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Funko Investors Get Toy Inventory Claims Revived on Appeal (1)

Feb. 4, 2026, 12:34 PM PST; Updated: Feb. 4, 2026, 2:53 PM PST

Summary by Bloomberg AI

AI Generated



- Funko Inc. investors convinced an appellate court to revive part of their proposed class action alleging the company misled them over the state of its inventory management and information technology system.
- The US Court of Appeals for the Ninth Circuit said shareholders sufficiently alleged Funko's risk disclosures in SEC filings could've misled reasonable investors, and they plausibly pleaded an inference of intent or recklessness to defraud by former CEO Andrew Perlmutter and former Chief Financial Officer Jennifer Jung.
- The appellate court affirmed in part, reversed in part, and remanded the case to the US District Court for the Western District of Washington, with the investors' lead counsel saying they look forward to returning to the district court and litigating the case on behalf of their clients.

Funko Inc. investors convinced an appellate court to revive part of their proposed class action alleging the Pop! figurine maker misled them over the state of its inventory management and information technology system.

Shareholders sufficiently alleged Funko's risk disclosures in SEC filings discussing potential impacts while "serious inventory problems bloomed" could've misled reasonable investors, the US Court of Appeals for the Ninth Circuit said in an opinion Wednesday. They plausibly pleaded an inference of intent or recklessness to defraud by former CEO Andrew Perlmutter and former Chief Financial Officer Jennifer Jung over these disclosures.

A reasonable fact-trier could find it absurd senior leaders weren't aware of management difficulties given the "scale of the chaos" at its Buckeye, Arizona, warehouse and similar issues that caused millions in losses in 2019 in a prior incident, Judge Salvador Mendoza Jr. wrote. Given how critical Funko's inventory management was, and the IT system was to it, it was highly likely issues were communicated to senior leaders during regular meetings about transitioning software.

"In sum, we conclude that a reasonable trier of fact could find that it would be absurd to believe that CEO Perlmutter and CFO Jung did not know that their statements related to Funko's inventory and information technology system were misleading at the time that they were made," he said.

Telling investors in risk disclosures throughout 2022 that Funko had to avoid gathering excess inventory to deter adverse effects implied it wasn't currently facing those issues, Mendoza said. And the investors' complaint was "replete with specific examples of technology failure hampering Funko's business" while risk disclosures said a failure to successfully operate information systems could disrupt it.

The question of whether risk disclosures misrepresented already-occurring events as a hypothetical has appeared before the Ninth Circuit in cases concerning the Cambridge Analytica scandal impacting Meta Platforms Inc., formerly Facebook, and a security bug at Alphabet Inc., which Mendoza cited.

"What began as a familiar story of excess inventory of unloved toys collecting dust in distant warehouses, ultimately presents a familiar question in securities law: whether shareholders were being told the truth when the risks Funko faced had ceased to be merely hypothetical," he said.

Dismissal

Still, Judge James L. Robart was right to dismiss allegations tied to certain statements about the Arizona warehouse operations, inventory quality, distribution, and other risk disclosures while tossing the case in 2024, Mendoza said.

The appellate court affirmed in part, reversed in part, and remanded to the US District Court for the Western District of Washington. Judges Marsha S. Berzon and Michelle T. Friedland also sat on the panel.

Investors alleged Funko's stock price suffered as information about chaos at the warehouse and the software transition emerged, including a 59% one-day decline after it reported disappointing financial results and lowered guidance in 2022.

"In a detailed, 52-page opinion, the Ninth Circuit reaffirmed the importance of full and fair disclosure to investors. Notably, it held that, as in this case, warnings to investors of so-called 'future risks' that imply the risks had not yet occurred are not shielded from liability when those risks 'ceased to be merely hypothetical.' Moreover, the Court reiterated that it is 'absurd' for executives to claim they were unaware of these issues when such issues were of critical importance to the company," said Robbins Geller Rudman & Dowd LLP's Andy Love, lead counsel on the appeal for the investors. "We look forward to returning to the district court and litigating this case on behalf of our clients."

Latham & Watkins LLP and DLA Piper US represent Funko and the former executives. Neither of these firms nor Funko immediately responded to emails seeking comment.

The case is Constr. Laborers Pension Trust of Greater St. Louis v. Funko Inc. , 9th Cir., No. 24-4909, affirmed in part, reversed in part, remanded 2/4/26 .

(Updates with a comment from the investors' attorney in the 11th paragraph.)

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9th Circuit Revives Securities Fraud Case Against Toymaker Funko

The appellate court said the disclosures gave the impression the toy company wasn't at that moment having problems with excess stock, while the complaint paints a different picture.

February 04, 2026 at 06:45 PM By  Avalon Zoppo



Funko POP! toys for sale. Credit: Lutsenko Oleksandr/Adobe Stock

The U.S. Court of Appeals for the Ninth Circuit on Wednesday revived a proposed securities fraud class action against Funko Inc. in which investors claim the toymaker made knowingly misleading statements that concealed a widespread issue with “dead inventory.”

A group of shareholders sued Funko in 2023 after the company wrote down between \$30 million and \$36 million in inventory of its pop culture collectibles that it could not sell, and after the stock price had plummeted. U.S. District Judge James Robart of the Western District of Washington dismissed the complaint for failing to sufficiently allege falsity and “scienter,” meaning an intent to deceive.

But the Ninth Circuit said the investors adequately pleaded their claim that Funko made false statements in risk disclosures in 2022 U.S. Securities and Exchange Commission filings regarding the status of its inventory management and use of existing information technology systems, all while dead inventory was allegedly piling up at a Buckeye, Arizona, warehouse and distribution center. The complaint claims the company violated the 1934 Securities Exchange Act and SEC Rule 10b-5.

“Taking Plaintiffs’ allegations as true, throughout the class period, the repeated risk disclosures could have allayed concerns over inventory management while serious inventory problems bloomed, culminating in a massive write-off reminiscent of the 2019 incident,” Judge Salvador Mendoza wrote for the court. “A reasonable investor could have been misled to believe that the current state of affairs was different from the one that actually existed with the exploding inventory.”

Mendoza was joined by Judges Marsha Berzon and Michelle Friedland.

In those disclosures, the company said it must “avoid accumulating excess inventory” and that “[its] business, financial condition and results of operations could be adversely affected” if inventory isn't managed, the opinion stated.

The Ninth Circuit said the disclosures gave the impression the company wasn’t at that moment having problems with excess stock, while the complaint paints a different picture.

The court, however, upheld Robart’s finding that other statements identified by the investors lacked falsity, such as a comment from the chief financial officer about Funko's distribution capabilities at a 2022 investor meeting.

At the meeting, the CFO said the company “down the road, [would] eventually need probably more distribution capabilities” to continue to grow but added “that’s more of a future down the road within the 5-year plan.”

The Ninth Circuit said that statement fits within the 1995 Private Securities Litigation Reform Act's safe harbor provision, which protects companies from liability for forward looking statements.

The court went on to say the investors adequately pleaded that the statements related to inventory management and existing technology systems were made with scienter.

“Given Funko’s business model, its ability to effectively manage inventory was critical to its business operations. Funko admitted as much,” Mendoza wrote. “Taking Plaintiffs’ allegations as true, a rational fact finder could find that it would be absurd for Funko’s CEO [chief executive

officer] or CFO not to have closely monitored the company's management of its inventory, especially in its highly touted Buckeye DC."

The case was remanded to the district court for further proceedings.

The investors were represented by Robbins Geller Rudman & Dowd. Funko, which did not immediately return a request for comment, was represented by Latham & Watkins.

The Ninth Circuit issued its decision in *Construction Laborers Pension Trust Of Greater St. Louis et al. V. Funko Inc. et al.*, No. 24-4909.

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That was more pathos than I expected in a securities case:

cdn.ca9.uscourts.gov/datastore/op...

Not all misfit toys are lucky enough to be spirited away to happy homes by a red-nosed reindeer on Christmas. Rudolph the Red-Nosed Reindeer (NBC television broadcast, aired Dec. 6, 1964). In our world, unwanted stock is often labeled “dead inventory” and discarded. Such is the story of millions of misfits produced by Funko, Inc. (“Funko” or “the Company”), which were written off at a loss of tens of millions of dollars in November 2022.

ALT

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2



20



Photoonist @photoonist.bsky.social · 5h

OMG. To think of the thousands of slightly marred Funko Batmans buried in a landfill.....



1



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Did you hear Burl Ives' voice slip into the narration, too?



1





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BlackRock's Private Debt Fund Draws Shareholder Class Action

Feb. 4, 2026, 12:33 PM PST

Summary by Bloomberg AI

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- An investor sued BlackRock TCP Capital Corp. and three of its executives for allegedly misleading shareholders about the company's net asset value and portfolio health.
- The suit alleges the defendants knowingly made false statements about the fund's financial condition between Nov. 6, 2024, and Jan. 23, concealing that the company's portfolio restructuring efforts were ineffective and that unrealized losses were understated.
- The complaint cites examples of misleading statements, including a November 2024 claim of improvement in non-accrual investments and a net asset value of \$10.11 per share, and a May 2025 report of "meaningful progress" in strengthening its portfolio.

An investor sued BlackRock TCP Capital Corp. and three of its executives for allegedly misleading shareholders about the company's net asset value and portfolio health.

The proposed shareholder class action, filed Tuesday by investor Cory Burnell, comes one week after the BlackRock Inc. fund announced it expected to mark down the net value of its assets 19% after a string of troubled loans weighed on results. The fund previously announced in November 2025 that the private debt it extended to Renovo Home Partners was zero after Renovo filed for bankruptcy.

The suit, filed in the US District Court for the Central District of California, alleges the defendants knowingly made false statements about the fund's financial condition between Nov. 6, 2024, and Jan. 23, allegedly concealing that the company's portfolio restructuring efforts were ineffective and that unrealized losses were understated.

The complaint cites, as one example of a misleading statement, a November 2024 claim by when BlackRock TCP pointing to improvement in non-accrual investments and a net asset value of \$10.11 per share, the complaint said. Even though Tseng said at the time the "vast majority" of the company's portfolio "continued to perform well," it then disclosed a significant weakening of its portfolio in February 2025, where its net asset value fell 22.44% year-over-year to \$9.23 per share, the complaint said.

Despite that the company continued to issue optimistic statements, the complaint alleged, such as in May 2025 where it reported "meaningful progress" in strengthening its portfolio.

The company disclosed on Jan. 23 that its net asset value had fallen to between \$7.05 and \$7.09 per share, representing a 19% quarterly decline and 23.4% yearly drop. The stock price fell almost 13% to \$5.10 per share following this disclosure, the complaint said.

Former CEO Raj Vig, current CEO Phil Tseng, and CFO Erik L. Cuellar were also named as co-defendants. None of the defendants immediately responded to a request for comment Wednesday.

Glancy Prongay Wolke & Rotter LLP and Holzer & Holzer LLC represent Burnell.

The case is Burnell v. BlackRock TCP Capital Corp. , C.D. Cal., No. 2:26-cv-01102, 2/4/26 .

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Private Credit Lending Firm Hit with Securities Suit

K [dandodiary.com/2026/02/articles/securities-litigation/private-credit-lending-firm-hit-with-securities-suit](https://www.dandodiary.com/2026/02/articles/securities-litigation/private-credit-lending-firm-hit-with-securities-suit/)

Kevin LaCroix

February 4, 2026



As noted in [prior posts](#) on this site, trouble recently has [been brewing](#) in the [private credit market](#). Borrower defaults have led to [bankruptcies](#), [civil lawsuits](#), and even [criminal indictments](#). D&O litigation has now arrived on the *lender* side as well, as earlier this week an investor filed a securities class action lawsuit against BlackRock TCP Capital Corp, the private credit arm of finance giant BlackRock. As discussed below, the new lawsuit highlights the ways in which the current turbulence in the private credit sector can translate into D&O claims, including in particular claims against private credit lenders. A copy of the BlackRock TCP Capital complaint can be found [here](#).

Background

BlackRock TCP is a business development company (BDC) that raises funds from investors and then uses those funds to make loans to small and midsize businesses as an alternative to bank financing. BlackRock acquired the firm's investment advisor in 2018. The firm's shares are publicly traded on Nasdaq.

Among factors the company tracks to measure its financial health, the company reports on its "net asset value," which in turn impacts the trading price of the company's shares. Net asset value (NAV) refers to the value of the Company's underlying assets, minus their total liabilities. Calculating the net asset value depends on the company making an estimate of the fair value of the firm's assets.

On February 27, 2025, the company issued a press release reporting on its fourth quarter and full year 2024 financial results. Among other things, the press release disclosed that the number of portfolio companies on non-accrual status had more than doubled, and that the company's NAV had fallen over 22% during the year. Loan losses, realized and unrealized, had increased 186% largely due to the addition of a newly added \$72 million unrealized fourth quarter loss. Despite

these developments, the complaint alleges, the company represented that its present NAV of \$9.23 per share was accurate and that "the vast majority of the Company's portfolio continued to perform well." The company's share price declined nearly 10% on this news.

On January 26, 2026, the company disclosed certain fourth quarter and full year 2025 financial results, including that the Company's NAV per share as of December 31, 2025, was in the range of \$7.05 to \$7.09, 19% less than reported the prior quarter and 23.4% less than reported the prior year. According to the complaint, the company's shares declined nearly 13% on this news.

The Lawsuit

On February 3, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Central District of California against the company and certain of its executives and officers. The complaint purports to be filed on behalf of investors who purchased the company's securities between November 6, 2024, and January 23, 2026.

The complaint alleges that the defendants failed to disclose to investors: "(1) the Company's investments were not being timely and/or appropriately valued; (2) the Company's efforts at portfolio restructuring were not effectively resolving challenged credits or improving the quality of the portfolio; (3) as a result, the Company's unrealized losses were understated; (4) as a result, the Company's NAV was overstated; and (5) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis."

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

Discussion

The private credit industry, which includes companies like BlackRock TCP Capital and other kinds of firms, operates through non-bank lending, mostly to small and mid-sized companies. These kinds of lenders stepped into the gap created after the global financial crisis, when regulatory changes made banks less willing to lend to certain borrowers. The industry has grown rapidly in recent years.

A series of high-profile corporate failures – including, for example, [Tricolor](#) and [First Brands](#) – highlighted growing credit risk within the private credit market and raised concerns about the quality of the underlying loans, particularly with respect to loan valuations and transparency. The Tricolor and First Brands failures also raise concerns about possible borrower fraud.

As detailed in prior posts on this site ([here](#) and [here](#)), the Tricolor and First Brands collapses have resulted in D&O claims against the firms and their executives. Both of those examples involve private credit borrowers.

This latest private credit-related lawsuit against BlackRock TCP Capital may be differentiated from the prior claims involving Tricolor and First Brands because it involves not the private credit *borrowers*, but rather because it involves a private credit *lender*.

The new lawsuit against BlackRock TCP Capital is not, however, the first securities class action lawsuit involving a private credit lender.

For example, and as discussed [here](#), in December 2025, Blue Owl Capital, one of the largest private credit lenders, was sued in a securities class action lawsuit, in a case alleging that Blue Owl and the other defendants misrepresented the firm's liquidity, redemption conditions, and the merger risks involving its private credit vehicles. A different investor filed a separate lawsuit against Blue Owl in January 2026, as discussed [here](#), alleging that the company had misrepresented the level of investor redemptions the company was facing.

Problems in the private credit sector seem likely to continue in the weeks and months ahead. Concerns about loan quality and possible fraud, arising among other things from the Tricolor and First Brands situations, will continue to weigh on the firms. By the same token, concerns about valuation and about redemptions will also weigh on private credit firms. In particular, [spikes in redemptions](#) could firms to sell assets, revise redemption policies, which could further undermine investor confidence.

Readers interested in thinking more about the underwriting risks associated with the current turbulence in the private credit segment will want to review the prior posts on this site written by frequent guest contributor Sarah Abrams. Her prior posts, which discuss in greater detail the source of the concerns in the private credit industry as well as the associated potential D&O liability exposure, can be found [here](#) and [here](#).

The problem for all of us is trying to think about how big the problems in the private credit market will prove to be. While there is nothing at the moment to directly suggest that the issues in the private credit market involve the same kind of systemic risk that caused the subprime crisis to become of global financial crisis, memories of that prior crisis are too fresh to simply dismiss the possibilities. Even if the possibility of another global financial crisis is unlikely, the possibility of a correction – perhaps a painful one – cannot be ruled out.

Maybe these concerns are overstated. I certainly hope so. However, and just the same, I am going to be keeping an eye out for further developments involving firms in the private credit sector. I am sure I will not be the only one.

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California Brief

Oracle Investor Sues Over Mounting Spending on AI Data Centers

Feb. 4, 2026, 2:00 PM PST

Oracle Corp. and top executives deceptively placated investor concerns about its increased spending and when the database giant would see returns on building data centers designed for artificial intelligence infrastructure, a proposed class action said.

The company and top executives, including its billionaire cofounder Larry Ellison, falsely assuaged investors about accelerated revenue growth off significant expenditures on these centers, including those designed to serve ChatGPT operator OpenAI, said the complaint docketed Wednesday.

Its stock price suffered on multiple days as analysts and news outlets probed when or whether predicted growth off AI deals would materialize, the investor told the US District Court for the District of Delaware.

On Dec. 10, Oracle shared second quarter of 2026 financial results with revenue growth short of analysts' consensus estimate and quarterly capital expenditures well above estimates. In a related earnings call, executives said Oracle expected \$50 billion in capital expenditures for the 2026 fiscal year, which was \$15 billion more than a prediction made in September 2025.

"Notably, despite projecting substantially increased spending, the Company did not increase its guidance for 2026 revenue, and increased its guidance for 2027 revenues by only \$4 billion," plaintiff Paul Barrows said.

Oracle's stock price plummeted almost 11% the next day to close at \$198.85, its biggest one-day drop since January 2025, according to data compiled by Bloomberg.

The share price also declined following questions about Oracle's leasing commitments compared to competitors and a Bloomberg report on pushed back completion dates for some OpenAI data centers from 2027 to 2028—"suggesting that Oracle's promised revenue growth resulting from its increased spending may be further delayed, if it arrives at all," Barrows said.

And the stock dipped 5.4% the day the Financial Times reported Blue Owl Capital, Oracle's largest data center partner, wouldn't back a \$10 billion deal for a facility intended to support OpenAI.

The proposed class covers those who got Oracle stock from June 12, 2025, through Dec. 16. Barrows seeks damages for alleged 1934 Securities Exchange Act violations by Oracle, Ellison, and executives Douglas Kehring, Safra Catz, Clayton Magouyrk, Michael Sicilia, and Maria Smith.

Bernstein Litowitz Berger & Grossmann LLP and Kessler Topaz Meltzer & Check LLP represent Barrows.

Oracle didn't immediately respond to an email seeking comment.

The case is Barrows v. Oracle Corp. , D. Del., No. 1:26-cv-00127, complaint docketed 2/4/26 .

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<https://www.wsj.com/tech/ai/what-oracle-has-to-lose-from-openai-and-nvidias-rocky-relationship-b1ec1e9d>

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What Oracle Has to Lose From OpenAI and Nvidia's Rocky Relationship

Nvidia's OpenAI pivot puts Oracle's accounting in spotlight

By [Jonathan Weil](#) [Follow](#)

Updated Feb. 2, 2026 11:50 pm ET



Oracle says it plans to issue as much as \$20 billion of common stock this year. JEREMY MOELLER/GC IMAGES/GETTY IMAGES

The likelihood that [Nvidia](#) NVDA **0.59%** ▲ will be investing far less than \$100 billion in OpenAI raises big questions for [Oracle](#) ORCL **-4.37%** ▼.

Foremost are whether the ChatGPT developer can make good on its five-year, \$300 billion contract with Oracle, and whether the tech giant should really be [recording the full amount](#) of that deal on its own books.

As of Nov. 30, Oracle reported \$523 billion of remaining performance obligations, which represent contracted sales not yet recognized as revenue. The figure, which is a closely watched footnote disclosure, was about nine times Oracle's revenue for the previous four quarters, and included the \$300 billion related to OpenAI. Oracle's stock

soared in early September, at one point jumping 36% in a single day, after an earnings report showed its RPOs had more than tripled since the previous quarter.

Oracle share price



Note: RPO = remaining performance obligations

Source: FactSet

OpenAI's relationship with Nvidia has epitomized concerns about [circularity in artificial-intelligence deals](#). The companies' letter of intent, unveiled Sept. 22, called for Nvidia to invest as much as \$100 billion in OpenAI over many years. While some of the money would flow back to Nvidia for its chips, some would help OpenAI pay for things like its deal for Oracle to supply computing capacity.

Amid concerns about its debt levels and OpenAI's reliability, Oracle has faced calls to raise equity to support its investment-grade rating. The company appears to be responding.

On Feb. 1, Oracle said it plans to issue as much as \$20 billion of common stock this year, as part of a broader plan to raise \$45 billion to \$50 billion through equity and debt financing to expand its cloud-infrastructure business.

Issuing stock would dilute shareholders, after they have already seen their shares lose about half their value since peaking in September. But with the uncertainty and

circularity of AI deals being what they are, boosting the company's equity cushion seems prudent.

For its part, Oracle is already building data centers, financed with new debt, in reliance on the contract it struck with OpenAI. Oracle and Nvidia also are major customers of each other, although Oracle recently signaled it would [diversify its AI-chip purchases](#) beyond Nvidia.

Now a big chunk of OpenAI's anticipated funding is in doubt. This raises fresh questions about how OpenAI will pay for its estimated \$1.4 trillion of commitments, including those to Oracle. This will depend on its ability to raise money from investors and increase revenue dramatically.

An Oracle spokeswoman, Deborah Hellinger, said, "The Nvidia-OpenAI deal has zero impact on our financial relationship with OpenAI. We remain highly confident in OpenAI's ability to raise funds and meet its commitments."

The Wall Street Journal [reported on Jan. 30](#) that the September deal with Nvidia had stalled, after some inside Nvidia expressed doubts about the deal. Nvidia's chief executive, Jensen Huang, the next day told reporters in Taipei that the chip giant would "absolutely be involved" in OpenAI's latest funding round. When asked whether the amount would be over \$100 billion, he said: "No, no, nothing like that."

OpenAI is targeting \$100 billion for its latest fundraising effort, which could include Nvidia. [SoftBank Group](#) is in talks to [invest as much as \\$30 billion](#) more, after boosting its stake to 11% in December when it invested \$22.5 billion. [Amazon.com](#) [also is in talks](#) to invest in the round, and OpenAI is aiming for an [initial public offering](#) in the fourth quarter of this year.

It is possible this all could happen, and OpenAI might raise the vast sums of money it needs. Or if OpenAI can't pay the full \$300 billion, then perhaps another customer could step in to fill its place. But all of that is speculative, and the news that Nvidia is downsizing its commitment to OpenAI raises fresh questions about the likelihood that the \$300 billion will come through.

This means Oracle will have a pressing question regarding its own books: Is collecting the \$300 billion from OpenAI still "probable" in management's judgment? The answer has to be yes, under the accounting rules, for Oracle to include the sum in its RPOs.

How management answers the question in its coming financial reports, and how the market responds, could have knock-on effects. Oracle's investment-grade credit rating, now at triple-B, is on negative watch at S&P and Moody's, signaling a potential downgrade. Some of Oracle's debt, including a 10-year note sold in September, recently has been trading like junk bonds, and the cost to protect Oracle's debt against defaults has surged.

