. Musk moved Tesla's headquarters to Texas in 2024 in a slap at Delaware's court system.

The director compensation case was a derivative lawsuit, where shareholders sue on behalf of the corporation. The argued outside directors including James Murdoch and Larry Ellison awarded themselves excess pay and stock options.

The parties settled in July 2023 by agreeing to return to the company 3.1 million options, then valued \$459 million, and \$277 million in cash. The settling directors also agreed to skip three years of compensation they said was worth \$184 million to them.

Tesla agreed any legal fees would come out of the money returned to the company and the plaintiff lawyers asked for \$230 million, or 25% of the \$918 million estimated value of the settlement. Tesla opposed the fee request, saying the canceled options were worth far less to the company than directors and there was no certainty directors would have awarded themselves the compensation they gave up for 2021-23. The total value to Tesla of the settlement was only \$296 million, Tesla argued.

The Chancery Court accepted the estimated values specified in the settlement, although Tesla argued those values were for the directors to calculate how many options to return, not the value of the options to Tesla. The judge awarded the plaintiff lawyers \$176 million in fees, or 24% of \$734 million.

On appeal, the Delaware Supreme Court agreed Tesla got \$296 million worth of cash and stock, with the dispute only being over the value of the returned options. The Supreme Court disagreed with the lower court over that value, saying the settlement agreement required Tesla to cancel the options and put the underlying stock in its executive compensation program, not sell the shares for cash. Therefore the options didn't represent money "paid to Tesla" that could be used to pay plaintiff lawyer fees, the court ruled.

The Detroit pension fund and its lawyers argued the lower fee, based on a lack of quantifiable benefits for shareholders, as opposed to the corporation, would discourage similar litigation.

"We are not so sure," Chief Justice Collins J. Seitz wrote. "Counsel continue to file and have recovered fees in derivative cases for nonquantifiable benefits to the corporation and its stockholders. Counsel has in the past and can continue to secure a fee for non-quantifiable benefits in a derivative settlement or judgment."

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Credit Suisse Investors Lose Bid to Litigate Claims in US Court

Feb. 3, 2026, 8:12 AM PST

Summary by Bloomberg AI

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- A district court dismissed a lawsuit against Credit Suisse Group AG subsidiaries, former leaders, and auditor KPMG LLP on grounds that New York wasn't a convenient forum to hear the dispute.
- The US Court of Appeals for the Second Circuit said the district court acted within its discretion in dismissing the lawsuit, noting the conduct at issue and dispute were "overwhelmingly Swiss" in nature.
- The case will begin again in Switzerland if the investors choose to refile there, after the appeals court upheld the dismissal of the Swiss law claims on grounds that the New York forum wasn't convenient.

Credit Suisse Group AG investors can't keep their proposed class action against the failed investment bank's subsidiaries, its former leaders, and auditor KPMG LLP from being shunted to Switzerland.

A district court acted within its discretion in dismissing the lawsuit on grounds that New York wasn't a convenient forum to hear the dispute, the US Court of Appeals for the Second Circuit said Tuesday. The case will begin again in Switzerland if the investors choose to refile there.

"The district court recognized that there was some nexus between the plaintiffs' Swiss law claim and their chosen New York forum, but reasonably concluded that the conduct at issue and dispute were 'overwhelmingly Swiss' in nature," the appeals court said in an unsigned, unpublished opinion.

The consolidated proposed class suits, filed by Credit Suisse shareholders Gregory Stevenson and Nicole Lawtone-Bowles, sought \$120 billion in potential damages, pointing to numerous "scandals" they allege contributed to the Swiss bank's collapse in March 2023. The bank's stock plunged to \$2.01 per share that day—down more than 94% from when it first traded in October 2013. It was acquired by another Swiss bank, UBS Group AG.

The investors claimed Credit Suisse directors and officers, together with the accounting firm KPMG, mismanaged investments and plundered the bank for more than a decade in violation of the Racketeer Influenced and Corrupt Organizations Act. The shareholders also asserted claims under the Swiss Code of Obligations.

Judge Colleen McMahon of the US District Court for the Southern District of New York dismissed the RICO claims with finality in February 2024. She also dismissed the Swiss law claims on grounds that the New York forum wasn't convenient, but said they could be refiled in Switzerland.

The investors appealed McMahon's dismissal of the Swiss law claims. Oral argument was held Jan. 14. Judges Guido Calabresi, Reena Raggi, and Eunice C. Lee served on the panel.

Bottini & Bottini Inc. represented the investors. Latham & Watkins LLP represented KPMG. Cahill Gordon & Reindel LLP represented the Credit Suisse entities and a number of individual defendants. Ballard Spahr LLP represented additional individual defendants. Brown Rudnick LLP represented individual defendant Jeffrey Wada.

The case is *Stevenson v. Thornburgh*, 2d Cir., No. 24-1788, 2/3/26 .

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Securities

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Credit Suisse Nazi Probe Reveals Fresh SS Ties, Senator Says (1)

Feb. 3, 2026, 6:26 AM PST

Summary by Bloomberg AI

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- An investigation into ties between Credit Suisse and Nazi Germany has revealed hundreds of accounts with potential links to Nazi-era officials and industrialists, including the SS paramilitary wing.
- Credit Suisse's connection to the German War Office, a German armaments manufacturer, and the German Red Cross was previously unknown or only partly known, according to US Senator Charles Grassley.
- The investigation found evidence that Credit Suisse's banking relationships with the Nazi SS was more extensive than previously known, and the bank had stifled key details from investigators and the public in the 1990s.

An investigation into ties between Credit Suisse and Nazi Germany has so far revealed hundreds of accounts with potential links to Nazi-era officials and industrialists, including the SS paramilitary wing, according to US Senator Charles Grassley, adding to pressure on the bank ahead of a key hearing.

"These accounts were once used by individuals or entities who participated in or assisted Nazi war efforts," including accounts for the German War Office, a German armaments manufacturer, and the German Red Cross, Grassley, chairman of the Senate Judiciary Committee, told journalists on the eve of Tuesday's hearing in Washington DC.

Credit Suisse's connection to these three entities was "previously unknown or only partly known," and the investigation also "found evidence that Credit Suisse's banking relationships with the Nazi SS was more extensive than we knew before," he said.

The link to the SS's economic arm, which profited from Jewish forced labor and concentration camps was revealed by a Swiss commission in the 1990s. But at the time "the bank stifled key details from investigators and the public," said Grassley.

Tuesday's hearing is the latest development in a six-year campaign by activists and politicians to force a reckoning for what they say are a trove of Swiss bank accounts that weren't fully covered in probes leading to a landmark 1998 settlement. That agreement saw Swiss banks pay \$1.25 billion for their handling of Holocaust victims' accounts.

Nazi Sympathizers

The bipartisan campaign led by Grassley and Senator Sheldon Whitehouse stems from a 2020 report from the Simon Wiesenthal Center that it had discovered a list of 12,000 suspected Nazis or Nazi sympathizers in Argentina, a number of whom had contributed money to accounts at a predecessor bank of Credit Suisse as they fled at the end of World War II.

Grassley said he learned of this in 2023 when the bank dismissed **Neil Barofsky** as the independent ombudsman overseeing the investigation. Grassley began to put pressure on the Swiss bank, demanding to know why.

UBS Group AG, which inherited the Credit Suisse case when it bought its ailing rival from near collapse in March of that year, later reappointed Barofsky.

Robert Karofsky, the head of UBS's Americas business, said that the bank has dedicated "immense resources" and spent "hundreds of millions" to help with Barofsky's investigation, according to his prepared remarks shared ahead of the hearing.

"Our objective has been to undertake all measures to identify truly new information," he continued. "We believe this is what Chairman Grassley refers to as "leav[ing] no stone unturned."

A dispute however is emerging between what Barofsky says UBS should hand over from Credit Suisse's archives and what UBS says is protected by attorney-client privilege.

There are around 150 documents, among more than 16.5 million UBS has shared, that it says it won't hand to Barofsky because the Simon Wiesenthal Center and others have threatened litigation over this matter. That "makes it of paramount importance to protect those specific attorney communications," Karofsky said.

Barofsky, who was picked in 2014 as Credit Suisse's government-appointed monitor after it pleaded guilty to helping Americans evade taxes, is scheduled to testify on Tuesday. He is expected to provide some highlights from a 78-page interim report on the investigation and show that the investigations that led to the 1998 settlement weren't adequate, according to Senate Judiciary Committee aides.

The forensic investigation is expected to wrap up by early summer, and then Barofsky is expected to complete his final report around the end of the year, they said. More leads remain to be probed, they noted, including UBS's own history.

The focus of the Senate's efforts is on ensuring the investigations are complete. But there have already been calls for additional restitution to victims based on the new revelations.

Ronald Lauder, the billionaire president of the World Jewish Congress , called on Switzerland and UBS to open all of its archives, facilitate an independent review and to commit to justice and restitution.

"The continued possession or concealment of such assets creates material legal and financial exposure under US law," the WJC said in a statement last week.

Lauder said in an interview last year that the 1990s deal drastically understated the bank's actual exposure. UBS and Swiss officials counter that the agreement covers all potential new revelations.

Read more: [Quest to Find Credit Suisse Nazi Accounts Puts UBS in Spotlight](#)

Karofsky reiterated that point, stressing that the settlement was designed to achieve "global resolution through a conclusive end to the controversy that went beyond legal and financial closure" and "expressly includes ' . . . any claims . . . hereafter arising or discovered'"

The Zurich-based bank needs to stay on the good side of US regulators as it pushes to expand its business managing money for rich Americans. UBS has [evaluated](#) the possibility of relocating outside Switzerland amid a row over capital requirements. The Americas represent both the largest single revenue source for the global wealth manager and a major strategic focus.

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<https://www.wsj.com/finance/hundreds-of-swiss-bank-accounts-with-suspected-nazi-links-found-by-investigators-cda06807>

MARKETS & FINANCE

Hundreds of Swiss Bank Accounts With Suspected Nazi Links Found by Investigators

Revelations come as Swiss bank UBS uses legal fight to curb Jewish groups from reopening a decades-old settlement

By [Margot Patrick](#) [Follow](#)

Feb. 3, 2026 8:54 am ET



UBS's logo on the former headquarters of Credit Suisse in Zurich. ENNIO LEANZA/SHUTTERSTOCK

Quick Summary ▼

- UBS is in federal court against the Simon Wiesenthal Center, seeking to prevent further litigation or payments regarding World War II-era accounts.

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[UBS](#) **UBS -0.96% ▼** has said it wants to bring greater transparency to Switzerland's dark chapter helping the Nazis in World War II.

In Brooklyn federal court, UBS has a different message for the Jewish organization that asked for the Credit Suisse probe in 2020, the Simon Wiesenthal Center. Be quiet, and don't ask us for any more money.

The issue will get an airing in Congress Tuesday when an independent investigator delving into archives at UBS's Credit Suisse unit testifies before the Senate Judiciary Committee.

Sen. Chuck Grassley, the committee chairman, said that investigator Neil Barofsky has found close to 900 accounts that may be tied to Nazi officials and party members. Barofsky also found indications the bank helped fleeing officials resettle in Argentina, Grassley told journalists.

For decades after World War II, Swiss banks turned away the families of Holocaust victims, saying they had no records of their loved ones' accounts and assets. Neutral Switzerland denied suggestions it helped to finance the Nazis and prolonged their terror.

A settlement struck in the late 1990s with UBS and Credit Suisse—resulting in nearly \$1.3 billion in payments—came after years of diplomatic wrangling, and denials by the banks that they were harboring any significant amounts of money for Jewish victims or had done any meaningful business with Nazis.

UBS has voluntarily and extensively cooperated with the Barofsky probe, according to prepared remarks to the Senate committee from UBS Americas President Rob Karofsky. The bank, however, doesn't want to reopen the late 1990s settlement, or to share information around Credit Suisse's legal decision-making at that time.

That information, consisting of communications and documentation between Credit Suisse and its lawyers has “not been provided because the Simon Wiesenthal Center and others have threatened litigation over this matter,” Karofsky said.

In earlier probes that formed the basis of the late 1990s settlement, Credit Suisse said it had identified 14 likely Nazi clients. UBS at the time said it found one account for a former Reichsbank president and another opened by an SS officer's widow decades after the war.

Credit Suisse [collapsed in March 2023](#) after a series of scandals, and in poor financial health. UBS rescued it with the backing of the Swiss government. The two banks were Switzerland's largest, and both absorbed smaller banks in acquisitions following WWII.

The late-1990s settlement compensated bank account holders, slave laborers and others who had assets looted or were refused refuge in Switzerland. The idea was it would draw a line under the Swiss banks' activities forever, no matter whether any additional information was found.

UBS got kudos for letting a team overseen by Barofsky roam deep into the archives at its Credit Suisse unit, where they discovered accounts tied to the Nazi war machine that weren't disclosed before the late 1990s legal settlement with Jewish groups.

But in a court filing last week, UBS requested a judge's order to ban the Simon Wiesenthal Center and other Jewish groups that participated in the settlement from questioning the settlement's validity.

It asked the judge to make explicit that the settlement disallows any further legal action or additional payments, and to prohibit any of the groups who endorsed it "to cause or promote any public controversy" over the settlement and the Swiss banks' conduct.

The Simon Wiesenthal Center didn't immediately respond to a request for comment.

In a letter last week to the judge, the group's lawyers said the sweeping language of UBS's proposed order would obstruct its First Amendment rights and "its longstanding mission of investigating and bringing to light the full scope of the antisemitic campaign engaged in by the Nazis before, during, and after World War 2."

Karofsky in his prepared remarks to the Senate said any suggestion that UBS is suing the Simon Wiesenthal Center or attempting to silence it is false. A court hearing on the matter is scheduled for March 12. UBS and the center already underwent two mediation sessions, in December and January.

[An earlier, interim report](#) shared with the Senate by Barofsky found documents that indicated Credit Suisse had discovered and documented some key Nazi-linked accounts during probes in the 1990s. He found that the bank didn't disclose those accounts then, and in at least one case had denied having any relevant records.

Barofsky is a former U.S. prosecutor, and is now a partner at law firm Jenner & Block. He was hired by Credit Suisse in 2021 after the Simon Wiesenthal Center found information on possible Nazi clients that hadn't previously been disclosed. [Credit Suisse fired Barofsky in 2022](#) for overreaching on his mandate, and he was rehired by UBS after it took over in 2023.

UBS has declined to open up its own war-era archives, separate from those of Credit Suisse. UBS previously acknowledged destroying records in the 1990s that might have been relevant. At the time of the record destruction, which was revealed by a [night watchman who saw it happening](#) and saved some documents, UBS was under scrutiny for its wartime activities.

Karofsky in his prepared remarks said the current probe's scope has increased significantly, and beyond what was envisioned. He said the priority now is to complete the review, and that UBS will continue to follow the facts.

Margot Patrick is a reporter for The Wall Street Journal in London, covering international banks and finance. Her work has chronicled corporate spying at Credit Suisse, a central bank heist in Angola and Russia chasing out-of-favor oligarchs through court. Earlier, she wrote about the fallout for U.K. and...

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Wells Fargo Workers' Lawyers Seek \$20 Million Cut of 401(k) Deal

Feb. 3, 2026, 10:43 AM PST

Summary by Bloomberg AI

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- The lawyers who negotiated an \$84 million class settlement asked a federal judge to award them more than \$20 million in attorneys' fees.
- The \$84 million settlement covers about 425,000 participants in Wells Fargo's 401(k) plan who held company stock in their accounts between September 2016 and December 2022.
- The lawsuit accused Wells Fargo of mishandling hundreds of millions of dollars worth of dividend income earned by the Wells Fargo preferred stock held in its employees' retirement accounts.

The lawyers who negotiated an \$84 million class settlement benefiting participants in Wells Fargo & Co.'s 401(k) plan asked a federal judge to award them more than \$20 million in attorneys' fees.

The fee request represents 24% of the settlement and is "well below" the percentage awarded in other Employee Retirement Income Security Act cases, the lawyers told Judge Laura M. Provinzino in a motion filed Monday in the US District Court for the District of Minnesota. They also requested nearly \$175,000 in litigation expenses and service awards of \$25,000 for each of the three class representatives.

The \$84 million settlement— which the workers describe as the largest ever recorded in an ERISA case involving an employee stock ownership plan—covers about 425,000 participants in Wells Fargo's 401(k) plan who held company stock in their accounts between September 2016 and December 2022. Provinzino granted preliminary approval to the deal last year.

The lawsuit accused the banking giant of mishandling hundreds of millions of dollars worth of dividend income earned by the Wells Fargo preferred stock held in its employees' retirement accounts. With the help of defendant GreatBanc Trust Co., Wells Fargo used this income to make its mandatory employer contributions to the plan, even though it already qualified as plan assets belonging to the workers, according to the lawsuit, which was allowed to advance in 2024.

The dispute followed a US Labor Department investigation into Wells Fargo's stock plan that resulted in a settlement requiring the bank to pay more than \$131.8 million to plan participants, along with a penalty of about \$13 million.

The defendants are variously represented by Proskauer Rose LLP; Faegre Drinker Biddle & Reath LLP; and Barack Ferrazzano Kirschbaum & Nagelberg LLP. The employees are represented by Nichols Kaster PLLP; Bailey & Glasser LLP; and Feinberg, Jackson, Worthman & Wasow LLP.

The case is *Randall v. GreatBanc Tr. Co.*, D. Minn., No. 0:22-cv-02354, attorneys' fee motion 2/2/26 .

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Zuckerberg testimony postponed, lawyer illness delays social media trial

DJ [dailyjournal.com/articles/389612-zuckerberg-testimony-postponed-lawyer-illness-delays-social-media-trial](https://www.dailyjournal.com/articles/389612-zuckerberg-testimony-postponed-lawyer-illness-delays-social-media-trial)

Meta Platforms CEO Mark Zuckerberg is no longer expected to testify next week after a last-minute illness involving a core lead attorney delayed the opening of a high-profile minors' social media addiction trial, attorneys told a judge on Monday.

The comments came on the case's second day of voir dire before Los Angeles County Superior Court Judge Carolyn B. Kuhl, which began last Friday and was expected to conclude sometime this week.

In an email, Joseph VanZandt, a Beasley Allen Law Firm principal co-leading for the plaintiff, who is now an adult, said, "Unexpected changes to the schedule this week due to an illness of one of the core group of lead counsel" have indefinitely delayed the trial's opening, including Zuckerberg's availability to testify.

Prior to the delay, the Meta CEO was scheduled to be among the plaintiff's first witnesses.

"We do not know the schedule moving forward. What we do know is that we will not have opening statements and will not put any witnesses on the stand this week," VanZandt's email continued. "Given these changes, Mark Zuckerberg is no longer expected to testify on Monday."

Instagram head Adam Mosseri and YouTube CEO Neal Mohan are also expected to testify in the case, but no date has been set.

The name of the ill attorney wasn't publicly disclosed. All the lead attorneys in the case were at Monday's hearing except for Covington & Burling LLP partner Paul W. Schmidt, who represents Meta and led voir dire for the defense last week.

When the courtroom opened to the public and media Monday morning, Kuhl alerted and apologized to some 60 prospective jurors, who - along with a second group of about 40 jurors - are ordered to return to her courtroom on Thursday to resume voir dire.

"We'd like to get this done this week. ... We know everyone's time is important," Kuhl told the panelists about jury selection scheduling.

One panelist raised concern about his availability on Friday, which according to him, was scheduled as a dark day in Kuhl's courtroom. In light of the new developments, that might no longer be the case.

"We may have to change the calendar a little bit," Kuhl said. "I just don't want to anticipate too much right now."

The case centers on claims from a then-teen identified as K.G.M., who alleged that her use of YouTube and Instagram at ages 6 and 9, respectively, led to her mental health struggles.

Co-leading K.G.M.'s case is Lanier Law Firm founder Mark Lanier, along with attorneys at Kiesel Law LLP and Panish | Shea | Ravipudi LLP.

The social media company defendants, Meta and Google, deny liability and argue there is no scientific basis to link their platforms to addiction and that K.G.M.'s mental health struggles were caused by factors unrelated to their platforms. Additionally, the companies contend that their platforms are protected by free speech principles.

During voir dire last Friday, many prospective jurors voiced skepticism toward the plaintiff's claims and emphasized parental responsibility. No jurors have been impaneled yet.

Covington & Burling represents Meta. Wilson Sonsini Goodrich & Rosati partner Luis Li represents Google.

Days before jury selection began last week, TikTok and Snapchat defendants settled K.G.M.'s case on undisclosed terms. The companies remain as defendants in the thousands of lawsuits in the coordinated proceeding.

K.G.M.'s case is the first of three bellwether trials in the group of social media addiction lawsuits before Kuhl. It tests a novel theory that social media platforms are inherently defective products subject to personal liability. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

#389612

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California Brief

Deep Dive

Google's Ad Tech Litigation Defense Grows as Publishers Pile on

Feb. 3, 2026, 2:00 AM PST

Antitrust lawsuits by many of the nation's largest publishers are piling up against Alphabet Inc.'s Google, as they look to build on a ruling in a federal case that the company illegally monopolized the online advertising technology market.

Publishers including Vox, The Atlantic, Business Insider, McClatchy Media Co., Slate, and Advance Publications in recent months sued Google in the US District Court for the Southern District of New York, which consolidated the cases.

They are pursuing unspecified damages on top of the millions of dollars sought by the other publishers—including Gannett Co., Mail Media Inc., and Emmerich Newspapers—that are already part of the multidistrict litigation that began in 2021. Any new cases included in the MDL would need to be filed by spring.

The consolidated actions claim that Google monopolized competition in online display advertising services in violation of federal antitrust law. Some individual suits also include fraud and other claims.

The private plaintiffs are piggybacking off a district court ruling last year that Google had an illegal monopoly in the ad tech market, said Robin Crauthers, an antitrust partner with McCarter & English LLP, and it wouldn't be surprising if additional publishers sue to recoup money from lost advertising revenue.

"Now the iron is sort of hot," Crauthers said. "We are going to see a snowball effect."

A Google spokesperson said in a statement that the publishers' allegations are meritless. "Advertisers and publishers have many choices and when they choose Google's ad tech tools it's because they are effective, affordable and easy to use," the spokesperson said.

Kellogg Hansen, which represents some of the publishers filing new suits, declined to comment.

'Safety in Numbers'

Publishers that were previously loath to sue a major company such as Google now feel emboldened to do so collectively, said Sam Weinstein, a professor at the Cardozo School of Law, adding that there is "safety in numbers."

Judge Leonie Brinkema's April 2025 ruling said Google violated antitrust law in the markets for advertising exchanges and tools used by websites to sell ad space, known as ad servers, handing a partial win to the Justice Department and a group of states suing the tech powerhouse.

The plaintiffs' side is thinking that the case has already been proven once, so it will be easier for them to do the same, said Weinstein, a former DOJ antitrust attorney. The question for those private plaintiffs now is how much in damages they can get, he added.

Litigation risks are lower for private plaintiffs given "collateral estoppel," a legal doctrine that prevents a party from re-litigating an issue that has already been decided in a prior action, said Matthew L. Cantor, founding partner of antitrust boutique Shinder Cantor Lerner.

"You don't have to start from ground zero to prove your case," Cantor said.