What Oracle can't afford to sacrifice is credibility. If the company's management continues to conclude that collectibility from OpenAI is probable, that judgment call had better be right.

Appeared in the February 4, 2026, print edition as 'Oracle Faces Risk From Nvidia's Pivot on OpenAI'.

Jonathan Weil is a reporter and Heard on the Street columnist covering finance. He rejoined The Wall Street Journal in 2022. He previously was an analyst at the investment firms CPMG Inc. and Kynikos Associates, a columnist for Bloomberg News and a managing director at proxy adviser Glass Lewis &...

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Soon-Shiong, ImmunityBio Exit Challenge to Cancer Drug Financing

Feb. 4, 2026, 12:39 PM PST

Summary by Bloomberg AI

AI Generated



- A Delaware Chancery Court ruling has defeated a shareholder challenge to a financing arrangement for ImmunityBio Inc. amid pending regulatory approval for a novel bladder cancer drug.
- The lawsuit claimed the company's board "rubber-stamped" transactions that allowed Dr. Patrick Soon-Shiong to secure a "windfall" after a temporary dip in the company's stock.
- Vice Chancellor J. Travis Laster said the complaint did not allege sufficient facts to establish a lack of independence or disinterestedness, or to infer bad faith in the board's support for the transactions.

Biotech billionaire Dr. Patrick Soon-Shiong, ImmunityBio Inc., and its leaders have defeated a shareholder challenge to a financing arrangement amid pending regulatory approval for a novel bladder cancer drug, according to a Delaware Chancery Court ruling.

The lawsuit didn't allege facts supporting a reasonable doubt that five of the board's nine directors could assert what investor Douglas Carlson claimed, Vice Chancellor J. Travis Laster said in a Wednesday four-page order. Carlson alleged the board "rubber-stamped" transactions that allowed Soon-Shiong to secure a "windfall" after a temporary dip in the company's stock prompted by doubts about the drug Ankiva's chances for FDA approval.

"The complaint does not allege a sufficiently concrete threat to establish a lack of independence or disinterestedness based on a fear of removal or other forms of retaliation," he said.

It also doesn't show "sufficiently extreme" facts to infer bad faith in the board's support for a bundle of transactions before the drug's approval in 2024, he said.

Soon-Shiong, who owns the Los Angeles Times and holds a minority stake in the NBA's Los Angeles Lakers, is ImmunityBio's executive chairman and global chief scientific and medical officer.

Carlson's lawsuit claimed the company's public filings duped investors into believing that Anktiva's chances for regulatory approval were far lower than they actually were. The company's attorney told Laster in a hearing Tuesday that the filings included "general risk factor disclosures" that are routine.

Carlson is represented by Levi & Korsinsky LLP and Ashby & Geddes PA. Soon-Shiong and ImmunityBio are represented by Wilson, Sonsini, Goodrich & Rosati PC.

The case is Carlson v. Soon-Shiong , Del. Ch., No. 2024-1185, 2/4/26 .

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E.l.f. Fraud Suit 'Corporate Optimism' Claims Shaved by Judge

Feb. 4, 2026, 5:24 PM PST

Summary by Bloomberg AI

AI Generated



- A California federal judge partially granted e.l.f.'s motion to dismiss an investor lawsuit, keeping intact a claim over the CEO's remarks on CNBC's "Mad Money".
- Many of the statements cited by the plaintiffs were "inactionable puffery and corporate optimism", or were made before sales dropped, according to Judge Eumi Lee.
- CEO Tarang Amin's November 2024 statements on "Mad Money" can support a securities fraud claim, as they allegedly conveyed that e.l.f. was building inventory to meet demand when demand was weakening.

A California federal judge shaved an investor lawsuit against cosmetics company e.l.f. Beauty Wednesday, keeping intact a claim over the CEO's remarks about business being strong in an appearance on CNBC's "Mad Money."

Many of the statements cited by the plaintiffs in the US District Court for the Northern District of California were "inactionable puffery and corporate optimism," or were made earlier in 2024 before sales dropped, Judge Eumi Lee said.

"For the most part, these allegations fail to establish that the statements challenged in the complaint were false or misleading," Lee said, partially granting e.l.f.'s motion to dismiss.

But CEO Tarang Amin's November 2024 statements in an interview with "Mad Money" host Jim Cramer, denying a short seller's accusations that e.l.f.'s inventory growth was linked to low sales, can support a securities fraud claim, Lee said.

"Amin's November 2024 statements were misleading in context because they conveyed that e.l.f. was building inventory to meet demand when Amin allegedly knew at the time that inventory was building because demand was weakening," the order said. "The statements were made to alleviate concerns that sales and demand were decreasing."

Investors relied on Amin's statements because they couldn't track sales from retailers to customers at locations like Ulta Beauty, according to the March 2025 complaint.

The company's stock price plunged by 19.6% in February 2025 after the company reported a sales decline, in part because of "softness at Ulta," the complaint said.

Lee allowed the plaintiffs to file an amended complaint.

The case is *In re e.l.f. Beauty Inc. Securities Litigation*, N.D. Cal., No. 5:25-cv-02316, 2/4/26 .

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Securities

Comfort Systems Sued Over 401(k) Plan's Stable Value Investment

Feb. 4, 2026, 8:04 AM PST

A former Comfort Systems USA Inc. employee filed a proposed class action claiming the heating and air conditioning company's 401(k) plan is plagued by a risky and poorly performing stable value fund.

The lawsuit, filed Tuesday in the US District Court for the Southern District of Texas, takes aim at the plan's guaranteed income fund from Empower Annuity Insurance Co., which isn't named as a defendant. This fund, which held more than \$100 million in plan assets as of 2023, carried unnecessary risk and provided subpar returns while allowing Empower to earn excessive profits from the Comfort Systems plan, plaintiff Jared Jones said in the complaint.

Jones brings claims under the Employee Retirement Income Security Act on behalf of a proposed class of about 20,000 people

Dozens of recent ERISA lawsuits have centered on stable value funds, which are retirement investments aimed at providing modest, guaranteed rates of return while protecting against losses

Comfort Systems didn't immediately respond to an inquiry about the allegations

Capozzi Adler PC and Ward & White PLLC represent Jones and the proposed class.

The case is Jones v. Comfort Sys. USA, Inc. , S.D. Tex., No. 4:26-cv-00849, complaint 2/3/26 .

To contact the reporter on this story: Jacklyn Wille in Washington at jwille@bloombergindustry.com

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Securities

UnityPoint Health Hit With Lawsuit Over Retirement Plan Fund

Feb. 4, 2026, 10:47 AM PST

Iowa-based health-care system UnityPoint Health is facing a federal lawsuit claiming its employees' retirement plan lost value because of a poorly performing stable value fund.

The proposed class action centers on a stable value fund from non-party Lincoln National Life Insurance Co. that held more than \$62 million of the plan's assets as of 2024. This fund produced subpar returns and should have been swapped for a better-performing alternative, three former UnityPoint employees said in a complaint filed Tuesday in the US District Court for the Southern District of Iowa.

The workers bring claims against UnityPoint—formally known as Iowa Health System—under the Employee Retirement Income Security Act on behalf of a proposed class of about 34,000 people

Dozens of recent ERISA lawsuits have centered on stable value funds, which are retirement investments aimed at providing modest, guaranteed rates of return while protecting against losses

“UnityPoint Health has not been served with this complaint, and we will be reviewing the allegations in detail before making any comments,” a spokesperson said in an emailed statement

The employees are represented by Capozzi Adler PC and Pickens, Barnes & Abernathy.

The case is Harrison v. Iowa Health Sys. , S.D. Iowa, No. 4:26-cv-00055, complaint 2/3/26 .

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An ADA class action settlement draws DOJ scrutiny — and irony

 [reuters.com/legal/government/an-ada-class-action-settlement-draws-doj-scrutiny-irony-2026-02-04](https://www.reuters.com/legal/government/an-ada-class-action-settlement-draws-doj-scrutiny-irony-2026-02-04)

Jenna Greene

February 4, 2026

A U.S. Justice Department logo or seal showing Justice Department headquarters, known as "Main Justice," is seen behind the podium in the Department's headquarters briefing room before a news... [Purchase Licensing Rights, opens new tab](#) Read more

Feb 4 (Reuters) - The year is young, but this may already be the biggest settlement snafu of 2026.

A clothing retailer was sued by a class of legally blind consumers who said they could not access its website using screen reading software, in violation of federal and state disability rights laws. The case tentatively settled last year — except that [the website](#)  [, opens new tab](#) created so class members could seek compensation is itself allegedly inaccessible to the visually impaired. Sign up [here](#).

It's a reminder of the risks that remain even after a settlement is reached — and a sign that the federal government's scrutiny of class actions may be rising.

No class members lodged objections to the preliminary \$5.15 million deal. But on Monday, the U.S. Justice Department filed a rare "[statement of interest](#)  [, opens new tab](#)" in the case, urging U.S. District Judge Jon Tigar in Oakland, California, to reject [final approval of the settlement](#)  [, opens new tab](#), which is scheduled for consideration next week.

Lead plaintiffs' lawyer Thiago Coelho of the Wilshire Law Firm in Los Angeles did not respond to requests for comment, nor did the DOJ or defendant Fashion Nova, which primarily operates online selling an array of trendy apparel.

The Los Angeles-based company denies wrongdoing and contends that its website has always provided reasonable access.

It's unusual for the DOJ to weigh in on the settlement of a class action between private parties. During President Donald Trump's first administration, however, the department filed statements of interest in several cases, with mixed results.

In a [press release on Monday](#)  [,opens new tab](#), Assistant Attorney General Harmeet Dhillon of the Civil Rights Division hinted at a return to the practice. “Congress intended the Department and Courts to be skeptical of settlements” that enrich plaintiffs’ counsel rather than benefiting class members, she said. The government in its court filing said Coelho between 2019 and 2023 filed more than 500 near-identical class actions alleging accessibility barriers for the visually impaired, and that the “vast majority” ended in non-disclosed individual settlements.

The DOJ’s concerns in the Fashion Nova settlement go beyond the claims website — a portal typically overseen by plaintiffs’ lawyers and settlement administrators, without involvement by the defendants. Here, a DOJ accessibility expert said the site had “significant barriers” that would make it difficult for a blind person to file a claim — though the plaintiffs reported receiving 5,838 valid submissions (and more than 700,000 bogus ones).

The government also objects that plaintiffs’ lawyers are seeking \$2.52 million in [combined fees and costs](#)  [,opens new tab](#) — more than the \$2.43 million remaining to pay class members. In addition, the DOJ says the settlement lacks teeth to ensure Fashion Nova takes steps to make its retail website fully accessible going forward.

The plaintiffs [sued the company](#)  [,opens new tab](#) in 2020, alleging violations of Title III of the Americans with Disabilities Act and California’s Unruh Civil Rights Act. After Tigar certified the case as a class action in 2022, the two sides battled over discovery, expert witnesses and other issues before hammering out a settlement with the aid of a mediator last year.

Coelho, who told the court that lawyers at his firm put in more than 2,000 hours of work on the case, [wrote](#)  [,opens new tab](#) that the payout “is believed to be the second-highest ADA class settlement in the country.” As for the attorneys’ fees, he noted that the amount represents 25% of the total settlement — which he said is well within norms.

The case seemed to be on a glide-path to final resolution — until the DOJ weighed in.

Congress in 2005 gave the U.S. attorney general and state officials the right to express their views of proposed class action settlements when it passed the Class Action Fairness Act.

In practice, that authority has been sparingly used. In the first 12 years after the law took effect, the DOJ filed statements of interest just twice — despite receiving more than 700 class action settlement notices each year.

That changed in 2018, when then-Assistant Attorney General Rachel Brand said in a [speech](#) , [opens new tab](#) that the department would be on the lookout for class action settlements that were not “fair or reasonable.” A handful of filings followed in short order — though the impact varied by case.

For example, DOJ lawyers in 2019 filed a statement of interest objecting to a [proposed \\$7.4 million settlement](#) involving a deceptively marketed hand soap, claiming the deal over-paid plaintiffs’ lawyers and offered “little meaningful consumer benefit.”

But U.S. District Judge Steven McAuliffe in New Hampshire was unmoved, finding that the proposed settlement was reasonable, fair to class members and just. “Quibbling about the fee properly awarded for the injunctive relief obtained will not, in this case, result in more being paid to already fully compensated class members,” he [wrote](#) , [opens new tab](#).

The government made a bigger splash when it [weighed in](#) , [opens new tab](#) on a class action in Chicago federal court over cookie labeling. There, the plaintiffs’ lawyers agreed to cut their fees from \$1.1 million to \$410,000 and the defendant agreed to give \$35 worth of free cookies to individual class members, up from \$30.

Whether Tigar will be swayed by the DOJ’s concerns about the Fashion Nova settlement remains to be seen. In a case about barriers to access, the question now is whether the biggest obstacle was the defendant’s website — or the settlement meant to fix it.

Opinions expressed are those of the author. They do not reflect the views of Reuters News, which, under the Trust Principles, is committed to integrity, independence, and freedom from bias.

Jenna Greene writes about legal business and culture, taking a broad look at trends in the profession, faces behind the cases, and quirky courtroom dramas. A longtime chronicler of the legal industry and high-profile litigation, she lives in Northern California. Reach Greene at jenna.greene@thomsonreuters.com

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Berkshire utility urges Oregon appeals court to limit wildfire damages

 [reuters.com/legal/government/berkshire-utility-urges-oregon-appeals-court-limit-wildfire-damages-](https://www.reuters.com/legal/government/berkshire-utility-urges-oregon-appeals-court-limit-wildfire-damages-2026-02-05)
2026-02-05

Jonathan Stempel

February 5, 2026

A farm is leveled by the South Obenchain Fire along Butte Falls Highway in Eagle Point, Oregon, U.S., September 10, 2020. Picture taken with a drone.

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

- PacifiCorp objected to class certification, emotional distress damages
- Victims blame utility's negligence
- Mini-trials slated to continue until 2028

Feb 4 (Reuters) - PacifiCorp on Wednesday urged an Oregon appeals court to undo rulings that expose the Berkshire Hathaway-owned [\(BRKa.N\)](#)  [, opens new tab](#) utility to [\\$52 billion](#)  [, opens new tab](#) of potential liabilities from wildfires.

The Portland, Oregon-based utility has denied claims by thousands of people in the state who accused it of causing wildfires by negligently failing to shut off power lines during a Labor Day weekend windstorm in 2020.

PacifiCorp said a trial judge erred by letting victims of four wildfires, each more than 100 miles (161 km) from each other, sue in a single class action, including for damage sparked by a fifth wildfire blamed on lightning.

The utility also said the judge shouldn't have let jurors award damages for "noneconomic" losses, such as emotional distress, as well as for property losses.

"This was a tragedy," Theodore Boutrous, a lawyer for PacifiCorp, told a three-judge panel of the Oregon Court of Appeals, referring to the wildfires. "The question is how to do we resolve these cases in an efficient manner? This was not the way to do it."

Nicholas Rosinia, a lawyer for fire victims, countered that PacifiCorp's wrongful conduct affected all class members, with the "common issue" being negligence in letting electricity continue to flow. He added that Oregon law supported awarding noneconomic damages.

Victims "fled through fires and flames not knowing if they would live or die," Rosinia said. "These are the kinds of damages and the harms that are sufficiently serious."

TRIALS SLATED TO CONTINUE INTO 2028

So far, 119 plaintiffs have obtained wildfire awards averaging about \$5 million each.

Jurors have found PacifiCorp liable in a series of "mini-trials" that began in January 2024. Another 1,400 fire victims may go to trial by early 2028 under an accelerated schedule. PacifiCorp has said it may have to curtail operations if wildfire losses grow too high.

The three-judge appeals court panel questioned whether the trial judge acted correctly in instructing jurors they could assume that evidence regarding class representatives applied to all class members.

"There are these four separate groups," Judge Kristina Hellman told Rosinia. "Don't you, as the plaintiffs, have to prove for each of these fires causation and liability?"

The Salem, Oregon-based panel did not say when it will rule.

PACIFICORP FACES OTHER WILDFIRE LITIGATION

Berkshire bought PacifiCorp for \$5.1 billion in 2006.

The utility's immediate parent is Berkshire Hathaway Energy, whose former chief Greg Abel succeeded Warren Buffett as Berkshire's chief executive on January 1. Buffett remains chairman of the Omaha, Nebraska-based conglomerate.

PacifiCorp agreed through November to pay about [\\$1.7 billion](#) to resolve close to 4,200 wildfire claims, including from dozens of wineries and vineyards. Through September 30, PacifiCorp set aside \$2.85 billion for litigation over wildfires that burned more than 2,000 structures and 500,000 acres in Oregon and northern California.

The U.S. government and Oregon are also suing PacifiCorp for wildfire damage to natural resources.

Reporting by Jonathan Stempel in New York; Editing by Cynthia Osterman

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Critical Mass With Law.com's Amanda Bronstad: Lawyers Ask For \$144M Verdict in Uber Sex Assault Trial, Plaintiffs' Lawyers Push Back at Uber's RICO Suit

February 04, 2026 at 11:22 AM By  Amanda Bronstad



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

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

This week: Lawyers in the first federal trial against **Uber** over sexual assault asked jurors to award \$144 million to a woman who alleged her driver raped her. As lawyers move to dismiss RICO lawsuits by Uber and **Ford**, **J-M Manufacturing** brings a new case against an asbestos firm. Find out who got appointed to lead the **Roblox** child exploitation multidistrict litigation.

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



Alexandra Walsh of Anapol Weiss. Courtesy photo

Uber's Mistrial Motion: 'Undisclosed, Emotionally-Charged, Entirely Hearsay'

A federal jury in Phoenix began deliberations on Tuesday in a closely watched bellwether trial in the sexual assault multidistrict litigation against **Uber**.

[Here's my report](#) on closing arguments, in which [Alexandra Walsh](#) (**Anapol Weiss**) and [Deborah Chang](#) (**Athea Trial Lawyers**), who represent plaintiff Jaylynn Dean, asked jurors in **U.S. District Court for the District of Arizona** for \$24 million in compensatory damages and \$120.2 million in punitive damages against Uber.

Dean, 21, claimed that her Uber driver raped her in 2023 while she was on a trip in Tempe, Arizona.

Uber attorney [Kim Bueno](#) (**Kirkland & Ellis**) raised some questions about Dean's intoxication level that night, but primarily focused on whether the actions of her driver, who had 5-star reviews and passed multiple background checks, were foreseeable.

Uber has unsuccessfully attempted to postpone the trial, citing a "misleading" ad campaign by the Consumer Attorneys of California, and sought to declare a mistrial, due to the purported ["cynical theatrics"](#) and ["sandbagging"](#) of Dean's lawyers, and an "inflammatory" CNN news report played to

the jury. **U.S. District Judge Charles Breyer** denied both, but Uber attorney [Laura Vartain Horn](#) (**Kirkland & Ellis**), in the CNN motion, filed on Monday, wrote:

“Throughout this trial, plaintiff repeatedly has attempted—and often has been permitted—to flout disclosure obligations, the rules of evidence, and this court’s rulings. But plaintiff’s latest maneuver—playing for the jury an undisclosed, emotionally-charged, entirely hearsay CNN video depicting not only a tearful sexual assault victim with no connection to this case, but also highly inflammatory graphics regarding numerous other alleged assaults and criminal convictions and lawsuits—is so egregious and prejudicial that it cannot be cured by anything short of a new trial.”



Bram Alden, counsel at Hueston Hennigan. Courtesy photo

Lawyers Urge Dismissal Of ‘Ford’s Latest Bite At The Apple’

Lawyers sought to dismiss **Uber’s** lawsuit alleging they conspired as part of a racketeering enterprise, citing in part the First Amendment’s *Noerr-Pennington* doctrine, which protects attorneys from being sued for petitioning the courts. [Here’s my report](#) on the dismissal motions, filed by **Downtown LA Law Group** attorney [David Scheper](#) (**Winston & Strawn**) and [Bram Alden](#) (**Hueston & Hennigan**), for [Jacob Emrani](#) (**Law Offices of Jacob Emrani**). It’s one of four lawsuits Uber brought under the **U.S. Racketeer Influenced and Corrupt Organizations Act**, one of which, in New York, has a Feb. 26 dismissal hearing scheduled in a case against **Wingate Russotti, Banilov & Associates** and the **Lavelle Law Firm**.

Other companies brought similar RICO suits, including **3M**, **Ford** and, on Jan. 29, **J-M Manufacturing Co.**, represented by [Garreth DeVoe](#) (**Buchalter**), which sued **The Gori Law Firm** for filing “sham” asbestos cases on behalf of mesothelioma victims.

On Nov. 24, a federal judge in **California’s Central District** dismissed Ford’s case, which alleged **Knight Law Group**, **Altman Law Group** and **Wirtz Law** conspired to inflate attorney fees in dozens of “lemon law” cases. Ford amended its complaint, dropping the law firms and all but three of the individual defendants: Knight Law Group Managing Partner [Roger Kirnos](#), Knight Law Group partner [Amy Morse](#) and Steve Mikhov, former managing partner now at **Rusk LLC**. Lawyers for three individual defendants—[Neal Katyal](#) (**Milbank**), [Aaron Dyer](#) (**Pillsbury Winthrop**), [Zachary Warren](#) (**Williams & Connolly**) and [Pamela Johnston](#) (**Foley & Lardner**)—moved to dismiss Ford’s amended complaint. They wrote in a Jan. 26 dismissal motion:

“Ford’s latest bite at the apple is still premised on First Amendment-protected petitioning activity, and its RICO theory still amounts to conclusory allegations about lawyers and a law firm representing clients in meritorious lemon law litigations fully litigated elsewhere.”



Bryan Aylstock of Aylstock, Witkin, Kreis & Overholtz. Courtesy photo

Who Got the Work?

A California judge appointed [Bryan Aylstock](#) (**Aylstock Witkin**), [Sarah London](#) (**Girard Sharp**) and [Alexandra Walsh](#) (**Anapol Weiss**) as co-lead plaintiffs' counsel in the multidistrict litigation alleging child exploitation against **Roblox**. On Jan. 30, **U.S. District Judge Richard Seeborg**, of **California's Northern District**, also ordered lead counsel to create a plaintiffs' executive committee that will include [W. Mark Lanier](#) (**The Lanier Law Firm**). London, in a statement emailed to Law.com, wrote, "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." Aylstock, in his own statement, wrote, "Drawing on nearly three decades of experience in complex mass tort litigation and specialized expertise in representing survivors of child sexual abuse, I am fully committed to holding Roblox accountable."

Here's what else is happening:

Paraquat Paused: The nation's first trial over the herbicide **paraquat** [settled on Jan. 27](#), one day before opening statements were set to begin. The plaintiff, Bill Mertens, alleged his exposure to the **Syngenta** herbicide, while working for a landscaping company in New Jersey, caused his Parkinson's disease. The trial, in the **Philadelphia Court of Common Pleas**, would have been the first bellwether for thousands of similar cases involving paraquat. More trials are scheduled for April and each month after August.

Clearview Appeal: Lawyers who arranged an unusual class action settlement with facial recognition firm **Clearview AI** [defended the deal](#) before the **U.S. Court of Appeals for the Seventh Circuit** on Jan. 27. [Michael Kirkpatrick](#) (**Public Citizen**), for the objectors, insisted that the 23% stake in Clearview AI in the settlement fund was nowhere near the more than \$50 million needed for those with privacy claims. [James Thompson](#) (**Lynch Thompson**) argued for Clearview, while [Tom Hanson](#) (**Loevy & Loevy**), for the lead plaintiffs, pushed back on questions from the panel about whether his clients adequately represented the class.

Wisner Breach: **Wisner Baum**, a Los Angeles-based plaintiffs' firm known for leading roles in **Roundup** and **Zantac** lawsuits, was [hit with two class actions](#) over a recent data breach. Wisner Baum disclosed the Oct. 9 breach to clients and employees last month. [R. Brent Wisner](#) (**Wisner Baum**) told Law.com that the breach was tied to a cyberattack on the firm's firewall software, **SonicWall**, and criticized the lawsuits as "cookie-cutter, copy-and-paste complaints."

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

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Bloomberg Law

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Proposed Class Action Targets Polymarket Over Sports Gambling

Feb. 4, 2026, 3:07 PM PST

Summary by Bloomberg AI

AI Generated



- A lawsuit alleges that Polymarket is "an unlicensed sports betting enterprise prohibited under various state law" and allows its users to partake in illegal sports gambling.
- The complaint claims that Polymarket has restructured its platform to enable illegal sports betting while disguising those wagers as event contracts, leaving users vulnerable to manipulated game outcomes and other issues.
- The lawsuit seeks declaratory relief, injunctive relief, and class certification, and requests damages for unjust enrichment, false advertising, unfair competition, and deceptive acts and practices under California and New York law.

A prediction-markets platform allows its users to partake in illegal sports gambling, a new lawsuit alleged.

Lorenzo Miro San Diego seeks to represent a New York, California, and nationwide class of people who bet money on Polymarket, alleging the platform is "an unlicensed sports betting enterprise prohibited under various state law," according to a Wednesday complaint filed in the US District Court for the Southern District of New York.

Legal challenges surrounding sports gambling have arisen as Massachusetts and various other states have passed laws banning it. The Commodity Futures Trading Commission is reported to be working on new rules for the multi-billion dollar prediction markets industry, and Wednesday decided to withdraw a Biden-era proposal that called for prohibiting sports and politics-related wagers on prediction markets.

Polymarket was founded in 2020 to enable the purchase and sale of "event contracts"—which allows individuals to trade on the likelihood of yes-no occurrences.

But, "as part of its relaunch into the U.S., Polymarket has now deliberately restructured its platform to enable illegal sports betting while disguising those wagers as event contracts," the complaint said. Diego claims this change is a "fundamental overhaul of Polymarket's business model" that draws users into unlawful sports betting without the required state licensure or regulatory oversight.

“Unlike licensed casinos and sportsbooks, which must comply with strict requirements to ensure fairness, transparency, and consumer protections, Defendants operate without these safeguards,” the complaint alleged. This could leave Polymarket users vulnerable to “manipulated game outcomes, misleading promotions, and nonexistent or inadequate mechanisms to address problem gambling.”

In 2022, Polymarket faced a CFTC reprimand that led to a \$1.4 million civil penalty, according to the complaint. And due to its sports wagers, the platform has allegedly undergone expedited growth amounting to an approximate \$12 billion valuation.

Diego claimed he wagered and lost thousands of dollars while betting on sports games between September and November 2025. He is suing Blockratize Inc. and Adventure One QSS Inc.—the companies behind Polymarket—for unjust enrichment, false advertising, unfair competition, and deceptive acts and practices under California and New York law.

The lawsuit seeks declaratory relief, injunctive relief, and class certification. The complaint also requests any “economic, monetary, actual, consequential, compensatory, and punitive damages available at law.”

Shamis & Gentile PA and Edelsberg Law PA represent Diego.

A spokesperson for Polymarket didn’t immediately respond to a request for comment.

The case is Diego v. Blockratize, Inc. et al , S.D.N.Y., No. 5:26-cv-00973, complaint filed 2/4/26 .

To contact the reporter on this story: Alexis Waiss in Washington at awaiss@bloombergindustry.com

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Bloomberg Law

Manage Newsletters

Kalshi Keeps Georgia Gambling Loss Suit in Federal Court

Feb. 4, 2026, 2:19 PM PST

Summary by Bloomberg AI

AI Generated



- Judge Clay D. Land denied Georgia Gambling Recovery LLC's motion to return its lawsuit to state court, ruling that the group's right to relief depends on the resolution of "a substantial question of federal law."
- The group alleges that Kalshi and other defendants' activities constitute illegal gambling under Georgia law, and that violations of the Interstate Wire Act of 1961 contributed to the Georgia law claims.
- The judge said that whether the event contracts are unlawful gambling contracts "cannot be determined by reference to Georgia law alone" due to Kalshi's potential engagement in "federal authorized event contracts" under the Commodities Exchange Act.

Kalshi Inc. and other prediction market platforms succeeded in their bid to keep in federal court a lawsuit seeking to recover gambling losses suffered by Georgia residents.

Judge Clay D. Land, of the US District Court for the Northern District of Georgia, denied Georgia Gambling Recovery LLC's motion to return its lawsuit to state court, ruling that the group's right to relief depends on the resolution of "a substantial question of federal law."

The group's ability to sustain a claim depends on the interpretation of the Commodities Exchange Act, which vested the US Commodity Futures Trading Commission with exclusive jurisdiction over "transactions involving swaps or contracts of sale of a commodity for future delivery" traded on CFTC-designated exchanges, Land said. The group alleges the CFTC has designated Kalshi as such an exchange, offering "event contracts" as defined by the CEA, Land noted.

The Georgia suit is one several similar complaints filed in recent months in Massachusetts, Illinois, South Carolina, Ohio, and Kentucky against prediction markets, which allow people to bet on everything from elections to sports events. The suits, backed by a litigation funder, rely on an obscure 1700s law called the "Statute of Anne," state versions of which authorize gambling recovery groups to sue to recover alleged gambling losses incurred by other unnamed individuals from a winning party.

The suit seeks to recover gambling losses allegedly suffered by Georgia residents from multiple prediction markets and other “market makers,” Land wrote.

Kalshi, Robinhood Markets Inc., and Webull Corp. all operate prediction markets available to users across the country, Land said. Other defendants are so-called market makers that “provide liquidity by buying and selling event contracts,” he said.

The gambling recovery group says each entity’s activities constitute illegal gambling under Georgia law, and that violations of the Interstate Wire Act of 1961 contributed to the Georgia law claims.

The group doesn’t assert a cause of action based “directly” on federal law, but rather rests on “a Georgia statute that arguably allows recovery of illegal gambling losses,” Land wrote.

The Georgia law provides that gambling contracts are “void,” and authorizes “any person” to recover money or property that was paid as the result of gambling within four years of the loss, he said.

Under Georgia law and state Supreme Court precedent, whether a gambling contract is void depends on whether the contract is unlawful under the law governing its validity, Land wrote.

Therefore, whether the event contracts are unlawful gambling contracts “cannot be determined by reference to Georgia law alone,” he said.

Given the Kalshi’s CFTC designation, it may be engaged in “federal authorized event contracts,” the judge said, pointing to the CEA and “the scope of the CFTC’s exclusive jurisdiction.”

Land denied the group’s motion to remand because “an essential element of Plaintiff’s claim, the legality/illegality of the contracts, necessarily depends on the application of federal law,” he explained.

Waldrep Mullin & Callahan and Kellogg, Hansen, Todd, Figel & Frederick PLLC represent the gambling recovery group. Milbank LLP and Caplan Cobb LLC represent Kalshi.

The case is Ga. Gambling Recovery LLC v. Kalshi Inc. , 2026 BL 34345, M.D. Ga., No. 4:25-cv-00310, 2/3/26 .

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Securities

Kalshi Claims 'Extortion,' Then Recants in Feud Over User Losses

Feb. 4, 2026, 4:30 AM PST

It began innocuously enough. A stock analyst pulled data on betting results to argue that users of booming prediction markets were losing money faster than on traditional gambling apps.

Then it spiraled. Kalshi Inc., the biggest US prediction market, told Bloomberg the analysis wasn't just wrong. It was part of an "extortion" plot by the startup behind the data.

The founder of Juice Reel, the small data outfit, stood by the numbers and said Kalshi's allegations were a "complete fabrication." It was Kalshi that had tried to pressure him to say the data was inaccurate, he said. Kalshi changed its tone hours later and said that while it continued to dispute the findings, "after further review, we don't believe the intention was extortion." Kalshi denied it pressured Juice Reel to repudiate the data.

Welcome to the new wild west of online betting, with fortunes at stake for scrappy startups vying for a piece of the \$200 billion American gambling market. It's a fight for users, market share and capital — and, increasingly, for the public perception of these new financial exchanges that blur the line between investing and raw speculation, exposing users to risks that are only beginning to come into focus.

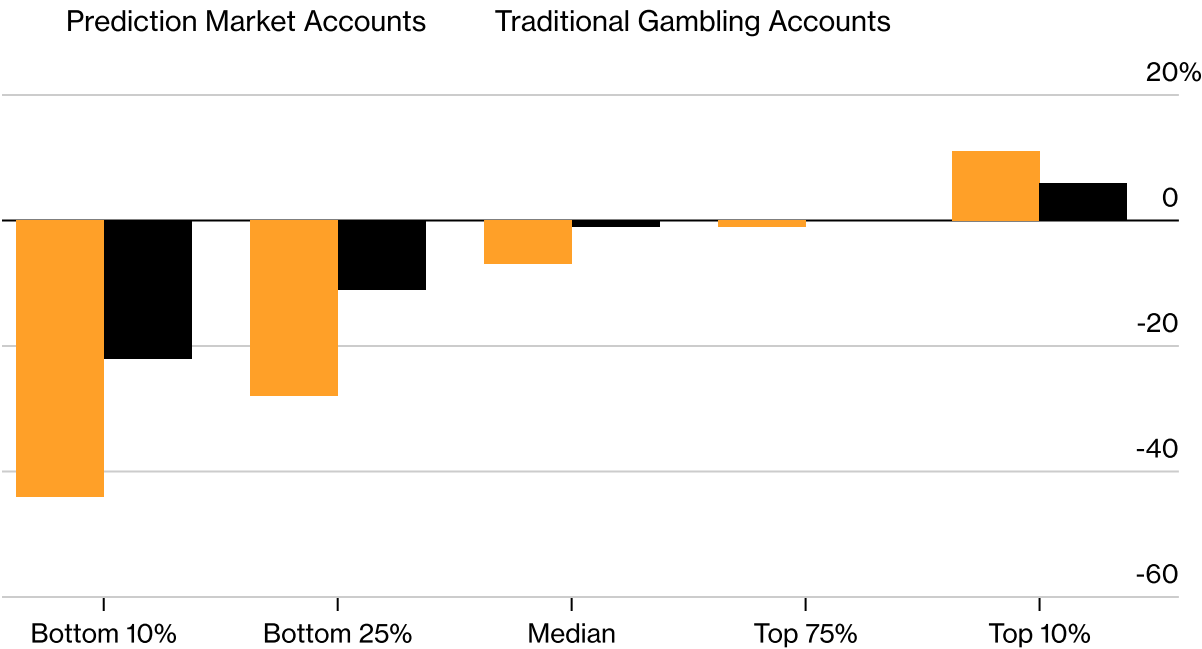
The report was always likely to touch a nerve. The analysis from **Jordan Bender**, an equity research analyst at Citizens, found that in their first three months, users on sites like Kalshi were losing more money than on established gambling sites like FanDuel and DraftKings, at least in proportion to the amount wagered. This cuts against Kalshi's claims that it offers a customer-friendly way to bet on real-world events.

Prediction markets like Kalshi operate federally regulated exchanges that allow customers to bet on the outcome of a wide range of future events, from presidential elections to the Super Bowl. In their marketing, they promise a more level playing field than sportsbooks, saying they match bettors against each other rather than taking the other side of trades.

Data Dispute

Bender’s analysis showed losses on prediction markets were particularly high among the weakest performers. The bottom quarter of users lost about 28 cents of every dollar they bet on prediction markets in the first three months of adoption, compared with about 11 cents per dollar on other online gambling sites. For the bottom decile, the losses in the first 90 days climbed to 44%.

Casual Bettors Lose More on Prediction Markets, Report Finds
Prediction markets show higher median losses than traditional platforms



Source: Citizens; Juice Reel
Note: Traditional gambling accounts include regulated sportsbooks, bookies, offshore platforms, DFS and sweepstakes.

Bloomberg

The source of his research: transaction-level data from Juice Reel, an app that allows gamblers to track their performance on different platforms.

Kalshi initially said, in a statement sent to Bloomberg, that the data was “flat-out wrong” and born of a conflict of interest.

Elisabeth Diana, the firm’s head of communications, said that Juice Reel had previously sought “investment support” from Kalshi. She alleged that Juice Reel’s founder offered to “defuse the situation” created by the Citizens report if he was given a meeting with Kalshi’s CEO.

“Please consider the source and its motives,” she said in an emailed statement. “This is extortion.”

Kalshi’s allegations of “extortion” came as a surprise to Ricky Gold, the 32-year-old CEO of Juice Reel, when contacted by Bloomberg. He said that it was Kalshi that reached out to him in a bid to quash the findings.

"They called and messaged us, pressuring us to tell Bloomberg that our data is inaccurate," Gold said. "We stand for transparency, we stand for helping bettors, traders understand their activity across the platform, and we stand behind our data."

After Gold pushed back, Kalshi continued to dispute the findings in the Citizens report — and said that it had not pressured Gold to repudiate the data. But the company's spokesperson, Diana, backed away from the allegation of extortion.

"We are in ongoing discussions about Juice Reel's legal ability to obtain our data, but after further review, we don't believe the intention was extortion," the company said in an updated statement last week.

"Every bettor and trader is entitled to access their transaction history," Gold said about his data collection.

Bender, the gambling industry analyst at Citizens, said: "We are confident in our analysis of the available data."

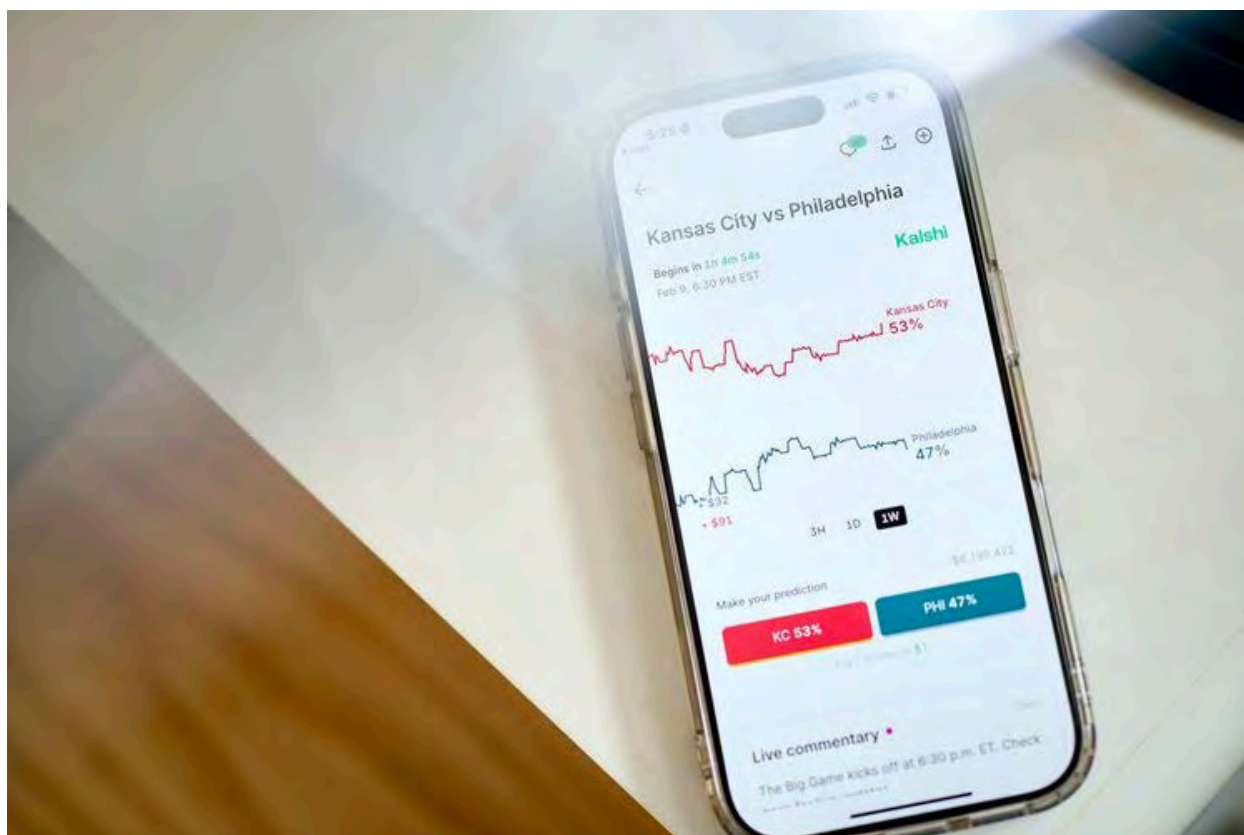
Citizens declined to comment further.

Sports Betting

Bender has used Juice Reel's data for previous research. In 2024, he told the gaming outlet Sports Handle that the data was useful for industry experts, but not always popular with gambling companies.

The dispute comes as Kalshi continues to experience skyrocketing demand ahead of the upcoming Super Bowl, which is expected to be a busy time for both sportsbooks and prediction markets.

Weekly trading volumes on Kalshi surpassed \$2 billion for the first time this January, up from \$1 billion in October, according to user-compiled data on Dune Analytics. The recent growth has been driven largely by the popularity of contracts tied to sports, though users can bet on anything from geopolitics to music charts.



Kalshi offers event contracts tied to sports events.

Photographer: Gabby Jones/Bloomberg

This growth, though, is creating a heated debate about the social consequences of the rise of prediction markets. Sports gambling is known to exact a heavy financial toll on users, and both Kalshi and its main rival, Polymarket, have been eager to distance themselves from the gambling industry. The founder of Polymarket has called sportsbooks a “scam.”

But Citizens’ analysis found that in the Juice Reel data set, the median prediction market wallet lost about 7% of the money wagered in the first 90 days of activity, compared with a 1% loss on other forms of gambling.

Kalshi did not provide any data to dispute the Citizens analysis but said the company’s “internal data directly contradicts” the report’s findings. The losses of its average user were “significantly lower than 7%,” Kalshi said.

In its statement, Kalshi said that the report “defies logic,” because a recent study from economists at the University of Chicago and Stanford found that sports gamblers lose around 7.5% for every dollar wagered.

Gold, at Juice Reel, said that he re-examined the underlying data used in the Citizens analysis and found no inaccuracies.

Professional Traders

Bender has said in the past that Juice Reel customers tend to be more experienced gamblers, but they likely do not include the Wall Street trading firms and professional gamblers that have begun to operate on prediction markets and that are positioned to be among the most profitable users.

In his recent report, Bender wrote that the presence of those sophisticated players — and the worse pricing on prediction markets — may explain why ordinary bettors are doing worse than they do on gambling sites, where the sportsbooks sit on the other side of every trade.

“Prediction markets are creating worse losses for the worst users, while more educated bettors are winning more,” he wrote.

Kalshi said its pricing is more competitive than that of gambling companies.

Kalshi has been amping up its efforts to argue that prediction markets are an improvement on previous forms of betting. The company recently hired John Bivona, a former congressional staffer, as the company's first head of federal government relations. He wrote in a post on LinkedIn last week that “Kalshi has built a platform where there is no system: no algorithm, no house, no Wall Street. People decide the price and compete fairly against each other.”

But a growing number of state regulators have tried to stop prediction markets, arguing that they are a form of illegal gambling with inadequate protections for customers. The companies have fought back and continued operating nationwide.

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Class Action

Manage Newsletters

UFC's Dana White Denies Deleting Texts Related to Antitrust Case

Feb. 4, 2026, 2:03 PM PST

Summary by Bloomberg AI

AI Generated



- UFC President and CEO Dana White said under oath that he didn't delete text messages as part of the evidence sought in an antitrust lawsuit.
- White was questioned about his communication methods and preservation of communication, and said his lawyers have full access to his personal devices and apps.
- The hearing is expected to last into Thursday and is part of a case brought by former fighter Misha Cirkunov, who alleges that the UFC engaged in anticompetitive conduct that suppressed fighter wages.

UFC President and CEO Dana White said under oath Wednesday that he didn't delete text messages as part of the evidence sought in an antitrust lawsuit brought by a former fighter against the organization.

The hearing was called after plaintiff Misha Cirkunov said UFC failed to produce text messages and other communication involving White for years. The missing text messages likely contained fighter contract negotiations that had evidence critical to the enforceability of the defendants' arbitration clauses, Cirkunov's attorneys have said.

During a hearing in the US District Court for the District of Nevada, White was repeatedly questioned by plaintiff's counsel, Michael Dell'Angelo of Berger Montague, on his communication methods, how that communication was preserved, and his role in any messaging related to fighter pay and contract discussions.

White said he didn't know when or why certain text messages went missing and that his lawyers have full access to his personal devices and apps such as Instagram, which he has used to communicate with fighters such as Conor McGregor.

"I don't even have a computer," White said.

Cirkunov brought the case last year, alleging he and other fighters were injured by the organization's anticompetitive conduct that suppressed their wages.

White pushed back on any failure to produce documents, saying he never tried to hide any communications and that he worked in tandem with his lawyers in preserving needed data on his personal and business devices.

"You can just open my phone and open anything; there are no secret passwords," White said.

The hearing on "spoliation" of evidence is expected to last into Thursday but White was excused after several hours of testimony Wednesday.

'Wouldn't Even Know How'

White also said he prefers text messaging, doesn't use email, and doesn't know the numbers to his own phone or how to retrieve any missing messages.

Dell'Angelo also asked White about his use of WiFi, settings on his phone for messaging, whether White had any periodic check-ins with his lawyers about compliance to preserve the messages, and whether he saves audio messages.

"I wouldn't even know how to do that," White said.

White said he has communicated directly with fighters by text but not about the fight matchmaking side of the business or handling agreements.

"It's not like we were talking business, or fights, or money," he said.

White also discussed how his last phone went missing, and that he and staff members searched for days to find it but never did. He said he still has no idea where it is and that he never tried to destroy it or ask anyone else to.

White noted that UFC had fired an employee who stole computers, Christmas presents for staff, and other items, including a championship ring sent to him from a little league baseball team he funded—but said he didn't know whether that employee took his phone.

"They kept calling me asking if I got it," White said. "I said I never received it."

The case is similar to the suit brought by fighter Kajan Johnson pending in the Nevada federal court, as well as a case brought by past UFC fighters including Cung Le and Nate Quarry that settled last year for \$375 million.

Judge Richard F. Boulware presided over the settled case and is presiding over the pending cases against UFC.

UFC is owned by TKO Group Holdings Inc., which also owns World Wrestling Entertainment. UFC is represented by Latham & Watkins LLP and Dunn Isaacson Rhee LLP.

The case is Cirkunovs v. Zuffa LLC, D. Nev., No. 2:25-cv-00914, spoliation hearing 2/4/26 .

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Bloomberg Law

Manage Newsletters

Key Witness in Case Against Tom Goldstein Eviscerated on Cross

Feb. 4, 2026, 4:24 PM PST

Summary by Bloomberg AI

AI Generated



- A key witness in the government's case against Tom Goldstein appears to have made statements to investigators that are contradicted by documentary evidence, which could damage his credibility before the jury.
- The witness, Walter Deyhle, made errors handling Goldstein's tax returns and gave testimony under cross-examination that indicated the government may have violated its evidence disclosure obligations for a second time in the case.
- The alleged disclosure violation could lead to sanctions against the government, depending on what the court rules, with the defense claiming the violation was willful and the government denying any wrongdoing.