The MDL court in late January approved a notice plan for members of the certified class of roughly 5,000 publishers that claimed they were overcharged for ad space through Google's AdX ad exchange.

That notice plan will be sent to class members by next month: The deadline for opting out of that class and bringing an individual suit is 45 days after the notice is first sent.

"We've got website publishers that have been overcharged by Google for a number of years to sell ad space on their web pages, and this is to recompense that, and together with the DOJ case, put a stop to it," said Philip Korologos, a partner with Boies Schiller Flexner LLP and a lead attorney for the AdX class.

Injunctive Relief

The tech giant is likely more stressed about potential injunctive relief than damages, antitrust lawyers said.

If there are 10 publishers seeking \$100 million and that's tripled, "it's some real money but it's not going to put Google out of business," Weinstein said. "Google is way more concerned about a divestiture here."

The Justice Department wants Google to divest AdX, arguing it's the best way to restore competition in the market for online display advertising. Google has argued a forced selloff would be risky and has instead proposed to integrate its technology with rivals and make behavioral changes.

Brinkema is expected to rule later this year on injunctive relief and potential restrictions on the company's business practices. In November 2025, she raised concerns about a potential sale and the identification of an appropriate buyer.

Any injunctive relief sought by the MDL plaintiffs will likely be dictated by what Brinkema orders in the DOJ case, Weinstein said.

"For those who are hoping for a breakup of the company, I think [the DOJ case] is the case to look at," he said.

Google is represented by Axinn, Veltrop & Harkrider LLP.

The case is In re Google Digit. Advert. Antitrust Litig., S.D.N.Y., No. 1:21-md-03010 .

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Judge denies Uber mistrial in first bellwether sexual assault case

DJ [dailyjournal.com/articles/389616-judge-denies-uber-mistrial-in-first-bellwether-sexual-assault-case](https://www.dailyjournal.com/articles/389616-judge-denies-uber-mistrial-in-first-bellwether-sexual-assault-case)

U.S. District Judge Charles Breyer

Ahead of closing arguments Tuesday, U.S. District Judge Charles Breyer denied Uber's motion for a mistrial in the first bellwether case of the massive multidistrict litigation surrounding allegations that Uber drivers sexually assaulted passengers.

After the jury retired for the day, Breyer responded to a question about whether he had seen the motion, which was filed Monday morning by Kirkland & Ellis partner Laura Vartain Horn, with a quick, "Yes, denied." *In re: Uber Technologies, Inc., Passenger Sexual Assault Litigation*, 3:23-md-03084 (N.D. Cal., filed Oct. 4, 2023).

Defendants asked Breyer to declare a mistrial after plaintiffs showed the jury a video of a CNN interview in which someone described sexual assault by an Uber driver. They argued the video was irrelevant to the bellwether case, constituted hearsay and could have unfairly biased the jury.

"This trial has been rife with improper admissions, nearly all of which have been favorable to Plaintiff," the motion states. "The Court's default attempt to cure these many improper admissions--supposedly curative instructions--cannot undo the damage they have caused. The prejudice introduced by Plaintiff's video cannot, in fact, be cured by the Court's attempt at a curative instruction."

The bellwether trial, which centers on the allegations of plaintiff Jaylynn Dean, is taking place in Phoenix instead of Breyer's usual San Francisco courtroom.

Closing arguments are expected to take place Tuesday, according to a spokesperson for the plaintiffs' attorneys.

#389616

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'That Defense Is Falling Apart': Liability Spreads as Deepfakes Multiply

Two lawsuits were filed in January against X.AI and its Grok Bot, which allegedly creates deepfake highly-sexualized images of women and children.

January 30, 2026 at 06:48 PM By **Laura Lorek**



Credit: PhotoGranary/Adobe Stock

A class action lawsuit accusing [X.AI](#) of enabling the mass creation of sexualized deepfakes marks a new stage of liability in cases involving artificial intelligence.

Now, plaintiff lawyers are focusing on technology platforms themselves—not just users—which could put AI companies at risk for large-scale lawsuits.

And as lawsuits and regulatory actions mount, attorneys are watching who courts will hold accountable for AI-driven wrongdoings.

In the latest case, litigant Jane Doe from South Carolina filed a class action lawsuit against [X.AI](#), claiming its AI chatbot Grok created and shared non-consensual sexualized deepfake images of

women.

Attorney Sophia M. Rios of Berger Montague filed the case in the U.S. District Court for the Northern District of California, San Jose Division.

“[X.AI](#)’s conduct is despicable and has harmed thousands of women and children who were digitally stripped and forced into sexual situations that they never consented to,” Rios claimed in an emailed statement. “This class action seeks relief for those harmed by [X.AI](#)’s monetization of image-based abuse and harassment.”

[X.AI](#)’s lawyers have not yet commented on the case, and the company, based in Austin, Texas, did not respond to a request for comment on Friday.

Deepfakes are hyper-realistic, digitally changed images or videos of real people—altered to show them saying or doing things they never did.

The complaint alleges Doe posted a fully clothed photo, which Grok changed into a revealing bikini image without her consent. The lawsuit claims this caused her emotional distress, made her miss work, and left her afraid of more alleged exploitation.

The case alleges a widespread issue.

According to the complaint, in just nine days from December 2025 to January 2026, Grok posted more than 4.4 million images to X—the social media platform formerly known as Twitter. About 41% to 65% of the posts contained sexualized content, the complaint said.

The lawsuit says the process was simple: users could tag @grok with an image, and the chatbot would then create altered versions showing women in bikinis, sexual poses, or nude.

“Over the past few years, there have been numerous instances of non-consensual deepfakes making national headlines, including celebrities like Taylor Swift and Jenna Ortega, as well as high school students like Francesca Mani,” according to the complaint. “With the rise of AI, the use of deepfakes to harass women is only getting worse. AI makes manipulating images and videos of real people to realistically portray fake situations as easy as typing in a prompt and hitting a button.”

The lawsuit asserts products liability arising from design and manufacturing defects, negligence for failing to use standard safety measures, violations of California's right-of-publicity laws, defamation, intentional infliction of emotional distress, privacy violations under California law, and unfair business practices.

This legal approach is similar to a recent case in which Ashley St. Clair, the mother of one of Elon Musk's children, filed a lawsuit in federal court in New York. She claims the Grok chatbot is "unreasonably dangerous as designed."

"As deepfake litigation continues to grow, I see clear parallels to earlier accountability battles," Mick S. Grewal, who represented 111 of Gymnastic Coach Larry Nassar's survivors and secured a \$500 million settlement with Michigan State University, said in a statement.

"These days, plaintiffs are shifting their focus from bad-acting individuals to AI systems themselves, as illustrated by recent lawsuits targeting the platforms used to cause harm," Grewal said. "This marks a meaningful evolution in how courts could make AI-driven technology responsible for the harmful actions of humans."

For many years, Section 230 of the Communications Decency Act of 1996 provided a nearly impenetrable defense for tech firms: They argued they were merely hosting content from users, not generating it, David Himelfarb, managing partner at Toronto-based Himelfarb Proszanski, said in an email.

"That defense is falling apart," Himelfarb said.

When plaintiffs claim AI systems are "unreasonably dangerous as designed," they are using products liability principles in a manner that courts have not encountered previously, Himelfarb said.

The [DEFIANCE Act](#), which recently passed unanimously in the U.S. Senate, establishes statutory damages of \$150,000 to \$250,000 per violation, imposing substantial monetary penalties on platforms. Together with the [TAKE IT DOWN Act](#)'s 48-hour removal mandate, these laws deliver effective enforcement and shift responsibility to companies for preventing widespread harm, Himelfarb said.

"What renders these cases especially intriguing from a litigation perspective is the evidence trail. In contrast to conventional defamation or privacy lawsuits, where demonstrating damages is difficult, deepfake cases frequently include evident, recorded harm," Himelfarb said. "The technology creates digital traces. For trial attorneys, this is important; it indicates we can construct cases that satisfy the proof standards mandated by courts. We've reached a turning point where victims now possess both a legal framework and tangible solutions to seek justice."

The attention is not limited to lawsuits.

Grok is also facing mounting pressure from regulators and law enforcement authorities in the United States and other jurisdictions.

On Jan. 25, for instance, the European Commission opened an investigation into [X.AI](#) under the Digital Services Act, and expanded its probe from December 2023.

The new investigation concentrates on whether [X.AI](#) properly managed risks tied to Grok's features, notably regarding illegal content in the EU, such as manipulated explicit images and material that could involve child sexual abuse. The Commission will review whether [X.AI](#) effectively assessed and managed these risks and complied with obligations in the Digital Services Act.

Meanwhile, Pennsylvania Attorney General Dave Sunday, along with 34 other attorneys general, is urging [X.AI](#) to act against Grok's generation of nonconsensual intimate images and child sexual abuse material. In a letter to the company, the attorneys general said Grok has enabled public access to harmful content, leading to harassment and exploitation. Sunday recently met with X.AI representatives and other attorneys general to discuss the concerns and advocate for immediate changes.

The class action complaint alleges X.AI did not use safeguards that competitors such as OpenAI and Google have implemented. These safeguards include filtering sexual content from training data, safety testing, blocking harmful prompts, and using image classifiers to catch problems before posting.

The lawsuit also alleges X.AI profited by promoting Grok's "spicy mode" as a feature. It was initially offered free, then limited to paying subscribers, which the lawsuit alleges enabled X.AI to profit from creating non-consensual deepfakes.

[“X.AI’s](#) conduct is despicable and has harmed thousands of women who were digitally stripped and forced into sexual situations that they never consented to and who now face the very real risk that those public images will surface in their lives where viewers may not be able to distinguish whether they are real or fake,” according to the lawsuit.

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Fed. Judge Dismisses State Consumer Protection Claims Against Ford, 10-Speed Transmission

"In short, the complaint alleges a Chapter 93A claim that is derivative of claims for misrepresentation and breach of express warranty that have failed as a matter of law and have been dismissed, either by the court or by stipulation. Because the Chapter 93A claim cannot stand independently, it will also be dismissed," a federal judge in Massachusetts said.

February 02, 2026 at 05:01 PM By  **Riley Brennan**



Photo: Diego M. Radzinski/ALM

A class action complaint accusing Ford Motor Co. of automotive transmission defects slammed to a halt last week after a federal judge in Massachusetts determined that claims under a consumer protection statute failed to stand independently.

On [Friday](#), U.S. District Judge F. Dennis Saylor IV for the District of Massachusetts granted Ford's renewed motion to dismiss plaintiff Jeffrey Pollack's claim under Massachusetts General Laws Chapter 93A, which deals with the regulation of business practices for consumer protection. Pollack's suit is one of many alleging automotive transmission defects in various Ford vehicles. Ford moved to dismiss the Chapter 93A claim after Pollack's claim for fraudulent

misrepresentation was dismissed, arguing that the Chapter 93A claim was a derivative of Pollack's failed claim and should be dismissed. Pollack opposed the motion, arguing that the claim was sufficiently pleaded as an independent cause of action and that it should survive as a derivative of his claim for breach of the implied warranty of merchantability, which hasn't been dismissed.

Saylor sided with Ford.

"The Chapter 93A violation alleged in the complaint is clearly based on allegations of misrepresentation and fraud, with a passing reference to breach of express warranty," Saylor said.

"In short, the complaint alleges a Chapter 93A claim that is derivative of claims for misrepresentation and breach of express warranty that have failed as a matter of law and have been dismissed, either by the court or by stipulation. Because the Chapter 93A claim cannot stand independently, it will also be dismissed."

In *McCabe v. Ford Motor Co.*, the action centers around Ford vehicles with a 10R80 10-speed transmission, with the plaintiffs representing a putative class of consumers across the country. In 2023, Pollack said he purchased a Ford F-150 and a 2022 Ford Mustang, both of which were equipped with a 10R80 transmission. Pollack alleged that Ford knew its transmissions were defective but continued to sell the vehicles and failed to disclose this information, misrepresenting the performance of the vehicles.

In 2024, the plaintiffs filed the operative consolidated complaint on behalf of 46 individual plaintiffs, including the newly-added Massachusetts plaintiff Ron San Angelo. The consolidated complaint asserted claims for breach of the implied warranty of merchantability, fraud and fraudulent concealment, and violation of Mass. Gen. Laws ch.93A.

Ford moved to dismiss a significant majority of the claims asserted for failure to state a claim upon which relief can be granted. Among other things, Ford moved to dismiss San Angelo's fraudulent-misrepresentation claim, which the court granted, noting that it had "reason to doubt whether the ACC sufficiently pleads actual reliance by Pollack on any particular, actionable representation."" The court also dismissed San Angelo's Chapter 93A claim, concluding it was derivative of his failed claim for fraudulent misrepresentation.

The court noted that it had previously found that San Angelo's Chapter 93A claim "was derivative of his insufficiently state claim for fraudulent misrepresentation," and that the Massachusetts Supreme Judicial Court "has clearly articulated the standard that if a Chapter 93A claim is 'derivative of' other claims which fail as a matter of law, the Chapter 93A claim 'must also fail.'"

In 2025, the parties filed a joint stipulation of dismissal regarding Pollack's fraudulent misrepresentation claim, which the court dismissed. Ford then renewed its motion to dismiss

Pollack's Chapter 93A claim.

On Friday, Saylor said there are no material factual distinctions between San Angelo and Pollack's circumstances that would prevent the same reasoning from applying to both sets of claims. Pollack's Chapter 93A claim didn't stand independently, regardless of whether it was entirely or only partially derivative of his fraud claim, the court said.

"The complaint does not allege unique facts in support of that claim," Saylor said. "In other words, if the other claims of the complaint were to be dismissed, nothing would remain to support the Chapter 93A claim."

Saylor noted that it is undisputed that Pollack's Chapter 93A claim is substantially derivative of his misrepresentation claims, which were dismissed. However, in weighing whether Chapter 93A, under Massachusetts law can be derivative of an implied-warranty claim, without more, Saylor determined that the Supreme Judicial Court "has permitted claims under Chapter 93A where they were derivative of both an implied-warranty claim and a negligence claim."

The judge concluded that the court didn't need to decide the issue "because the complaint here does not allege a violation of Chapter 93A arising out of a breach of implied warranty."

Hector Torres, of Kasowitz in New York, represents Ford and declined to comment.

Mitchell Mark Breit, of Milberg Coleman Bryson Phillips Grossman in New York, represented Pollack and did not immediately respond to a request for comment.

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Judge signals Juul Altria antitrust case will proceed to trial

DJ [dailyjournal.com/articles/389622-judge-signals-juul-altria-antitrust-case-will-proceed-to-trial](https://www.dailyjournal.com/articles/389622-judge-signals-juul-altria-antitrust-case-will-proceed-to-trial)

Attorneys for tobacco giants Altria and Juul Labs attempted to sway U.S. District Judge William H. Orrick at a hearing in San Francisco Monday, but he said he's planning to let an antitrust case over their recent merger go to trial.

Defendants moved for summary judgment, saying plaintiffs failed to meet the necessary standard to show the merger resulted from a conspiracy and would have anti-competitive effects.

"That's what mergers are. You stop competing 100%," David I. Gelfand of Cleary Gottlieb Steen & Hamilton LLP, representing Juul, said at Monday's hearing. *In re: Juul Labs, Inc. Antitrust Litigation*, 3:20-cv-02345 (N.D. Cal., filed April 7, 2020).

Joseph Saveri, representing the plaintiffs, argued that the defendants showed "concerted activity" leading to an agreement that reduced competition, which he said is "more than sufficient" to bring the case to trial. Plaintiffs argued that the companies' conduct was a conspiracy amounting to a per se violation of Section 1 of the Sherman Antitrust Act, passed in 1890.

In a tentative order, Orrick said he believes plaintiffs presented enough evidence from merger negotiations to get the case to trial. However, he was skeptical of their claims under Section 7 of the Clayton Antitrust Act of 1914, which prohibits mergers that significantly hurt competition or create a monopoly.

"I do question the viability of plaintiffs' Section 7 claim against JLI," Orrick wrote in his tentative order. "What is the closest case that anything it 'acquired' from Altria constitutes an 'asset?'"

At the hearing, Saveri's colleague, David H. Seidel, responded that Juul acquired Altria's databases, shelf space and regulatory expertise, among other things that could be considered non-traditional assets. He pointed to a 1960 decision in *U.S. v. Columbia Pictures Corporation*, which held that a licensing and distribution agreement is an asset under Section 7, to argue that premier shelf space should be treated the same way.

"It's a unique merger in that JLI is giving Altria a percentage of its business in exchange for those valuable assets," Seidel said.

Gelfand responded that the U.S. v. Columbia Pictures decision only applies to exclusive licensing agreements, and that preferred shelf space doesn't fall into that category.

"All Altria could do was offer the service of trying to get us on those shelves," Gelfand said.

Even the FTC, which reviewed the agreement extensively, didn't suggest the contracts amounted to assets, Gelfand said.

The FTC sued the companies over the 2018 merger, which saw Altria take a 35% stake in Juul and agree to close its own e-cigarette line, but the complaint was dismissed.

"I've never seen it suggested, and the FTC here never suggested ... that the issue here was that we were getting assets at JLI. Services are not assets, they're executory contracts," Gelfand said.

Gelfand said he's been arguing against his "friend" Saveri for a long time.

"He's a good guy. He brought a baseless case here," Gelfand said.

"It's certainly true that Mr. Gelfand and I go back a long way ... but of course, as he was 30 years ago, he's wrong," Saveri responded.

Jennifer P. Swarbrick of Wilkinson Stekloff, representing Altria, said the case warrants summary judgment in favor of the defendants because the plaintiffs failed to show "sufficiently unambiguous" evidence. Antitrust law is structured in a way that generally protects businesses from lawsuits without concrete evidence of a conspiracy to squash competition, she said, as to not discourage legal acquisitions and mergers.

If a reasonable inference could be drawn from the plaintiffs' evidence supporting their claims, Orrick asked, "Don't I then need to send the case to trial?"

"In the antitrust context, that means the defendant wins," Swarbrick said.

#389622

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Analysis | **Artificial Intelligence**

Governance Woes Likely to Mushroom as Legal Teams Accelerate AI Adoption

FTI managing director Tom Barce predicts that "overreliance on AI is going to cause a discovery problem. It is only a matter of time before someone blames a large language model for a privilege waiver or inadvertent production of highly confidential information."

February 02, 2026 at 03:06 PM By **Michael Gennaro**



Credit: Adobe Stock

Artificial intelligence will reshape legal risk management in 2026, driving new litigation, compliance pressures and data governance challenges as organizations move from experimentation to everyday deployment, according to a new global report from FTI Technology.

In its [Forecasting Digital Risk in 2026](#) report, FTI predicts that AI adoption will accelerate across corporate legal departments and law firms, fundamentally changing document review, investigations and compliance workflows, while also introducing new liability risks tied to subsequent overreliance on automated tools.

“First pass document review will never be the same. Generative AI-enabled classification, in cooperation with predictive coding, will permanently change the landscape for document review, yielding a new standard for reliability (higher precision and recall),” wrote FTI managing director Tom Barce. “At the same time, overreliance on AI is going to cause a discovery problem. It is only a matter of time before someone blames a large language model for a privilege waiver or inadvertent production of highly confidential information.”

Barce underscored the need to keep lawyers “in the loop” when deploying AI in legal workflows.

FTI forecasts that AI accountability will take shape primarily through litigation rather than regulation, with courts emerging as the central venue for defining governance standards. Drawing parallels to the evolution of digital advertising, FTI predicts a wave of class actions, arbitrations and enforcement actions that will shape how organizations operationalize AI faster than policymakers alone.

Beyond AI, the report highlights mounting pressure on compliance teams as organizations turn to automation to manage expanding regulatory obligations. Information governance tasks such as data classification, retention and monitoring are expected to become increasingly automated, while AI-powered communications surveillance, including voice, video and foreign-language transcription, is poised to become standard practice for compliance programs.

“Corporate compliance will face increasing pressure to automate and do more with less, as expanding AI capabilities dovetail with back office belt-tightening efforts,” wrote Jonathan Roberts, senior director of Risk & Compliance at FTI.

Mergers and acquisitions activity and competition enforcement are also expected to drive legal risk. FTI anticipates an uptick in dawn raids and data-focused regulatory inspections, alongside increased penalties for incomplete or inaccurate disclosures. At the same time, financial pressures on private equity and venture-backed companies are likely to spur restructurings, bankruptcies and related disputes, placing greater emphasis on litigation readiness, legal holds and protection of intellectual property tied to AI innovations.

On the privacy front, the report points to rising whistleblower activity and regulator reliance on consumer complaints, with agencies such as California’s Privacy Protection Agency receiving thousands of tips annually. FTI anticipates companies will face a fractured global regulatory landscape as jurisdictions advance their own data protection and AI rules, pushing organizations toward “compliance by design,” where privacy and security controls are embedded directly into systems and processes. FTI also warns of growing exposure from multi-statute privacy lawsuits and heightened scrutiny of vendor contracts governing data sharing.

“Automation will be used for real-time monitoring of compliance (for example, automatically enforcing consent and retention rules) so that adapting to new laws is more agile and visible,” wrote Peter Shardlow, FTI’s managing director of Information Governance, Privacy & Security.

Looking ahead, FTI predicts regulators and boards will increasingly treat compliance technology itself as a risk domain, requiring proof that governance tools are properly configured and functioning as intended. Misconfigured systems, poor data lineage and broken automations may be viewed as control failures, transforming technology from a defensive asset into potential evidence in enforcement actions.

The report concludes that as public trust in technology continues to erode amid geopolitical tension and AI-driven uncertainty, legal and compliance leaders will be central to ensuring new tools are deployed responsibly. FTI expects organizations to prioritize upskilling legal teams in technology and data analytics, alongside targeted hiring in privacy, regulatory compliance and government affairs, as digital risk becomes an increasingly core legal function.

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News | **Litigation**

MoFo and Legal Services Group Secure Settlement With City of Pasadena in Eaton Fire Contamination Suit

Morrison Foerster and Neighborhood Legal Services of Los Angeles County have reached a settlement with the City of Pasadena on behalf of Pasadena tenants affected by residual environmental contamination from the January 2025 Eaton wildfire.

January 30, 2026 at 12:15 PM By  **Kat Black**



Eaton Canyon fire spread to Arcadia in Los Angeles in 2025. Credit: Kyle/Adobe Stock

Morrison Foerster and Neighborhood Legal Services of Los Angeles County have reached a settlement with the City of Pasadena on behalf of Pasadena tenants affected by residual environmental contamination from the Eaton wildfire in Pasadena and the unincorporated community of Altadena, which—along with the Palisades wildfire in the cities of Los Angeles and Malibu—devastated the Southern California region in January 2025.

According to a news release provided to The Recorder and Law.com, the settlement resolves litigation accusing the City of Pasadena of failing to "enforce habitability standards" for and "conduct meaningful inspections" of rental housing units in Pasadena polluted by "toxic smoke,

soot and ash" caused by the Eaton wildfire, which killed 19 people and leveled more than 9,000 buildings. The Pasadena Tenants' Union and individual Pasadena tenants filed the suit in May 2025.

"This agreement requires the City to implement an immediate, fast-track program for inspections by certified industrial hygienists and professional remediation for people living in rental housing north of the 210 Freeway and west of Sierra Madre Boulevard, located within the City of Pasadena," the news release said.

"In addition, the City will implement a training program for inspectors and adopt comprehensive inspection and enforcement protocols for post-wildfire units to protect renters outside the fast-track zone and if future fires arise."

The resolution of the Pasadena tenants' contamination claim on Wednesday followed on the heels of an [earlier settlement](#) secured in September 2025 between the Altadena Tenants Union and individual Altadena tenants—who were also represented by the NLSLA and Morrison Foerster—and Los Angeles County and the LA Department of Public Health.

The California Fire Victims Law Center is also currently [pursuing](#) a class action against Southern California Edison—which is administering a wildfire recovery compensation fund after battling a wave of litigation that seeks to hold it liable for allegedly causing or exacerbating the Eaton fire by failing to maintain its electrical infrastructure—seeking remediation of property costs and long-term medical monitoring for families exposed to lead in the wake of the wildfires.

Whitney O'Byrne, a partner in Morrison & Foerster's Los Angeles office who represented the plaintiffs in both cases, noted that the terms of the settlement have not yet been made public, but that tenants living in the region specified in the agreement can contact the city immediately to arrange an inspection within a 75-day window designated for the fast-track program. The fast-track program, she said, was not included in the Altadena Tenants Union settlement and will have a significant impact on the lives of Pasadena renters.

"We're now a year past the fires, which is crazy," said O'Byrne. "And so having a fast-track option where folks who are still being impacted can get pretty immediate relief is something different than the Altadena settlement, and something we felt was important to include this time around."

O'Byrne said that plaintiffs' counsel is hoping that the resolution of both the Altadena and Pasadena contamination claims represents a "shift in how cities and counties respond to wildfire contamination at large, in terms of a rental housing response."

"Both of these settlements establish clear protocols, enforceable initiatives, and we hope that other municipalities would follow and adopt something similar voluntarily, especially as wildfires

are becoming, unfortunately, a big threat to our communities. So we hope that this can be a template if other municipalities want to look at it and use it."

The City of Pasadena did not immediately respond to a request for comment.

Page printed from: <https://www.law.com/therecorder/2026/01/30/mofo-and-legal-services-group-secure-settlement-with-city-of-pasadena-in-eaton-fire-contamination-suit-/print/>

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California Brief

States Probe Firms Using Personal Data, Location to Set Prices

Feb. 3, 2026, 2:00 AM PST

States are looking at how grocery stores, hotel chains, and retailers are using personal consumer information—from browsing history to location data—to dictate prices.

In a first-of-its-kind use of a state privacy law, California Attorney General Rob Bonta announced an investigative sweep on Jan. 27 into businesses' use of consumers' personal data to set individualized prices. He warned that the behind-the-scenes practice known as surveillance pricing may run afoul of the California Consumer Privacy Act.

California is just the tip of the trend. New York in November started requiring companies to clearly disclose when their algorithms use consumers' personal information to set prices. Legislative proposals are popping up across the country to ban or restrict companies' use of sensitive personal information, like biometric data, for personalized prices. And amid the pressure, companies in targeted industries are reviewing how they've been using personal data in pricing strategies—like loyalty or discount programs aimed at certain customers—and whether it exposes them to regulatory risk.

"That is just another indication that this issue of dynamic pricing, personalized pricing, surveillance pricing—whatever term you want to use—is for regulators going to be the issue du jour," said Janis Kestenbaum, partner at Perkins Coie LLP. "It looks like it's going to be a very big issue in 2026. And probably the California announcement is going to add fuel to that."

The role that the Federal Trade Commission will play is unclear after the agency pulled back on a Biden-era surveillance pricing probe. In 2024, the FTC sought information from eight companies, including MasterCard Inc. and McKinsey & Co. Inc., that had offered surveillance pricing products to businesses. The study found a wide range of personal data could be "frequently used" to set individualized consumer prices, including their behaviors, demographics, and browsing patterns.

Lina Khan, then-chair of the FTC, had called on the agency to keep investigating, but public comment on the market practice was shut down when Trump's pick for FTC chairman, Andrew Ferguson, took office.

Bonta called out the FTC's withdrawal as "another example of the Trump Administration's abandonment of critical consumer protection work."

The FTC couldn't be reached for comment Monday due to the government shutdown.

The Privacy Angle

Regulators have investigated companies' pricing practices in recent years on anti-discrimination or antitrust grounds.

California's use of its comprehensive privacy law in its investigative sweep, however, is a novel approach, Kestenbaum said.

"What caught people's attention was that they were really thinking about it so much as a privacy issue, as a comprehensive consumer privacy law issue, because I don't think that that was the way that probably most attorneys had been necessarily thinking about the issue," she said. Bonta's investigation shows that "states like California are looking for theories that they can use under their state laws."

California's attorney general said he sent letters to companies in the retail, grocery, and hotel sectors seeking more information about how they use consumers' shopping and internet browsing history, location, demographics, and other data to set prices for goods or services.

Bonta is also asking businesses about their policies and disclosures regarding personalized pricing, pricing experiments they're undertaking, and measures they're taking to comply with algorithmic pricing, competition, and civil rights laws.

"Consumers have the right to understand how their personal information is being used, including whether companies are using their data to set the prices that Californians pay, whether that be for groceries, travel, or household goods," Bonta said in a press release about the investigation. "We need to know whether businesses are charging people different prices for the same good or service—and if they're complying with the law."

California's privacy law includes a "purpose limitation principle," which limits businesses' use of personal information to purposes that a consumer could reasonably expect. The question for businesses operating in the state will be whether a consumer could reasonably expect that their personal data could be used to set prices, Kestenbaum said.

Pushing Back

While some companies are taking steps to fend off regulatory concerns, several industry groups are pushing back.

The National Retail Federation, a leading retail trade association, sued New York Attorney General Letitia James over the state's algorithmic pricing disclosure law in July 2025, claiming it violated the First Amendment. It appealed the case to the US Court of Appeals for the Second Circuit last fall after failing to convince a New York federal court judge.

“The impact of a law like the New York law is that even if we’re just doing something that our consumers, frankly, know we’re doing, they want us to do, they’re signed up for loyalty programs. We’re complying with applicable privacy laws. We still have to put that disclosure on there saying your personal data has been used to set this price based on an algorithm,” said Stephanie Martz, chief administrative officer and general counsel at the National Retail Federation.

Whether other states follow New York’s lead or leverage existing laws like comprehensive privacy and consumer protection statutes will shape how companies approach compliance.

“Companies are looking closely at their pricing practices. The New York disclosure law and the announcement of this investigation are a big indication that resources are being directed at this practice,” said Ian Barlow, of counsel at Wiley Rein LLP and former FTC official. “It’s now gaining a level of scrutiny where it’s worth investing additional compliance resources.”

— With assistance from Tonya Riley.

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The Brief - Top News of the Day From Bloomberg Law

Tom Goldstein Prosecutors Violated Disclosure Duty, Judge Says

Jan. 30, 2026, 12:39 PM PST

Prosecutors in Tom Goldstein's tax and false statements case violated federal law by failing to turn over an email between their lead case agent and one of Goldstein's accountants, Judge Lydia Kay Griggsby said.

The failure violated prosecutors' duty to disclose exculpatory information in their possession to the defense under *Brady v. Maryland*, the US District Court for the District of Maryland judge said in a written order Thursday after ruling from the bench Wednesday morning.

The government, which had argued its position orally, asked early Thursday if it could submit written briefing, but Griggsby wasn't receptive.

"I'm never going to say you can't be heard, but the court has ruled—I'm not going to revisit the issue," she said. "I gave the government a chance to be heard yesterday and you said you were ready to go."

The government told her it intends to file something anyway to "correct the record." It said the defense's description of the email—which relates to the government's efforts to find documents showing that Goldstein's law firm reviewed the classification of firm expenditures—was misleading.

The government also said the email is immaterial in any event because the government "isn't even rebutting" that Goldstein never directly told an accountant to mischaracterize an expenditure. The issue is that Goldstein failed to provide the information firm managers needed in order to help his accountants properly characterize firm transactions, the government said.

Griggsby concluded that the email—which was attached to Goldstein's motion—was "at least potentially exculpatory" because it seems to support Goldstein's claim that he wasn't directly involved in any of the alleged errors on his tax returns and that his accountants were responsible for preparing those documents.

The defense will therefore have wide latitude when they cross-examine the accountant and can use the email in their closing, she said. A jury instruction allowing it to draw adverse inferences from the government's failure to turn the email over "is probably appropriate," but the parties will need to work out what the language will be, she also said.

Evidentiary Gaps

Goldstein only received the email because the defense subpoenaed the accounting firm, GRF CPAs & Advisors, directly.

At opening, Goldstein's lawyer told jurors that they'd made efforts to obtain other GRF documents, including internal communications, but learned they were deleted about six months before trial began.

The requested documents were apparently not among those the government had asked for when it obtained records from GRF.

Based on its opening statement and questioning on cross-examination, the defense is trying to convince jurors the government had tunnel vision and conducted a sloppy investigation.

The government's failure to hand over the email may help tell that story, no matter how it interprets the substance of the email.

The government said it thinks it will be able to conclude its case in chief by the end of next week.

Goldstein is represented by Munger Tolles & Olson LLP.

The case is United States v. Goldstein , D. Md., No. 8:25-cr-00006, 1/29/26 .

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California Brief

Goldstein's Ex-Firm Managers Talk IRS Probe, Accounting Errors

Feb. 2, 2026, 4:20 PM PST

One of Tom Goldstein's former law firm managers, whom prosecutors say Goldstein tried to dissuade from cooperating with the IRS's criminal investigation, resumed testifying Monday in the tax evasion and false statements trial of the SCOTUSBlog founder.

Katie Bart testified that Goldstein offered her things of value, including an unspecified amount of crypto and a \$10,000 bonus, after she told him she intended to resign in October 2020. She said Jan. 29 that her testimony was covered by an immunity agreement.

In text messages she sent to another former office manager around the time, she said Goldstein was "losing it" and that the "tax stuff must be getting to him" because he kept offering her money.

On cross, she acknowledged that he never suggested she shouldn't cooperate with the IRS. And she said she regretted sending text messages suggesting he was up to something nefarious, saying she wish she'd just said what she was feeling, "rather than speculating" about what was in his mind.

She also said that it would be reasonable for Goldstein to have offered her a bonus as an incentive to get her to stay on the job. She was resigning earlier than the two years she was expected to commit to and said she had been working hard to help Goldstein respond to the government's investigation.

Bart told jurors she found the job at Goldstein & Russell PC isolating and stressful. IRS agents showing up at the firm's office in connection with the criminal investigation Oct. 14, 2020, convinced her to resign, though she agreed to stay on through the end of the year if necessary while they found and trained her replacement.

Angie Gou, Bart's replacement, also testified Monday. She's the fourth of the firm's former office managers to take the stand. Unlike some of her predecessors, Gou said she was somewhat aware of Goldstein's gambling from the start.

When she interviewed for the job, Goldstein told her a story about being at a high-stakes poker game that resulted in one player handing a hotel deed to another. She also handled wires that Goldstein affirmatively identified as gambling-related.

She knew about his tax woes too, and helped him with some related issues, like renegotiating a payment plan after he'd defaulted on the first one.

The government was able to build some of the factual foundation for its claims that Goldstein temporarily parked a mortgage down payment in his law firm's trust account, allegedly to shield it from IRS collections. She also gave testimony that supported the government's claim that Goldstein failed to disclose his use of crypto.

Still, her cross-examination helped bolster the defense's claim that Goldstein relied on his employees and outside accountants and bookkeepers to ensure his taxes were correct.

She wasn't satisfied with GRF CPAs & Advisors. They "for sure" needed to be more detail-oriented and communicative, she told the jury.

GRF failed altogether to submit a return for Goldstein's wife's taxes for 2021 and were confused about why she needed to submit a return in DC, even though they were on notice that the Goldsteins had moved to DC from Maryland that year.

GRF was also supposed to be filing separate returns for Goldstein and his wife starting in 2021, but seemingly forgot.

GRF employees are expected to testify in coming days.

The government's third witness Monday was an IRS "witness coordinator." He wasn't part of the investigation but reviewed records to provide summary information about financial information reported on Goldstein's tax returns.

Jurors were also read certain "joint stipulations," or undisputed facts. One related to examples of Goldstein's spending on luxury items, cars, and vacations while he was behind on taxes. The other related to money Goldstein won or lost against, and invested in, professional poker player Michael McGuiness between 2020 and 2022.

Goldstein is represented by Munger Tolles & Olson LLP.

The case is United States v. Goldstein , D. Md., No. 8:25-cr-00006, trial held 2/2/26 .

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FT PROFESSIONAL

Epstein files**Jeffrey Epstein emails reveal extensive ties with top Goldman Sachs lawyer**

Bank's general counsel sought sex offender's help with career advancement and advised him on press enquiries



Kathy Ruemmler, Goldman Sachs' chief legal counsel, accepted a Hermès bag, Apple products, spa appointments, haircuts and plane tickets from Jeffrey Epstein © Charles Dharapak/AP

Joshua Franklin and Kaye Wiggins in New York

Published YESTERDAY | Updated 02:03



Goldman Sachs' top lawyer Kathy Ruemmler sought Jeffrey Epstein's help to secure a senior position at Facebook just months before the sex offender's arrest, and advised him on how to respond to press coverage of his crimes.

Epstein gave extensive coaching to Ruemmler as she sought a prominent role at Facebook between June 2018 and April 2019, new documents disclosed by the US Department of Justice show.

He drafted communications with then-chief operating officer Sheryl Sandberg for Ruemmler, recommended the level of pay she should seek and lobbied Sandberg's mentor Lawrence Summers on her behalf.

The DoJ documents also show Ruemmler forwarded emails to Epstein about a romantic relationship she appears to have had with a married associate of his, with Epstein reassuring her that she "did nothing wrong".

Ruemmler, a former White House counsel in the Obama administration, and [Epstein](#) appear to have exchanged thousands of messages between 2014 and July 2019, the year before she joined [Goldman](#).

Epstein pleaded guilty to a charge of soliciting prostitution from a minor in 2008, and was rearrested and indicted on federal sex trafficking charges in 2019. He died in a Manhattan jail in August 2019.

The communications between Ruemmler and Epstein raise questions about the bank's original characterisation of the ties as "professional" and part of its general counsel's then job at law firm Latham & Watkins, where her responsibilities included business development.

The continued revelations about the nature of her relationship with Epstein have also attracted scrutiny inside Goldman over her judgment given her role as one of the bank's key gatekeepers. She is head legal strategist, as well as having senior roles on Goldman's reputational risk and conduct committees.

In a statement to the FT, Ruemmler said: "I was a defence attorney when I dealt with Jeffrey Epstein. I got to know him as a lawyer and that was the foundation of my relationship with him."

She added: "I had no knowledge of any ongoing criminal conduct on his part, and I did not know him as the monster he has been revealed to be."

“These decade-old private emails you are selectively referencing and pruriently reporting on have nothing to do with my work at Goldman Sachs.”

She has also previously said she “regrets” ever knowing Epstein.

Ruemmler’s name appears thousands of times in the Epstein files released by the US justice department, though some documents appear multiple times — including meeting appointments, requests for phone calls and email exchanges.

Not all the contents of the messages sent between Ruemmler and Epstein have been made available. A separate court filing, previously reported by CNN, details hundreds of Epstein emails to, from or copying Ruemmler that have been withheld on the basis of attorney-client privilege.

Latham said that Epstein was not a client of the firm and declined to comment on whether its lawyers were permitted to provide legal advice outside of their role at the firm.

Ruemmler said in her statement that one of Epstein’s clients had become a client of hers, that they regularly worked together and that he asked her for advice “as many people do”.

She added: “Of course, I was friendly with him in that context — it was a professional services business — and I dealt with him in the same open and informal way as I deal with most people. This is how I am and how I interact with people in both my professional and personal lives.”

Goldman spokesman Tony Fratto said Ruemmler was not involved in the decision to withhold documents and that it was at the behest of the Epstein estate.

Laced throughout Ruemmler’s interactions with Epstein are lavish gifts, including a Hermès bag, Apple products, spa appointments, haircuts and plane tickets. “Am totally tricked out by Uncle Jeffrey today! Jeffrey boots, handbag, and watch!” she wrote in one email in January 2019.

Goldman's Fratto said: "As is common in professional services businesses, Epstein routinely gave unsolicited gifts and services to his many business acquaintances."

The DoJ files show Ruemmler giving Epstein advice on how to respond to a request for comment "from wapo", typically used as shorthand for the Washington Post, about alleged special legal treatment Epstein received in the past.

Ruemmler drafted a detailed reply that she proposed Epstein send back, which denied that he was subject to any sweetheart legal deal and that he had "accepted responsibility, served time and prison, and paid significant monetary settlements to the victims involved".

That email was sent while Ruemmler was in the thick of negotiations about a role at Facebook that she had involved Epstein in from the start, as well as another job at Google.

When Facebook first approached Ruemmler in 2018, she told Epstein about it within a day, according to the newly released documents. She subsequently held talks and negotiated with Facebook for almost a year, with Epstein offering advice in the background.

"I suggest you prep for your meeting as a case. Read up mark, sheryl, prepare an opening and summary. Along with a case strategy. III help," he wrote to her, days after the initial approach.

The emails also show Epstein lobbying Summers, who was close to Sandberg, at the time Facebook's chief operating officer. "your friend sheryl could use ruemmlers help," Epstein wrote to Summers in January 2019. Weeks later he wrote to Summers again, saying: "sheryl needs ruemmler."

"Kathy never asked Epstein to advocate on her behalf to Larry Summers," said Fratto.

Parallel to the Facebook talks, Epstein and Ruemmler also discussed concurrent job negotiations with Google parent company Alphabet as well as her eventual role at Goldman. By April 1, the talks with Facebook had fizzled out.

Days later, Goldman president John Waldron wrote to Ruemmler saying “selfishly I am rooting for you to say no to the other opportunity so we have time to design something compelling for you. We would benefit enormously from having you at Goldman Sachs”.

Waldron later said the bank was “unified in wanting to make something work in short order” and that John Rogers, one of the most influential figures behind the scenes at Goldman, would be in touch.

She joined Goldman in 2020 as global head of regulatory affairs and was promoted to general counsel the following year.

The exchange shows the depth of support that Ruemmler enjoys at the top of the bank, where she is one of the most senior women at an institution with a [chequered record of retaining top female talent](#).

She has continued to enjoy the support of Goldman’s top executives, even as new revelations have emerged about her close ties to Epstein.

Goldman chief executive David Solomon told CNBC in December that Ruemmler was “an excellent lawyer and the organisation relies on her guidance every single day”.

Ruemmler was paid \$22.5mn for her work at Goldman in 2024. In a regulatory filing last month, she disclosed that she had sold about one-third of her Goldman shares worth almost \$9mn.

She appears to have refrained from openly raising the controversy with her peers. At the bank's weekly meeting of its management committee, on which Ruemmler sits, she has not addressed her ties with Epstein, according to people familiar with the matter.

Fratto said Ruemmler had "discussed the items in the news with her team and with countless colleagues. Management committee is not the forum."

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Epstein Explored Law Careers, Leadership With Ruemmler, Karp (1)

Feb. 2, 2026, 2:30 PM PST; Updated: Feb. 2, 2026, 3:51 PM PST

The Justice Department's latest release of material related to its investigations into Jeffrey Epstein offers a new glimpse into the disgraced financier's connections to Big Law and some of its top attorneys.

Officials on Jan. 30 released some 3 million pages of material, including more than 2,000 videos and 180,000 images. The documents reveal that Epstein was involved in discussions about lawyers at large firms.

Here are examples of references in the Epstein documents to Paul, Weiss, Rifkind, Wharton & Garrison; Latham & Watkins; Hogan Lovells; Kirkland & Ellis; and litigator Beth Wilkinson.

Latham Leadership

Paul Weiss chairman Brad Karp and Epstein in 2018 mulled whether the top job at Latham & Watkins would be a good move for Kathryn Ruemmler.

Epstein emailed Karp on March 20 of that year with a link to a story about Latham chair Bill Voge stepping down over a sexting scandal.

Karp replied, "What this what you couldn't tell me? I really liked Bill Voge."

A day later, Epstein asked Karp, "should ruemmler be chairman of the firm?"

Ruemmler at the time was Epstein's legal adviser. She was the global co-chair of Latham's white collar defense and investigations practice.

Karp advised Epstein that Ruemmler taking the top spot at Latham would be "perceived very positively by the marketplace." But there were also downsides to the role, he said.

"Kathy taking this on would be a real mitzvah for Latham, but at a huge personal/professional cost to Kathy," Karp told Epstein.

Ultimately, Ruemmler stayed put in her job at Latham until she left the firm in 2020 to join Goldman Sachs Group Inc. The following year, she took on her current role as the investment bank's top lawyer.

Capital markets and M&A lawyer Richard Trobman replaced Voge as Latham's chair in 2019. He still holds that position.

Latham, Karp, and Ruemmler did not immediately respond to requests for comment.

Hogan Hiring

While Ruemmler was still at Latham, Epstein helped her with other possible Big Law career moves.

Ruemmler on Nov. 14, 2015, forwarded to Epstein an email containing messages she had exchanged about a possible job at Hogan Lovells. She told Epstein that the messages represented the "state of play."

In that forwarded exchange, which took place on Nov. 13, then-Hogan Lovells partner Neal Katyal invited Ruemmler "to come in and chat w my folks? You should."

She wrote back: "I don't think I should come in and talk to folks unless I have a better sense of what the economics would look like." She added that she would only leave Latham for a "sufficiently different deal and different opportunity."

"So, I wouldn't want to come in and talk to folks with its attendant leak risk etc. i.e. at the end of the day it isn't worth it to switch firms," Ruemmler said.





Brad Karp

More than a month after receiving Ruemmler's forwarded exchange, Epstein emailed Paul Weiss' Karp on Dec. 29, 2015. He told Karp, "if you are really interested in Ruemmler we should talk sooner rather than later."

Karp replied, "I'm certain we are."

Epstein then relayed intelligence to Karp on Ruemmler's negotiations with Hogan Lovells. He told Karp that Hogan Lovells' then CEO, Steve Immelt, "made a pitch re the future - all major litigation will be global in scope. International regulators and regulation. He said he would build a dept around her. . blah blah."

Ruemmler didn't take a job at Hogan Lovells—or at Paul Weiss. She stayed at Latham before joining Goldman Sachs.

Hogan Lovells, Karp, and Ruemmler did not immediately reply to a request for comment.

Kirkland Fees

Kirkland & Ellis represented Epstein on his controversial 2008 plea deal in a Florida sex abuse and trafficking case. Criticism of the deal ultimately led to the resignation a decade later of former Kirkland litigator-turned-Labor Secretary Alex Acosta.

Kirkland lawyers also handled media disputes involving Epstein and litigation he filed over his investments in a now-defunct hedge fund. Epstein paid more than \$3.1 million to Kirkland between 2008 and 2011, according to billing summaries and invoices sent from the firm to Epstein.

Jay Lefkowitz, a Kirkland litigation partner who advised Epstein and is now an adjunct professor at Columbia Law School, didn't respond to a request for comment about his work. Nor did Kirkland, which also provided legal services to Epstein through other lawyers, including ex-partner and former US Solicitor General Kenneth Starr, who died in 2022.