A key witness in the government's tax evasion and false statements case against high-profile US Supreme Court advocate Tom Goldstein appears to have made statements to investigators that are contradicted by documentary evidence.

His testimony under cross-examination Wednesday by Goldstein lawyer Jonathan Kravis also indicated that the government may have violated its evidence disclosure obligations for a second time in the case.

The contradictions between a 2017 email and statements Walter Deyhle made to the grand jury and investigators, along with errors he made handling Goldstein's tax returns, could badly damage his credibility before the jury.

The alleged disclosure violation could also lead to sanctions against the government, depending on what the court rules.

Contradictions

Deyhle, an accountant and tax preparer formerly with GRF CPAs & Advisors, said testimony he gave to the grand jury and statements he made to the government were to the best of his recollection at the time. He denied lying.

"The truth is that when the IRS came to you in October 2020, you knew that you had to find a way to make this Mr. Goldstein's fault—that's what happened here, right?" Kravis asked.

"That's totally false," Deyhle replied.

Deyhle said at the time that Goldstein netted \$1.6 million gambling, and that he only knew that because Goldstein told him verbally. Deyhle also said he asked for additional documentation about the gambling from Goldstein but never received it.

But Goldstein sent Deyhle an email Oct. 12, 2017, listing net gambling wins of \$2.7 million, not \$1.6 million.

It listed gross winnings of \$27.2 million and losses and distributions of \$24.4 million. A subsequent email from Goldstein to Deyhle specified that gambling losses represented \$13.5 million, meaning the remaining \$10.9 million constituted payments to investors who had backed his poker games.

Deyhle was interviewed by IRS agents in connection with the criminal investigation for the first time Oct. 14, 2020—the same day they visited Goldstein's office and advised him he was under investigation.

Deyhle told the agents at that meeting that Goldstein hadn't disclosed any foreign bank accounts to him. Deyhle figured out later the same day that Goldstein's firm manager had told him about accounts in Montenegro, but it was three years before he told the government that he'd misinformed agents and that it was actually his fault the foreign accounts went unreported, according to his testimony and related email evidence.

The defense claims the government violated disclosure obligations by failing to tell it anything about a Jan. 28, 2026, meeting when—for the first time—the government showed Deyhle the 2017 email that contradicted his prior testimony. The prosecution said there weren't any notes to disclose.

Judge Lydia Kay Griggsby directed the government to brief the issue, saying she wanted to "get the facts straight."

Errors, Questionable Advice

Kravis's questioning also challenged Deyhle's claim that GRF did "a really good job" for Goldstein and his firm.

Among other things, Deyhle botched the entry of gambling-related line items on Goldstein's tax return—errors he acknowledged but said didn't affect the bottom line.

Kravis also drew out Deyhle's failure to file separate returns for Goldstein and his spouse, despite a specific and timely request to do so, on top of the failure to disclose the Montenegrin bank accounts.

He also introduced email evidence suggesting Deyhle provided Goldstein with some problematic advice.

In an email between Goldstein's firm manager and a GRF employee about the IRS levying Goldstein's accounts, the GRF employee relayed advice he said came from Deyhle suggesting that Goldstein open new bank accounts that weren't listed in the levy paperwork submitted to the IRS.

"We don't want the IRS taking any monies from those accounts," the email said.

Deyhle denied that was bad advice or that it might amount to obstruction of IRS collection activity. According to Deyhle, he suggested it as a measure to prevent the IRS from accidentally levying more than it should from a business account, which he said could cause "catastrophic" problems for businesses.

Goldstein didn't take the advice, in any event.

The second witness called Wednesday was Dai Wai Chin Feman, managing director and corporate counsel at Parabellum Capital, a litigation funder that helped Goldstein pay of his taxes and purchase a home in 2021.

He detailed the nature of Parabellum's arrangement with Goldstein and how it related to Goldstein's efforts to secure a mortgage.

The third witness called was IRS special agent John McDonald. His testimony has thus far focused on his October 2020 interview with Goldstein. He will resume the stand Thursday.

The parties are filing briefing on the disclosure dispute this evening.

The defense said it thinks the violation was willful. The government denied there are any notes on its recent meeting with Deyhle or anything it needed to disclose in connection with the inconsistent email.

Goldstein is represented by Munger Tolles & Olson LLP.

The case is United States v. Goldstein, D. Md., No. 8:25-cr-00006, trial held 2/4/26 .

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Jones Day Collecting Cash From Ghislaine Maxwell Epstein Files Show

A abovethelaw.com/2026/02/jones-day-collecting-cash-from-ghislaine-maxwell-epstein-files-show

Joe Patrice

February 5, 2026



It's time to give Paul, Weiss a brief respite from the barrage of Epstein revelations. There may well be more to come, but we can give some other law firms their day in the sun. Like Jones Day, who apparently represented Epstein's accomplice Ghislaine Maxwell back in 2017. Either that or Maxwell routinely deposited tens of thousands of dollars into the Jones Day Client Trust Account for no reason in particular.

There are at least four emails in the files that show Maxwell transferring funds from UBS to the Jones Day trust account.

The first — that we've found — is dated February 6, 2017 and finds [Maxwell asking UBS to transfer \\$25k to the Jones Day Client Trust Account](#). As far as I can tell, there's no contemporaneous public record of Maxwell working with Jones Day. Next, on April 18, 2017, a UBS employee confirms that she had completed a [wire transfer requested by Maxwell to Jones Day in the amount of \\$31,746.50](#).

Because they farmed this production out to a thousand drunk monkeys at a thousand drunk typewriters, it's the *exact same employee* in both emails, but the government redacted her full name and email in the first one — except in the salutation — and left her completely unredacted in the second email.

In September of that year, a whole four-person UBS team writes Maxwell to confirm that they've [passed along \\$218,791.31 to Jones Day](#). A November email provides a [summary of her transfers throughout the year](#). The summary includes

Haddon Morgan and Foreman, the Denver-based firm that served as Maxwell's primary counsel in the defamation suit Virginia Giuffre brought in 2015, which makes sense.

But how does Jones Day play into all this? Were they behind-the-scenes counsel in that case? Were they working on some other matter for Maxwell? The Justice Department database is an inconclusive mess so we don't really know.

It's not a crime to represent an accused criminal, of course. It's a pretty big part of the job. But it is a little weird to find a major law firm making its first appearance in this case so late in the game.



[Joe Patrice](#) is a senior editor at Above the Law and co-host of [Thinking Like A Lawyer](#). Feel free to [email](#) any tips, questions, or comments. Follow him on [Twitter](#) or [Bluesky](#) if you're interested in law, politics, and a healthy dose of college sports news. Joe also serves as a [Managing Director at RPN Executive Search](#).

Brad Karp's Paul, Weiss Reign Ends With An Epstein-File Plot Twist

A abovethelaw.com/2026/02/brad-karps-paul-weiss-reign-ends-with-an-epstein-file-plot-twist

Kathryn Rubino

February 5, 2026



Brad Karp (Photo by John Lamparski/Getty Images)

Brad Karp's 18-year run atop Paul, Weiss ended yesterday evening with a carefully worded statement about "distractions."

After days of increasingly uncomfortable headlines stemming from the latest tranche of Jeffrey Epstein documents, Karp announced he's stepping down as chair of the firm he's led for nearly two decades. "Leading Paul, Weiss for the past 18 years has been the honor of my professional life," Karp said. "Recent reporting has created a distraction and has placed a focus on me that is not in the best interests of the firm."

TL;DR version: the firm would very much like the story to stop being about its chair and his emails with one of the most infamous sex traffickers in modern history... but not enough to cut ties with him entirely because Karp will remain at the firm as a partner.

Over the last several days Karp (and Paul, Weiss) have played whack-a-mole with Epstein-related fallout: watching [fawning emails](#) with Epstein and favor requests get splashed out on mainstream media; hedging [about regrets](#); and [bailing on a speaking engagement](#) as the documents dropped. One industry source summed up the firm's mood bluntly, [saying](#), "The firm is circling the wagons. There are people in the firm saying that they think he's been in the headlines too much. They think it may be a good thing to move on."

And there's even more buried in the 3+ million pages. Bloomberg Law [reports](#) on emails from 2019 in which Karp reviewed and offered advice on a draft filing related to Epstein's plea deal fight, a detail that undermines the firm's longstanding position that Paul, Weiss and Karp never represented Epstein. "The draft motion is in great shape. It's overwhelmingly persuasive. Truly," Karp wrote to Epstein on March 3, 2019. He went on to praise an argument suggesting that the "'victims' lied in wait and sat on their rights for their strategic advantage," a line that is... a choice. And then he goes on to make a middling joke about the sexual assault the victims allege. Citing *U.S. v. Fokker Services* to argue courts couldn't reject a non-prosecution agreement, Karp added, "Wish there was a different case name than 'Fokker,' but we can't have everything. In all seriousness, I don't see a credible counter to our arguments. The case law is totally stacked in favor of our position." Those emails don't read like distant, incidental contact. They read like lawyering.

Scott Barshay will step into the chair role, offering the kind of fulsome praise that's customary at moments like this. "Brad has made immense contributions to Paul, Weiss over his more than four decades with the firm," Barshay [said](#), crediting Karp with transforming the firm "in an unprecedented way." All of which can be true while also acknowledging that Karp's final chapter as chair is being written by Epstein documents. It's also worth noting that Barshay was [reportedly](#) a leading voice behind last year's deeply controversial [decision to cut a deal](#) with Donald Trump, promising \$40 million in pro bono services to escape an onerous and likely unconstitutional executive order targeting the firm.

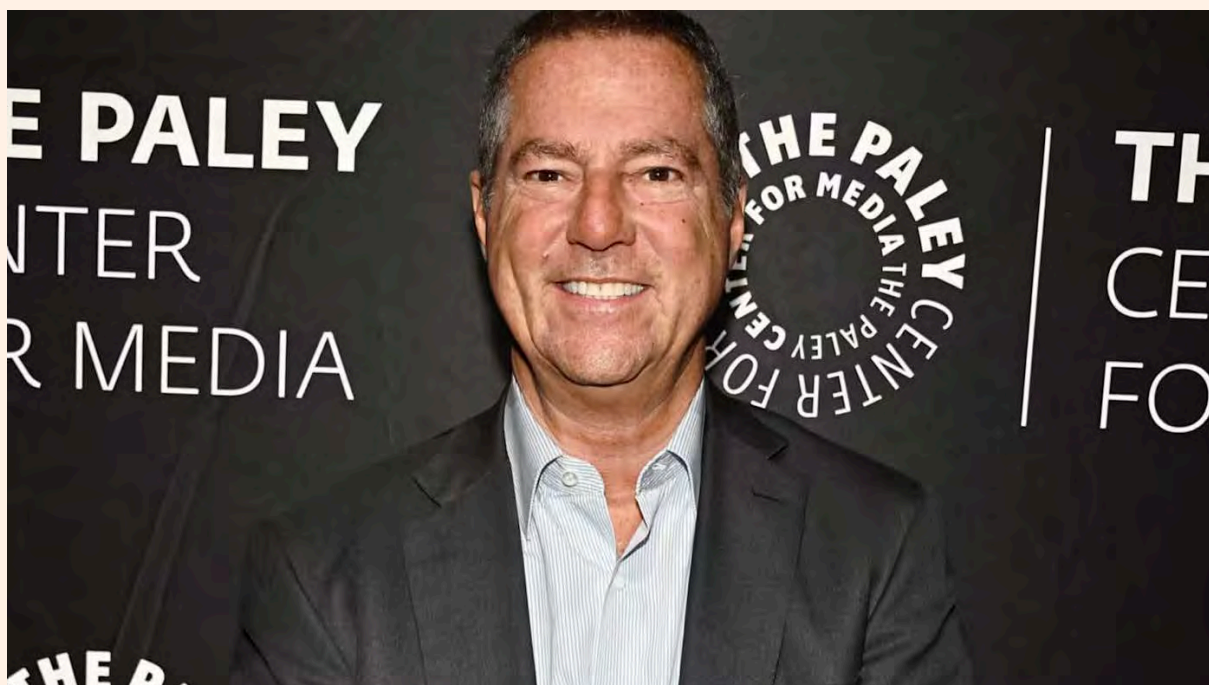
And thus the era of Brad Karp as chair is over, even if the fallout from the Epstein files very much is not.

FT PROFESSIONAL

Paul Weiss

Brad Karp to step down as Paul Weiss chair after Epstein revelations

Files released by US justice department detailed relationship with child sex offender



Brad Karp will stay at Paul Weiss as a partner focusing on client work © Steven Ferdman/Getty Images

James Fontanella-Khan, Kaye Wiggins and Oliver Barnes in New York

Published YESTERDAY | Updated 18:16



Brad Karp is stepping down as chair of US law firm Paul Weiss after revelations about his relationship with child sex offender Jeffrey Epstein.

The New York law firm has picked Scott Barshay, a star deals lawyer who runs its corporate department, to take over the role.

“Leading Paul Weiss for the past 18 years has been the honour of my professional life,” Karp said in a statement on Wednesday evening, after the FT first reported on the shake-up.

“Recent reporting has created a distraction and has placed a focus on me that is not in the best interests of the firm.”

The FT reported this week that Karp, who has chaired the law firm since 2008, [told Epstein he was “amazing”](#) after he arranged a dinner with Woody Allen, according to documents released by the Department of Justice.

Karp also arranged, through Epstein’s staff, for his children to attend Woody Allen film screenings. In March 2019, four months before Epstein’s arrest, Karp sent a letter written by the disgraced financier’s lawyers to four “editorial folks I know best” at The New York Times. The letter was a defence of an earlier plea deal that had let Epstein avoid federal charges.

The law firm said earlier this week that [Paul Weiss](#) and Karp never represented Epstein and that the firm was hired by Leon Black, then Apollo Global Management chief executive, to negotiate long-running fee disputes with Epstein. Black stepped down from Apollo in 2021 after revelations about his ties to Epstein.

Karp “spent his entire 40-year legal career” at Paul Weiss, during which time the firm “achieved significant growth”, it said in the statement late on Wednesday. Karp will stay at the firm as a partner focusing on client work.

Karp is one of the highest-profile Wall Street figures to be drawn into the Epstein scandal in recent weeks, as new disclosures from the justice department illustrate connections Epstein had with powerful figures.

Barshay said Karp had “transformed Paul Weiss in an unprecedented way to the great benefit of our clients” and that he was “grateful to him”.

The decision to replace Karp at the top of the firm was reached on Wednesday after hours of deliberations by senior partners over the impact the [Epstein revelations](#) were having, said the people briefed on the matter.

The scrutiny over ties to Epstein followed criticism of Paul Weiss and Karp last year over the [firm’s decision to do a deal](#) with US President Donald Trump after he directed federal agencies to terminate government contracts with the firm or companies doing business with it.

The Wall Street law firm pledged to provide \$40mn of pro bono advice to support the administration in March 2025, and agreed not to pursue diversity policies in its recruitment, after it came under fire over its diversity, equity and inclusion targets.

Paul Weiss has said Epstein was not a client of the firm. On March 2 2019, as the sex offender tried to prevent the 2008 plea deal from being reopened, the DoJ documents show Karp emailed Epstein saying “hope you’re staying calm” and added “[l]et me know what I can do to help”. Epstein replied: “your judgment and friendship.”

The following day, Karp told Epstein: “the draft motion is in great shape.”

“I don’t see a credible counter to our arguments,” Karp wrote. “The case law is totally stacked in favor of our position . . . I particularly liked the argument that the ‘victims’ lied in wait and sat on their rights for their strategic advantage, knowing you were in prison, before they came forward.”

In the email, Karp discussed an “amici letter”, a document in which individuals or groups not involved in the case can provide a court with information. “It may be difficult to persuade amici to wade into this issue because of the controversy,” Karp wrote.

Karp and Paul Weiss did not immediately respond to a request for comment sent late on Wednesday evening about the March 2019 emails.

Documents released by the justice department last week also showed Karp corresponding with Epstein in February 2019 about two high-profile men ensnared in a Florida prostitution crackdown. Karp asked for Epstein’s help in finding a lawyer for one of the men.

Since joining Paul Weiss from Cravath in 2016, Barshay has transformed Paul Weiss into one of the go-to advisers for corporate America’s biggest listed companies, including IBM, Qualcomm and Kraft Heinz.

Barshay had long been viewed internally as Karp’s likely successor, the people familiar said. Last year, Paul Weiss advised on nearly \$400bn worth of transactions, making it the sixth-best performing law firm by deal volume in the US.

Additional reporting by Suzi Ring in London

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Karp Resigns as Paul Weiss Chairman, Barshay Named New Leader, Amid Mounting Pressure Over Epstein Emails

M&A rainmaker Scott Barshay is taking over firm leadership, Paul Weiss confirmed.

February 04, 2026 at 09:04 PM By  **Dan Roe**



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

This article has been updated with more information about Brad Karp's emails with Epstein and his tenure at the firm.

Longtime Paul Weiss chair Brad Karp has resigned as firm leader, the firm confirmed on Wednesday night, while corporate department chair Scott Barshay was named as the firm's new leader.

Karp's resignation came after mounting pressure over Karp's relationship with Jeffrey Epstein, which was bolstered by the release of new emails from the Justice Department on Friday.

[In a statement](#) on Wednesday, Karp said, "Recent reporting has created a distraction and has placed a focus on me that is not in the best interests of the firm."

The announcement by the firm said Karp, who was appointed chair of Paul Weiss in 2008, “will continue to focus his full-time attention to client service at the firm.”

In choosing Barshay as its next leader, the firm has looked to one of its lead rainmakers and decision-makers. Barshay arrived at Paul Weiss in 2016 as a lateral from Cravath Swaine & Moore.

“I step into this role with great confidence in Paul Weiss' continued success,” Barshay said. “Our strength lies in the talent and dedication of our people and trusted client relationships. Clients come to Paul Weiss because we deliver excellence, and our firm is unified in our commitment to continuing to provide the highest standards of client service.”

Karp’s resignation came after his relationship with the child sex trafficker was documented in multiple releases of emails from Epstein’s personal email account by the Justice Department and the U.S. House Oversight Committee.

The latest round of emails, released by the Justice Department on Friday, included correspondence that undercut Karp’s public explanation: that his dealings with Epstein were purely tied to his representation of former Apollo Global Management chair Leon Black, who was in a fee dispute with Epstein.

Among the most questionable email exchanges were those involving Epstein's non-prosecution agreement. In March 2019, after the Miami Herald reported Epstein's status as a child sex trafficker, Karp emailed Epstein regarding a draft motion intended to prevent his 2008 non-prosecution agreement from being reopened.

Epstein forwarded the email to a group of lawyers: former Latham & Watkins partner Kathy Ruemmler, criminal defense attorney Martin Weinberg and personal lawyer Darren Indyke. “The case law is totally stacked in favor of our position,” Karp wrote at the time. “Even the equities are — particularly liked the argument that the ‘victims’ lied in wait and sat on their rights for their strategic advantage, knowing you were in prison, before they came forward.”

[The disclosed emails](#) also include Epstein asking Karp for help in getting a woman’s tourist visa revoked, a request to which Karp replied, “Will work on this.”

Altogether, Karp and Epstein corresponded dozens of times between 2013 and 2019. While the pair discussed Epstein’s fee dispute with Black, they also discussed multiple dinners Karp shared with Epstein and a meeting Karp requested between Karp’s son and director Woody Allen.

The pair also discussed Black’s relationship with women.

In December 2017, Epstein emailed Karp with a list titled “suggestions for moving forward.”

"You can explain the risks," Epstein wrote to Karp. Epstein noted that Black was the chairman of the Museum of Modern Art and noted Black's family and Apollo. He also requested that a woman named Melanie (possibly Melanie Spinella, Black's assistant), not be involved "with girls. No payments etc."

Karp responded, "I understand. Can't wait. :)"

And in September 2015, Epstein emailed Spinella and Karp with a to-do list regarding a woman. Epstein, among other things, wanted to know whether the woman remained in London and suggested briefing "UK criminal counsel" and confronting the woman with people who were ex-immigration of "Scotland Yard" before presenting her with "the terms."

It's not clear what action Karp took, if any, in response to the email.

Karp's resignation caps an 18-year leadership tenure at the firm. Karp is credited with growing Paul Weiss from a New York litigation firm to a Wall Street M&A and private equity heavyweight, competing with Kirkland & Ellis for talent and profits. The firm's partnership and lawyer headcount have grown significantly under his leadership. But Karp's past year in leadership has now seen two leadership challenges, including his deal last March with President Trump.

"Leading Paul Weiss for the past 18 years has been the honor of my professional life," he said in the statement on Wednesday.

In a statement earlier this week, a firm spokesperson said Karp met Epstein via his client relationship with Black, and "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."

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<https://www.wsj.com/business/a-revolt-inside-paul-weiss-over-the-epstein-files-took-down-brad-karp-955fdfe6>

EXCLUSIVE BUSINESS

A Revolt Inside Paul Weiss Over the Epstein Files Took Down Brad Karp

Latest batch of Epstein emails prompted partners to push elite law firm's leader from chairman role

By [Cara Lombardo](#) [Follow](#), [Lauren Thomas](#) [Follow](#) and [Erin Mulvaney](#) [Follow](#)

Feb. 5, 2026 1:07 pm ET



Brad Karp led one of the country's biggest law firms for 18 years. GABRIELA BHASKAR FOR WSJ

Quick Summary

- Brad Karp was replaced as Paul Weiss chairman by Scott Barshay after new emails revealed a more extensive relationship with Jeffrey Epstein.

[View more](#)

On Wednesday, an exclusive group of 10 or so Paul Weiss partners met unbeknown to their longtime chairman, Brad Karp, to discuss whether he could continue to lead the law firm.

The partners, who manage the firm and refer to themselves as the “Deciding Group,” were grappling with the release of new emails suggesting Karp had a more extensive relationship with [Jeffrey Epstein](#) than they realized, including in the months before the convicted sex offender’s death.

Karp led one of the country’s biggest law firms for 18 years and had survived a maelstrom less than a year ago when he struck a first-of-its-kind settlement with President Trump on his firm’s behalf. [He wouldn’t survive a second controversy as the firm’s leader.](#)

By the end of that meeting, people familiar with the matter say the group agreed to replace Karp with Scott Barshay, a top rainmaker Karp brought in a decade ago to help transform the firm into an M&A powerhouse.

It fell to Barshay to break the news. He met with Karp in person late Wednesday and told him the group had concluded the Epstein ties were too much of a distraction and that he needed to resign from his role as chairman, the people said. Barshay, 60 years old, also told Karp he would be succeeding him.

Karp was taken aback but told Barshay he wanted to do what was in the best interest of the firm. Paul Weiss’s leadership informed the rest of its partners in a video call soon after.

Karp, 66, plans to remain at Paul Weiss as a partner and retain his work for clients, the firm said. His clients include [Apollo Global Management](#) and the National Football League. He is expected to have a new office near Barshay’s when the firm moves up the street to a new Midtown Manhattan headquarters in the next year or two.

Karp initially was determined to weather the storm after the fresh trove of Epstein files containing new revelations about the relationship between the two men trickled out over the weekend.

The emails show an association between Karp and Epstein that lasted years and included dinners at the financier’s mansion and the attendance of Karp’s family members at Woody Allen movie screenings. A 2019 exchange shows Epstein asking the Republican strategist Steve Bannon to help Karp become a member at the exclusive Augusta National Golf Club.