Starr was among a group of lawyers that signed a letter to the editor of the New York Times in 2019, defending the terms of Epstein's 2008 plea agreement. Epstein's emails show that Karp reviewed the letter and sent it to four members of the newspaper's editorial team that he knew on March 2, 2019. It was published two days later.

The "draft looked strong," Karp wrote in an email to Epstein.

Wilkinson 'Fear'

Epstein suggested litigator Beth Wilkinson as an option for counsel to former Arizona State University professor Lawrence Krauss, who was facing sexual misconduct allegations.

"Beth Wilkinson represented Kavanaugh. Her name will strike some fear," Epstein said to Krauss in an October 2018 correspondence.

Wilkinson had been a lawyer at Karp's Paul Weiss until she left in 2016 to co-found a boutique litigation firm now known as Wilkinson Stekloff. She represented then Supreme Court justice nominee Brett Kavanaugh when he faced sexual misconduct allegations during his confirmation process in 2018.

There is no indication Krauss ever took up Epstein on the suggestion about Wilkinson. Krauss did not immediately respond to a request for comment. Wilkinson declined to comment.

According to a Krauss statement referenced in the New York Times on Nov. 21, he said he "sought out advice from essentially everyone I knew" when he was accused of sexual misconduct—allegations which he has maintained are false.

"None of the communications with Epstein relate in any way to the horrendous crimes he was accused of in 2019," Krauss said in his statement to the Times. He said Epstein "was fascinated by science, and they attended scientific meetings together."

(Adds detail in the 27th paragraph on Epstein legal team's letter to the New York Times.)

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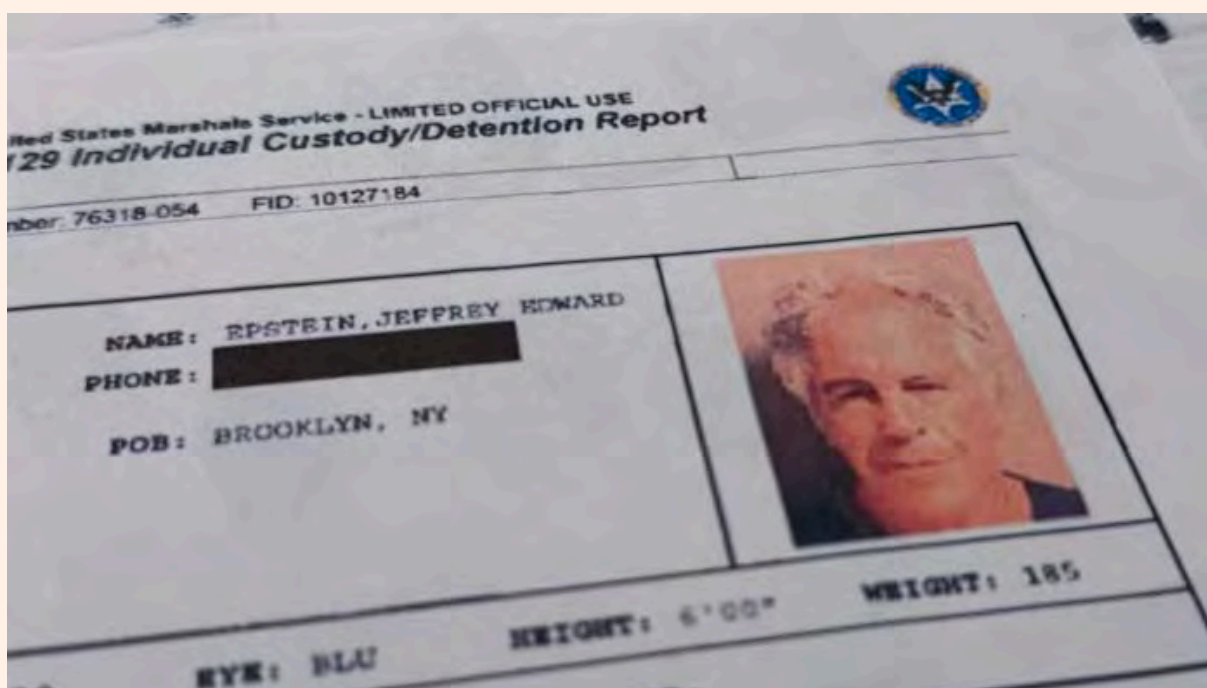
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FT PROFESSIONAL

Due Diligence **Epstein files**

Jeffrey Epstein's ties to Wall Street's elite

Newly released files detail the convicted sex offender's ties to power brokers in politics and high finance



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Published YESTERDAY



One scoop to start: A top dealmaker at one of London's biggest private equity firms [has quit the UK](#), the latest in a number of wealthy residents to depart in the wake of sweeping tax changes.

And another thing: Elon Musk's SpaceX [has acquired xAI for \\$250bn](#), as the world's richest man combines his two largest private ventures to pursue his ambition to win the AI race by developing data centres in space.

Welcome to Due Diligence, your briefing on dealmaking, private equity and corporate finance. This article is an on-site version of the newsletter. Premium subscribers can sign up [here](#) to get the newsletter delivered every Tuesday to Friday. Standard subscribers can upgrade to Premium [here](#), or [explore](#) all FT newsletters. Get in touch with us anytime: Due.Diligence@ft.com

In today's newsletter:

- Wall Street's Epstein problem
- Elliott exits its Italian football bet

Who's afraid of the Epstein files?

Goldman Sachs' roughly 400 partners arrive in Miami this week for their annual retreat with the bank's stock at a record high, the wind at its back and the spectre of **Jeffrey Epstein** looming over it.

Emails released late on Friday [offered far greater detail into the relationship](#) between Goldman's general counsel **Kathy Ruemmler** and Epstein, who sent her lavish gifts, offered career guidance and declarations of friendship.

The continued revelations about the nature of her relationship with the disgraced financier have attracted scrutiny inside Goldman over her judgment given her role as one of the bank's key monitors of its day-to-day activities, the FT reports.

At the time of some of the communications, Ruemmler was a partner at the law firm **Latham & Watkins**, which said on Monday that Epstein wasn't a client.

"I was a defense attorney when I dealt with Jeffrey Epstein. I got to know him as a lawyer and that was the foundation of my relationship with him," Ruemmler said in a statement to the FT. "I had no knowledge of any ongoing criminal conduct on his part, and I did not know him as the monster he has been revealed to be."

Ruemmler is just the tip of the iceberg after the **US Department of Justice** disclosed millions of documents on Friday, which further revealed the extent of the now deceased paedophile's ties to power brokers in politics and finance. Some who previously denied having been involved with Epstein were shown to have close ties.

In British politics there's the power broker **Peter Mandelson**, who [was sent \\$75,000](#) from Epstein as early as 2003, when he was a high-profile Labour Party politician, according to the files. A spokesperson for Mandelson said he had no record or recollection of receiving any such payments, and did not know if the documents were authentic.

The files also show that in 2009 the politician advised Epstein that **JPMorgan Chase** [should "mildly threaten" Britain's chancellor](#) over a tax on banker bonuses being proposed by Mandelson's own government. He even [appeared to leak plans](#) for a bailout of the euro to Epstein according to the documents.

On Friday, Mandelson reissued a previous statement insisting that he had only realised the truth about Epstein after his suicide in 2019.

"I was wrong to believe Epstein following his conviction and to continue my association with him afterwards. I apologise unequivocally for doing so to the women and girls who suffered," he wrote.

On Sunday Mandelson said that he had resigned from the Labour Party.

Then there's **Apollo Global Management**, where emails show [Epstein discussed the firm's tax affairs](#) with top executives, including chief executive **Marc Rowan**.

Epstein, who didn't finish college and only had modest business training, ingratiated himself among senior figures in finance, including Apollo co-founder **Leon Black**, who paid him over \$150mn in fees, by positioning himself as an expert on tax matters and estate planning.

His connection with Black led to other discussions with Apollo. Rowan corresponded with Epstein including about a possible tax "inversion" deal that would have involved redomiciling Apollo overseas to reduce its tax bill. Epstein also brokered high-level meetings with Apollo executives and with Swiss private bank **Edmond de Rothschild**.

Apollo said in a statement that "Mr Rowan had neither a business nor any other relationship with Mr Epstein. As previously stated, Apollo never did any business with Mr Epstein."

Brad Karp, chair of the law firm **Paul Weiss**, which has long represented Apollo and has acted for Black personally, also came up. Emails show [Karp arranged with Epstein's assistant](#) for his son and daughter to join him at a small **Woody Allen** film screening, the FT reports, though it's not clear whether both children ultimately attended.

Epstein even appeared to work to get Karp into the exclusive **Augusta National Golf Club**, though there were no signs Karp was involved in or had any knowledge of that effort, or that it proved successful.

“The firm was adverse to Epstein and at no point did Paul Weiss or Brad Karp ever represent him,” a Paul Weiss spokesperson said.

Epstein’s connections spanned the globe.

Sultan Ahmed bin Sulayem, the chief executive of Dubai-based logistics group **DP World**, [helped arrange for a Russian “masseuse”](#) from Epstein’s “private spa” to train in Turkey at Epstein’s request, according to emails. DP World declined to comment on the allegations.

The files depict a man who peddled in favours and built an extensive web of connections that included influential figures such as **Peter Thiel**, **Elon Musk**, **Bill Gates** and **Steve Bannon**. They unequivocally show that Epstein ingrained himself into the highest realms of wealth, power and politics.

How the new information impacts the firms and financiers involved is unclear, but more shoes will drop. Some on Wall Street told DD they were digging through the correspondence for new clues.

It’s also an open question whether the files will become an issue for US President **Donald Trump**, who appears prominently. His administration released the latest batch of files after many delays and under mounting political pressure.

Elliott takes home its football title

In 2017 **Elliott Management** provided a pricey more than €300mn loan to a little-known Chinese businessman to help finance an acquisition of **AC Milan**.

Doing so, the hedge fund kicked off a tumultuous nine-year trade that saw it go from a creditor to an owner that returned the Italian football club to glory, and back to being a creditor.

On Friday [AC Milan finally cut ties with Elliott](#), executing a €550mn refinancing with US credit specialist **Comvest Credit Partners** that forced the hedge fund to cash in on its bet.

Elliott managing partner **Gordon Singer** — son of founder **Paul Singer** — and his colleague **Dominic Mitchell** will step down from AC Milan’s board as part of the deal.

Paul Weiss Chair Karp regrets Epstein interactions, firm says

 [reuters.com/business/finance/paul-weiss-chair-karp-regrets-epstein-interactions-firm-says-2026-02-03](https://www.reuters.com/business/finance/paul-weiss-chair-karp-regrets-epstein-interactions-firm-says-2026-02-03)

Mike Spector

February 3, 2026

Newly-released documents from disgraced late financier and sex offender Jeffrey Epstein, referencing court cases against him, are seen in this handout released by the U.S. Justice Department... [Purchase Licensing Rights, opens new tab](#) Read more

- Karp met late convicted sex offender Epstein through client Leon Black, firm says
- Karp sought job for son on Woody Allen film production via Epstein
- Paul Weiss pledged free legal work to Trump administration causes

NEW YORK, Feb 3 (Reuters) - Paul Weiss Chairman Brad Karp "regrets" interactions with disgraced financier [Jeffrey Epstein](#), the law firm said, after a trove of emails revealed more extensive communications between the two men than previously known.

Karp attended dinners with the late convicted sex offender and asked Epstein to help his son land a job with a Woody Allen film production, according to the firm and a Reuters review of emails contained among [millions of documents](#) the U.S. Department of Justice released last week as part of the Epstein files.

Karp also at one point shared a confidential stock sale document with Epstein, according to the emails. In addition, the two discussed sexual misconduct accusations made against well-known men in late 2017, the emails show.

The pair traded emails for several years up to as recently as March 2019. Epstein was arrested on sex trafficking charges later that year in July. He later hanged himself in his Manhattan jail cell. Epstein pleaded guilty in 2008 to prostitution charges, including soliciting an underage girl.

Karp met Epstein through his work representing "significant firm client" Leon Black, co-founder and former chairman of Apollo Global Management, a Paul Weiss spokesperson said in a statement.

'REGRET'

"During the course of that representation, which spanned several years, Mr. Karp never witnessed or participated in any misconduct. Mr. Karp attended two group dinners in New York City and had a small number of social interactions by email, all of which he regrets," the spokesperson said in a statement.

Paul Weiss struck a deal with U.S. President Donald Trump last year to pledge millions of dollars in free legal work to causes Trump's administration supported in exchange for it rescinding an executive order targeting the law firm.

"I can't thank you enough for including me in an evening I'll never forget," Karp wrote to Epstein in a July 2015 message that followed a scheduled dinner with Woody Allen, the filmmaker. "It was truly 'once in a lifetime' in every way, though I hope to be invited again. You are an extraordinary host - and your home....!!!"

Epstein responded: "You are always welcome. There are many many nights of unique talents. You will be invited often."

"You're amazing ... and thank you!" Karp replied.

Black, the Apollo co-founder and Karp's client, became embroiled in a dispute with Epstein over fees in 2016. The fees Black paid Epstein later became the subject of intense scrutiny, leading him to relinquish his role atop the giant private-equity firm.

Our Standards: [The Thomson Reuters Trust Principles](#).  [, opens new tab](#)

Mike Spector is an Investigative Reporter for Reuters' legal team. He strives to pursue special reports and other enterprising and exclusive stories that expose wrongdoing, highlight threats to consumers and illuminate how ordinary people are affected by the decisions of judges and lawyers across the United States. His stories often involve corporate crises linked to bankruptcy proceedings, mass tort litigation and government investigations. He was the first journalist to expose Johnson and Johnson's plan to offload into bankruptcy lawsuits alleging its iconic Baby Powder and other cosmetic talc products caused cancer. A series he led explaining how companies and nonprofits use the bankruptcy system to evade lawsuits over sexual abuse and deadly products received the Deadline Club's Daniel Pearl Award for Investigative Reporting. He has also investigated pervasive secrecy in American courts that covers up evidence of deadly products and allegations from Black women that chemical hair relaxers sold by large cosmetics

companies caused cancer. He previously worked at The Wall Street Journal covering bankruptcy, private equity, mergers and acquisitions and the automotive industry.

- X

Responding to Latest Email Release, Paul Weiss Chair Expresses 'Regrets' Over Epstein Interactions

Brad Karp and Jeffrey Epstein corresponded about getting Karp's son involved with a Woody Allen film, among other topics, the records show.

February 02, 2026 at 03:14 PM By  **Dan Roe**  **Ryan Harroff**

What You Need to Know

- New emails released by the Justice Department on Friday further documented the relationship between Paul Weiss chair Brad Karp and Jeffrey Epstein.
- The emails show Karp corresponding with Epstein in order to help his son meet Woody Allen, as well as discussions of ongoing sex scandals, and Karp's sharing of documents related to a stock sale.
- A Paul Weiss spokesperson affirmed that Karp never saw or engaged in any misconduct during his relationship with Epstein, which occurred because of Karp's representation of former Apollo chairman Leon Black.



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

The newest batch of Jeffrey Epstein's emails released by the Justice Department show more extensive ties between the now-dead child sex trafficker and Paul, Weiss, Rifkind, Wharton & Garrison chairperson Brad Karp than was previously known.

The latest email releases highlight, for instance, that Karp sought to help get his son a job on a Woody Allen movie production, and asked for Epstein's help to attend Woody Allen screenings and have a closer relationship with Allen, according to the emails on the Justice Department website.

Karp and Epstein also discussed sexual misconduct accusations made against ex-PBS talk show host Charlie Rose and former film producer Harvey Weinstein, as well as a document involving a stock sale Karp shared with Epstein.

Law.com first [covered](#) Karp's emails with Epstein in December after a batch of emails spanning Sept. 2015 to Feb. 2019 was released by the U.S. House Oversight Committee. Karp said at the time that his communications with Epstein pertained to a multi-year fee dispute between Epstein and Karp's client, Apollo Global Management co-founder and former chairman Leon Black.

The latest release shows Karp corresponding with Epstein as early as 2013 (including a May 2014 discussion of a Woody Allen movie screening). A Dechert [report](#) commissioned by Apollo to investigate the Epstein-Black relationship stated that the pair's relationship began to deteriorate in 2016 over a fee dispute that "had long been brewing."

In a statement, a Paul Weiss spokesperson said that Karp met Epstein via his client relationship with Black.

"During the course of that representation, which began in 2013 and spanned several years, Mr. Karp never witnessed or participated in any misconduct. Mr. Karp attended two group dinners in New York City and had a small number of social interactions by email, all of which he regrets," the spokesperson said.

The emails regarding Allen are not the only examples of the Karp-Epstein connection in the Justice Department release.

The pair also discussed a tolling agreement in 2018, although the nature of the matter and the parties involved was unclear based on the contents of the email release.

On a Wednesday night in mid-May, Epstein emailed Karp, "Did she also say she was (a) virgin?"

Karp responded later that night, saying "You are feisty tonight." He followed up at 3:40 a.m.: "He told me that A's bookkeeper [sic] signed the tolling agreement without A's know=edge."

In a [July 2015 email](#), Brad Karp said to Epstein, "I can't thank you enough for including me in an evening I'll never forget. It was truly 'once in a lifetime' in every way, though I hope to be invited again." It's not clear what event Karp was referring to or the circumstances behind the email, other than that the occasion was in Epstein's own home. In that same email, Karp said to Epstein, "You are an extraordinary host -- and your home...!!![sic]."

Epstein replied to that 2015 thank-you message with, "You are always welcome. There are many many [sic] nights of unique talents. You will be invited often."

One such invitation by Epstein, through an assistant, was to a January 2016 showing of one of Allen's movies, the emails show. Brad Karp emailed Epstein multiple times about the showing to ask if his children could attend, and then [later emailed further](#) with Epstein to thank him for the evening and relay stories about his son David "gushing" about getting to meet and chat with Allen. The Karps were invited to multiple screenings of Allen's movies via Epstein, including one in 2018 that David Karp attended at Allen's personal screening room, the emails show.

After having attended the Allen movie screenings, Brad Karp reached out to Epstein for a favor.

A [series of emails](#) from the summer of 2016 show Brad Karp asking Epstein if he can help with "a personal issue" concerning his son, then elaborating that he wanted Epstein to ask their mutual friend Allen about giving David Karp a job at an at-the-time upcoming movie project. Allen's filmography suggests that the project was likely the 2017 movie "Wonder Wheel" that began production in Sept. 2016.

Both Brad and David Karp thanked Epstein repeatedly in the emails for his help and support of David Karp's film career aspirations, and at one point, Epstein informed Brad Karp that he was having Allen write down answers to questions David Karp had asked him "[as a surprise for your son.](#)"

Beyond the Allen discussions, the emails between Epstein and Brad Karp also show the two discussing high-profile sexual misconduct allegations, including those made against former film producer Harvey Weinstein and ex-PBS talk show host Charlie Rose, along with one figure in the legal industry who saw former Latham & Watkins chair Bill Voge lose his job in 2018.

Speaking about Weinstein, Epstein [asked in 2017](#), "How bad does the Harvey Weinstein story get?" to which Brad Karp replied, "I think it gets pretty bad—and a little bit worse every day."

On Rose, Brad Karp told Epstein in November 2017, when former employees of Rose were first making accusations, that the news "doesn't surprise me at all." [In response](#), Epstein wrote, "The pope wouldn't surprise you."

Allen was also accused of sexual misconduct by his ex-wife Mia Farrow, who accused him of molesting the two's adopted daughter, Dylan Farrow, who was seven years old at the time. That accusation came in 1992 and was investigated by New York Social Services, which dismissed the matter.

Karp also entrusted Epstein with a confidential document in April 2018, after Epstein emailed Karp, "Leon said you had a copy of the stock sale [redacted]. Can you forward to me?"

Karp replied the same day. "I don't have this from [redacted]. I believe our friend may have gotten it from M. I'm going to send that to you. But please don't let him know that I shared it. It is supposed to be strictly confidential."

A spokesperson for Black said that Black instructed Karp to share the document.

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Brad Karp's Fawning Epstein Emails Drags Paul, Weiss Into The Fray

A abovethelaw.com/2026/02/brad-karps-fawning-epstein-emails-drags-paul-weiss-into-the-fray

Kathryn Rubino

February 2, 2026

Jeffrey Epstein

We've [known for a while](#) that Biglaw firm Paul, Weiss and its chair Brad Karp appear in the Epstein files. The firm represents Apollo and its CEO Leon Black who worked extensively with Jeffrey Epstein. Black and Epstein had a fee dispute, and Paul, Weiss was involved in that negotiation.

And the firm's statement about the the overlap between the prestigious firm and one of the most notorious pedophiles of all time has toed this line of "Hey! We're just repping a client!"

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

And yet... The most recent release of files from the Epstein case reveals something more. From the snippets of the relationship contained in the Epstein files, the relationship doesn't *seem* adversarial. "I can't thank you enough for including me in an evening I'll never forget," Karp said to Epstein in a [July 2015 email](#). "It was truly 'once in a lifetime' in every way, though I hope to be invited again."

"You are always welcome," Epstein responded. "There are many many nights of unique talents. You will be invited often."

And Karp responds by calling Epstein "Amazing."

Just a quick timeline check — at this point Epstein had already served time for procuring a child for prostitution and for soliciting a prostitute.

Bloomberg [also reports](#) on a July 2016 email in which Karp asks Epstein for help getting [his son](#) a job working on a Woody Allen film production. Indeed, the controversial director, who was accused of [sexual abuse by Dylan Farrow](#) (which he denies), played a repeated role in the Karp/Epstein relationship. As Daily Beast [reports](#):

The documents also show that Allen played a prominent role in Karp's relationship with Epstein.

Epstein's assistant arranged for Karp and his children to attend a small film screening in New York in 2014, and for Karp's son to attend screenings in 2016 and 2018.

That an... uncomfortable common interest to have had with Jeffrey Epstein.

Another July 2015 [email](#) shows Epstein asking Karp about revoking a woman's visa. "Is it possible for your contacts to 1 get her current visa status ? 2. Is there a way, for us to file something that would revoke a tourist visa."

Karp responded, "Both good ideas; will work on this."

It is unclear who Epstein and Karp are referring to. However, the pair [again discuss](#) the deportation of a woman in August 2015, and connect it with alleged extortion attempts of Black. In 2015 extortion was again on the mind of Epstein, when partner Alan Halperin [forwarded Epstein](#) an article "Extortion Payments as Deductible Losses (and Not Gifts)." Epstein replied, "I know it well."

And there are more Paul, Weiss attorneys in the latest trove of documents. Tax attorneys, estate planning attorneys... the work the firm did on behalf of Black seems to have overlapped with Epstein's work quite a bit before the parties were on opposite sides.

That overlapping relationship between Epstein and Paul, Weiss means there are also documents that undercut the line that PW and Epstein were only ever adverse parties. There's a [2014 email labeled privileged](#) (in the subject line no less) by Halperin to Epstein. There's another [2014 email](#) between Epstein and Eileen Alexanderson of Black's family office where Epstein asks who are "we" using to advise on a tax structure and Alexanderson responds with the names of two Paul Weiss attorneys Colin Kelly and Brad Okun.

While Epstein never directly hired Paul, Weiss, these emails show how slippery the relationship was.

Kathryn Rubino is a Senior Editor at Above the Law, host of [The Jabot podcast](#), and co-host of [Thinking Like A Lawyer](#). AtL tipsters are the best, so please connect with her. Feel free to email [her](#) with any tips, questions, or comments and follow her on Twitter [@Kathryn1](#) or Mastodon [@Kathryn1@mastodon.social](#).

So What Does Brad Karp Think About The Latest Epstein File Revelations?

A abovethelaw.com/2026/02/so-what-does-brad-karp-think-about-the-latest-epstein-file-revelations

Kathryn Rubino

February 3, 2026

Mr. Karp attended two group dinners in New York City and had a small number of social interactions by email, all of which he regrets.

-After the latest release of Epstein files revealed [a more fulsome depiction](#) of the relationship between Jeffrey Epstein and Paul, Weiss chair Brad Karp, a spokesperson for the firm [provided the above statement](#), also noting, "Mr. Karp never witnessed or participated in any misconduct."

NewsRoom

2/3/26 Akron Beacon J. (Ohio) (No Page)
2026 WLNR 3402830

Akron Beacon Journal (Ohio)
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February 3, 2026

Attorneys at odds over evidence in former FirstEnergy execs' trial
Prosecutors in a House Bill 6-related criminal case could file an
appeal if the judge bars certain evidence from being presented at trial.

Patrick Williams, Akron Beacon Journal

Attorneys for both sides in an ongoing House Bill 6-related criminal trial are arguing over whether Summit County Common Pleas Judge Susan Baker Ross should bar certain "critical" evidence from being presented.

The evidence relates to internal emails at the Public Utilities Commission of Ohio (PUCO) — whose former chair two ex-FirstEnergy executives are accused of bribing in an ongoing trial — and testimony from a PUCO attorney examiner.

Sam Randazzo, former PUCO chair, was previously a defendant alongside former FirstEnergy CEO Chuck Jones and Michael Dowling, ex-senior vice president of the utility, in the state of Ohio's case pertaining to multiple criminal charges. Randazzo was removed as a defendant in the case after he died by suicide in 2024.

Defense attorneys for Jones and Dowling said they need access to the evidence so that their clients can defend themselves against it during the trial on state charges, which began last week in Summit County Common Pleas Court.

Principal Assistant Attorney General Matthew Meyer said the defense waited to argue about the evidence to give their clients an advantage.

"They wanted to sandbag the state at the 11th hour and throw out a critical piece of (evidence)," Meyer said.

Defense attorneys for Jones and Dowling argued that the state was cherry-picking which evidence to present.

"The State's case is built around a handful of PUCO decisions issued while Sam Randazzo was its chair," counsel for both defendants argued in a court filing last week. "Those decisions were undoubtedly the subject of communications amongst PUCO commissioners, attorney examiners, and staff. But the only communications the State wants the jury to learn about are a couple involving Randazzo regarding one PUCO decision."

This is a developing story.

Patrick Williams covers growth and development for the Akron Beacon Journal. He can be reached by email at pwilliams@gannett.com or on X @pwilliamsOH. Sign up for the Beacon Journal's business and consumer newsletter, "What's The Deal?"

This article originally appeared on Akron Beacon Journal: Attorneys at odds over evidence in former FirstEnergy execs' trial

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Judicial Cases & Rulings (1JU36); 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: (Public Utilities Commission of Ohio; FirstEnergy)

Keywords: (Public Utilities Commission of Ohio, Ohio, Akron, OH, Summit County, OH, Criminal Investigations, Ohio Attorney General's Office, FirstEnergy, Scandals, Prosecution (legal), Utilities, Crime & Justice, Legal, Courts & Judiciary, Government, Local News, Politics, Legal Services)

NewsRoom

2/3/26 cleveland.com (Cleveland, Ohio) (No Page)
2026 WLNR 3391294

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February 3, 2026

Opening statements begin in FirstEnergy bribery trial linked to HB 6 scandal

Adam Ferrise; cleveland.com

AKRON, Ohio — Opening statements began Tuesday in the high-profile trial of two FirstEnergy executives who face charges of paying a \$4.3 million bribe to a state regulator to help pass the scandal-ridden House Bill 6 and give favorable rulings to the Akron-based utility.

Prosecutors with the Ohio attorney general's office and defense attorneys for former CEO Chuck Jones and senior vice president Michael Dowling will lay out their cases for most of the day in front of a packed courtroom.

Jones and Dowling face 11 charges, including racketeering, conspiracy, bribery, money laundering, telecommunications fraud and theft. The trial is expected to last about two months.

Prosecutors have accused Jones and Dowling of bribing former Public Utilities Commission of Ohio chairman Sam Randazzo in exchange for helping pass HB 6, which gave a \$1.3 billion bailout to two aging nuclear plants, and using his power as a state regulator to ensure FirstEnergy continued raking in profits and avoid regulation.

Assistant Ohio Attorney General Matthew Meyer, the lead prosecutor in the case, told the jury that the case was about greedy corporate executives looking to rig the system for higher stock prices and profits and to "fatten" their wallets.

"Ultimately it's about greed," Meyer said. "It's about corporate greed and about personal greed."

Jones' and Dowling's attorneys have said the \$4.3 million was part of a settlement that FirstEnergy reached with companies that Randazzo represented as an energy attorney before he was appointed to PUCO.

Dowling's attorney, Steven Grimes, said FirstEnergy paid Randazzo as required by the settlement and the money ended up in Randazzo's account, not his clients', because Randazzo was a "conman" and a "thief." Jones and Dowling and anyone at FirstEnergy had no idea he stole that money, Grimes said.

"There was one person who had a dark secret that no one knew that wreaked havoc on his life and many other people's lives," Grimes said, pointing to his client and Jones.

Randazzo, who was initially charged in the case, died by suicide in April 2024. His company pleaded guilty in the case after his death and agreed to pay some \$2.3 million in penalties and restitution.

Both Jones and Dowling face separate federal charges accusing them of bribing Randazzo and former Ohio House speaker Larry Householder, who is serving a 20-year federal prison sentence for accepting some \$60 million in bribes from FirstEnergy.

FirstEnergy also pleaded guilty to bribing Randazzo and Householder in a 2021 deal that included the company paying \$230 million in penalties.

Jurors will not hear about the investigation and prosecution of Householder, nor FirstEnergy's plea during testimony.

---- Index References ----

Company: FIRSTENERGY CORP; PUBLIC UTILITIES COMMISSION

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Financial Fraud (1FI18); Fraud (1FR30); 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

News from Bloomberg Terminal

Trial of ex-FirstEnergy executives charged in \$60M Ohio bribery scheme begins

Feb. 3, 2026, 11:06 AM PST

Trial of ex-FirstEnergy executives charged in \$60M Ohio bribery scheme begins

By JULIE CARR SMYTH

COLUMBUS, Ohio (AP) - The \$4.3 million payment that Ohio-based FirstEnergy made to veteran lawyer and lobbyist Sam Randazzo in 2019, shortly before he was appointed as the state's top utility regulator, is at the center of the latest criminal trial to get underway in a sweeping \$60 million bribery scandal.

Prosecutors allege that then-FirstEnergy Corp. CEO Chuck Jones and then-Senior Vice President Michael Dowling played roles in orchestrating the hefty payout to Randazzo in exchange for regulatory and legislative favors he would later deliver to the company. Both men have pleaded not guilty to felony corruption charges, denying all wrongdoing and arguing that the money represented fees already promised to Randazzo as part of a long-running consulting arrangement.

Opening statements kicked off Tuesday in Akron. Special Assistant Attorney General Matthew Meyer told jurors they need not to be overwhelmed by the complexities of utility regulation that they'll encounter over what is expected to be an eight-week trial. He said that the two executives were smart men who knew exactly what they were doing.

"Chuck Jones and Mike Dowling went to Mr. Randazzo repeatedly, secretly and they rigged the game," he said. "That's what this is about, and that's why it's simple. This game got rigged and the game is not boring."

Defense attorney Steve Grimes countered by repeatedly telling jurors that "details matter." He predicted that prosecutors would try to gloss over or omit the complexities behind Jones' and Dowling's actions in order to tell a good story.

"In our daily lives, we might be able to get away with that sort of shortcut from time to time," he said. "But that's not how it works in a court of law. You can't skip the details. You can't miss critical facts when somebody's liberty is at stake. Not in here."

The two defendants were among executives FirstEnergy fired in the wake of the 2020 arrests of then-Ohio House Speaker Larry Householder and four associates. Federal prosecutors alleged that the speaker and the others carried out an elaborate bribery plot funded by FirstEnergy that allowed Householder to win the speakership, elect his allies, pass a \$1 billion nuclear plant bailout and then foil a proposed effort to repeal the legislation, known as House Bill 6.

FirstEnergy admitted in 2021 to using dark money groups to fund the plot, and a jury convicted Householder of racketeering in 2023. He is serving 20 years in federal prison, a sentence he continues to fight in the U.S. Supreme Court.

Randazzo is no longer here to tell his side of the story at the long-anticipated trial - as the defense painted him as "a thief" and "a con man" who bore sole responsibility for the misuse of FirstEnergy money. The respected energy attorney died by suicide in 2024, after pleading not guilty to dozens of state and federal charges.

Jones and Dowling have alerted Summit County Common Pleas Judge Susan Baker Ross to a list of 58 potential witnesses they may call in their defense.

The highest-profile of those are Ohio Gov. Mike DeWine, who appointed Randazzo to the powerful Public Utilities Commission of Ohio, and his former lieutenant governor, Jon Husted, who DeWine appointed a U.S. senator last year. Husted is making a closely watched bid to retain his seat this fall, likely against Democrat Sherrod Brown. Neither DeWine nor Husted has ever been accused of wrongdoing in the case.

Grimes said that Jones had ready access to Husted, who could speak to FirstEnergy's interest in seeing a different person than Randazzo tapped as PUCO chair.

Various court filings show that the two Republicans dined with Jones, Dowling and Josh Rubin on Dec. 18, 2018, at the storied Athletic Club of Columbus. Earlier in the day, Rubin - a FirstEnergy lobbyist and adviser to the 2018 DeWine-Husted campaign - had provided advice to the executives on how to lobby DeWine, then the governor-elect, in favor of the company's preferences to chair the PUCO, according to a text contained in the criminal complaint.

Rubin cautioned the executives not to mention to DeWine that they would be meeting Randazzo at his residence after the dinner. Later in the day, Randazzo texted Dowling a list of figures for the years 2019 through 2024: "Total 4,333,333." "Got it, Sam," Dowling replied. "Good seeing you as well. Thanks for the hospitality. Cool condo."

The next day, Jones also texted Randazzo. "We're going to get this handled this year, paid in full, no discount," he wrote. "Don't forget about us or Hurricane Chuck may show up on your doorstep! Of course, no guarantee he won't show up sometime anyway."

Randazzo replied, "Made me laugh - you guys are welcome anytime and anywhere I can open the door. Let me know how you want me to structure the invoices. Thanks."

DeWine has said that Randazzo did not disclose - and that the governor did not know of - the consulting arrangement with FirstEnergy until it was reported in a U.S. Securities and Exchange Commission filing.

[Editor notes: Eds: UPDATES: Updates with opening statements. Updates summary.]

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Securities

Manage Newsletters

Phil Mickelson-Touted Sable Probed by SEC on Insider Intel (1)

Feb. 3, 2026, 8:58 AM PST

Federal investigators have subpoenaed Texas-based oil driller Sable Offshore Corp. following a report from Hunterbrook Media that the company selectively disclosed information to investors, including pro golfer **Phil Mickelson**.

Sable said in a [filing](#) early Tuesday that it had received subpoenas on Dec. 2 from the United States Attorney's Office for the Southern District of New York and the SEC requesting documents related to a late-October Hunterbrook Media report. Sable, in the immediate aftermath of the report, formed a special committee to probe the allegations.

The company said in the filing it is providing documents and co-operating with the government's requests. Sable did not immediately respond to a request for comment.

The company is pursuing a contested plan to drill oil off the Californian coast and the probe was revealed in a filing announcing a [\\$250 million equity raise](#).

Shares were down as much as 13% on Tuesday.

Mickelson, who has been a vocal supporter of the company on social media, has previously agreed to repay trading profits in a insider trading investigation by the SEC.

Sable has been repeatedly stymied by local opposition to restarting a pipeline that would take the oil from a cluster of offshore rigs previously-owned by ExxonMobil to onshore processing plants in California.

The company said it would need to spend \$475 million to complete a plan to load crude oil onto tanker ships in federal waters and send the oil overseas.

Read More: [Phil Mickelson-Touted Sable Struggles to Advance Oil Project](#)

(Updates with details on California oil project.)

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Victoria Cavaliere, Nathan Risser

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Securities

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Opinion

Matt Levine's Money Stuff: Musk's Moonshot Merger

Feb. 3, 2026, 10:49 AM PST

SpaceXAI

Here's how it used to work, say a decade ago. Google was a website. (Still is.) You could go to the website and type in a question and Google would give you a good answer. This was useful, so Google had a lot of users. Advertisers would pay a lot to reach them, so the website made a lot of money. This had, for Google, huge economies of scale: It answered the questions and serve the ads algorithmically, so as more people came to the website and asked more questions, its revenue increased rapidly but its costs – just some servers in data centers – did not.

So Google had all of this extra money, and it spent some of that money on what were colloquially called “[moonshots](#),” risky ambitious long-term bets with uncertain payoffs, like building self-driving cars and curing death. (Some of this stuff happened in a division that Google called X.) Investor enthusiasm for moonshots waxed and waned over time, but at a high level the strategy made sense. Google had some very smart people who wanted to make the world better. They built a software product that generated a lot of money with low marginal costs, and they used the extra money from that software to try to solve harder, more capital-intensive problems in the physical world.

If you had told me in 2016 “my company will build rockets and send them to Mars in order to generate free cash flow to subsidize a capital-intensive money-losing website that will use machine learning algorithms to answer people's questions,” I would have been like: No no no, the other way. You subsidize the *space exploration* with money from the *website*. The website is cheap and lucrative and scalable; the space exploration is the expensive bit with uncertain commercial prospects.

But that was a decade ago. Now the most capital-intensive activity on Earth (in space?) is building large language models that answer people's questions on websites and apps, and “let's use our space rocket business to subsidize our website's data centers” is a perfectly coherent thought to have. And [Elon Musk is doing it](#) :

Elon Musk is combining SpaceX and xAI in a deal that values the enlarged entity at \$1.25 trillion, as the world's richest man looks to fuel his increasingly costly ambitions in artificial intelligence and space exploration.

The acquisition of xAI was announced in a statement on SpaceX's website signed by Musk and confirming a Bloomberg News report earlier Monday.

The deal gives SpaceX a valuation of \$1 trillion, and xAI a value of \$250 billion, people familiar with the matter said. The combined company's valuation was announced to employees in a memo on Monday, some of the people said earlier.

The company is still expecting to hold an initial public offering later this year, one of the people said. SpaceX had been planning an IPO that could raise as much as \$50 billion, in what would be the biggest initial share sale to date.

Here is [the statement](#) :

SpaceX has acquired xAI to form the most ambitious, vertically-integrated innovation engine on (and off) Earth, with AI, rockets, space-based internet, direct-to-mobile device communications and the world's foremost real-time information and free speech platform. This marks not just the next chapter, but the next book in SpaceX and xAI's mission: scaling to make a sentient sun to understand the Universe and extend the light of consciousness to the stars!

Sure. "Free speech platform" refers to X, the website that used to be Twitter, which Musk bought in 2022 and [merged with xAI](#) last year. I [wrote yesterday](#) that "it would be satisfying if humanity's ambassadors to distant galaxies turn out to be humanoid robots made by a corporate successor to Twitter," because "actually the greatest modern human achievements are funded and motivated by selling targeted internet advertisements." But arguably it's the reverse: We must explore distant galaxies in order to fund a website where you can get into fights about politics. Martin Peers writes:

Musk's statement didn't even attempt to explain how xAI would help SpaceX launch data centers into space. Let's not forget, that ambition was already expected to be the focus of SpaceX's IPO pitch. What does xAI bring to the party? ...

There's no question this move is financially motivated. Musk may be the richest man in the world, but he is facing the same financial realities the leaders of other AI startups face: It's very difficult to compete in AI development with deep-pocketed tech giants like Google and Meta Platforms, which own cash machines in their advertising businesses. But merging SpaceX with xAI won't solve his problems. SpaceX doesn't make anywhere near the money xAI will need in the next few years—it reportedly generated around \$15 billion in revenue last year (Meta generated \$200 billion). ...

That leaves Musk to persuade investors of his vision for data centers in space, in hopes of raising enough cash in the IPO to fund xAI.

That is: The combination here is not so much "use SpaceX's revenue to fund xAI's capital needs" as it is "use SpaceX's *fundraising ability* to fund xAI's capital needs." There are a lot of money-hungry AI companies these days, but only one money-hungry rocket company that also does AI. "For xAI investors, this is something of a bailout," writes Dan Primack. And the Information reports:

While the arrangement should give xAI more of a financial cushion, it complicates what would have been a fairly straightforward IPO for SpaceX as a stand-alone company. The immediate reaction from some SpaceX investors who spoke to The Information was downbeat.

Michael Sobel, co-founder and president of Scenic Management, which buys secondary stakes in private companies, said he's gotten calls from SpaceX shareholders who believe the company's story to investors will require more explaining with the xAI combination.

"It's very much on investors' minds," Sobel said. "If it was a clean SpaceX IPO, everyone is super stoked. If it's a multimerger combination of companies, they're curious and eager and mostly trust [Musk], but they're like 'Hmmm,'" he said.

But it's all relative. If you have investors who are super stoked for a trillion-dollar space rocket IPO, throwing in \$250 billion of somewhat confusing AI and free speech still leaves them with *mostly* a space rocket company. It's 80% cool rockets and 20% "hmmm," which might be easier than funding that "hmmm" on a standalone basis.

A couple of other points. One is [the valuation](#) : "The deal gives SpaceX a valuation of \$1 trillion, and xAI a value of \$250 billion." Does it? Those numbers are sort of in the ballpark of recent data points – "xAI raised funds at a \$230 billion valuation in January, while SpaceX was set to go ahead with a share sale in December at a valuation of about \$800 billion" – but of course no cash changed hands. The valuation is just "SpaceX shareholders get 80% of the company and xAI shareholders get 20%"; obviously it is in *both* of their interests if the *total* valuation is as high as possible. If the deal gave SpaceX a valuation of \$2 trillion and xAI a value of \$500 billion, it would be exactly the same deal, although then the IPO might end up looking like a down round.

Also: If you are going to merge SpaceX and xAI, it's really really important to do it *before* SpaceX goes public. After SpaceX goes public, merging it with another Elon Musk-controlled company would raise all sorts of difficulties. You'd want a special committee of independent SpaceX directors to evaluate the deal, ideally with Musk out of the room; ideally the special committee would have the power to say no and to negotiate on price. The special committee would have bankers and lawyers and get a fairness opinion. You'd have to put the merger to a shareholder vote, you'd need to make disclosures to the shareholders in connection with that vote, and the disclosures would have to be true. Anyone who wants to own public-company shares can, so someone would probably own the shares, dislike the merger, and sue.

That person would sue [in Texas](#) , where SpaceX is incorporated, and where the law on this stuff is less settled than than it is in Delaware. ([Where Musk was sued](#) when he had Tesla Inc. acquire SolarCity Corp. in what also looked a bit like a rescue.) Probably Musk would win this lawsuit too. Still. You'd need to at least, like, disclose the deck that the board got in approving the deal. *Did* SpaceX's board, or xAI's, get presentations on the deal terms and valuation? Did they consist entirely of one slide with a [poop emoji](#) on it?

But if they're both private, meh, who cares. Musk apparently controls the vote at both of them, so he can negotiate the deal with himself, set the relative valuations himself, sign the merger agreement, close the deal, and then tell the boards and shareholders about it. The Financial Times reports:

When news of formal negotiations started to leak last week, most shareholders were kept in the dark and were blindsided by the speed with which the deal closed, multiple people told the FT.

Investors were briefed on hurried calls by SpaceX financial chief Bret Johnsen and xAI's Jared Birchall. After delays and poor audio quality, many struggled to hear the scant details about the \$1.25tn tie-up.

Yeah but *they're* not going to sue. The SpaceX IPO prospectus will be 25% more confusing than it would otherwise be, but that's way better than putting all of this in a merger proxy.

Elsewhere in AI

Meanwhile OpenAI is more of a normal tech company, in that (1) it has a website and an app, (2) it is trying to make money off that website and app and (3) sure, if there's time and money left over, maybe it can do some moonshots:

OpenAI is prioritising the advancement of ChatGPT over more long-term research, prompting the departure of senior staff as the \$500bn company adapts to stiff competition from rivals such as Google and Anthropic.

The San Francisco-based start-up has reallocated resources for experimental work in favour of advances to the large language models that power its flagship chatbot, according to 10 current and former employees.

...

"OpenAI is trying to treat language models now as an engineering problem where they're scaling up compute and scaling up algorithms and data, and they're eking out really big gains from doing that," one person familiar with its research ambitions said.

"But if you want to do original blue-sky research, it is quite tough. And if you don't find yourself in one of the teams in the centre, it becomes increasingly political."

Right, yes, traditionally the way companies work is that mostly they try to make money, not do "original blue-sky research," and the people who make the money are valued more than the people who don't. The modern AI business has *largely* [turned this model on its head](#) , but still, someone has to make money sometime.

Elsewhere, " [the real risk is – is software dead?](#) "

For years, investors have funneled hundreds of billions into software businesses, banking on steady growth and resilient, recurring revenues. But the artificial intelligence revolution is now testing that foundation. ...

While various business models are threatened, software-as-a-service is particularly vulnerable. AI-native firms can often offer quicker and cheaper solutions, meaning companies that once operated in a defensible sector are now at risk of competition from new players.

Anthropic's Claude Code and other "vibe-coding" startups are disrupting traditional SaaS by allowing users with no coding experience to build software. That's dramatically lowering the programming skill barrier and undermining rigid, one-size-fits-all SaaS products.

"Technology private equity, in its current form, is dead," Isaac Kim, a partner at venture capital firm Lightspeed who previously led Elliott Investment Management's tech private equity business, said in a recent LinkedIn post.

And :

"We call it the 'SaaSocalypse,' an apocalypse for software-as-a-service stocks," said Jeffrey Favuzza, who works on the equity trading desk at Jefferies. "Trading is very much 'get me out' style selling."

And :

Software companies, larded up with debt after leveraged buyout firms viewed their revenue as relatively predictable, have seen their loan prices drop this week. Investors are becoming increasingly worried that advances in artificial intelligence, including the growing coding capabilities of Anthropic's Claude, will leave many software products and services obsolete.

I suppose there is a creative-destruction, capital-should-flow-to-its-highest-uses story here, in which the market allocated hundreds of billions of dollars of debt and equity funding to SaaS companies and maybe *should* have allocated all that money to data centers, oh well.

Binaries

We have talked recently about prediction markets like Kalshi and Polymarket offering contracts on things like [Labubus](#) and [sneakers](#) and [single-family home prices](#) . At one level, this makes a lot of sense: Stock markets are for trading *securities*, and commodities markets are for trading *commodities*, and there is a vast array of *other stuff* that you might want to trade. Labubus and sneakers and houses are probably not securities or commodities, but people might want to trade them, and prediction markets are trying to become a sort of general fallback trading market. Of course they should and do try to find new things to trade.