Of particular concern to some at Paul Weiss were [2019 emails](#) in which Karp appeared to review a draft court filing for Epstein during a plea-deal fight months before his death, which Bloomberg reported on earlier Wednesday.

In response to the Epstein emails, a Paul Weiss spokesman previously said, “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.”

Karp was scheduled to appear at the WSJ Invest Live conference in West Palm Beach this week and traveled to Florida ahead of his planned Tuesday appearance. He was slated to be interviewed about leadership in uncertain times. His team was scrambling to help him prepare for potential questions on Epstein before he dropped out late Monday night.



Protesters outside of the offices of Paul Weiss in New York last year after Brad Karp reached a deal with the Trump administration to avoid litigation. MICHAEL M. SANTIAGO/GETTY IMAGES

In his nearly two decades as chair, Karp led Paul Weiss to become a major player in corporate deal work. Karp, who came up through the firm’s litigation group, has spent his entire career there, beginning as a summer associate.

His clients have included Apollo co-founder, Leon Black, who hired Paul Weiss to negotiate a series of fee disputes with Epstein over several years. The firm said it was “adverse to Epstein” and at no point did Karp or the firm represent him.

Some people familiar with the matter say Karp’s people-pleasing tendency and difficulty saying no—while an asset in winning clients and rising to the upper echelons of the legal world—contributed to his downfall because he was so eager to placate Epstein he failed to see the risks.

Key to Karp's success as a firm leader was bringing in Barshay. Karp had spent years publicly retelling the story of how he fought to poach Barshay in 2016 from rival firm Cravath to build Paul Weiss's then-fledgling mergers and acquisitions practice. Barshay, meanwhile, had long told partners at the firm he never wanted the role of chairman.

When Barshay joined Paul Weiss, [high-profile lawyers jumping from one firm to another was extremely rare](#). Barshay went on to help build out the law firm's corporate mergers and acquisitions practice, advising on deals for clients ranging from IBM to Merck and helping companies defend against activist investors including Elliott Investment Management.

Last year, Trump issued a string of executive orders against law firms that threatened their business, ordering federal agencies to strip clients of government contracts and ban lawyers from federal buildings. After Paul Weiss received such an order, [Karp negotiated with Trump](#) for the firm to provide \$40 million in pro bono work in exchange for absolution—a deal that shook the industry. Several other large firms followed and made similar deals to avoid the punitive orders, collectively agreeing to provide nearly \$1 billion in pro bono work.

Karp's decision angered some clients, and several Paul Weiss [partners left the firm](#) after the deals were struck, including some high-profile litigators. Partners said the firm had a record year in 2025.

Cara Lombardo is Wall Street Editor for The Wall Street Journal in New York. She co-leads a team of reporters that covers banking, private equity, hedge funds, mergers and acquisitions, initial public offerings, wealth management, fintech, financial regulation and more...

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Analysis | **Legal Ethics and Attorney Discipline**

Facing a New Test, Is Paul Weiss 'Circling the Wagons'?

Emails linking Jeffrey Epstein and firm chairman Brad Karp create the second significant public relations challenge striking the firm in less than a year.

February 04, 2026 at 05:23 PM By  **Dan Roe**  **Ryan Harroff**

What You Need to Know

- Paul Weiss chairman Brad Karp received criticism this week after another email release further documented his relationship with Jeffrey Epstein.
- Industry sources said clients and talent are unlikely to walk away from the firm over Karp's Epstein ties.
- Sources said Paul Weiss is "circling wagons" amid the controversy as competitors are attempting to use the situation to gain clients and talent.



Courtesy photo

As more information has come to light in recent days regarding Paul, Weiss, Rifkind, Wharton & Garrison chair Brad Karp's ties to Jeffrey Epstein, industry observers are raising questions about

any potential impact on firm leadership and recruiting strategies.

While Karp is only one of many executives to be embroiled in a scandal involving the disclosed Epstein emails, it is the second significant public relations challenge striking the firm in less than a year, following its March 2025 deal with the White House to resolve a targeted executive order.

The latest round of emails followed a November email release by the U.S. House Oversight Committee. Collectively, the records show Karp and Epstein exchanging numerous emails between 2013 and 2019.

In statements to *The American Lawyer* on [Monday](#) and in [December](#), Karp has affirmed he never saw or participated in any wrongdoing and characterized the communications as a necessary part of his representation of former Apollo Global Management chairman Leon Black, who was in a fee dispute with Epstein, Black's financial advisor. Karp added that he regretted his communications with Epstein.

He declined to comment on industry reactions to the latest emails.

Observers in the industry noted that some of Karp's emails with Epstein fell within professional and ethical norms of zealously representing one's client against a counterparty. But some also questioned how certain messages fell within the scope of Karp's work on the fee dispute, as well as Karp's support from within the firm.

"The firm is circling the wagons," said one industry source, who spoke under the condition of anonymity to speak candidly about the situation. "There are people in the firm saying that they think he's been in the headlines too much. They think it may be a good thing to move on."

However, another senior person in the legal community said that competitors are also aiming to exploit the situation. "There are people trying to sow discontent to take advantage of the situation and gain access to Paul Weiss clients and partners," the source said.

Among the most questionable email exchanges were those involving Epstein's non-prosecution agreement. In March 2019, after the *Miami Herald* reported Epstein's status as a child sex trafficker, Karp [emailed](#) Epstein regarding a draft motion intended to prevent his 2008 non-prosecution agreement from being reopened.

Epstein forwarded the email to a group of lawyers: former Latham partner Kathy Ruemmler, criminal defense attorney Martin Weinberg and personal lawyer Darren Indyke.

"The case law is totally stacked in favor of our position. Even the equities are — particularly liked the argument that the 'victims' lied in wait and sat on their rights for their strategic advantage, knowing you were in prison, before they came forward," Karp wrote at the time.

Also problematic, per industry sources, was a July 29, 2015, [email](#) from Epstein to Karp that appeared to suggest either could have influence over a woman's visa status. Epstein said to Karp: "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 later that day, "Both good ideas; will work on this."

It's not clear what action, if any, Karp took after responding to Epstein.

Also of interest to observers was a September 2015 email, released in November, from Epstein to Black's assistant and Karp that included a to-do list regarding a woman whom Epstein believed may have been in London. Epstein suggested contacting UK criminal counsel, confronting the woman with people who were ex- "immigration" or ex-Scotland Yard, and presenting the woman with "the terms." The released emails show no response from Karp, and it's unclear whether Karp took any action in response.

Epstein and Karp also exchanged messages about a tolling agreement in May 2018, although the emails did not reveal the parties involved or the nature of the agreement.

In response to receiving an email from Epstein stating, "Did she also say she was (a) virgin?", Karp responded, "You are feisty tonight." He followed up later that night: "He told me that A's bookkeeper [sic] signed the tolling agreement without A's knowledge."

Other emails showed Karp corresponding with Epstein about gaining access to a Woody Allen movie showing and thanking Epstein for helping his son, a film student, meet the director. In a Monday statement to the American Lawyer, a spokesperson said Karp attended two group [dinners](#) and had a number of social interactions by email, "all of which he regrets."

"I understand what (Brad) is saying, and I just thought the nature of the exchanges — helping his son get a job — that kind of stretches credulity that this was all somehow related to Leon Black," a second industry source said. "It's not that he's doing Epstein favors, it's Epstein doing him favors."

Among the other email discussions was a conversation where Epstein floated former Latham & Watkins partner Kathy Ruemmler—the current chief legal officer of Goldman Sachs—as a potential successor to former chair Bill Voge, who resigned in 2018 amid a sexting scandal.

Karp characterized the suggestion as a "[real mitzvah for Latham](#), but at a huge personal/professional cost to Kathy."

"This is probably worse than the Bill Voge situation," the first industry source said. "The connection with Epstein takes it to a different level than Voge."

The Impact for Paul Weiss

Multiple legal industry recruiters expressed that they do not expect to see an immediate drop-off in attorneys joining the firm because of Karp's Epstein affiliation and emails with him.

According to one recruiter familiar with the market's attitude toward Paul Weiss, many candidates and existing talent at the firm are unlikely to make career changes despite any personal feelings they may have regarding the Epstein/Karp emails.

"I think a lot of people that they would want to recruit will hold their nose and join them because of the reputation of the firm and its position in the market," the recruiter said. "I've spoken to many attorneys inside Paul Weiss, and people who are thinking of joining Paul Weiss, and all of them have said they find this disgusting. But do they leave? I think they hold their nose."

That same recruiter still questioned whether Karp would face pressure to cut short his leadership tenure.

One industry source floated corporate department chair Scott Barshay as a potential successor to Karp. Reached by phone, Barshay said on Tuesday that he was "not commenting at all on that situation." Asked if he wanted to be chair, Barshay said, "I'm not commenting on anything. Do not read anything into that."

Meanwhile, Karp did not appear at a speaking event in Florida on Tuesday, where he had planned to discuss leadership in times of uncertainty, Bloomberg Law reported.

Whether Karp remains in his chairman position could impact how clients and attorneys alike view Paul Weiss in the near and distant future, some recruiters said.

Karp, about 66 years old, was elected chair in 2008, nearly 18 years ago.

Mason Kalfus, founder of recruiting firm Zenith Legal, said that his recruiting firm is not taking any steps to approach Paul Weiss differently at the moment, but added that it is still early and that candidates may start to turn away on their own amid other recent bad press Paul Weiss has gotten. In particular, Kalfus drew a parallel to the reaction after the firm cut a deal with the Trump administration to avoid a retaliatory executive order targeting its business.

"I've got to say that I did talk to people when they caved on the EO [executive order], under a year ago, and that was very negative," Kalfus said. "Obviously, they lost some great partners as a result of that, like Karen Dunn and others. This is another black mark, I guess, but I think it's too soon to tell what all the facts are, and it's too soon to tell what the response will be."

Michael Parrillo, founder and principal at recruitment firm Parrillo Search Group, said in a Monday interview that Paul Weiss has been a client of his for years and that he does not expect the firm's talent acquisition to dip any time soon as a result of the emails.

"I think people are still going to want to go to Paul Weiss," Parrillo said, adding, among the candidates he knows, "nobody is pulling out for this reason."

While each recruiter Law.com spoke with seemed doubtful that Paul Weiss will see fewer attorneys headed its way for work because of Karp's Epstein ties, some noted that the firm's strong position in the legal market, including No. 15 on the Am Law 100, is a key factor in that prediction. Should the firm's revenues drop or should clients decide to move away, Jessica Chin Somers of Kinney Recruiting said in an interview that attorneys may be less willing to look past the Karp-Epstein emails.

"The legal industry has been pretty forgiving on these sorts of personal transgressions. Whether or not it's right, I don't see it affecting recruiting that much," Somers said.

This article has been updated to add more email exchanges between Epstein and Karp.

Brenda Sapino Jeffries contributed to this report.

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Securities

Karp Steps Down as Paul Weiss Chairman After Epstein Emails (2)

Feb. 4, 2026, 5:33 PM PST; Updated: Feb. 4, 2026, 6:54 PM PST

Brad Karp is stepping down from his leadership role at Paul Weiss after a trove of emails released by the Justice Department detailed the lawyer's close connections to disgraced financier Jeffrey Epstein.

Karp, who has led Paul Weiss since 2008, is immediately relinquishing his role as chairman while staying on as a partner, the firm said Wednesday. Scott Barshay, the well-known M&A dealmaker and chair of the firm's corporate practice, will lead the firm effective immediately.

"I step into this role with great confidence in Paul Weiss' continued success," Barshay said in a statement announcing the transition.

The decision marks a dramatic fall from grace for Karp. It comes less than a year after he landed a controversial deal with President Donald Trump, in which Paul Weiss agreed to provide \$40 million in free legal services on shared causes in exchange for Trump rescinding an executive order against the firm.

Karp, a litigator who has represented the likes of Citigroup, JPMorgan, and Bank of America, has led Paul Weiss for nearly two-decades, transforming it from a predominantly litigation firm to a \$2.6 billion operation and major player in corporate deal work. He also spearheaded the landing of Apollo Global Management, a key client that has boosted the firm's bottom line.

"Leading Paul Weiss for the past 18 years has been the honor of my professional life," Karp said in a statement. "Recent reporting has created a distraction and has placed a focus on me that is not in the best interests of the firm," he added.

Karp will "continue to focus his full-time attention to client service at the firm," the firm said on Wednesday.

Karp is longtime outside counsel to Citigroup—ushering it through the WorldCom and Enron collapses—and the National Football League, which he steered in long-running concussion-related litigation. His client list has included JPMorgan Chase, Morgan Stanley, Deloitte, ING, and Bear Stearns.

Karp also is an active fundraiser for the Democratic Party, who backed Kamala Harris in her White House bid and raised money for Andrew Cuomo's run for New York City mayor.

The new batch of documents released Jan. 30 showed that Karp helped Epstein protect his plea deal on sex trafficking charges against legal attacks in the months before Epstein died in jail.

The documents also showed Karp exchanging emails on a variety of other subjects, ranging from dinner plans to helping New England Patriots owner Robert Kraft find local counsel after his arrest. He also seemed to act as a sounding board for Epstein and a go-between for certain communications with former Apollo CEO Leon Black.

Karp's work for Apollo brought Karp into Epstein's orbit, according to the firm. Karp previously stated that his communications with Epstein were in regard to a multi-year fee dispute between Black and Epstein, who provided estate planning advice to Black's family office. Karp represented Black in navigating the dispute.

Barshay takes over the firm starting Wednesday. The longtime Cravath Swaine & Moore public company dealmaker jumped to Paul Weiss in 2016. Barshay, who now heads Paul Weiss' M&A team, has steered major deals for companies including Chevron Corp. and International Business Machines Corp.

(Adds reporting on Karp beginning in eighth paragraph.)

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Paul Weiss law firm Chairman Brad Karp resigns after Epstein emails released

 [reuters.com/business/finance/paul-weiss-chairman-brad-karp-resigns-2026-02-05](https://www.reuters.com/business/finance/paul-weiss-chairman-brad-karp-resigns-2026-02-05)

Mike Scarcella

February 5, 2026

Signage is seen outside of the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP in Washington, D.C., U.S., August 30, 2020. REUTERS/Andrew Kelly [Purchase Licensing Rights](#)  , [opens new tab](#)

- Karp faced scrutiny over his emails with Jeffrey Epstein
- He was criticized for pledging millions in free legal work to Trump
- Powerhouse law firm grew under Karp's 18-year leadership

Feb 4 (Reuters) - Brad Karp, longtime chairman of the powerful Wall Street law firm Paul Weiss, has resigned his top leadership role and will be replaced by partner Scott Barshay, the firm said on Wednesday.

Karp has faced scrutiny after [emails released](#) by the U.S. Department of Justice on Friday revealed extensive personal and business communications he had with the late convicted sex offender [Jeffrey Epstein](#).

In a statement released by Paul Weiss, Karp said "recent reporting" had created a distraction that was not in the firm's best interest. He did not immediately respond to a request for further comment.

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The firm had said on Tuesday that [Karp "regrets"](#) his interactions with Epstein.

KARP, FIRM HAVE BEEN CRITICIZED FOR DEAL WITH TRUMP

Karp, who has chaired the firm since 2008, attended dinners with Epstein and sought his help getting his son a job with a Woody Allen film production, according to the firm and a Reuters review of emails that were among millions of Epstein-related documents in the latest tranche released by the DOJ.

A litigator who helped grow Paul Weiss' annual revenues under his leadership to more than \$2.6 billion in 2024, Karp built a reputation as a defender of Wall Street while also championing social justice causes. As a Democratic Party fundraiser, he [helped rally lawyers](#) for Kamala Harris' failed 2024 presidential campaign against [Donald Trump](#).

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Karp met Epstein through his work representing Leon Black, co-founder and former chairman of Apollo Global Management.

The firm and Karp separately faced criticism for agreeing in March to pledge tens of millions of dollars in [free legal work](#) to causes supported by the White House in exchange for Trump rescinding an executive order targeting Paul Weiss.

Karp has [defended the deal](#) with Trump, saying the president's executive order threatened its survival. The order restricted Paul Weiss' government access and federal contracting work, citing its connections to his political enemies and its racial-diversity efforts.

Eight other firms later reached similar pro bono deals with the administration to avoid similar orders, pledging work worth nearly \$1 billion combined. Four rival law firms that were hit with Trump executive orders sued the White House and [won court rulings](#) striking down the measures.

Paul Weiss, which employs more than 1,000 lawyers, is known for its work representing major financial institutions such as Apollo and Citigroup in deals and litigation. Barshay, Karp's successor, previously chaired the firm's corporate department.

Reporting by Mike Scarcella, Mike Spector, Karen Freifeld, Karen Sloan and Mrinmay Dey; Editing by David Bario and William Mallard

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Bloomberg Law

Manage Newsletters

Whistleblower Lawyers Look to Long Term as SEC Rejects Cases

Feb. 4, 2026, 1:10 PM PST

Summary by Bloomberg AI

AI Generated



- DiCello Levitt is merging with SEC Whistleblower Advocates PLLC, a firm founded by Jordan Thomas, who helped write the rules for the SEC's whistleblower reward program.
- Thomas said his decision to join DiCello Levitt is about building "the next generation of SEC whistleblower attorneys" and ensuring his practice continues to grow.
- The merger comes as the SEC appears reluctant to pay out awards, with the agency denying awards in 31 consecutive cases between April and July of last year, and being on pace to award roughly \$40 million in 2025.

Chicago-based law firm DiCello Levitt is doubling down on financial whistleblower work by acquiring the practice of one of the most prominent attorneys in the field, even as the Securities and Exchange Commission appears reluctant to pay out awards.

DiCello Levitt is merging with the Washington-based SEC Whistleblower Advocates PLLC, the firms announced today. Jordan Thomas, who founded SEC Whistleblower Advocates in 2022, worked at the agency and helped write the rules for its whistleblower reward program before leaving to represent whistleblowers himself.

Thomas said his decision to join DiCello Levitt was about building "the next generation of SEC whistleblower attorneys," and ensuring his practice doesn't stop when he stops practicing. "It feels like it's the right firm to ensure that, 10 years from now, my firm doesn't die, my practice doesn't die, but that it will continue to grow," he said in an interview.

Combining with a larger firm will allow Thomas to guide his clients through the many newer whistleblower programs outside of the SEC, he said. The Internal Revenue Service, Justice Department, and the Commodity Futures Trading Commission also have whistleblower programs, as do regulators in certain states.

Thomas enjoyed rapid success after leaving the government in 2011. His clients received \$152 million of the first \$600 million the SEC program awarded after it was created by the 2010 to encourage tips on financial wrongdoing, according to documents obtained by Bloomberg Law.

Buying Low

Whistleblower cases have become more difficult over the past year as the SEC, led by Chairman Paul Atkins, is now more frequently denying awards in whistleblower claims. A Bloomberg Law analysis found that the agency denied awards in 31 consecutive cases between April and July of last year—the longest drought since the whistleblower program's inception.

The SEC was on pace to award roughly \$40 million in 2025, compared to an average of more than \$130 million per year between 2012 and 2022.

Attorneys for whistleblowers often get paid through a share of the rewards their clients receive. Adam Levitt, a founding partner at DiCello Levitt, said he's not worried about the slow down.

"You buy into the market when the market's low," he said in an interview. "We don't know how the Trump SEC is going to ultimately play out with these things, but we do take the long view. The current administration will not be the current administration forever."

The firm focuses on taking on clients with strong cases that have a high likelihood of success—regardless of which party is in control in Washington.

"This administration will not be assessing the tips that I'm bringing today," he said. "God help whistleblowers if they're represented by people who have that short-term worldview."

— With assistance from John Holland.

To contact the reporter on this story: David Schultz in Washington at dschultz@bloomberglaw.com

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Susman Godfrey, Keller Rohrback named co-lead in Apple AI suit

DJ [dailyjournal.com/articles/389645](https://www.dailyjournal.com/articles/389645)

Susman Godfrey LLP partner Rohit D. Nath and Keller Rohrback LLP partner William Dreher will serve as plaintiffs' lead counsel in a class action against Apple over its alleged use of copyrighted works to train its AI model, U.S. District Judge Yvonne Gonzalez Rogers ordered.

Gonzalez Rogers selected the duo after receiving applications from five law firms: Cotchett, Pitre & McCarthy LLP, Bleichmar Fonti & Auld LLP and the Joseph Saveri Law Firm, in addition to the two that were chosen.

In her order, published Jan. 30, Gonzalez Rogers said she made her decision based on the group's presentations at a Jan. 27 hearing, as well as "the Court's assessment of actual availability to diligently and efficiently advance this case given other commitments and the sources of litigation funding." *Hendrix et al. v. Apple Inc.*, 4:25-cv-07558 (N.D. Cal., filed Sept. 5, 2025).

Dreher and Nath moved to lead the case together, although Gonzalez Rogers said she'd consider splitting up group applications if she decided it was in the best interest of the plaintiffs.

The duo will serve as co-leads through the end of January 2027, at which point they can apply to be reappointed.

Nath has emerged as a main player in the relatively new field of AI copyright litigation. He worked on Susman Godfrey's team that helped plaintiffs secure a \$1.5 billion settlement against Anthropic for copyright violations in its AI training data, the first major settlement of its kind. Nath argued against Anthropic's motion for summary judgment on behalf of the plaintiffs, helping them survive the motion. He's also representing the Authors Guild in its copyright lawsuit against OpenAI in the Southern District of New York.

Dreher, a Seattle attorney who's been at Keller Rohrback since 2024, is listed on the firm's website as a lead in its AI practice group. He joined the firm after serving as a federal prosecutor for five years in the Western District of Washington.

Apple is represented by Latham & Watkins.

Now that class counsel have been appointed, plaintiffs have 14 days from Gonzalez Rogers' order to submit a consolidated complaint, according to a case calendar issued by the judge.

Plaintiffs, a group of authors, sued in September 2025, claiming Apple used pirated libraries that included copyrighted works to train its AI model, Apple Intelligence. Gonzalez Rogers consolidated the case with two other lawsuits filed a month later.

"Apple has copied the copyrighted works of Plaintiffs and the Class to train AI models whose outputs compete with and dilute the market for those very works-- works without which Apple Intelligence would have far less commercial value. This conduct has deprived Plaintiffs and the Class of control over their work, undermined the economic value of their labor, and positioned Apple to achieve massive commercial success through unlawful means," the initial complaint, filed by Benjamin B. Gould of Keller Rohrback, stated.

In the Anthropic case, retired U.S. District Judge William Alsup held that Anthropic's actions didn't constitute a fair use of the copyrighted works in question since the company obtained those books through a pirated library.

#389645

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AI Threatens a Wall Street Cash Cow: Financial and Legal Data

Stock market losses highlighted expanding risk of AI-driven disruption for financial services and sector's white-collar professionals

By [Alexander Osipovich](#) [Follow](#) and [Ben Dummett](#) [Follow](#)

Updated Feb. 4, 2026 4:53 pm ET



Fears about new developments in artificial intelligence swept through the stock market on Tuesday.

RICHARD DREW/AP

Quick Summary

- Shares of financial data companies like S&P Global and LSEG tumbled this week after Anthropic unveiled new AI tools.

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For years it seemed like a surefire business model: amass vast troves of financial data and sell it to Wall Street for a premium. Then Claude came along.