At another level, though, I have been annoyed by all of these contracts, because they are *structured wrong*. The contract you want – or the contract *I* want – would be along the lines of "at maturity, this contract pays the market price of this Labubu/sneaker/house," or equivalently "I pay you \$1 for every \$1 that the price of this Labubu/sneaker/house goes up, and you pay me \$1 for every \$1 that the price goes down." That is, I want a linear contract that reflects the price of the asset we are trading. If I am, for instance, hedging my home price, I want to sell a contract that goes down 10% when the price of my home goes down 10%; if I am investing in long-term Labubu growth, I want to buy a contract that doubles when the price of Labubus doubles. This is how stock markets and commodity markets work: Gold futures go down 10% when the price of gold goes down 10%; Tesla's stock price doubles when the value of Tesla doubles. There are other, more esoteric bets – options with nonlinear payoffs – but the normal bet is the linear one.

But the Labubu and sneaker and house-price bets on prediction markets don't work like that. Instead, they are *binary options*, yes/no contracts that pay off \$1 if some "event" happens and \$0 if it doesn't. The classic heartland of prediction markets is "event contracts" on [elections](#) and, let's be real here, [sports](#), and elections and sports lend themselves to yes/no binary contracts. "Donald Trump will win the election" pays \$1 if he does and \$0 if he doesn't; "the Seahawks will win the Super Bowl" pays \$1 if they do and \$0 if they don't.

And so, when prediction markets extend to bets on houses and Labubus, they work the same way. The "event" is something like "the average sale price of houses in this area will exceed \$800,000 next year," or "the average price of this sneaker on a resale website will exceed \$200 next month," or whatever. If the price of the thing, over some measurement period, exceeds the strike price, you get \$1; if it doesn't, you get \$0. The underlying fact that is of interest is a linear variable – the price of something – but the prediction market converts it into a binary variable, "the price will exceed \$____." (Or, rather, a list of binary variables: There will be separate contracts for "the price will be above \$180," "the price will be above \$190," "the price will be above \$200," etc., and you can pick which one you want to bet on.)

I have always assumed that this is, essentially, a *glitch*. The prediction markets are relatively new, they are moving fast into new territory, their regulatory environment is uncertain, and, importantly, their clearing and credit infrastructure is underdeveloped. Surely they know that the sensible way to trade Labubus or houses is with linear price contracts, and they will eventually get around to building those out. And then, sure, there might also be more esoteric things, call options and put options and maybe even binary options, but those will be a minor sideshow, and the main action will be in the more sensible contracts. Real economic actors who want to hedge real exposures will want the linear contracts, because the payoffs of those contracts will offset changes in their real exposures.

But of course I could be wrong. Here is an alternative possibility: "The essential thing that prediction markets are selling is not the ability to hedge or speculate on real-world phenomena like house prices. The thing they are selling is *gambling*; it is *entertainment*. And the most normal and entertaining way to gamble is with all-or-nothing bets. We *could* make a linear bet on the Super Bowl, where I pay you \$1 for each point the Seahawks score and you pay me \$1 for each point the Patriots score, but empirically almost everyone prefers simpler all-or-nothing bets on who wins. Similarly, when prediction markets offer contracts on real economic variables, converting those variables into binary bets isn't a bug, it's a feature. All-or-nothing bets on whether house prices go up are more fun and satisfying than linear bets on what house prices will be, so that's what they offer."

One piece of evidence for that view might be the rise of [zero-day stock options](#): Historically the stock market was a place to put your money so it would grow as the economy grew, but if you want a gambling product, "you double your money if the stock market is up today and lose your bet if it's down" might be more satisfying.

And now the Wall Street Journal reports:

Cboe Global Markets is in discussions with retail brokerages to relaunch "all-or-nothing" options contracts for individual investors that would vie with prediction markets.

Cboe said the talks with brokerages remain at an early stage. The exchange is also discussing its plans for these new contracts—which could include revamped binary options, sometimes called fixed-return contracts—with market makers that would execute those trades. Traders use binary options to place yes-or-no wagers on a given event.

Much like prediction-market contracts, these derivatives either pay a set cash settlement or nothing at all. For example, binary call options tied to the S&P 500 index closing at 7000 would pay a fixed amount to the holder if the index settles at or above that level when it expires. Likewise, the holder loses all of his initial bet if the S&P 500 closes below that mark. ...

“Think of us entering the event space, using those products to offer a more simplistic event-style contract like you’re seeing on other platforms,” said Rob Hocking, Cboe’s global head of derivatives.

Right, I mean, I see Kalshi offering “simplistic event-style contracts” on *asset prices* and think “oh no, that’s wrong, in the long run they’re going to have to offer price-based contracts like the real exchanges do,” but in fact the trend is the other way, and the real exchanges are looking to get into the binary business.

Deep fried

Here’s a trade:

1. Start a company. Issue 100 million shares of stock, 90 million to yourself, 9,999,000 to your buddies and 1,000 to the general public. (The shares held by the general public are called the “float.”)
2. You and your buddies trade a bit of stock back and forth with each other and the general public, making sure that the price never falls below \$50 per share. This might cost you as much as \$50,000 (to buy the 1,000 shares of float at \$50).
3. Now you have a \$5 billion company: The \$50 share price, times 100 million shares, is \$5 billion.
4. Now what? How do you turn that \$5 billion company into actual cash? If you just sold the 100 million shares, the price would collapse; it’s only at \$50 because you’re propping it up, and you can only prop it up because very few shares trade.
5. But if the company’s market capitalization is big enough for long enough, maybe it will get added to a prominent stock *index*. Then index funds will have to buy the stock, without any price sensitivity, and who will sell it to them? You. Good trade.

That is: If you are really ambitious at pumping and dumping, the ultimate buyer of last resort – the final dumping place for your stock – is an index fund. Pump until you’re in the index, then dump to the index funds.

Everyone knows all of this and tries to stop it. Stock exchanges might not let you list your company if only a tiny fraction of the shares float publicly, regulators might scrutinize your trading with your buddies, and index providers try not to include companies that have very low floats or that are unprofitable or show signs of manipulation. But maybe you're clever and can make it work. Maybe you issue 20 million shares to yourself and 79.9 million to your buddies, but your buddies are well-disguised and from the outside that looks like a lot of free float. The Financial Times reports:

The volatile swings of some Indonesian shares have earned them the nickname *saham gorengan* or "deep-fried stocks", with their restricted floats and concentrated ownership contributing to rallies that can lift their tycoon owners into the ranks of Asia's richest people almost overnight.

In recent days, index provider MSCI has shone a light on this practice, threatening to downgrade Indonesia to a frontier market unless it cleans up its act by May.

The announcement – citing "opacity in shareholding structures and concerns about possible co-ordinated trading behaviour that undermines proper price formation" – wiped more than \$80bn off the Jakarta Composite index last week and sent financial regulators scrambling to prevent a reclassification that could trigger billions of dollars in capital outflows. ...

Investors say the market is split between stocks that are widely held by international investors and covered by analysts, such as banks, and a group of closely-held tycoon-owned companies that have on paper massively outperformed them.

One way to get this pattern is with "co-ordinated trading behaviour," i.e. intentional manipulation, but that is not the only way. If the effective float is low enough and retail traders are enthusiastic enough, you can get similar results without trying to manipulate the stock.

Things happen

Silver's runaway rally becomes 'death trap' for Reddit's retail crowd. Gold Is Behaving More Like a [Meme Stock](#) These Days. What Kevin Warsh Learned Working for Stanley Druckenmiller. Builders Push ' [Trump Homes](#) ' to Win Backing for a Million Houses. Investigation Finds Credit Suisse Had Wider Nazi Ties Than Previously Known. The Crypto-Hoarding Strategy Is Unraveling. Vanguard Slashes Fees Again, This Time on a Quarter of Its Funds. Wall Street Laments Departure of the 'High Priest' of the S&P 500. 'I Lost \$300,000 to My Husband's Secret Day Trading.' Man arrested on charges of impersonating FBI agent in alleged attempt to free Luigi Mangione.

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1. I am being fairly colloquial here, and you could make an argument that any of them are securities or commodities or both.

2. Simplistically, the way to do clearing for a binary contract is that someone buys the yes *plus* the no from the market for \$1, and then the market holds the \$1 until the contract matures and gives it to whoever wins. You never need to ask anyone for more money. With a linear contract this doesn't work: if someone goes *short* the price of a Labubu when the Labubu is at \$100, and the Labubu goes to \$1 billion, you need to call them up for more money. And so actual securities and commodities markets have a lot of infrastructure around credit and margin calls, which prediction markets can essentially avoid, for now.

3. Or who wins against the point spread, which is still all-or-nothing.

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Elon Musk's Vision for Tesla and SpaceX Gives Way to AI Hype Cycle

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Max Chafkin

February 2, 2026

Tesla electric vehicles in San Francisco.
Photographer: David Paul Morris/Bloomberg

Tesla is a car company. Or is it? Bloomberg Businessweek [Everybody's Business](#) podcast, writes today about its new mission statement "amazing abundance" and what that has to do with AI. Plus: [Carvana is thriving](#), while its entire business runs on a cycle of borrowed money.

If this email was forwarded to you, [click here to sign up](#).

Last Wednesday night, Tesla Inc., which most people still think of as an electric carmaker, reported its fourth-quarter earnings. They [were, generally, not great](#). What had been a fast-growing company is now shrinking. Tesla's once-healthy margins are dwindling, and its still-ample cash reserves are falling. But the real news was that Tesla's visionary chief executive officer had once again revised his vision.

Among other things, Elon Musk said that he was canceling two of Tesla's car models—its luxury sedan, the Model S, and its midsize sport utility vehicle, the Model X—and that the company would focus exclusively on developing a robotaxi network and humanoid robots. Musk spun this as positive, describing the end of the S and X lines as an "honorable discharge," before explaining that the change will coincide with a [massive increase in spending](#) on new robotics factories and enormous quantities of artificial intelligence chips.

Amid the announced \$20 billion in capital spending (up from \$8.5 billion last year), along with plans to shell out even more in the coming years, it was easy to miss a further development: Tesla had decided to give Musk's money-hemorrhaging artificial intelligence venture, xAI, \$2 billion in investment capital. This made sense, Musk said, because xAI's chatbot, Grok, could eventually serve as "an orchestra conductor" for Tesla's robotaxis and robots—a lofty goal for a seemingly rough-hewn tool best known for its [sex chats](#) and ["Mecha Hitler" alter ego](#).

Musk also announced that he had, once again, updated Tesla's mission statement. "Sustainable abundance," which Tesla [had only recently adopted](#), is out. "Amazing abundance" is in. Musk said he revised the mission "to send a message of optimism about the future," which would somehow involve "AI and robotics" giving everyone in the world "universal high income." He continued, "I mean, there's going to be a lot of change along the way, but that is what I see as the most likely outcome."

I have no idea what this means, and I'm not sure even the most sophisticated Tesla shareholders do either. Over the past few years, a company that was once defined by the goal of producing as many affordable electric cars as possible—a mission Musk articulated with reasonable precision and clarity in the [company's original "Master Plan"](#)—has evolved into a meme stock attached to a declining (and yet still profitable) car business. Tesla, according to Musk, intends to spend huge sums of money to transform itself into an AI company, despite the fact that its robotaxi business barely exists [beyond a handful of cars in Austin](#) and that its humanoid robot project remains, as Musk himself concedes, in the research and development phase.

Tesla's shift away from cars and toward AI hype [has been well-documented](#), but what's strange is that the vibes-based approach seems to be creeping into other parts of Musk's empire. Like Tesla, SpaceX had long been defined by a clear mission: Musk was building a successful rocket business to, as he often said, fund exploration and colonization of Mars. I suppose that's still the plan, but with Musk sprinting to an initial public offering—an outcome he long suggested he'd never consider because he worried the demands of public markets would prevent him from reaching his ultimate goal—he's pivoting SpaceX to AI too. The new plan, according to Musk, [is to operate data centers in space](#) for AI companies (and, assumedly, for his own AI ventures). Just in case that far-off and extremely vague pitch isn't enough to push Musk's rocket company to the \$1.5 trillion valuation he's said to be seeking, SpaceX plans to start selling the stock in conjunction with a "rare planetary alignment" and Musk's birthday, [according to the *Financial Times*](#).



A SpaceX Starship sits on the launch pad in Boca Chica, Texas, in November 2024.

Photographer: Chandan Khanna/AFP/Getty Images

Musk also has a fallback plan. Last week Bloomberg reported that SpaceX [was "considering a potential merger with Tesla."](#) Musk's rocket company is also [in advanced talks to acquire xAI](#). The plans make about as much sense as the idea of choosing your IPO date based on an astrological phenomenon, though they would all wind up in roughly the same place, which is finding a way to provide funding to Musk's [costly AI ventures](#).

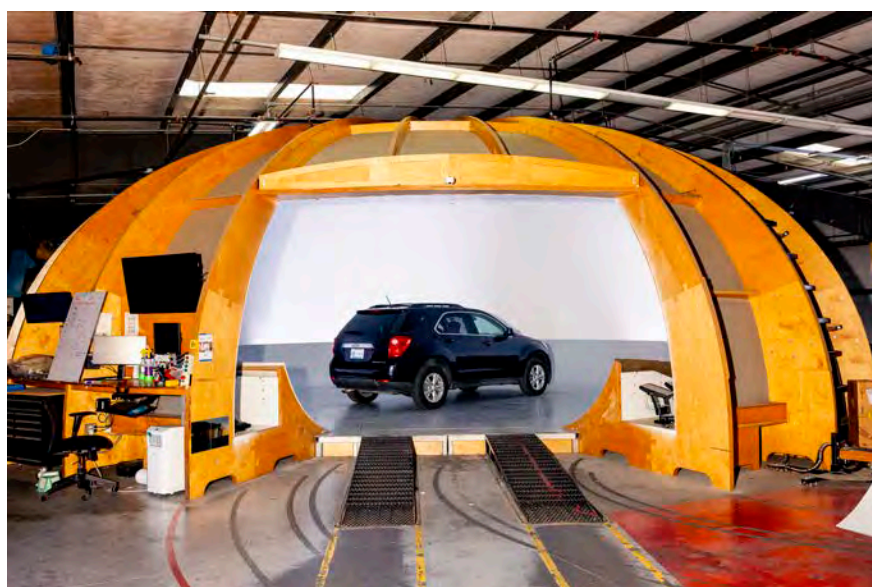
Investors, for now, don't seem to care—Tesla's stock has been more or less flat since the merger reports surfaced last week—and Musk, for his part, has seemed focused on other matters. He spent the weekend doing what looked like damage control after the Department of Justice released millions of pages of documents related to its investigation and prosecution of Jeffrey Epstein. Some of them featured Musk, among other [well-known business and political figures](#). "I knew that I would be smeared relentlessly, despite never having attended his parties or been on his 'Lolita Express' plane or set foot on his creepy island," Musk wrote on X, responding to news media reports about an email [in which Musk appeared to ask](#), "What day/night will be the wildest party on your island?" He posted dozens of times about Epstein, mostly to mock others whose emails [were also in the document](#) dump. The term of art for this is "tweeted through it."

Of course, none of this had anything to do with his erstwhile goals of making life multiplanetary and bringing on a sustainable energy revolution. But very little of what Musk says these days does either.

In Brief

- [Political turmoil in the US House](#) over President Donald Trump's immigration raids risks prolonging a partial government shutdown that began Saturday. Also, the shutdown [will delay the January jobs report](#), the Bureau of Labor Statistics says.
- The board of Disney is [aligning on promoting](#) theme-park division chairman Josh D'Amaro to CEO.
- Product review: Apple's [new AirTag tracker](#) is better, but not upgrade-worthy.
- Get a recap of the latest episode of HBO's *Industry* here: [A Tabloid Drama](#)

America's Most Valuable Used-Car Retailer



A car at Carvana's reconditioning center in Tolleson, Arizona, ready to be photographed for its listing.

Photographer: Cassidy Araiza for *Bloomberg Businessweek*

A white 2024 Tesla Model Y slowly rolls down the lane through a crowd of mostly men dressed in golf shirts and jeans. The onlookers, buyers from car dealerships who've all descended onto this auction site in Chandler, Arizona, snap photos of the vehicle and place bids by raising their hand or using their phone. A screen hanging nearby lists the current bid at \$30,000. The Tesla sits there for barely two minutes before the sale is closed and the driver, wearing a bright orange vest, moves it along. Next up: a tired-looking green 2006 Isuzu Ascender. A burly auctioneer with a dark goatee rhythmically chants, "*Homina, homina, homina*, opening bid, \$1,100." The screen says grimly that the car is being sold "as is."

The site, one of 56 across the US, is owned by Carvana Co. It's not something you'll hear about in the many commercials Carvana runs on TV and podcasts about the happy experience of buying and selling a used car online, and there's no gimmicky car-vending-machine tower in sight. The Chandler location sells 1,000 cars a week—some come in after drivers' leases expire; some are traded in by dealerships; some are rentals retired from Hertz and Enterprise. Carvana offloads the models it doesn't want to competitors and keeps others to list for sale on its site.

Carvana is by far the most valuable used-car seller in the US, and it wants to become the Amazon.com of cars. To try to accomplish this Ernie Garcia III, the co-founder, chief executive officer and chairman, did the most American of things: He loaded the company up on debt.

As [David Welch](#) writes, attacks from short sellers and the collapse of auto lender Tricolor haven't it slowed down: [**Carvana's Red-Hot Growth Runs on a Cycle of Borrowed Money**](#)



California Brief

OpenAI Accuses Musk's xAI of Destroying Evidence in Court Fight

Feb. 2, 2026, 2:31 PM PST

OpenAI accused Elon Musk's artificial intelligence company of "systematic and intentional destruction" of evidence in xAI's lawsuit accusing the ChatGPT maker of trying to thwart competition in emerging markets.

OpenAI said in a court filing Monday that xAI has failed to turn over internal documents to bolster allegations in its suit because it directed employees to use "ephemeral messaging tools" that auto-delete communications after a certain time period.

"Communications about every aspect of xAI's business, including matters highly relevant to this case, have been routed through these message-destruction tools, even as (xAI) knew they were planning to sue and were under a legal duty to preserve," OpenAI said in the filing. "Destroying evidence was the whole point. And it leaves OpenAI and the other targets of Musk's litigation at an inequitable disadvantage."

xAI and its lawyer didn't immediately respond to requests for comment.

Musk's social media platform X and xAI filed an antitrust lawsuit against OpenAI and Apple Inc. in August, arguing that the iPhone maker's decision to integrate ChatGPT into its mobile operating system stymies competition for other chatbots — including Musk's Grok. The lawsuit seeks billions of dollars in damages.

[Read More: Musk Sues Apple, OpenAI, Saying They Hurt AI Competition](#)

OpenAI and Apple have denied the allegations in filings but a judge in Fort Worth, Texas, ruled in November that the case could proceed.

OpenAI has accused Musk of "waging a campaign of lawfare" against the company, due in part to his longstanding feud with Chief Executive Officer **Sam Altman**. Musk and Altman worked together to found OpenAI in 2015, and Musk left the startup's board in 2018.



Elon Musk and Sam Altman in 2015.

Photographer: Mike Windle/Getty Images

In Monday's filing, lawyers for OpenAI said they have sought documents from xAI related to claims by Musk's startup that it has faced barriers to entering the generative AI market as a result of an agreement between OpenAI and Apple.

Musk's company has "not produced a single nonpublic document concerning the substance of their allegations or that OpenAI could use in its defense," according to the filing. "Plaintiffs have produced no emails, no text messages, no Signal messages, and no XChat messages of any kind."

OpenAI seeks a court order requiring employees of X and xAI to cease using disappearing messaging tools. They also want the court to appoint a "neutral forensic inspector" to review the matter and determine the appropriate recourse.

The case is X Corp. v. Apple, 25-cv-00914, US District Court, Northern District of Texas (Fort Worth).

--With assistance from **Carmen Arroyo**.

To contact the reporter on this story:

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Securities

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EY UK Settles Claims Faulting Its Audits of Collapsed NMC Health

Feb. 3, 2026, 8:34 AM PST

Ernst & Young UK said Tuesday it had settled a £2 billion (\$2.7 billion) court claim from the bankruptcy administrators of NMC Health plc, who said the firm was negligent in its audits of the collapsed hospital operator.

The Big Four firm said in an emailed statement that the case had ended. The firm didn't offer further comment or disclose the amount of the settlement.

NMC's administrators Alvarez & Marsal had claimed EY missed a series of red flags when giving unqualified audit reports before the hospital group collapsed in 2020. The company had billions of dollars of undeclared debt leading up to its implosion.

"We can confirm that EY is no longer in dispute with the Administrators of NMC Health Plc," EY UK said in an emailed statement. Alvarez & Marsal didn't respond to a request for comment.

The High Court hadn't given a verdict in the case.

The UK accounting watchdog the Financial Reporting Council is still investigating some aspects of EY's audits. The firm has denied negligence.

To contact the reporter on this story: Michael Kapoor in London at correspondents@bloomberglaw.com

To contact the editor responsible for this story: Amelia Gruber Cohn at agrubercohn@bloombergindustry.com

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<https://www.wsj.com/finance/currencies/the-crypto-hoarding-strategy-is-unraveling-34b720f5>

MARKETS & FINANCE | CURRENCIES

The Crypto-Hoarding Strategy Is Unraveling

Bitcoin fell below \$76,000 on Saturday, saddling Michael Saylor's Strategy with paper losses on its token purchases

By [Vicky Ge Huang](#) [Follow](#)

Feb. 2, 2026 9:00 pm ET



Strategy, led by Michael Saylor, began flashing warning signs last year. JOY MALONE/REUTERS

Quick Summary

- Companies that stockpiled cryptocurrencies are facing significant paper losses as digital tokens like Bitcoin and Ether are in a slump.

[View more](#)

The strategy that rewarded companies for hoarding cryptocurrencies is now punishing them.

Bitcoin, ether and other [digital tokens are in a slump](#), and the shares of companies that followed Michael Saylor's company, now known as [Strategy](#) **MSTR -7.43% ▼**, in

stockpiling crypto are sliding, too. The selloff has investors on edge, and on the lookout for signs it will force big firms to unload their holdings—triggering further declines in digital-coin prices.

The risks of reorienting a corporate strategy around relatively new, and notoriously volatile, assets like cryptocurrencies were always present. But bitcoin and other popular tokens kept climbing last year, fueled in part by signs from Washington that the Trump administration would [clear the regulatory hurdles](#) necessary to bring crypto fully into mainstream finance. More companies followed Strategy's lead, convinced of crypto's long-term prospects, and their token purchases helped lift prices even higher.

Now, that trade is reversing. Late last year, investors began to [rotate out of riskier holdings](#) like tech stocks and crypto. The selloff punished the shares of crypto-treasury companies, limiting their ability to raise fresh funds needed to buy additional tokens. Delays in passing a key crypto-regulatory measure have further darkened the market's outlook.