Shares of companies such as [S&P Global](#), [MSCI](#), [Intercontinental Exchange](#), [London Stock Exchange Group](#) LSEG **-0.14%** ▼ and [FactSet Research Systems](#) FDS **1.26%** ▲

all [tumbled this week](#) after fast-growing artificial-intelligence startup Anthropic unveiled a new suite of tools for automating legal tasks.

The [new legal plug-in](#) for Anthropic's Cowork assistant, powered by its AI model Claude, didn't seem to have much to do with financial data. Nonetheless, LSEG—which has spent years pivoting away from its traditional stock-exchange business to selling data and analytics—slid 13% on Tuesday, before inching lower on Wednesday.

S&P Global and FactSet were also hit with double-digit losses on Tuesday, while ICE and MSCI both fell more than 5%.

The losses highlighted the expanding threat of AI-driven disruption for financial services and the white-collar professionals who work in the sector.

In recent months, the sophistication of a new Claude-based tool [for writing code](#) rattled software engineers and raised concern about its impact on the broader tech industry. Anthropic's rollout of new legal tools added to similar fears for lawyers and hit the stock of companies that run legal-research databases, such as Thomson Reuters.

The selloff rippled out into a swath of other companies, as investors assessed which businesses are next in line for disruption by AI.

“The market has cast a very broad net as to which companies can be exposed to AI risk,” said UBS analyst Michael Werner. “You don't have to be in the crosshairs of this particular AI risk. You can be in the periphery.”

The rout has expanded to other corners of the software industry, such as outsourcing, where AI tools could reduce the need for human consultants. In India, shares of [Infosys](#) and [Tata Consultancy Services](#) both fell around 7% on Wednesday.

The drop this week isn't completely out of the blue. Investors had been souring on the software sector since late last year, months before this week's action. The price of the iShares Expanded Tech-Software Exchange-Traded Fund peaked in September and had slumped by nearly one-quarter before Tuesday.

“Is software dead” is the biggest question that investors should be asking themselves about the fallout from AI, Apollo Asset Management co-president John Zito said at a conference last fall. Apollo has largely been avoiding the software sector for months.

Not everyone thinks the selloff makes sense.

[Nvidia](#) Chief Executive Jensen Huang [said late Tuesday](#) at an [event hosted by Cisco](#) that it makes sense for AI to use existing tools to accomplish tasks, rather than reinventing them. “Would you use a hammer or invent a new hammer?” he asked.

“There’s a whole bunch of software companies whose stock prices are under a lot of pressure because somehow AI is going to replace them,” Huang said. “It is the most illogical thing in the world.”

Financial-data providers might seem like an unlikely target for AI-driven disruption, since many of the biggest ones derive their value from proprietary access to data and information feeds used by bankers and traders.

That had seemed like an impregnable advantage for S&P Global. Besides its well-known credit-ratings business, the New York-based company makes money by selling data products ranging from stock-market indexes to oil-price feeds to insurance-industry analytics.

Its share price soared more than fivefold in the decade ending in 2025, outpacing its own S&P 500 index, which roughly tripled over the same period. So far this year S&P Global is down around 11%, including Tuesday’s losses.

Lucrative opportunities in data attracted exchange operators, which saw subscription-based services as a way to earn stable recurring revenues.

LSEG pursued a [costly acquisition](#) of Refinitiv Holdings in an effort to challenge data-terminal powerhouse Bloomberg. Intercontinental Exchange grew its data business in areas such as bonds, mortgages and even trading signals based on the [chatter in Reddit forums](#).

Spokespeople for LSEG, ICE and S&P Global declined to comment. FactSet and MSCI didn't immediately respond to requests for comment.

Such companies have argued that, if anything, AI would increase the value of their services, making it easier to extract business insights and trading opportunities from the raw material of their data. Companies with proprietary data feeds say even AI tools must use the underlying information they provide to track the markets.

"AI cannot replicate or replace our real-time data," LSEG Chief Executive David Schwimmer said in October.

Corrections & Amplifications

Tata Consultancy Services was misspelled as Tata Consulting Services in an earlier version of this article. (Corrected on Feb. 4)

Watch: WSJ Interviews Anthropic's CEO in Davos

Alexander Osipovich is a London-based business, finance and economics reporter for The Wall Street Journal. He previously covered exchanges and cryptocurrencies.

Before joining The Wall Street Journal in 2016, he worked for The Moscow Times, Agence France-...

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Ben Dummett writes about dealmaking from The Wall Street Journal's London bureau. His coverage area extends across sectors and regions in EMEA.

Before that he worked in the Journal's Canadian bureau in Toronto where he reported on business an...

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Texas anti-ESG law declared unconstitutional by US judge

 [reuters.com/legal/government/texas-anti-esg-law-declared-unconstitutional-by-us-judge-2026-02-05](https://www.reuters.com/legal/government/texas-anti-esg-law-declared-unconstitutional-by-us-judge-2026-02-05)

Jonathan Stempel

February 5, 2026

A drone view of a pump jack and drilling rig south of Midland, Texas, U.S. June 11, 2025. REUTERS/Eli Hartman [Purchase Licensing Rights, opens new tab](#)

- Texas law targeted businesses boycotting fossil fuels
- Judge says law violated First Amendment
- Texas attorney general, comptroller not available for comment

Feb 5 (Reuters) - A federal judge declared unconstitutional a 2021 [Texas](#) law restricting state investments in companies seeking to rely less on fossil fuels or boycott that industry.

In a decision made public on Wednesday, U.S. District Judge Alan Albright said the law violated First Amendment free speech protections because it punished businesses for speaking about fossil fuels and associating with organizations that oppose fossil fuels.

Sign up [here](#).

The Austin, Texas-based judge also called the law known as Senate Bill 13 "facially overbroad" and "unconstitutionally vague," saying it invites and has already led to discriminatory enforcement.

"SB 13's definition of 'boycott energy companies' permits the state to penalize companies for all manner of protected expression concerning fossil fuels," wrote Albright, an appointee of U.S. President [Donald Trump](#).

Texas is the largest U.S. oil-producing state, and the largest Republican-led state to crack down on businesses whose environmental, social and governance (ESG) policies it opposes.

Senate Bill 13 was challenged by the American Sustainable Business Council, which said in an August 2024 [lawsuit](#) that the law illegally codified viewpoint-based discrimination that harms its more than 250,000 members.

Texas Attorney General Ken Paxton and former Texas Comptroller Glenn Hegar were named as defendants. The offices of Paxton and of Hegar's acting successor Kelly Hancock did not immediately respond to requests for comment on Thursday.

David Levine, president and co-founder of the ASBC, in a statement called the decision a "massive win" for sustainable businesses and investors.

"The court has affirmed what we've always known: you cannot punish businesses for their investment decisions or silence those who speak about climate risk," Levine said.

Reporting by Jonathan Stempel in New York; Editing by Mark Porter

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

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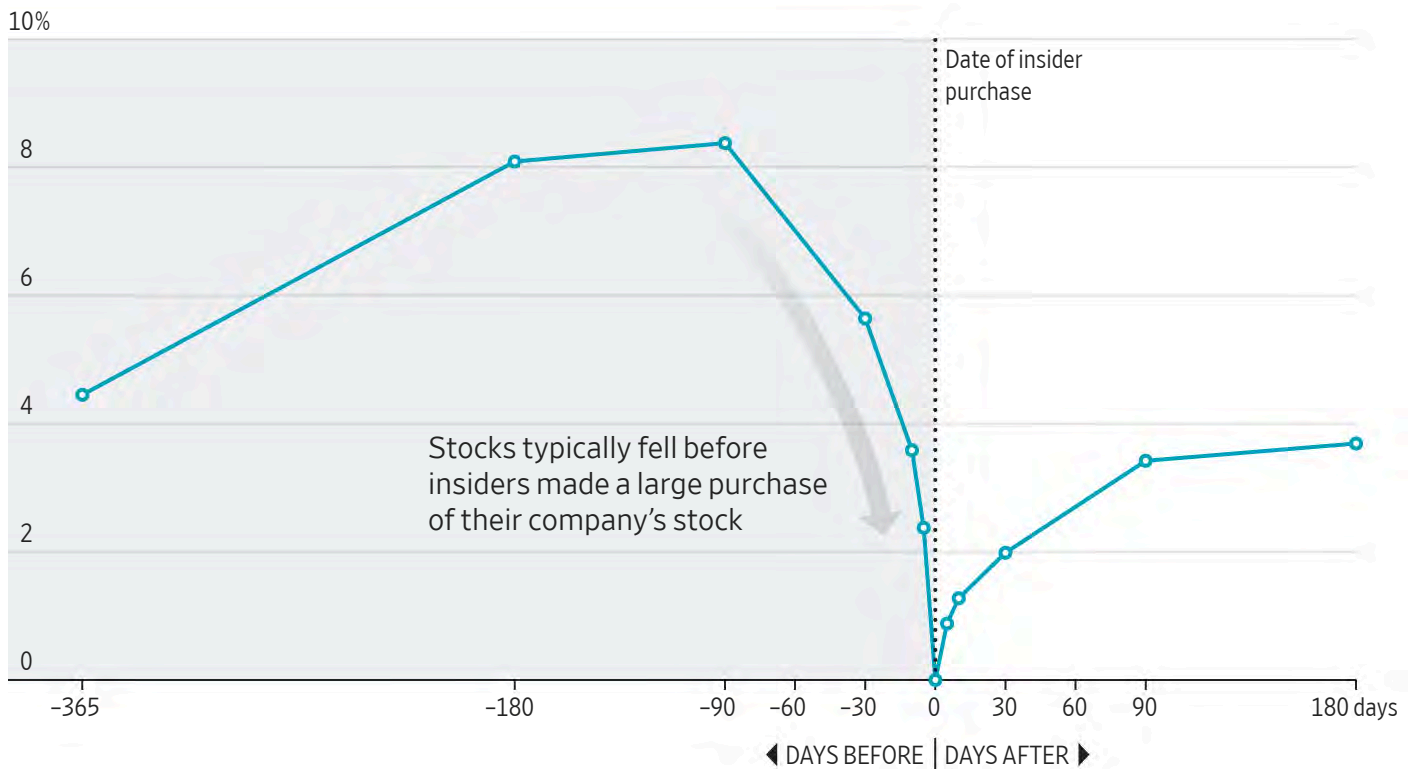
MARKETS & FINANCE | STOCKS

Is It Really a Good Sign When Executives Buy Their Own Stock? We Ran the Numbers

We looked at 1,400 insider purchases over the past five years to find out whether they give share prices a boost

Stock price relative to purchase price

Median change for 1,400 insider stock purchases



Source: Verity

By [Inti Pacheco](#) [Follow](#) and [Andrew Mollica](#) [Follow](#)

Feb. 4, 2026 7:00 pm ET

Days after [Nike](#) shares sank 11% on a December morning, the stock got a lift from someone who knows the sneaker giant well: Nike director—and [Apple](#) CEO—Tim Cook. He snapped up \$2.9 million in Nike shares, his first such purchase in two decades on Nike's board.

The trade was [one of several](#) by Nike insiders, including CEO Elliott Hill, who bought \$1 million in shares a week later. The show of support appeared to help. A month after Cook's purchase, Nike shares had climbed back to \$65, the price they were just before the December rout.

It doesn't always work out that way. When company executives and board members make big stock buys, investors often take it as a sign that insiders with firsthand knowledge believe the stock is undervalued and poised to rise. Whether that bears out—or provides a brief, mostly optical boost—is another story.

To find out how often these insiders get it right, we analyzed about 1,400 publicly disclosed insider purchases at S&P 500 companies over the past five years. Since 2020, insiders at 327 of them have spent a collective \$3.7 billion on stock purchases of more than \$100,000 each, according to data from financial research firm Verity.

Stock performance, one month before insider makes large purchase



Note: One purchase not shown had a performance of more than 100% one month prior to the purchase.

Source: Verity

Most purchases took place after the share price had declined over the previous 30 days, often after disappointing results or other negative news. In such instances, executives and directors often buy shares in clusters to amplify their vote of confidence in the strategy—as they did in a quarter of the trades analyzed, according to the Verity data.

The move generally works—to a point. Share prices climbed a median 2% a month after the insider purchases, but their recoveries tended to taper off after that. Just 15% fully rebounded from where

they had fallen in the 30 days before the share purchase.

“It sort of wears off,” said Ben Silverman, Verity’s head of research, of the bullish signal that insider purchases send to the market.

In Nike’s case, the share price has since slipped again, closing at \$64.22 on Wednesday. At [Intel](#) and [Netflix](#), insider stock purchases in recent years also led to mixed results.

Examples of insider buys

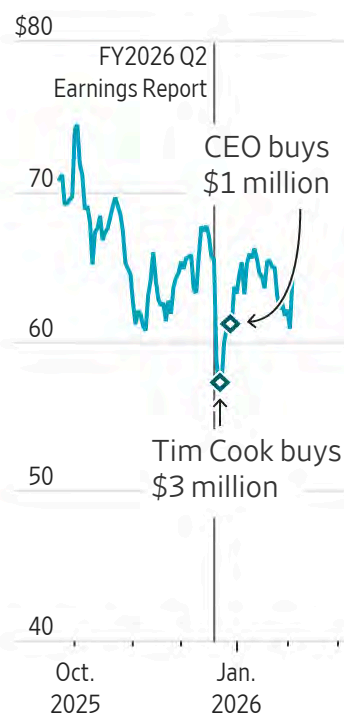
Intel share price, late 2021



Netflix share price, early 2022



Nike share price, late 2025*



*Nike share price as of market close on Feb. 4

Source: Verity (insider buys); FactSet (share price)

Several Intel insiders, including then-CEO Pat Gelsinger, bought company stock after a disappointing third quarter that drove the stock down in late 2021. Intel shares initially bounced back, but the company’s struggles eventually deepened and Gelsinger departed.

In early 2022, Netflix reported weak subscriber forecasts, triggering a 30% drop in the stock in a single day. Shortly after, then-CEO Reed Hastings purchased \$20 million in shares as a show of confidence. Still, the stock continued to decline for the next six months. (Netflix shares have since doubled from the January 2022 price.)

Here’s how all 1,400 insider trades performed, comparing the share price 30 days before and after the purchase:

Inti Pacheco is a data reporter for The Wall Street Journal focusing on corporate news. He previously worked as an investigative reporter for Univision News and Columbia University's Graduate School of Journalism.

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Andrew Mollica is a graphics reporter at The Wall Street Journal. Before joining the the Journal, he was an economist at the Bureau of Labor Statistics in Washington, D.C., and a data and graphics journalist at the Milwaukee Journal Sentinel.

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Elon Musk Can't Shake SEC's Suit Over Twitter Stock Purchases

Elon Musk argued that the securities law underpinning the SEC's case—Section 13(d) of the Securities Exchange Act, which required him to disclose when he had purchased 5% of stocks in what was then known as Twitter—unconstitutionally forces filers to speak against their will. A Washington, D.C. federal judge disagreed.

February 04, 2026 at 03:44 PM By **Alyssa Aquino**



Elon Musk. Photo: Steve Jurvetson via Wikimedia Commons

Elon Musk continues to face both regulatory and shareholder heat over his late disclosure of Twitter share purchases in the lead-up to buying the company, after a Washington, D.C., federal court refused to dismiss a U.S. Securities and Exchange Commission case against the billionaire.

In an attempt to shake off the enforcement case, Musk's Quinn Emanuel Urquhart & Sullivan legal team challenged the securities law underpinning the SEC's case—Section 13(d) of the Securities Exchange Act, a statute requiring parties that acquire more than 5% of a public company's stock to publicly disclose the purchase and whether the transaction was meant to help them obtain a controlling stake in the company. They argued the requirement forced filers to speak against their will and disclose their investment positions.

But U.S. District Judge Sparkle Sooknanan rejected the argument and found the disclosure requirement constitutional.

“The Court does not doubt that Mr. Musk would prefer to avoid having to disclose information that might raise stock prices while he makes a play for corporate control,” U.S. District Judge Sparkle Sooknanan wrote on Tuesday. “But the balance Congress struck in Section 13(d) does not violate the First Amendment.”

The judge analyzed the requirement under the so-called Central Hudson test, which established that the government can regulate commercial speech if there is a substantial government interest that is directly advanced by the regulation, and if the restriction isn’t broader than necessary.

Musk’s team argued that there could have been less restrictive alternatives to Section 13(d), such as removing the requirement for filers to disclose whether they intended on taking over a company.

But Sooknanan also rejected that argument.

“Mr. Musk may well have regulated differently had he served in the enacting Congress. But that does not mean the statute Congress passed is unconstitutional,” she said.

Representatives for Musk and the SEC didn’t immediately respond to Wednesday requests for comment.

The SEC’s case is one of at least two lawsuits against the billionaire businessman over when he disclosed his increasing Twitter ownership. After its \$44 billion sale to Musk, the company has been rebranded as X.

According to court records, Musk began purchasing Twitter stock in early 2022 and hit the 5% reporting threshold on March 14. He did disclose his ownership on April 4, when he owned more than 9% of all shares, after which Twitter’s stock price leapt by over 27%.

The SEC claims that by delaying his disclosure, Musk was able to pay \$150 million less for the shares he purchased after the reporting deadline.

Significantly, [the lawsuit](#) was filed days before President Donald Trump took office and years after shareholders filed a similar case in the Southern District of New York.

Musk’s attorney, Alex Spiro, denounced the SEC case as “a sham,” saying that Musk’s alleged failure “to file a single form” was an offense that carries a nominally penalty, if proven.

That shareholder case has already advanced to the class certification stage, with the Bernstein Litowitz Berger & Grossmann-represented Oklahoma Firefighters Pension and Retirement System seeking to represent a class of investors.

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Bloomberg Law

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Elon Musk Alone Can't Explain Tesla's Owner Exodus

Feb. 5, 2026, 2:37 AM PST

Summary by Bloomberg AI AI Generated



- Tori Horowitz traded her Tesla Model S for an electric Audi Q4 e-tron due to her dislike of Tesla co-founder and CEO Elon Musk.
- Tesla's sales declined 9% worldwide in 2025, with US sales falling 7% from 2024, amid a broader slowdown in EV sales and increased competition from other manufacturers.
- The company faces challenges including outdated technology, inferior components, and lackluster customer relations, with many former owners citing these issues as reasons for switching to other brands.

Tori Horowitz loved her 2021 Tesla Model S. "It worked for my life because I'm in my car all the time," says the realtor, who drives weekly from Los Angeles 80 miles north to Ojai, California. "It felt efficient. It was zippy. It was intuitive. It was exactly what I needed."

But she didn't love the reputation of Tesla co-founder and Chief Executive Officer Elon Musk, who's [polarized consumers](#) by engaging in [public spats](#) with [presidents](#) and [endorsing an antisemitic post on X](#), the social media site he owns. In 2024 he was [sued for sexual harassment](#) and accused of erratically using ketamine and other drugs. (Musk has denied the accusations of harassment and [said that he took ketamine under prescription](#) years ago but not since. He did not respond to a request for additional comment. A representative for Tesla did not respond to multiple requests for comment.)

By 2024, Horowitz had traded her Model S for an electric [Audi Q4 e-tron](#). "I was not cool with supporting, or telegraphing supporting, him," she says.

Horowitz is not alone. Customer-experience measurer Creative Strategies cited owner frustration with Musk as a distinct vulnerability for Tesla back in 2022. Research firm Escalent found in a 2021 study of EV owners that Musk was considered among the top drawbacks of the brand.

"Tesla would do a lot better if it wasn't polarizing in that way, on either side," says Anthony Salerno, senior vice president of automotive analytics at J.D. Power, a global analysis and consumer intelligence firm.

Sales results show Tesla Inc. is indeed struggling even as its fourth-quarter adjusted earnings [exceeded analysts' estimates](#). In 2025, sales [declined](#) 9% worldwide. US sales fell 7% from 2024, according to Cox Automotive; in California, its biggest US market, the percentage of Teslas among all newly registered vehicles dropped to under 10% in 2025, down from 11.6% in 2024, [according](#) to Experian.

But the reasons behind Tesla's struggles are much more complicated than mere dislike of Musk.



Tesla vehicles at the Montreal Auto Show on Jan. 15, 2026.

Photographer: Graham Hughes/Bloomberg

There's been a broader slowdown in EVs worldwide. Growth in global sales of electric vehicles is expected to [slow](#) again [in 2026](#) , according to BloombergNEF, which predicts an increase of only 12% from a year earlier – [weaker than](#) the 23% sales growth in 2025. (Compare that with 2024, when EV and plug-in hybrid sales [climbed](#) 26%, and it was 34% in 2023, according to Bloomberg's Electric Vehicle Outlook.)

The mood around EVs can be attributed to many factors, such as the loss of federal tax credits in 2025; the end of emissions waivers and revenues from carbon credits; and diminished [aftermarket values](#) as consumers [fear battery degradation](#) and [anticipate quickly evolving technologies](#) . Even China is [ending some subsidies](#) , and Europe has scaled back on attempts to [eliminate combustion engines](#) . Inefficiencies in charging still stymie many owners, even as the infrastructure [expands](#) in the US and Tesla's Supercharger network is widely recognized as the best available.

It's not uncommon for EV owners to find their way back to combustion. "I just missed having the tactile experience," says Christian Delise, a Denver resident who put more than 50,000 miles on his 2013 Model S before giving it up for [a Porsche Panamera GTS](#) in 2022. "I don't mind if my Panamera is slower; I still love the sound."

Still, more than two-thirds of consumers who leave Tesla switch to another EV, according to S&P Global. That highlights one of the biggest problems for Tesla: These days, there are plenty of other EVs to choose from.

The company faces intense competition from legacy and Chinese manufacturers. Today, there are more than 100 EV models for sale in the US, according to data from Argonne National Laboratory. Tesla's US market share dipped below 50% for the first time [in 2024](#) –a sign that its first-mover advantage has faded since it delivered the first Roadster in 2008 and the Model S in 2012. The company's brand value dropped to \$43 billion in 2025, down 26% from 2024, according to consultancy Brand Finance; Chinese automaker [BYD](#) has passed it as the bestselling EV manufacturer in the world.



A 2026 Hyundai Ioniq 9 electric vehicle on a test track at the 2025 New York International Auto Show.

Photographer: Bing Guan/Bloomberg

"Back then, the brand was more than just the vehicle," says Tom Libby, a consultant at S&P Global Mobility and the author of its Tesla brand loyalty report. "It was perceived as a leader, and the vehicles themselves were leading-edge EVs, although they are not necessarily at the forefront anymore."

The company is having to cope with its portfolio of [aging](#) models. Tesla hasn't launched a fully new model since the Cybertruck in 2023, and Musk announced on Jan. 28 that it will soon discontinue its two oldest vehicles, the Model S and Model X (which started deliveries in 2015). It's expected to start production of a ride-hailing Cybercab vehicle and share more details about a next-generation Roadster, initially unveiled in 2017, [later this year](#).

"A big driver for the decline is lack of new products," says Stephanie Valdez Streaty, director of industry insights at Cox Automotive. "Any automaker that doesn't have new products is going to lose market share. Tesla needs new products."

Other issues, such as outdated technology and inferior components, came up as common complaints in my conversations with more than a dozen former and current Tesla owners.

Electric vehicles in general are notorious for poor build quality. According to Consumer Reports, they are 80% more likely to have problems than conventional cars, and it's notable that this year EV competitor Rivian is rated the least reliable automaker of all. (A spokesperson for Rivian did not respond to a request for comment.) In 2025, Consumer Reports ranked the Tesla Model 3 as the 10th-most-reliable EV behind frontrunners from Lexus, Hyundai and Porsche and the highest of any Tesla on the list. (A spokesperson for Tesla did not respond to a request for comment regarding the quality of Tesla vehicles.)

Multiple owners also mentioned that lackluster customer relations led them away from the brand, and there's no shortage of Reddit threads expanding on this. Last summer, fed up with "dealing with Tesla customer service" and the inconvenience of getting to service stations an hour away from his home in Kingston, New York, Oresti Tsonopoulos sold his 2018 Tesla Model 3 and 2020 Tesla Model Y and got a Hyundai Ioniq 9. "It was nice to consolidate from those two cars," he says, adding that although the price on the Ioniq 9 was comparable, to him the Hyundai represented a better overall value.

Such defections are typical, according to S&P Global, which reports that many people then choose vehicles with similar or higher prices. "Tesla defections are not cost-driven," Libby wrote in his report. "Households are choosing alternative vehicles in comparable or higher price bands – often for differences in format, capability, or brand – rather than trading down for affordability."



"I don't mind if my Porsche Panamera is slower" than a Tesla, says Colorado resident Christian Delise. "I still love the sound, and the air suspension is still second to none."

Photographer: Christian Burke

For its part, Tesla may looking further ahead. It's [increasingly](#) focusing on robotics, and Musk has said that Tesla will eventually derive 80% of revenue from [Optimus](#), a robot trained [for repetitive tasks](#). There are also indications Musk [could merge Tesla with his artificial intelligence company, xAI, or with SpaceX, his rocket company](#). Musk plans to merge SpaceX with xAI, Bloomberg [reported](#) on Monday.

The new focus could be the path toward regaining some of the brand's prodigal customers, who still see Tesla vehicles as mules for cutting-edge software. "The excitement from Tesla is gonna come in the form of technology," says J.D. Power's Salerno. Meanwhile, after its deepest dip last spring, brand loyalty for Tesla has started to inch back up, possibly boosted by [aggressive incentives](#) and Musk's more subdued persona, says S&P's Libby.

In Venice, California, Brett Baer says he would consider driving his Tesla again if Musk delivers on the autonomous driving he's been championing publicly since 2015. Despite its nomenclature, Tesla's current system called Full Self-Driving (Supervised), or FSD, is not fully autonomous. The company is facing a possible suspension of its sales license in California after the state's Department of Motor Vehicles accused it of [misleading consumers](#) about the automated-driving capabilities of its vehicles. (In a post on X on Dec. 16, Tesla North America said it was a "consumer protection order about the use of the term 'Autopilot' in a case where not one single customer came forward to say there's a problem." The company did not respond to a request for additional comment.)

For the most loyal customers, hope springs eternal, says Salerno. The fewer disruptions from billionaire CEOs, the better.

"Full self-driving is something that Tesla will conquer and probably do it better than anyone else," he says. "Honestly, I think Elon just needs to focus on the business and get rid of the distractions in his life."

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'It's On Fire. Help Please'

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Dana Hull, Madlin Mekelburg

February 5, 2026



A crash scene involving a Tesla and resulted in a fatality. The crash took place in Easton, MA on October 29, 2025.

Credit: Easton Police Department

Summary by Bloomberg AI

AI Generated



- Samuel Tremblett pleaded with a 911 operator to be rescued from his burning Tesla Model Y SUV after a crash, saying "I can't get out, please help me" and "I am going to die."
- A lawsuit filed Wednesday alleges that Tremblett died after he was unable to open the electrically powered doors on his Tesla vehicle after the crash, and that he was trapped inside and died from thermal injuries and smoke inhalation.
- Tesla is facing multiple lawsuits over crashes that allegedly involved door-related entrapment, and the company's electric handles have attracted global scrutiny, with regulators in China and Europe taking steps to address the issue and a US lawmaker proposing legislation to require manual door releases.

By Dana Hull and Madlin Mekelburg

(Bloomberg) --

[Samuel Tremblett](#) pleaded with a 911 operator to be rescued from his burning Model Y SUV after a crash in October: "I can't get out, please help me."

The transcript of the 20-year-old's emergency call was included in a [lawsuit](#) filed Wednesday, the latest to allege that a driver or passenger died after they were unable to open the electrically powered doors on their Tesla vehicle after a crash.

"It's on fire. Help please," Tremblett said, according to the lawsuit. "I am going to die."

Details of the crash were previously reported by Bloomberg News as part of a wide-ranging investigation into the hazards of electric door systems, which can fail and trap occupants inside vehicles, particularly after a crash. The reporting uncovered [at least 15 deaths](#) in a dozen incidents over the past decade in which occupants or rescuers were unable to open the doors of a Tesla that had crashed and caught fire.

After Tremblett survived the initial impact of the collision, which occurred in a town about 30 miles outside of Boston, his remains were found in the back seat, according to a police report of the incident.



A crash scene involving a Tesla and resulted in a fatality. The crash took place in Easton, MA on October 29, 2025.

Credit: Easton Police Department

"Unable to open the doors, Mr. Tremblett was trapped in the Tesla vehicle and died from thermal injuries and smoke inhalation before he was able to be rescued," according to the complaint filed Wednesday in Massachusetts federal court.

Tesla didn't respond to a request for comment.

Tremblett's mother, Jacquelyn Tremblett, a guidance counselor, said in a statement that she is devastated by the company's failure to address the issue.

"How could Tesla keep selling vehicles that they know trap people inside their cars after a crash? They could have fixed it, but they refused," she said in a statement. "The people who did this must face consequences and the public needs to know how dangerous Tesla vehicles are in a crash."

A top Tesla executive said in September that the company was working on a redesign of its door handles. In December, Tesla updated its website to say that after a serious collision is detected, hazard lights will turn on to increase visibility and "doors will automatically unlock for emergency access."

Read More: [Tesla Doors Can Trap People Desperate to Escape](#)

Tesla is facing multiple lawsuits over crashes that allegedly involved door-related entrapment, including cases filed last year in [Washington state](#) and [Wisconsin](#).

The company was [sued in October](#) over claims that defects in the doors of a crashed Cybertruck in Piedmont, California, made it a "death trap" by preventing three college students from escaping before they died of smoke inhalation.



A memorial for three college students who died in a Cybertruck crash in Piedmont, California.
Photographer: David Paul Morris/Bloomberg

Tesla vehicles have two batteries: a low-voltage battery that operates interior functions like windows, doors and the touchscreen, and the high-voltage pack that propels the car. If the low-voltage battery dies or is disabled, the doors may not unlock and must be operated manually from the inside. While there are mechanical releases inside Teslas, many owners and passengers are unfamiliar with where they're located or how to operate them.

Global Scrutiny

Electric handles — which were popularized by Tesla and are now found in dozens of models from many automakers — have attracted global scrutiny in recent months. China issued new safety rules [banning concealed exterior handles](#) and requiring mechanical releases, while European regulators have said they intend to accelerate rulemaking on the matter.

In September, days after Bloomberg's initial investigation into Tesla's handles, the disclosed that it was probing possible defects in certain Model Y SUVs, citing incidents in which exterior handles stopped working and trapped children and other occupants inside. In December, NHTSA said it would evaluate a request for a defect probe that was filed by a Georgia man who had to kick his way out of his burning Model 3 sedan.



A door handle on a Tesla Model Y.

Photographer: David Paul Morris/Bloomberg

A US lawmaker in January [proposed legislation](#) that would require manual door releases in new cars as well as means for first responders to gain access to vehicles when power is lost.

[The case](#) is Tremblett v. Tesla, 1:26-cv-10567, US District Court, District of Massachusetts (Boston).

(Updates with statement from victim's mother.)

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Peter Blumberg, Ryan Beene

Volkswagen overtook Tesla as Europe's top EV seller in 2025

 [reuters.com/business/autos-transportation/volkswagen-overtook-tesla-europes-top-ev-seller-2025-2026-02-05](https://www.reuters.com/business/autos-transportation/volkswagen-overtook-tesla-europes-top-ev-seller-2025-2026-02-05)

Reuters

February 5, 2026

A Volkswagen ID. UNYX electric vehicle (EV) is showcased at a Volkswagen media event in Beijing, China April 24, 2024. REUTERS/Josh Arslan/File Photo [Purchase Licensing Rights](#)  , [opens new tab](#)

[\(VOWG.DE\)](#)  , [opens new tab](#) overtook Tesla [\(TSLA.O\)](#)  , [opens new tab](#) in sales of fully-electric cars in Europe in 2025, data from JATO Dynamics showed on Thursday, another setback for the U.S. automaker after China's BYD [\(002594.SZ\)](#)  , [opens new tab dethroned it](#) as the world's top EV maker last year.

JATO said sales of Volkswagen brand battery electric vehicles (BEVs) in Europe rose 56% last year versus 2024 led by strong sales of its new ID.7.

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Registrations of Tesla cars, on the other hand, dropped 27% in the same period.

Volkswagen sold 274,278 BEVs in Europe last year while Tesla sold 236,357, according to JATO data.

Tesla's small, ageing car lineup faces tough competition in Europe from both traditional European automakers and a rising number of Chinese rivals. The company also faced a consumer backlash in Europe over CEO Elon Musk's backing of far-right parties on the continent.

EVs made a "significant step forward" in Europe in 2025, JATO Dynamics said, with fully-electric car registrations jumping 29% compared to the previous year.

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Overall cars registrations grew by just 2.3% in 2025, the data showed.

The report included data from 28 European countries, including non-EU members Norway, Switzerland and Britain, but excluding Bulgaria and Malta.

Reporting by Javi West Larrañaga; editing by Nick Carey

Peloton shares tumble as demand slump hits revenue outlook

 [reuters.com/business/peloton-flags-soft-third-quarter-revenue-subdued-demand-shares-slump-2026-02-05](https://www.reuters.com/business/peloton-flags-soft-third-quarter-revenue-subdued-demand-shares-slump-2026-02-05)

Abhinav Parmar

February 5, 2026

A Peloton exercise bike is seen after the ringing of the opening bell for the company's IPO at the Nasdaq Market site in New York City, New York, U.S., September 26, 2019. REUTERS/Shannon... [Purchase Licensing Rights, opens new tab](#) Read more

Feb 5 (Reuters) - Peloton Interactive forecast third-quarter revenue below Wall Street estimates on Thursday, citing weak demand for its fitness equipment, sending its shares down about 23% to their lowest level in roughly 18 months.

The New York-based maker of exercise bikes and treadmills has struggled with softer equipment sales even as it rolls out cost-cutting measures as part of a broader turnaround under CEO Peter Stern.

Sign up [here](#).

Peloton projected third-quarter revenue between \$605 million and \$625 million, below analysts' average estimate of \$638.4 million, according to data compiled by LSEG.

"Lower-than-expected Connected Fitness Product sales to existing members weighed on results," analysts at Bernstein wrote in a note.

CFO Liz Coddington said longer-than-expected delivery times delayed roughly \$4 million of revenue recognition into the third quarter.

Membership on Peloton's subscription-based fitness platform fell more than 6% year over year to 5.8 million in the second quarter.

Persistently high prices have weighed on U.S. consumers, with consumer confidence falling to its [lowest level](#) in more than 11-1/2 years in January, data showed.

The company has been rolling out cost cuts and said in January [it cut 11% of its workforce](#) and has raised prices for equipment and subscriptions since Stern took the helm.

Peloton also said Coddington will leave to pursue other opportunities. She will remain through March while the company searches for its next finance chief.

The at-home exercise equipment maker reported a wider-than-expected second-quarter loss of 9 cents per share, compared with analysts' expectations for a 6-cent loss.

Revenue for the quarter ended December 31 came in at \$656.5 million, missing analysts' estimates of \$674.3 million.

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Abhinav writes stories across the U.S. Manufacturing file with a focus on the Transportation sector. When not chasing deadlines, Abhinav enjoys exploring global cuisines and trekking through the countryside.

Bitcoin slump shakes companies that jumped on crypto-hoarding bandwagon

 [reuters.com/markets/wealth/bitcoin-slump-shakes-companies-that-jumped-crypto-hoarding-bandwagon-2026-02-05](https://www.reuters.com/markets/wealth/bitcoin-slump-shakes-companies-that-jumped-crypto-hoarding-bandwagon-2026-02-05)

Hannah Lang

February 5, 2026

A bitcoin light is displayed at the "Bitcoin Treasuries Unconference" cryptocurrency event, in New York City, New York, U.S., September 17, 2025. REUTERS/Joy Malone [Purchase Licensing Rights, opens new tab](#)

- Trump's policies initially boosted crypto investments, now facing pressure from Fed changes
- Strategy's shares plummet, impacting earnings forecast for 2025
- Smarter Web Company shares fall nearly 18%, joining other struggling crypto firms

Feb 5 (Reuters) - Turbulence in the cryptocurrency market is dragging down shares of companies that hold bitcoin and other digital assets on their balance sheets, sparking concerns over potential broader strains in the sector.

The number of publicly traded companies investing in cryptocurrencies in the hope they would appreciate boomed last year.

Sign up [here](#).

Many were buoyed by U.S. President Donald Trump's crypto-friendly stance and inspired by the meteoric success of billionaire Michael Saylor's Strategy ([MSTR.O](#)).  [, opens new tab](#), which started out as software company MicroStrategy and began buying and holding bitcoin in 2020.

However, concerns over the valuations of artificial intelligence companies and uncertainty over the path of U.S. Federal Reserve rate cuts are weighing on risk assets, pushing bitcoin to its lowest level since November 2024 and sending many "digital asset treasury" or DAT companies wobbling.

Shares in Strategy, the best known of these bitcoin buyers, have fallen from \$457 in July to as low as \$111.27 on Thursday, the lowest since August 2024. Strategy was last trading down more than 11% on the day.

Strategy did not immediately respond to a request for comment.

In December, Strategy [slashed its 2025 earnings forecast](#), citing a weak run in bitcoin, and announced plans to create a reserve to support dividend payments. The company said it expected to report earnings between a \$6.3 billion profit and \$5.5 billion loss for the full year, compared to its previous forecast of a net profit of \$24 billion.

Shares of the UK's Smarter Web Company ([SWC.L](#))  [opens new tab](#), another bitcoin buyer, were also hard-hit on Thursday, down nearly 18%. Rival bitcoin buyers Nakamoto Inc ([NAKA.O](#))  [opens new tab](#) and Japan's Metaplanet ([3350.T](#))  [opens new tab](#) fell almost 9% and more than 7%, respectively.

Bitcoin is [down nearly 20%](#) since the start of the year, with selling pressure intensifying after Trump nominated Kevin Warsh as the next Fed chair, which analysts have said could lead to a smaller Fed balance sheet - a negative for risk assets like cryptocurrencies.

Bitcoin has wiped out all of its gains since the election of Trump, who pledged on the campaign trail to overhaul policies toward digital assets. The world's biggest cryptocurrency was last trading at \$67,651.

"As Bitcoin continues its slide below the psychological barrier of \$70,000, it's clear the crypto market is now in full capitulation mode," said Nic Puckrin, investment analyst and co-founder of crypto analysis platform Coin Bureau.

"If previous cycles are anything to go by, this is no longer a short-term correction, but rather a transition... and these typically take months, not weeks."

COMPANIES STOCKPILING OTHER TOKENS ALSO SLIDE

While institutional investors can buy tokens directly, DATs offer the chance to leverage returns and let more cautious investors gain crypto exposure through regulated public firms.

Still, sustained pressure on the shares of crypto treasury companies could complicate the ability of these firms to raise additional capital to buy more crypto tokens, the crux of their business model.

Many executives at such firms say their success will be rooted in their ability to make smart investing decisions and are looking for new ways to boost shareholder value, [Reuters previously reported](#).

Companies stockpiling other crypto tokens were also trading lower on Thursday. Alt5 Sigma, a company that announced last year it would stockpile the Trump family's WLFI token, was down 8.4%. SharpLink Gaming, which holds ether, was

down 8%, while Forward Industries, which holds solana, was down nearly 6%.

Reporting by Hannah Lang in New York; Editing by Nia Williams

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Hannah Lang covers financial technology and cryptocurrency, including the businesses that drive the industry and policy developments that govern the sector. Hannah previously worked at American Banker where she covered bank regulation and the Federal Reserve. She graduated from the University of Maryland, College Park and lives in Washington, DC.

- X

US House panel issues subpoena to Coupang as part of probe

 [reuters.com/business/retail-consumer/us-house-panel-issue-subpoena-coupang-part-discrimination-probe-2026-02-05](https://www.reuters.com/business/retail-consumer/us-house-panel-issue-subpoena-coupang-part-discrimination-probe-2026-02-05)

Reuters

February 5, 2026

FILE PHOTO: Coupang logo is seen in this illustration taken February 11, 2025.

REUTERS/Dado Ruvic/Illustration/File Photo/File Photo [Purchase Licensing Rights](#), [opens new tab](#)

Feb 5 (Reuters) - The House Judiciary Committee on Thursday issued a subpoena to Coupang ([CPNG.N](#))  [opens new tab](#) as part of its ongoing probe into alleged discrimination against U.S. companies, seeking communications between the e-commerce firm and the South Korean government. The panel also called on the company to testify.

"Coupang will fully cooperate with the U.S. House Judiciary Committee investigation, including production of documents and witness testimony as required by the subpoena," the company said in a statement.

Representatives for Seoul could not be immediately reached for comment.

The Republican head of the committee, Representative Jim Jordan, in a statement pointed to U.S. President Donald Trump's trade deal with South Korea and accused the Asian ally of a "sharp escalation" that "directly conflicts with its recent commitment to avoid discriminatory treatment and the creation of unnecessary barriers for U.S. digital service providers."

Reporting by Christian Martinez; Editing by Susan Heavey

Litigation

Shareholders Lawyer Says Rejecting Advance-Notice Bylaw Claims has Created a 'Perverse Gap' in Delaware Law

Lori Marks-Esterman, chair of Olshan Frome Wolosky's litigation practice, argued the Court of Chancery was wrong to call the claims hypothetical, to find that judicial review wasn't available unless and until a stockholder triggered enforcement of the bylaws by putting a nominee forward, and to reach a ripeness finding based on defense-friendly merits findings that contradicted the allegations made in the complaint.

February 05, 2026 at 09:55 AM By  **Ellen Bardash**



Lori Marks-Esterman, chair of Olshan Frome Wolosky's litigation practice. Courtesy photo

The Delaware Supreme Court heard argument Wednesday from counsel for shareholders who claim they don't need to have proposed director nominees and had those nominees rejected to be harmed by two corporations' advance notice bylaws.

The appeal consolidated two cases, one involving energy company AES Corp. and the other building material developer Owens Corning, which the Court of Chancery separately dismissed on ripeness grounds. Both cases brought breach of fiduciary duty claims related to board adoption of

advance notice bylaws, claiming the bylaws were intended only to hinder future attempts at proxy contests launched by shareholder activists in the wake of the SEC's universal proxy rule change.

Lori Marks-Esterman, chair of Olshan Frome Wolosky's litigation practice, argued Wednesday for the shareholder appellants that the Court of Chancery was wrong to call their claims hypothetical, to find that judicial review wasn't available unless and until a stockholder triggered enforcement of the bylaws by putting a nominee forward, and to reach a ripeness finding based on defense-friendly merits findings that contradicted the allegations made in the complaint.

"In total, the court's approach creates a perverse gap in Delaware fiduciary law," Marks-Esterman said. "Boards can adopt entrenching bylaws, immediately chill stockholder communications and nominations and yet evade twice tested equitable review. This is not and cannot be the law in Delaware."

Jones Day partner Marjorie Duffy, arguing for AES and Owens Corning, said the Supreme Court made clear in its 2024 decision in *Kellner v. AIM Immunotech* that equitable review of challenges to advance notice bylaws is intended for real-world disputes.

"We have no such dispute here," Duffy said. "Instead, we have a science experiment. We have a supposed enforcement challenge to a bylaw that isn't being enforced."

Justice Karen L. Valihura asked Marks-Esterman whether allowing the case to proceed risks opening the floodgates to litigation challenging bylaws of any type despite a lack of any pending or imminent proxy fight. Marks-Esterman responded that the line on whether those claims are ripe is whether there are well-pled allegations that a board acted with improper intent and that the bylaw in question is presently having a deterrent effect. Both of those factors, she said, apply to the AES and Owens Corning bylaws.

"The bylaws contain pernicious provisions: wolfpack language, acting in concert, required disclosures of limited partners, and the list goes on," Marks-Esterman said during rebuttal. "Those impair a stockholder's ability to challenge corporate control, and so while the mechanism is different than a pill or a proxy put, the impact on all stockholders is the same."

Duffy said the idea that the adoption of the bylaws is deterring shareholders but may never result in a challenge in the context of a specific nomination dispute is speculation, and granting reversal based on the plaintiff's theory would allow "a tsunami" of claims that would waste already limited judicial resources on deciding cases that would have no significant, current impact.

"We know that there are activists who are regularly submitting nominations," she later said in response to a question from Chief Justice Collins J. Seitz Jr. "You can see that the activism has

not simply abated after the enactment of the universal proxy rule and after companies made revisions to their advance notice bylaws, so empirically, we know that that is not true."

Page printed from: <https://www.law.com/delbizcourt/2026/02/05/shareholders-lawyer-says-rejecting-advance-notice-bylaw-claims-has-created-a-perverse-gap-in-delaware-law/print/>

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9th Circ. Reopens Funko Investors' Securities Class Action

By **Ben Adlin**

Law360 (February 4, 2026, 9:41 PM EST) -- A Ninth Circuit panel Wednesday revived a proposed securities class action against toy-maker Funko Inc. and two former executives, ruling that shareholders sufficiently alleged that some company statements about its handling of millions of dollars of dead inventory were false and misleading.

In partially reversing a Washington district court's **2024 dismissal** of the suit, judges said the investors plausibly claimed Funko lied in multiple risk disclosures in 2022 about tens of millions of dollars' worth of excess toys the company eventually wrote off.

The ruling reinstated the investors' claims around the company's statements regarding its ability to manage inventory, denying that they were forward-looking statements protected under the federal Private Securities Litigation Reform Act.

Writing for the panel, U.S. Circuit Judge Salvador Mendoza Jr. said the relevant question is whether the allegations "allow for the reasonable inference that risk disclosures created an impression of a state of affairs that differed in a material way from the one that actually existed."

The answer, he wrote, is yes.

"By telling investors in March, May, August, and November 2022 that the company 'must also avoid accumulating excess inventory,' that there is a risk of 'having excess inventory that it may need to hold for a long period of time,' and that 'if it is not successful in managing its inventory, its business, financial condition and results of operations could be adversely affected,' the panel ruled, 'Funko implied that it was not presently experiencing those issues.'"

At the time, however, Funko was allegedly shipping the wrong inventory, misplacing hundreds of shipping containers' worth of vinyl figurines and scrambling to find room to store dead stock.

"A reasonable investor could have been misled to believe that the current state of affairs was different from the one that actually existed with exploding inventory," Judge Mendoza said.

The appeals panel cited similar reasons for reviving the investors' accusations that Funko misled investors about its then-existing information technology systems. While risk disclosures mentioned the possibility of disruptions if it failed to adequately operate its systems, the panel said, that might have concealed Funko's problems at the time.

"A rational trier of fact could find that a reasonable investor could have drawn the inference that, at the time Funko made these disclosures, the company was handily operating its information technology systems; or at least that its business was not disrupted," Judge Mendoza stated.

The Ninth Circuit panel affirmed the lower court's dismissal of certain other claims involving the quality of Funko's inventory, the company's distribution abilities, a tech upgrade and an Arizona warehouse leased in 2021 by the Washington-based company.