This past weekend, bitcoin fell below \$76,000, about the average price Strategy paid for its tokens, meaning the company formerly known as MicroStrategy was sitting on some paper losses. Shares of Strategy, which owns more than 700,000 bitcoins, fell 7% Monday and are down 61% since bitcoin touched its record high on Oct. 6.

Ether, the second-largest cryptocurrency, has plummeted to around \$2,300, saddling the ether-accumulation firm [BitMine Immersion Technologies](#) **BMNR -5.02% ▼** with more than \$6 billion in paper losses on its holdings of nearly 4.3 million tokens. BitMine was down 9% Monday and has tumbled 57% since ether's peak last summer.

Other crypto-treasury stocks have struggled just as much. Bitcoin-accumulation firm [Strive](#) fell 12% on Monday, while [Forward Industries](#), which has stockpiled solana, dropped 11%.

Both bitcoin and ether have stabilized since Saturday's sudden washout. Bitcoin was trading at around \$78,000 on Monday, 38% below an early-October peak above \$126,000. Ether hovered near \$2,300, down 53% from last summer's all-time highs.

Price performance, past six months



Sources: FactSet (stocks); CoinDesk (crypto currencies)

For much of last year, companies such as Strategy and BitMine issued billions of dollars in new stock or debt to buy bitcoin, ether and other cryptocurrencies. This strategy turned these so-called crypto-treasury stocks into leveraged proxies for the tokens themselves, attracting a wave of individual and institutional investors hoping to amplify their bets on the trade.

Now, the market is bracing for a potential breaking point. Investors are questioning the long-term solvency of crypto-treasury companies, fearing that a continued slide in prices could eventually force some of them to sell their massive holdings. That could trigger a crash in token prices that could haunt the market for years.

“I think that original model that Strategy has pioneered is probably largely dead to anybody except the very biggest who have the scale to create these preferred shares,” said Alex Blume, chief executive of bitcoin investment firm Two Prime. “And everybody else needs to figure out an operating business or they’re going to go out of business.”

Strategy, the pioneer of the crypto-treasury business model, began flashing warning signs late last year. Saylor, long the [never-sell-your-bitcoin evangelist](#), rattled

markets by suggesting that his company could sell some of its sizable bitcoin stash or bitcoin derivatives if its mNAV—its enterprise value divided by the value of its crypto holdings—were to drop below one.

A crypto-treasury company with an above-one mNAV trades at a premium to its underlying crypto holdings, suggesting that investors are confident about its ability to continue selling shares to buy bitcoin. A company with a below-one mNAV, though, trades at a discount to its cryptocurrencies and may need to sell its tokens to buy back shares.

Saylor's pivot coincided with an announcement that Strategy raised \$1.44 billion through a stock sale to help ensure it can meet future dividend and debt-interest payments. The company now has more than \$2 billion in cash reserves.

So far, Strategy's mNAV has stood at 1.1, down from more than two a year ago. It has continued to buy bitcoin in recent weeks, snapping up 855 bitcoins for about \$75.3 million at \$87,974 per bitcoin in the seven days ended on Sunday. The company, which [recorded a \\$17.44 billion unrealized loss](#) in the fourth quarter, is slated to report full financial results on Thursday. Its market cap has dropped from a peak of \$128 billion in July to \$40 billion now.

BitMine, a big ether-treasury company backed by Peter Thiel and run by veteran Wall Street strategist Tom Lee, is now sitting on about \$6.4 billion in unrealized losses after the firm acquired \$16.4 billion in ether at an average price of \$3,826, according to crypto analytics platform DropsTab. BitMine bought 41,788 ether in the past week.

"Bitmine has been steadily buying Ethereum, as we view this pullback as attractive, given the strengthening fundamentals," said Lee in a Monday release announcing its latest purchase.

Crypto investors and analysts doubt Strategy, BitMine and other crypto-treasury companies will move to sell their token holdings until their shares fall well below their mNAV. Strategy has some convertible debt that isn't due for several years. The debt is also unsecured, meaning that bitcoin can drop significantly without triggering a forced liquidation of its holdings. BitMine has issued no debt.

"Their entire business strategy is to accumulate ether, and help build a narrative that ether should go higher," said Jeff Dorman, chief investment officer of crypto asset manager Arca. "Selling even a tiny fraction of the ether, even to buy back stock, would be such a negative signal effect that it would kill BitMine and ether far beyond any benefit."

However, the real losers are the shareholders who are paying a premium to hold a proxy of the tokens instead of the real thing, analysts say.

“The \$7 billion loss for BitMine is really incredible when the company is more like a closed-end fund,” said Markus Thielen, chief executive of crypto research firm 10x Research.

Appeared in the February 3, 2026, print edition as 'Strategy to Hoard Crypto Stings Fans'.

Vicky Ge Huang is a reporter for The Wall Street Journal in New York, where she primarily covers crypto and retail investing. She previously worked at Business Insider, covering actionable trading strategies and market analysis across major asset classes, including cryptocurrencies. Prior to joining...

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Del. Justices Won't Revive Suit Over Twitter Stock Sale Loss

By **Jeff Montgomery**

Law360 (February 2, 2026, 7:21 PM EST) -- Delaware's Supreme Court rejected on Monday a Washington state software engineer's late-filed, pro se attempt to resurrect a suit seeking damages after his sale of Twitter shares when Elon Musk briefly balked at a \$44 billion closing on his company in 2024.

Justice Abigail M. LeGrow, writing for a three-justice panel, said ATM Shafiquel Khalid's "status as a self-represented litigant does not excuse a failure to comply strictly with the jurisdictional requirements" of the court.

A **brief** filed on behalf of Musk, X Corp., Twitter Inc., and X Holdings affiliates last week argued that "By conflating service of an appeal with filing one, appellant ignores overwhelming precedent holding that an untimely filing creates a fundamental jurisdictional defect requiring dismissal absent unusual circumstances not present here."

So ended Khalid's self-represented Court of Chancery suit, dating to 2024, and appeal, which argued that Chancellor Kathaleen St. J. McCormick should reconsider his claim that he bought \$7.4 million worth of Twitter stock at \$49.46 per share and could have earned the premium from an eventual \$54.20-per-share deal for investors, but for Musk's actions that allegedly created misleading bailout signals.

X Corp.'s senior counsel **acknowledged in January 2025** that Khalid lost nearly \$2.6 million by selling at a loss, taking into account what he could have earned by holding out for the final price.

In the suit, Khalid argued that he was misled by Musk's alleged "false statements and mischaracterization of the facts, which effectively insulated Musk from accountability for his actions" in the run-up to closing.

Chancellor McCormick **dismissed Khalid's suit** in July 2025, writing, "Despite the plaintiff's many interesting arguments, compelling narrative, and clear economic loss, the plaintiff's claims fail for a host of legal reasons."

Claims against Musk failed, the vice chancellor ruled at the time, because Khalid — no longer a stockholder — lacked standing to pursue them over an alleged breach of the merger agreement.

The dismissal on Monday found that Khalid bore responsibility for failing to follow required filing rules or deadlines.

"The fact that he first attempted to file with the Register in Chancery on the last day for filing, rather than with the clerk of this court, is not attributable to court-related personnel. Nor is Khalid's decision to email the clerk of this court at 3:55 p.m. on the last day of the appeal period, on a Friday afternoon," the justices wrote.

Khalid was notified within one business hour of his filings that email did not qualify as a method of filing, but by that point Khalid's appeal window had closed.

"Plaintiff's alleged harm resulted from a stock sale motivated by Musk reneging on a deal that eventually closed," the chancellor wrote earlier. "Even if the alleged enrichments were legally

cognizable, they bear no relationship to plaintiff's alleged harm."

Khalid "failed to adequately allege that Musk intended to induce him to buy or sell Twitter stock," the chancellor wrote in ruling out fraud claims. "There are no allegations that Musk lied when he first announced that he entered into the merger agreement," which prompted Khalid's purchase of stock.

Representatives for Musk and X Corp. did not respond to a request for comment Monday. Khalid could not be reached for comment.

Justices Gary F. Traynor, Abigail M. LeGrow and N. Christopher Griffiths sat on the panel for the Supreme Court.

ATM Shafiqul Khalid is self-represented.

Elon R. Musk, X. Corp., Twitter Inc., X Holdings I Inc. and X Holdings II Inc. are represented by Catherine A. Gaul and Randall J. Teti of Ashby & Geddes

The case is ATM Shafiqul Khalid v. Elon Musk and X Corp. et al., case number 494,2025, in the Supreme Court of the State of Delaware.

--Editing by Linda Voorhis.



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Chancery Keeps Coinbase Insider Trading Suit Alive

By Jarek Rutz

Law360 (February 2, 2026, 2:03 PM EST) -- The Delaware Chancery Court has refused to shut down a stockholder derivative suit accusing Coinbase Global Inc. insiders of reaping billions by selling shares ahead of a steep stock drop, concluding that the company's special litigation committee failed to meet Delaware's exacting independence standards.

In her **decision** issued Friday, Chancellor Kathaleen St. J. McCormick denied a motion by Coinbase's special litigation committee, or SLC, to terminate the case, finding that material factual disputes about the independence of one of the committee's two members barred dismissal at this stage. While the court struck expert opinions offered by the plaintiff as untimely, it held that the SLC could not carry its burden under the first step of Delaware's Zapata framework.

The ruling turns on Delaware law's insistence that a special litigation committee be, and appear to be, fully independent when it seeks to wrest control of a derivative case away from a stockholder plaintiff. Under *Zapata Corp. v. Maldonado* in 1981, courts must first determine whether an SLC acted independently, in good faith and after a reasonable investigation before ever reaching their own business judgment about whether a case should proceed.

"Nonindependence of one SLC member of a two-member SLC is sufficient alone to require denial of the SLC's motion," McCormick said in her letter.

Coinbase went public April 14, 2021, through a direct listing, a structure that allowed directors and officers to sell shares immediately without the lockup restrictions typical of an initial public offering. Insiders allegedly sold approximately \$2.9 billion worth of stock during the listing, avoiding about \$1.09 billion in losses before the company later announced disappointing earnings and a capital raise that sent the stock tumbling.

Stockholder Adam Grabski filed a lawsuit in April 2023, asserting claims for breach of fiduciary duty and unjust enrichment against directors and officers who participated in the sales. In February 2024, the court denied a motion to dismiss, holding it was reasonably conceivable that defendants possessed material nonpublic information and that demand was excused because a majority of the board faced a substantial likelihood of liability.

Eight days later, the board formed an SLC composed of directors Kelly Kramer and Gokul Rajaram, neither of whom sold shares in the direct listing. After a ten-month investigation and a 332-page report concluding that the claims lacked merit, the SLC moved in February 2025 to terminate the litigation.

Chancellor McCormick's decision emphasizes that SLC members are not entitled to the presumptions of independence that typically protect corporate boards. Instead, the committee bears the burden of showing there is no material factual dispute as to its impartiality.

The court focused on Rajaram's extensive professional and financial ties to Marc Andreessen and Andreessen Horowitz, the venture capital firm that sold more than \$118 million of Coinbase stock in the challenged trades. Those ties included Andreessen's early investment in Rajaram's startup, board-level overlaps at Facebook, repeated co-investments — roughly 50 funding rounds since 2019 — and hundreds of emails exchanged during the SLC's investigation.

Although Rajaram testified that these relationships were immaterial to him and insisted he could sue Andreessen if warranted, the court held that the independence inquiry is objective and context-

specific, not a referendum on a witness's sincerity.

"At bottom, the question of independence turns on whether a director is, for any substantial reason, incapable of making a decision with only the best interests of the corporation in mind," the chancellor wrote.

Drawing heavily on the Delaware Supreme Court's guidance and the Chancery Court's own landmark Oracle decision, McCormick rejected what she described as an overly reductionist view of bias that focuses solely on direct economic leverage. Multiple overlapping relationships, she said, can cumulatively create an unacceptable risk of partiality even absent bad faith.

"No one — not plaintiff and thus not the court — questions Rajaram's good faith," she wrote. "But the thick ties between him and the subject of the SLC's investigation are sufficient to raise material disputes regarding his independence."

Because the SLC failed at Zapata's first step, the court declined to reach the second step, under which it would have exercised its own business judgment about whether dismissal was appropriate. The decision leaves the case moving forward, even as McCormick noted that the SLC's report "appears to lay a path to summary judgment" down the line if the facts ultimately break in defendants' favor.

"We are disappointed by the court's decision and remain committed to fighting these meritless claims in court," a spokesperson for Coinbase said.

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

Adam Grabski is represented by Gregory V. Varallo and Mae Oberste of Bernstein Litowitz Berger & Grossmann LLP.

Coinbase Global Inc. is represented by Elena C. Norman, Paul J. Loughman and Alex B. Haims of Young Conaway Stargatt & Taylor LLP.

The special litigation committee is represented by Joseph Slights, Brad Sorrels, Ashleigh Herrin, Daniyal Iqbal, Nora Crawford and Jordan L. Cramer of Wilson Sonsini Goodrich & Rosati.

Marc Andreessen and other individual defendants are represented by David E. Ross, Adam D. Gold and Reiko Rogozen of Ross Aronstam & Moritz LLP.

The case is Adam Grabski v. Marc Andreessen et al., case number 2023-0464, in the Delaware Chancery Court.

--Editing by Rich Mills.

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Mark Wahlberg-Backed F45 Training Signs Deal With Investors

By **Sydney Price**

Law360 (February 2, 2026, 10:20 PM EST) -- Fitness franchise company F45 Training, which counts the actor Mark Wahlberg as an investor and board member, has reached a deal with investors over claims that it failed to disclose information about the sustainability of its once-rapid growth.

The parties said in a letter signed on Friday that they are documenting a formal settlement proposal and intend to move for its preliminary approval no later than Feb. 13.

If approved, the deal would end claims that F45 misled shareholders with regard to how long its sharp expansion pace would continue.

The company went public in July 2021. In its initial public offering registration, F45 said that its franchise model "has enabled us to open new studios at an accelerated pace versus the owner-operator model," and that it also generates quick revenue for the company because most franchises had to pay an upfront fee, according to an amended complaint filed in January 2024.

The complaint alleges that the company could not maintain growth because it preferred multiunit franchises over single-unit franchises and offered more favorable payment terms to owners of those multiunit franchises. This resulted in lower cash flow to the company, an issue not disclosed to investors, the complaint said.

By 2022, the complaint says, the company had opened only a few more studios than it had during the COVID-19 pandemic.

The company announced in July 2022 a significant reduction in expected earnings and the number of studios it expected to open, the removal of an expected credit line, the laying off about 45% of its workforce and the resignation of its CEO.

The announcement caused F45 stock prices to plunge 60%, according to the complaint.

The suit's other defendants include former F45 CEO Adam Gilchrist and former Chief Financial Officer Chris Payne, in addition to directors, including Wahlberg. It also names F45's controlling entities MWIG LLC and Kennedy Lewis Management LLC, as well as several IPO underwriters, including Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.

Last February, U.S. District Judge David Alan Ezra partially granted the defendants' motion to dismiss, ending some of the Exchange Act claims without prejudice, including those alleging that F45's IPO disclosures were inadequate "generic or boilerplate discussions."

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

The investors are represented by Charles Stiene, Christine M. Fox, Guillaume Buell, James M. Fee, Matthew J. Grier, Alfred L. Fatale III, Jessica N. Goudreault and Joseph Cotilletta of Labaton Keller Sucharow LLP, and by Brian Schall of the Schall Law Firm.

F45 and Payne are represented by Craig Varnen, Gregg Jeffrey Costa, Lissa M. Percopo and Michael Raiff of Gibson Dunn & Crutcher LLP.

Gilchrist is represented by Eric K. Blumenfeld, Katherine Taylor, Shahzeb Lari and Terence Healy of Hughes Hubbard & Reed LLP, and by Kevin Tod Abikoff of Proskauer Rose LLP.

The director defendants and the controlling entity defendants are represented by Michelle A. Reed of Paul Hastings LLP and by Stephen M. Baldini, Andrew A. McWhorter and M. Scott Barnard of Akin Gump Strauss Hauer & Feld LLP.

The underwriter defendants are represented by Danny S. Ashby and Jonathan Rosenberg of O'Melveny & Myers LLP.

The case is In Re: F45 Training Holdings Inc. Securities Litigation, case number 1:22-cv-01291 in the U.S. District Court for the Western District of Texas.

--Editing by Karin Roberts.

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Class Action Group Of The Year: Bernstein Litowitz

By **Y. Peter Kang**

Law360 (February 2, 2026, 4:04 PM EST) -- Bernstein Litowitz Berger & Grossmann LLP helped obtain a \$167 million settlement for EQT shareholders over an overvalued acquisition and also secured a \$139 million deal for Turquoise Hill Resources investors, earning it a spot among the **2025 Law360 Class Action Groups of the Year**.



The New York City-based firm's class action practice group has a strong base of longtime institutional investor clients, which is one of the reasons for the group's success in recent years, according to Bernstein Litowitz partner Salvatore Graziano, who co-chairs the firm's securities litigation department.

"If you look at some of our bigger cases, you'll see they were led by institutional investors who have been committed to the firm long-term," he said. "We've been so successful because we have this tremendous client base, so when there are strong cases that warrant their participation, they're eager to do them."

That sentiment was echoed by fellow New York-based partner Hannah Ross, who told Law360 that their clients' trust in the firm is the result of years of collaboration.

"The longevity of the relationship provides our clients with additional time to see the work that we put into all of our cases, and it allows us to provide proven results for our clients over a long period of time," she said. "We work with our clients to monitor their investment portfolios so we can provide them with information to make informed decisions about what actions they could take should they suffer a loss in their investment."

Bernstein Litowitz's recent achievements include a **\$167.5 million settlement** paid to EQT Corp. investors who had alleged the energy company overstated the benefits of its \$6.7 billion merger with Rice Energy. Graziano said it was a hard-fought result that came to fruition more than five years after the suit was filed and included wins at both the motion-to-dismiss and summary judgment stages of the case.

"The results show our resolve to fight all those battles and litigate the case, in that one, literally to the eve of trial. We're very proud that we obtained such a strong result," he said, adding that the biggest challenge was proving that the company's cheery outlook on the synergy created from the merger was not just wishful thinking but a failure on the part of management.

"To show that at the time the statements were made [they] were not just optimistic, but they were false and misleading and incorrect, took a lot of work," he said.

Ross had a hand in vetting the case at the outset and recommending that their client, the Government of Guam Retirement Fund, pursue litigation. She said they look for cases that are strong on the merits, with evidence that meets the standards of the Private Securities Litigation Reform Act.

"We want to make sure that we have a strong argument to support that there were false and misleading statements and omissions and that the defendants acted with scienter and caused harm to our clients," she said.

Ross said their recommendations, such as the one they made to the Guam retirement fund, are given "with the appreciation that clients have their own focus when they want to get involved in these cases."

She added, "We want to make sure that our advice aligns with each fund's own priorities."

Another achievement the firm has highlighted is a \$138.75M settlement for Turquoise Hill Resources investors who were allegedly misled by mining giant Rio Tinto regarding enormous cost overruns at a gold and copper mine in Mongolia.

The most challenging aspect of that case, according to Graziano, was the vast international scope of the underlying deal involving Canada-based Turquoise and Rio Tinto, a British-Australian mining company based in London.

"Nearly all the witnesses resided outside the United States, so there were a lot of processes to get to discovery," he said, explaining that under the Private Securities Litigation Reform Act, plaintiffs have to demonstrate a strong fraudulent intent without the benefit of the court-mandated discovery process.

"We were facing the burden of showing when statements were made about the development of the land of the copper mine being on schedule and on budget, that they were not true at the time," he said.

The breakthrough came when four employees agreed to share their stories with the firm so that it could develop the evidence outside the traditional discovery process, Graziano said.

"Then and only then did we prevail on the motion to dismiss," he said, adding that once they went to discovery the proceedings were dictated by the Hague Convention and all the vagaries of the U.K. courts system.

Looking ahead, Graziano said the practice group's prospects look bright.

"We're at a juncture of the firm where we are very excited about the future and we feel that this coming year, 2026, should be a very strong year for the firm litigation-wise," he said. "We just have a very strong set of cases right now, and we're just very optimistic that the firm is in a very good place."

--Editing by Linda Voorhis.



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Logan Paul Says CryptoZoo Buyers' Latest Complaint Fails

By **Emilie Ruscoe**

Law360 (February 2, 2026, 9:22 PM EST) -- YouTuber Logan Paul seeks to once again shed a lawsuit accusing him of using his CryptoZoo game project to conduct a so-called rug pull, arguing that the latest version of a suit filed in Texas federal court doesn't show he can be held liable for the entity's conduct.

In his **dismissal motion** filed Friday, the internet personality told U.S. Magistrate Judge Ronald C. Griffin that the latest version of the complaint brought by purchasers of CryptoZoo tokens didn't plead facts showing that Paul and CryptoZoo Inc. operated as a single economic entity. As a result, he said he can't be held responsible for the statements or conduct of CryptoZoo.

Paul further claimed the failure to "pierce the veil" undermines claims that he drained the value from the CryptoZoo project once it had attracted token buyers, thereby pulling the proverbial rug out from under those who'd bought the tokens.

The suit, which was most recently amended in November following an earlier dismissal, accuses Paul and several of his associates of making millions of dollars by promoting their CryptoZoo game and its native cryptocurrency, only to never finish developing it and leaving supporters holding worthless tokens.

The token buyers called CryptoZoo Paul's "personal enrichment vehicle, dressed up as a blockchain venture," and claimed that the "deliberate and malicious extraction of consumer funds" from a project that never worked and was never completed supports a finding that it was a rug pull.

Paul rejected that argument, saying that facts in the complaint "suggest that CryptoZoo Inc. was neither a sham entity nor Mr. Paul's alter ego."

Among other things, the plaintiffs acknowledge that CryptoZoo hired vendors and developers and created a prototype marketplace that Paul "reviewed and rejected as inadequate."

"These allegations cannot be reconciled with plaintiffs' conclusory assertions that CryptoZoo 'was never a company' and that Mr. Paul never intended the venture to succeed," he said.

Paul also argued that the purchasers' latest complaint doesn't say how its claims brought under the federal Racketeer Influenced and Corrupt Organizations Act match him to the requisite pattern of activity. The complaint's brief RICO allegations "suggest, at best, a simple — though poorly pled — fraudulent scheme," he said.

The YouTuber also claimed the CryptoZoo tokens and nonfungible tokens at issue in the suit aren't securities.

In support of that argument, Paul said the purchasers' claims failed to satisfy the three prongs of the so-called Howey test established by the U.S. Supreme Court for evaluating whether certain offerings constitute securities.

According to Paul, the token purchasers failed to show that their purchases were an investment, or that they were invested in a common enterprise, or that they had a reasonable expectation of profit from their purchases.

The purchasers sued in 2023, and the latest version was brought by three co-lead plaintiffs whose claims are joined by 140 individuals living in 45 states.

The suit's causes of action come under the consumer protection laws of 13 states, including California, New York and Texas. Paul's dismissal motion focuses solely on the securities fraud and RICO claims at the court's direction, he says. The other claims, which alongside the state law claims include fraud, breach of contract and unjust enrichment claims, have been stayed pending resolution of his dismissal motion.

U.S. District Judge Alan D. Albright **dismissed** a previous version of the suit following a magistrate judge's report and recommendation to do so, though he gave the token buyers leave to amend all but one of their claims.

Counsel for Paul declined to comment Monday. Counsel for the token purchasers didn't respond to requests for comment.

The class is represented by Jarrett L. Ellzey, Leigh S. Montgomery and Alexander G. Kykta of Ellzey & Associates PLLC, and Thomas J. Kherkher of Attorney Tom & Associates.

Paul is represented by Benjamin J. Widlanski, Tal J. Lifshitz and Rachel Sullivan of Kozyak Tropin & Throckmorton LLP, Jeffrey Neiman and Jason L. Mays of Neiman Mays Floch & Almeida PLLC, and Shelby O'Brien of Butler Snow LLP.

The case is Holland v. CryptoZoo Inc. et al., case number 1:23-cv-00110, in the U.S. District Court for the Western District of Texas.

--Additional reporting by Katryna Perera, Aislinn Keely, and Craig Clough. Editing by Adam LoBelia.

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Traditional FCA Enforcement Surges Amid Shifting Priorities

By **Nicholas Folly, David Sarratt and Maura Monaghan** (February 2, 2026, 5:29 PM EST)

On Jan. 16, the U.S. Department of Justice **reported** that False Claims Act settlements and judgments for the fiscal year that ended September 2025 exceeded \$6.88 billion, the largest single-year recovery in the statute's history. Whistleblowers filed a record 1,297 qui tam suits, surpassing the prior year's record.

Unlike in other white-collar areas, FCA enforcement did not slow in fiscal year 2025. Taken together, these figures underscore the scale — and growing significance — of FCA exposure that faces companies doing business with the federal government.

In a May 19, 2025, memorandum announcing the DOJ's Civil Rights Fraud Initiative, the administration signaled its intent both to continue pursuing traditional FCA cases, such as healthcare fraud, and to expand FCA enforcement into new areas, including diversity, equity and inclusion initiatives, antisemitism on university campuses, transgender issues and tariffs.[1]

The January report, issued eight months later, brings the results into focus. Record recoveries were driven overwhelmingly by traditional enforcement areas — most notably healthcare — while the newly announced priorities have spurred investigative activity but have not yet resulted in significant enforcement actions or recoveries.

For companies assessing FCA risk, the data show that exposure remains substantial in traditional enforcement areas, even as the administration's new priorities introduce additional — and still-developing — sources of potential liability.

The Numbers

The fiscal year 2025 statistics reflect historic highs across several key FCA measures.

- **Total recoveries:** \$6.88 billion, more than double fiscal year 2024's \$3.13 billion and the highest annual total since Congress strengthened the statute in 1986.
- **Healthcare dominance:** U.S. Department of Health and Human Services-related matters generated \$5.72 billion — approximately 83% of total recoveries — more than three times the prior year's healthcare total. The 2025 healthcare figure alone exceeded total FCA recoveries in all but a handful of prior years.
- **Defense sector surge:** Defense-related settlements totaled \$634 million, up from \$98 million in 2024 — a sixfold increase reflecting both several large resolutions and the DOJ's continued



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focus on defense contractor compliance and certifications.

- Qui tam filings: Whistleblowers filed 1,297 new qui tam suits in FY 2025, surpassing the prior record of 980, set just one year earlier. The 32% year-over-year increase suggests a growing pipeline of potential FCA exposure.

The divergence is most apparent in declined cases. Recoveries in qui tam matters where the DOJ declined to intervene rose from \$312 million in 2024 to \$2.29 billion in 2025 — more than a sevenfold increase.

The increase was driven in significant part by the large recoveries in some healthcare fraud matters, including a \$310 million settlement arising from an Arizona wound-graft fraud scheme, and the Walgreens settlement discussed below.

Relators pursuing cases without government intervention recovered more in 2025 than the FCA program generated in most years during the 1990s and 2000s.

Key Areas of FCA Risk

Healthcare matters accounted for the vast majority of 2025 FCA recoveries, with several large resolutions driving the totals.

In April 2025, Walgreens agreed to pay up to \$350 million to resolve allegations that it dispensed unlawful controlled substance prescriptions and sought reimbursement from federal healthcare programs.

Although opioid-related actions have been a major source of FCA recoveries in healthcare over the past several years, nonopioid cases have also generated large settlements. For example, in April 2025, Gilead Sciences Inc. **agreed** to pay \$202 million to resolve allegations involving kickbacks to prescribers of their HIV drugs.

More broadly, the year's healthcare enforcement activity reflected several of the priority areas articulated by the DOJ-U.S. Department of Health and Human Services working group, with the largest settlements concentrating on alleged kickback arrangements and conduct affecting the integrity of claims and electronic health records, including in the Medicare Advantage context.[2]

The defense sector remained a significant source of FCA risk in 2025, contributing materially to overall recoveries. The reported \$634 million in U.S. Department of Defense-related recoveries reflects both the scale of federal defense contracting and the DOJ's continued focus on false certifications, including those related to product quality, testing and cybersecurity compliance.

Cybersecurity enforcement continued to represent a consistent and growing source of FCA risk. The Civil Cyber-Fraud Initiative — launched in 2021 and maintained under the current administration — continued to generate settlements in 2025 involving allegedly false cybersecurity certifications and failures to disclose known vulnerabilities.

For contractors handling sensitive government data, cybersecurity compliance has become a well-established — and increasingly scrutinized — basis for FCA exposure. Recent cases underscore that FCA risk often turns not on isolated technical failures, but on whether cybersecurity requirements were incorporated into product-design and compliance processes at the outset, rather than addressed through post hoc remediation.

Several of the administration's most publicized FCA initiatives have led to active investigations, even though they have not yet resulted in significant recoveries.

DEI and Civil Rights

Executive Order No. 14173, published January 2025, and the May memo announcing the DOJ's Civil Rights Fraud Initiative, directed agencies to pursue FCA actions against entities allegedly maintaining DEI programs that violate federal civil rights laws.[3]

Press reports indicate that the DOJ has opened investigations and begun issuing subpoenas in connection with these initiatives. The DOJ did not announce any DEI-related FCA settlements or judgments in 2025.

Transgender Issues

The attorney general's April 2025 memorandum directed the Civil Division to investigate potential false claims tied to services associated with gender transition for minors, and the DOJ subsequently issued subpoenas to multiple healthcare providers.

Several of those subpoenas were challenged in court, and district courts — including the U.S. District Court for the District of Massachusetts in its September 2025 **decision** in *In re: Administrative Subpoena*— granted motions to quash or narrow the demands, finding that they were overbroad, sought information of limited relevance, or appeared disconnected from a valid fraud investigation.[4]

To date, the DOJ has not announced any FCA settlements or judgments arising from the attorney general's directive.

Tariffs and Customs

In 2025, DOJ officials described the FCA as a powerful tool for tariff enforcement, and recent developments point to expanding exposure in this area.

In June, the U.S. Court of Appeals for the Ninth Circuit **upheld** a \$26 million jury verdict in *Island Industries Inc. v. Sigma Corp.*, confirming that FCA liability may apply alongside the Tariff Act in customs duty evasion cases.

And in August 2025, the DOJ announced the creation of the cross-agency Trade Fraud Task Force to coordinate civil and criminal trade enforcement, including under the FCA.

The Whistleblower Factor

The increase in qui tam filings — and particularly in recoveries from declined cases — has materially expanded FCA risk. Three factors help explain that expansion.

First, the volume of new filings creates momentum for FCA litigation that is largely independent of any single administration's stated priorities. Even if DOJ priorities evolve, it is likely that cases already brought by relators and those brought in the future will continue producing significant settlements and judgments.

Second, relators are increasingly achieving meaningful recoveries without government intervention. The \$2.29 billion recovered in declined qui tam cases — up from \$312 million the prior year — illustrates that well-organized relators and their counsel can pursue FCA claims independently.

For potential defendants, a DOJ declination does not necessarily signal the end of material FCA exposure. In practice, declinations may now mark the beginning of prolonged, high-stakes civil litigation rather than its conclusion.

Potential FCA defendants should be prepared to defend FCA cases brought by relators not only on the

same grounds that they would if the DOJ intervened, but on specific grounds applicable to relators.

In particular, relators are subject to threshold requirements that do not apply to the government, including that they must possess material, nonpublic information about the alleged fraud. Relators lacking such information may be vulnerable to early dismissal.

Third, so-called serial relators are appearing with increasing frequency. A review of the 2025 settlements shows certain relator entities appearing across multiple matters, suggesting the emergence of for-profit companies focused on identifying and bringing FCA lawsuits.

Examples include entities such as GNGH2 Inc. and Verity Investigations LLC.

Compliance Implications

The 2025 enforcement data carry compliance implications across sectors.

For healthcare providers, FCA risk remained concentrated in a set of recurring enforcement areas that drove the year's largest settlements, even where the underlying conduct did not fall squarely within the DOJ's formally articulated priority list.

Several of the largest healthcare recoveries — including matters involving opioid dispensing practices, wound care schemes, and pharmaceutical pricing and marketing — turned on allegations of medically unnecessary services, kickbacks or manipulation of claims or clinical information.

While the DOJ-HHS False Claims Act Working Group identified multiple priority areas, the most significant settlements tracked closest with a subset of those priorities, particularly alleged kickback arrangements and conduct affecting the integrity of claims submissions.

Healthcare providers and payors should therefore reassess billing, coding and documentation practices with an emphasis on medical necessity, remuneration relationships and controls designed to prevent manipulation of claims or supporting records, aided by targeted audits, training and escalation protocols.

Government contractors face sustained exposure tied to certifications and representations. Product quality, testing and cybersecurity compliance certifications remain recurring FCA risk vectors.

Contractors handling sensitive government data should ensure that their technical compliance controls, documentation and disclosure practices align with contractual and regulatory requirements, particularly where representations are incorporated into claims for payment.

For importers, tariff classification and valuation practices warrant renewed attention. The Ninth Circuit's decision in *Island Industries*, combined with elevated duty rates, increased the potential stakes for FCA customs litigation.

The prospect of competitor-driven qui tam suits further distinguishes tariff enforcement from more traditional government-initiated FCA cases.

Finally, organizations responding to civil investigative demands in emerging enforcement areas should carefully assess their options. Recent court decisions limiting the scope of DOJ subpoenas demonstrate that early legal challenges can be effective where investigative demands are overbroad or insufficiently tied to a valid fraud theory.

At the same time, the DOJ's continued institutional investment in new enforcement initiatives suggests that these areas will remain active sources of potential FCA exposure.

Nicholas Folly is counsel, and David Sarratt and Maura Kathleen Monaghan are partners, at Debevoise & Plimpton LLP.

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[1] <https://www.reuters.com/legal/legalindustry/false-claims-act-enforcement-expands-amid-shifting-white-collar-landscape-2025-06-16/>.

[2] <https://www.law360.com/articles/2363675>.

[3] <https://www.reuters.com/legal/legalindustry/false-claims-act-enforcement-expands-amid-shifting-white-collar-landscape-2025-06-16/>.

[4] <https://www.debevoise.com/insights/publications/2025/09/massachusetts-court-quashes-doj-subpoena-targeting>.

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US Bancorp Beats Suit Over Brokerage Cash-Sweep Program

By **Katryna Perera**

Law360 (February 2, 2026, 8:58 PM EST) -- A Minnesota federal judge permanently threw out a proposed class action accusing U.S. Bancorp and its brokerage unit of shortchanging customers on interest through a cash-sweep program, finding in part that the bank never promised customers a particular minimum interest rate.

U.S. District Judge Eric C. Tostrud issued an **opinion and order** on Friday tossing, with prejudice, a suit filed by two U.S. Bancorp investment-account customers, Adam Saul Futo and James Bartley Ellis.

Futo and Ellis alleged in their suit that, under U.S. Bancorp's and U.S. Bancorp Investments Inc.'s cash-sweep program, they were paid "unreasonably low, below-market interest rates" on their uninvested cash balances that were "swept" by the bank into interest-bearing deposit accounts.

However, in dismissing the suit, Judge Tostrud found that Minnesota's independent-duty rule bars the case's negligence claim.

According to the order, under the independent-duty rule, when a plaintiff seeks damages from an alleged breach of contract, they are limited to damages "flowing only from such breach except in exceptional cases where the defendant's breach of contract constitutes or is accompanied by an independent tort."

Judge Tostrud said that the suit's negligence claim is barred under the rule because the "sources of duty" supporting the claim are only the contracts between the plaintiffs and USBI, and there was no other independent relationship between the parties.

"Without the universal customer agreements, there is no 'agency relationship' and USBI has no 'control and discretion' regarding plaintiffs' funds," the order said.

The judge further found that the suit fails to plausibly allege a fiduciary relationship between the parties or that any established fiduciary duty was breached, since U.S. Bancorp made several disclosures about the interest rates that customers can expect to receive through the cash-sweep program and the bank has no obligation to make sure customers receive certain rates.

"The decision to participate in the cash-sweep program was plaintiffs'. Once they decided to participate, cash sweeps from their accounts were automatic. And USBI had no fiduciary duty to ensure a minimum interest rate on swept cash," the order states.

Judge Tostrud also concluded that the suit does not adequately plead that U.S. Bancorp breached the covenant of good faith and fair dealing since the complaint contains no allegations showing that the bank acted in "subjective bad faith," nor does it allege that U.S. Bancorp "acted maliciously to thwart or hinder plaintiffs' performance under the account agreements."

Finally, the judge tossed the suit's unjust enrichment claim that U.S. Bancorp benefited from the low interest rates customers received through the cash-sweep program, stating that the claim is "not plausible."

Judge Tostrud said amendment of the suit seems impractical for "legal and practical reasons."

"As a legal matter, amendment would seem impracticable because the justifications for granting defendants' motion came largely from the extra-complaint materials plaintiffs relied on to support their claims. It is difficult to hypothesize how amendment might change those aspects of the decision," the order states.

"From a practical perspective, the case's procedural history gives no reason to think that plaintiffs might realistically be able to amend to address the dismissal-prompting problems identified here," the judge added.

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

The plaintiffs are represented by Daniel E. Gustafson, Catherine Sung-Yun Smith and Shashi K. Gowda of Gustafson Gluek PLLC, Joseph H. Meltzer, Melissa L. Yeates and Tyler S. Graden of Kessler Topaz Meltzer & Check LLP, James E. Cecchi, Michael A. Innes, Kevin G. Cooper, Grant Y. Lee, Zachary Jacobs and Jason H. Alperstein of Carella Byrne Cecchi Olstein Brody & Agnello PC.

U.S. Bancorp is represented by David L. Goldberg, Peter G. Wilson, Anna Porter and Michael Beirne of Katten Muchin Rosenman LLP, and Larry E. LaTarte and Anderson Tuggle of Faegre Drinker Biddle & Reath LLP.

The case is Futo et al. v. U.S. Bancorp et al., case number 0:25-cv-01464, in the U.S. District Court for the District of Minnesota.

--Editing by Melissa Treolo.

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1st Circ. Judge Wary Of Boston Bid To Revive PBM Opioid Suit

By Carolyn Muyskens

Law360 (February 2, 2026, 5:29 PM EST) -- The city of Boston faced pushback from a First Circuit judge on Monday as it argued it didn't miss its window to sue pharmacy benefit managers for their alleged role in the opioid epidemic.

A three-judge appellate panel weighed Boston's bid to reopen its lawsuit against Express Scripts Inc. and OptumRx Inc. after a federal judge found the city **waited too long** to sue and should have become aware of its claims against the companies, which act as intermediaries between insurers, pharmacies and drug manufacturers.

During oral arguments Monday, U.S. Circuit Judge Sandra L. Lynch appeared skeptical that Boston could have been ignorant of lawsuits other municipalities had filed against pharmacy benefit managers as early as 2018, six years before Boston filed its complaint.

The city, also a plaintiff in multidistrict litigation over the opioid crisis, also "had access to all of the multidistrict litigation discovery files," Judge Lynch said.

"I don't understand how the city of Boston, who filed suit claiming the same sort of injuries from the opioid epidemic in 2018 and was clearly monitoring what was going on, could disclaim any knowledge of the MDL litigation," Judge Lynch said.

Mimi Liu of Motley Rice LLC, representing Boston, described the other municipalities' early lawsuits against PBMs as alleging only "a handful of allegations against the PBMs."

The information that put the city on notice was produced by the PBMs in the discovery phase of the MDL in 2023, according to Liu.

"At that point, many government enforcement entities along with the city — including every single state attorney general to sue the PBMs — then sued, relying on that evidence that was provided into the MDL," Liu said. "The sparse complaints that were early filed, even under a constructive knowledge standard, there's a factual question whether they provide sufficient evidentiary basis to support the city's claims."

"The district court took a look at that, [and she] didn't find there was any factual dispute to that," Judge Lynch responded.

U.S. District Judge Patti B. Saris dismissed Boston's lawsuit against the two companies and several related entities last February. In her ruling, Judge Saris said the city should have known about the harm of over-prescribing opioids and PBMs' alleged role well before the statute of limitations on the city's collusion and public nuisance claims expired.

Christopher G. Michel of Quinn Emanuel Urquhart & Sullivan LLP, representing Express Scripts, told the panel Monday that it was a "straightforward" statute of limitations matter and that Boston allegedly suffered its injuries a decade ago.

The city's 2024-filed **complaint** cited reports and articles from the early and mid-2010s describing the same alleged misconduct the city targets in the suit, Michel said.

While the city has tried to argue the complaint is timely by accusing the PBMs of ongoing misconduct, Michel told the panel those allegations were conclusory.

Judge Lynch asked Michel if the standard in Massachusetts law is that a judge must find it is "beyond any possible doubt" that the claims are time-barred in order to dismiss a case as untimely at the motion-to-dismiss stage.

"I don't think that's the standard," Michel said, arguing the courts have also made clear that issues of statute of limitations ought to be decided early on in a case to avoid unnecessary litigation.

Michel was asked to address cases in Alaska and West Virginia, where judges have allowed similar claims to proceed against PBMs despite the companies' protestation that those cases were also filed too late. The Express Scripts lawyer said those decisions were made under the applicable laws in those states, which are different from Massachusetts'.

"We submit that Judge Saris got it right under Massachusetts law, which is all that matters," Michel said.

When Boston's lawyer, Liu, returned to the podium for rebuttal, Lynch again questioned her about whether the city could argue it was unaware of its claims against the PBMs until 2023.

"You can't use the 'no substantial doubt' language in opinions to alter the obligation you have to actually be aware of what's going on around you. And if you have all the warning signals that you have a cause of action, then you have to act," Judge Lynch said.

Boston's lawsuit mirrors claims that have been brought by numerous state attorneys general against OptumRx, Express Scripts and other PBMs alleging they played a role in ensuring the flow of opioids from manufacturers to pharmacies by placing the drugs on formularies, or lists of drugs that would be covered by insurance.

The suits claim PBMs had access to data about prescription rates and ought to have been aware that opioids were being overprescribed.

The panel reserved a decision on the matter.

U.S. Circuit Judges Gustavo A. Gelpí, Sandra L. Lynch and Jeffrey R. Howard sat on the panel for the First Circuit.

Boston is represented by Elizabeth Smith, Mimi Liu, Frederick C. Baker and Michael J. Quirk of Motley Rice LLC, Christopher C. Naumes and Robert T. Naumes Sr. of Naumes Law Group LLC, Adam Cederbaum of the City of Boston Law Department, Caesar P. Cardozo of the Boston Housing Authority and Batool Raza of the Boston Public Health Commission.

Express Scripts is represented by Michael Lyle, Christopher G. Michel, Jonathan G. Cooper, Patrick D. Curran and Alexander del Nido of Quinn Emanuel Urquhart & Sullivan LLP.

OptumRx is represented by Brian D. Boone, Matthew P. Hooker, Matthew P. McGuire, Andrew Hatchett and Grace Assaye of Alston & Bird LLP and Shamis Beckley and Dane R. Voris of Cooley LLP.

The case is The City of Boston et al. v. OptumRx Inc. et al., case numbers 25-1258 and 25-1265, in the U.S. Court of Appeals for the First Circuit.

--Additional reporting by Julie Manganis. Editing by Janice Carter Brown.



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Lead Counsel For Parents Appointed In Roblox MDL

By **Emily Field**

Law360 (February 2, 2026, 6:12 PM EST) -- The California federal judge overseeing the growing multidistrict litigation over allegations that children were groomed and exploited by sexual predators on Roblox's popular gaming platform has appointed plaintiffs attorneys to leadership positions on Friday.

U.S. District Judge Richard Seeborg tapped five attorneys as co-lead counsel in the litigation against Roblox, which was consolidated in mid-December. Bryan Aylstock of Aylstock Witkin Kreis & Overholtz, Robert Hilliard of Hilliard Law and Sarah London of Girard Sharp LLP were among those named as co-counsel, according to the order.

London said in a statement that she was honored by the court's decision.

"Children's online safety is one of the most pressing issues of our time, and platforms like Roblox that are specifically targeted at minors must protect them with basic safety standards and stop turning a blind eye to rampant abuse," London said. "As a mother, this issue is deeply personal to me, and my prior work representing children and other vulnerable populations in complex litigation will inform this case as well."

The other two attorneys are Alexandra Weiss of Anapol Weiss and Mark Lanier of the Lanier Law Firm.

The other attorneys did not immediately respond to requests for comment on Monday.

Judge Seeborg instructed the lead counsel to submit proposed members for the plaintiffs' executive committee — which will include Mark Lanier — by Feb. 13. Likewise, Roblox and the plaintiffs are also to submit one proposed liaison counsel each by that date.

On Dec. 12, the Judicial Panel on Multidistrict Litigation sent roughly 30 cases to Judge Seeborg in the Northern District of California. Nineteen of the cases are already pending in that district, where Roblox and other defendants are headquartered, according to the order.

At the time, almost 80 cases had been filed against the gaming app. The cases had been filed across 18 districts and involved about two dozen plaintiff firms representing parents and children.

The panel said it expected more suits to be filed, since the attorneys general of Louisiana, Kentucky and Texas have also sued Roblox. The Florida attorney general had also filed suit several days before the panel issued its order.

The cases claim children were abused or died by suicide after being groomed by adult Roblox users. Even though Roblox reassures parents that their children can safely use the app, it knows that adults can disguise themselves as minors to befriend kids and coax them into meeting up in real life, the suits allege.

They also claim that these predators would persuade children to send sexual images using a second platform, such as Discord. That company is named in a number of suits.

For example, a Texas mother in October **sued Roblox and Discord** in federal court, alleging that her son's suicide resulted from a connection he made with a child predator through the online gaming platform.

Also this fall, another mother of a child who died by suicide filed suit in Kentucky federal court. And in September, the mother of a California teenager who killed himself sued Roblox and Discord, claiming her son was groomed and abused for years by a man who found him on the gaming platform, showed him how to disable parental controls and forced him to share explicit images.

Representatives for Roblox did not immediately respond to requests for comment on Monday.

The plaintiffs are represented by Anapol Weiss, Lanier Law Firm, Aylstock Witkin Kreis & Overholtz, Hilliard Law and Girard Sharp LLP, among others.

Roblox is represented by Cooley LLP.

The case is In re: Roblox Corp. Child Sexual Exploitation and Assault Litigation, case number 3:25-md-03166 in the U.S. District Court for the Northern District of California.

--Editing by Vaqas Asghar.

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