The executives' statements about quality were "puffery" and too vague to be actionable, according to the opinion. Other statements about the Arizona warehouse being operational were not demonstrably false, the court said, noting that the plaintiffs' allegations acknowledge the facility "was in fact 'up-

and-running' in August 2022, if inefficiently."

Other statements fell within the PSLRA's safe harbor provision, the court found, which protects certain forward-looking statements.

The Ninth Circuit panel also ruled that investors had adequately claimed that then-CEO Andrew Perlmutter and then-Chief Financial Officer Jennifer Jung "must have known about the chaos that was ensuing" at the company ahead of the eventual destruction of the dead inventory.

"We conclude that a reasonable trier of fact could find that it would be absurd to believe that CEO Perlmutter and CFO Jung did not know that their statements related to Funko's inventory and information technology system were misleading at the time they were made," the panel stated.

Funko's value tumbled by more than half after news broke of the inventory write-off, according to the investors, who are led by Construction Laborers Pension Trust of Greater St. Louis. They accused the company, Perlmutter and Jung of violating federal securities laws by concealing problems Funko was having in managing its glut of unsellable toys.

Counsel for the investors told Law360 in a statement Wednesday that they "look forward to returning to the district court and litigating this case on behalf of our clients."

"In a detailed, 52-page opinion, the Ninth Circuit reaffirmed the importance of full and fair disclosure to investors," said Andrew S. Love of Robbins Geller Rudman & Dowd LLP, who represents the plaintiffs. "Notably, it held that warnings to investors of so-called 'future risks' are not shielded from liability when those risks 'ceased to be merely hypothetical.'"

Counsel for the defendants did not immediately respond to requests for comment Wednesday. Funko media representatives also did not immediately respond.

U.S. Circuit Judges Marsha S. Berzon, Michelle T. Friedland and Salvador Mendoza Jr. sat on the panel for the Ninth Circuit.

The investors are represented by Andrew S. Love, Hillary B. Stakem, Ting H. Liu and Jessica E. Robertson of Robbins Geller Rudman & Dowd LLP, and Gretchen F. Cappio, Matt Melamed and Garrett Heilman of Keller Rohrback LLP.

Funko and the former executives are represented by Kevin M. McDonough, Thomas J. Giblin and Christine C. Smith of Latham & Watkins LLP, and David I. Freeburg and Lianna Bash of DLA Piper.

The case is Construction Laborers Pension Trust of Greater St. Louis et al. v. Funko Inc. et al., case number 24-4909, in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Katryna Perera. Editing by Kristen Becker.



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Oracle Oversold AI Infrastructure Spending, Investor Says

By **Lauren Berg**

Law360 (February 4, 2026, 9:23 PM EST) -- An Oracle Corp. shareholder has accused the company in Delaware federal court of overly promising that its increased spending on artificial intelligence infrastructure would accelerate revenue growth despite concerns about its increasing contractual reliance on OpenAI, saying OpenAI itself is beholden to "AI tailwinds continuing and its models being a market leader."

Oracle and its top brass misrepresented the company's prospects, assuring investors that the "astronomical" demand for AI data centers would lead to rapid revenue and profit growth, but as the company projected more and more expenses with lackluster revenue prospects, its stock price took a hit, Paul Gregory Barrows said in a proposed class action **complaint** filed Tuesday.

In September, credit rating agency S&P Global Ratings "warned that OpenAI 'could account for more than a third of total Oracle revenues by fiscal 2028 and even a greater share by fiscal 2030,' creating risks given that 'OpenAI's ability to meet contractual obligations will be contingent on AI tailwinds continuing and its models being a market leader to continue to raise external financing,'" the shareholder alleged.

At that news, Oracle's stock declined \$5.37 per share, or nearly 2%, from a close of \$313.83 Sept. 23, 2025, to \$308.46 Sept. 24, according to the complaint.

The next day, analysts at capital markets firm Rothschild & Co. Redburn said the market was "'materially overestimating' future growth resulting from Oracle's AI deals," while warning that Oracle's "promises of massive new revenues from its increased AI infrastructure business were 'unlikely to materialize,'" the suit says. The firm set a \$175 price target for Oracle, which represented a 40% pullback in the company's stock, Barrows said.

That news caused Oracle's stock to dip another \$17.13 per share, or more than 5.5%, from a close of \$308.46 Sept. 24 to \$291.33 Sept. 25, according to the complaint.

On Dec. 10, Oracle announced its results for the second quarter of fiscal year 2026, which included "revenue growth below analysts' consensus estimate, quarterly [capital expenditures] well above analysts' estimates, and negative free cash flow of more than \$10 billion," Barrows said.

During the earnings call, Oracle's Principal Financial Officer Douglas Kehring revealed that the company now projected \$50 billion of capital expenditures in fiscal year 2026, which was \$15 million more than the projection in June 2025, according to the suit.

"Notably, despite protecting substantially increased spending, the company did not increase its guidance for 2026 revenue, and increased its guidance for 2027 revenues by only \$4 billion," Barrows said.

What's more, when an analyst asked how much money Oracle would need to raise to fund its AI growth plans, co-CEO Clayton Magouyrk "further stoked concerns" by not providing a specific number beyond only that the company expected to spend less than \$100 billion, "suggesting that Oracle may require a massive amount of capital funding through equity raises or additional debt," the complaint asserted.

This led to the stock price tanking \$24.16 per share, or nearly 11%, from a close of \$223.01 Dec. 10 to \$198.85 Dec. 11, according to the suit.

When the company filed its quarterly financial report with the U.S. Securities and Exchange Commission, it revealed that Oracle had "\$248 billion of additional lease commitments, substantially all related to data centers and cloud capacity arrangements," which analysts at CreditSights labeled a "bombshell disclosure" because the company in the previous quarter had reported just under \$100 billion in lease commitments, the complaint said.

Then, when news got out that Oracle had pushed back the completion dates for some of its data centers for OpenAI, the company's stock price dropped \$8.88 per share, or about 4.5%, from a close of \$198.85 Dec. 11 to \$189.97 Dec. 12, the shareholder alleged.

Finally, on Dec. 17, another news report stated that Blue Owl Capital, the financial backer for Oracle's biggest data center projects in the U.S., had backed out of funding a \$10 billion facility intended to serve OpenAI, the suit says. According to that report, Blue Owl was concerned about Oracle's spending commitments and rising debt.

Oracle's stock again declined by \$10.19 per share, or about 5.4%, from a close of \$188.65 Dec. 16 to \$178.46 Dec. 17, the investor said.

The suit alleges that Oracle and its executives made materially false or misleading statements and failed to disclose adverse information about the company's business.

Barrows said the defendants misrepresented or failed to disclose that "the company's AI infrastructure strategy would result in massive increases in [capital expenditures] without equivalent, near-term growth in revenue;" that "the company's substantially increased spending created serious risks involving Oracle's debt and credit rating, free cash flow, and ability to fund its projects;" and that as a result, their representations about Oracle's "business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis."

Barrows wants to represent a class of all people who purchased Oracle stock between June 12, 2025, and Dec. 16, 2025.

The suit asserts claims for violations of the Exchange Act and is seeking damages, litigation costs and attorney fees.

A representative of Oracle and counsel for the plaintiff did not immediately respond to requests for comment Wednesday.

The Ohio Carpenters Pension Plan **last month filed** a similar suit against Oracle and its executives, alleging the company failed to disclose that it would need to sell significant extra debt to fund its AI buildout.

The putative class of investors — which includes people that bought Oracle senior notes traceable to offering documents the company filed with the SEC in March 2024 and supplemented in September 2025 — alleged they suffered losses after buying \$18 billion of notes and bonds.

The investors bought those notes after Oracle and OpenAI announced a \$300 billion, five-year computing contract under which Oracle would supply OpenAI with computing power, they said.

The pension plan said that while the offering was one of the largest debt issuances on record in the tech industry, Oracle failed to disclose that "further significant debt" would be needed to fund the agreement with OpenAI.

Barrows is represented by Gregory V. Varallo and Anthony M. Calvano of Bernstein Litowitz Berger & Grossmann LLP and Naumon A. Amjed, Ryan T. Degnan and Karissa J. Sauder of Kessler Topaz Meltzer & Check LLP.

Counsel information for Oracle and its executives was not immediately available.

The case is Barrows v. Oracle Corp. et al., case number 1:26-cv-00127, in the U.S. District Court for the District of Delaware.

--Additional reporting by Katryna Perera. Editing by Covey Son.

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Chancery Asked For 120-Day Stay Of Virgin Galactic Suit

By **Jarek Rutz**

Law360 (February 4, 2026, 5:26 PM EST) -- The Delaware Chancery Court has been asked to temporarily pause a stockholder derivative suit accusing Virgin Galactic founder Richard Branson and other leaders of the spaceflight company of concealing safety risks while selling stock, as related litigation over similar allegations moves toward possible settlement in federal court.

In a stipulation and proposed order filed Tuesday, the parties jointly urged the court to stay the Delaware action for 120 days, arguing that conserving judicial and party resources makes sense while mediation proceeds in a parallel federal derivative case that could resolve or release overlapping claims.

The Delaware **suit was brought** in 2024 by Virgin Galactic stockholders Kimberley Espinosa and Crystal Molnar on behalf of the company, asserting claims of breach of fiduciary duty and unjust enrichment against Branson and a slate of current and former executives and directors. The complaint alleges that Virgin Galactic suffered from longstanding safety problems that were not adequately disclosed to investors, even as Branson sold shares at inflated prices.

"The parties have conferred and agree ... that there is good cause to temporarily stay all proceedings in this derivative action while the parties monitor settlement proceedings in the federal derivative action," the filing states.

According to the proposed order, the stay would halt the case in its entirety, including briefing on defendants' pending motion to dismiss the amended complaint. The pause would automatically expire 120 days after entry unless extended by the court.

The case is Kimberley Espinosa v. Richard Branson et al., case number 2024-0895, in Delaware Chancery Court.

--Editing by Karin Roberts.

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Walgreens Says Audio Recording Refutes Shareholders' Claim

By Celeste Bott

Law360 (February 4, 2026, 6:40 PM EST) -- Walgreens told an Illinois federal judge Tuesday that newly discovered evidence warrants revisiting a decision allowing shareholders' claim over an executive's allegedly false statement to move forward, saying an audio recording shows "no basis to conclude the actual statement was false or misleading when made."

U.S. District Judge Mary Rowland last month **dismissed most claims** in a lawsuit alleging Walgreens inflated share prices by concealing the lack of viability of its pharmacy division and primary care investment, but let stand claims over three challenged statements.

But Walgreens now contends that a recording of the September 2023 investor conference in which one of those statements by John Driscoll, the former president of Walgreens' U.S. healthcare business, was allegedly made, shows "beyond a doubt" that the plaintiffs' allegation regarding the content and characterization of Driscoll's remark is "plainly wrong."

The suit, first filed in July 2024 and later consolidated with a similar case, claims Walgreens and its executives presented falsely optimistic projections of the pharmacy division's growth potential and cost execution before revealing in an earnings call that the segment was not truly equipped to handle the ongoing challenges in its industry.

Walgreens Boots Alliance paid \$5.2 billion to acquire a majority stake in Chicago-based primary care provider VillageMD in 2021, with the goal of opening at least 1,000 primary care practices branded as Village Medical at Walgreens in more than 30 states by 2027.

But of the 80 allegedly false and misleading statements made by Walgreens and its leadership about that undertaking, the proposed class had failed to adequately back 77 of them to meet the "exacting standard" of the Private Securities Litigation Reform Act, Judge Rowland concluded in January.

One of the alleged statements that did pass muster was a response to an analyst question at the September 2023 conference of whether Walgreens' previously disclosed targets of opening 600 clinics by 2025 and 1,000 by 2027 were "still sort of the milestones we should be thinking about," according to Walgreens' reconsideration motion.

Driscoll's response in the affirmative, saying, "Yes, I think we should be," had been deemed by the judge as an actionable misstatement, Walgreens said.

"That recording makes clear that Mr. Driscoll did not say what plaintiffs allege and that plaintiffs' characterization of what he said — namely, that he affirmed the earlier-projected clinic openings — was inaccurate," Walgreens argued. "Mr. Driscoll did not affirm the projected clinic openings. Rather, he responded to the analyst question by discussing Walgreens' disciplined capital allocation and operational performance, without commenting on any number of projected clinic openings."

Walgreens says it sought to avoid "burdening the court" with its motion by providing the recording to plaintiffs' counsel, but in a "perplexing decision," they refused to withdraw their claim over Driscoll's statement.

"This raises serious questions about counsel's compliance with Rule 11," Walgreens said. "Given plaintiffs' refusal to proceed in good faith by acknowledging the actual, recorded content of [the

statement] and dismissing their claim as to that statement, reconsideration is necessary to correct a ruling premised on a factual allegation that the evidentiary record now squarely refutes."

Counsel for the parties did not immediately respond to requests for comment Wednesday.

The shareholders are represented by Peter S. Lubin and Patrick D. Austermuehle of DiTommaso Lubin PC, Terrence Buehler of the Law Office of Terrence Buehler and Adam M. Apton, Gregory Potrepka and Shannon Hopkins of Levi & Korsinsky LLP.

Walgreens is represented by Brian M. Lutz, Colin B. Davis and Jessica Valenzuela of Gibson Dunn & Crutcher LLP and Molly K. McGinley and Paula Enid Litt of Honigman LLP.

The case is In re: Walgreens Boots Alliance Securities Litigation, case number 1:24-cv-05907, in the U.S. District Court for the Northern District of Illinois.

--Editing by Michael Watanabe.

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Stockholders Ask Del. Justices To Revive Bylaw Suits

By **Jarek Rutz**

Law360 (February 4, 2026, 2:18 PM EST) -- Stockholders challenging advance notice bylaws at AES Corp. and Owens Corning urged the Delaware Supreme Court on Wednesday to revive their dismissed suits, saying boards should face fiduciary duty scrutiny the moment they adopt allegedly entrenching bylaws, not only after a proxy contest is triggered.

The justices at oral argument pressed both sides on where ripeness ends and hypothetical disputes begin, focusing on whether stockholders may sue based on deterrent effects alone or must wait for a rejected nomination. The consolidated appeals arise from two Delaware Chancery Court rulings dismissing the cases as unripe.

Lori Marks-Esterman of Olshan Frome Wolosky LLP, presenting for the appellants, said the Chancery wrongly treated the claims as speculative even though the alleged misconduct was complete when the boards acted.

"The board's intent is fixed, it is historical and static," she told the justices, saying the fiduciary duty claims accrued at the time the bylaws were adopted in response to regulatory changes.

The cases stem from stockholder suits filed in 2024 accusing the boards of energy company AES Corp. and building and remodeling company Owens Corning of breaching their fiduciary duties by adopting substantially similar advance notice bylaws that expanded disclosure obligations for director nominees. The complaints rely in part on board materials obtained through Section 220 demands, which describe the U.S. Securities and Exchange Commission's universal proxy rule, effective September 2022, as making it easier for activists to win board seats. Vice Chancellor Nathan A. Cook dismissed both suits in April 2025, concluding that the claims were unripe because no stockholder had attempted or even planned to nominate a director.

Marks-Esterman told the high court that requiring a stockholder to trigger enforcement before seeking review would allow boards to adopt preemptive defensive measures that chill nominations while evading equitable scrutiny. She said the bylaws' expanded acting in concert definitions, including so-called wolf pack and daisy chain provisions, impose immediate deterrent effects on stockholders contemplating a proxy contest, even if no nomination is ultimately submitted.

Several justices questioned whether that theory would give plaintiffs two bites at the apple, allowing both an adoption stage challenge and a later as applied challenge if a nomination is rejected. Marks-Esterman said the two claims involve different legal inquiries: Adoption challenges examine board intent and proportionality under enhanced scrutiny while enforcement challenges presume the bylaws' validity and focus on their application to a specific stockholder's nomination.

Marjorie P. Duffy of Jones Day, arguing for AES Corp., urged the court to affirm dismissal, characterizing the cases as abstract disputes divorced from any concrete injury. "We have no nomination at all, and we don't have anyone interested in submitting one," Duffy said, emphasizing that neither plaintiff alleged plans to run a proxy contest or identified any stockholder deterred from doing so.

Duffy maintained that Delaware law does not permit courts to adjudicate hypothetical abuses of advance notice bylaws and the Chancery correctly followed the Supreme Court's guidance in [Kellner v. AIM Immunotech Inc.](#) in 2024. She said the plaintiffs had initially pursued facial challenges to the bylaws but abandoned those claims after Kellner, repackaging them as fiduciary duty allegations without curing the ripeness problem.

The justices also probed whether extremely restrictive bylaws could evade review if boards simply chose not to enforce them. Duffy said stockholders retain the ability to bring facial challenges to legally invalid bylaws or as applied challenges if a nomination is rejected and empirical evidence shows activism has continued despite the spread of enhanced advance notice provisions.

The court took the matter under advisement at the close of argument.

"AES is committed to high standards in corporate governance, and we believe the Chancery Court's well-reasoned decision to dismiss the lawsuit should be affirmed," a spokesperson for AES said following the hearing.

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

AES Corp. and the other individual appellees are represented by Blake Rohrbacher, Matthew W. Murphy and John M. O'Toole of Richards Layton & Finger PA and Marjorie P. Duffy of Jones Day.

Appellants George Assad and Martin Siegel are represented by Christine Mackintosh, Rebecca Musarra, Vivek Upadhy and William Passannante of Grant and Eisenhofer PA, Lori Marks-Esterman and Jacqueline Y. Ma of Olshan Frome Wolosky LLP and Gregory V. Varallo, Andrew E. Blumberg and Daniel E. Meyer of Bernstein Litowitz Berger & Grossmann LLP.

The cases are In re: The AES Corp. and Owens Corning, case numbers 218,2025 and 257,2025, in the Delaware Supreme Court.

The cases under appeal are Martin Siegel v. Jay Morse, case number 2024-0628, and George Assad v. Brian D. Chambers, case number 2024-0688, both in the Delaware Chancery Court.

--Editing by Stephen Berg.

Update: This article has been updated with a comment from AES.



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Micron Beats Investor Suit Over Demand Forecasts

By **Sydney Price**

Law360 (February 4, 2026, 6:09 PM EST) -- Semiconductor manufacturing company Micron Technology Inc. has escaped a shareholder's suit accusing it of overstating demand for its products after two years of disappointing sales, with an Idaho judge determining that the suit does not show that Micron intended to mislead investors.

In **an order Tuesday**, U.S. District Judge B. Lynn Winmill said the statements identified in **the complaint** do not show that the Micron defendants acted with scienter or that the statements were false or materially misleading. Many of the statements are protected by the safe harbor provisions of securities laws and can be classified as "corporate puffery," the judge determined.

The plaintiffs have 30 days to file a second amended complaint, according to the order.

According to the plaintiff's allegations, which were most recently amended last May, Micron created a "misimpression of supply and demand for investors" and ignored competitive threats. Micron noted in its regulatory filings that the memory and storage industry had begun deteriorating "sharply" toward the end of 2022, according to the complaint.

In March 2023, however, Micron CEO Sanjay Mehrotra said that in spite of near-term challenges, the memory and storage total addressable market would "grow to a new record" in 2025 and would "outpace the growth of the semiconductor industry thereafter." The suit claims shares of Micron jumped 7% the day after that announcement.

The truth was revealed, the suit said, on Dec. 18, 2024, when Micron announced its financial results for the first quarter of fiscal year 2025. Among other things, Micron issued "disappointing" guidance for the second quarter, including adjusted earnings between \$1.33 and \$1.53 per share, "well below" the \$1.92 per share estimate, citing weakness in its consumer-oriented markets, the complaint said.

Judge Winmill said Tuesday that disappointment is not enough to render Micron's statements misleading.

Micron's results were driven by lower than expected sales of its so-called NAND chips, the order said. But the challenged statements were generally made in reference to a fiscal or calendar year and mostly dealt with broad supply issues.

"From that perspective, Micron's optimism was accurate," the order said. "Micron did in fact report record revenue, and overall demand for Micron's products did continue to grow, notwithstanding the NAND drop. Moreover, even Micron's NAND revenue ballooned overall during the class period."

Additionally, Judge Winmill said the investors cannot use Mehrotra's sale of 44% of his stock during the class period to establish scienter, saying the sale is "not nearly as suspicious as the plaintiffs suggest."

"The sale was unusual in that Mr. Mehrotra had not previously made a sale at anywhere near that scale," Judge Winmill said. "But he sold less than half his holdings, making this factor at best neutral."

Representatives for the parties did not immediately respond to request for comment Wednesday.

The investors are represented by Jonathan Stern and Phillip C Kim of The Rosen Law Firm PA, Brian

Calandra and Jeremy A. Lieberman of Pomerantz LLP, Marcus E. Johnson and Michael E. Ramsden of Ramsden Marfice Ealy & De Smet LLP and Jayne A. Goldstein of Miller & Shah LLP.

Micron is represented by Erik F. Stidham and A. Dean Bennett of Holland & Hart LLP and Betty Chang Rowe, Gregory L. Watts and Ignacio E. Salceda of Wilson Sonsini Goodrich & Rosati PA.

The case is Klein v. Micron Technology Inc. et al., case number 1:25-cv-00191, in the U.S. District Court for the District of Idaho.

--Editing by Stephen Berg.

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Under Armour Wants 4th Circ. To Review \$100M Coverage Cap

By Hope Patti

Law360 (February 4, 2026, 8:07 PM EST) -- Under Armour asked the Fourth Circuit to review a recent ruling that capped its coverage for a securities class action, government investigations and derivative matters at \$100 million, saying the panel overlooked the significance of an endorsement that essentially settled a dispute over when certain claims were made.

In a **petition** for panel rehearing or rehearing en banc filed Tuesday, the sportswear company said the panel rendered meaningless the endorsement that was added to its 2019 policy, which deemed claims stemming from the government investigations to have been made during the 2017-2018 policy period.

The endorsement, which six of its nine excess insurers agreed to, "was not merely a reiteration of prior policy terms, as the panel appears to have concluded," Under Armour said. "Rather, it was a settlement that resolved a specific dispute regarding when the government investigation claims were made."

A three-judge **panel concluded** in January that government investigations into Under Armour's accounting practices are "logically or causally related" to a securities class action over the sportswear company's public statements about its financial condition, and thus constitute a single claim under its 2016-2017 tower of directors and officers policies.

Because the claims are related, the panel held that Under Armour's coverage is capped at \$100 million and that it cannot tap into an additional \$100 million under its 2017-2018 tower of D&O coverage.

While the endorsement deemed government investigation claims to be made during the 2017-2018 policy period, the panel noted that the endorsement also contained language stating that claims made during that year would be subject to all terms and conditions of that policy. As such, the panel held that the "final determination" of coverage was left to the 2017-2018 policy's provisions, including the single claim provision, which deems the claims first made during the 2016-2017 policy period.

Under Armour contended Tuesday that "boilerplate language invoking the terms and conditions of the 2017-2018 policy does not override or undo the bespoke provision specifying precisely when the government investigation claims would be deemed made." Rather it is the specific language of the endorsement that must prevail, Under Armour said.

The sportswear company further asserted that rehearing en banc is also warranted because the panel's decision conflicts with prior Fourth Circuit rulings holding that contracts must be construed to avoid rendering language "mere surplusage."

"The court also has repeatedly held that specific contractual clauses prevail over general ones," the company said.

Moreover, correcting the panel's decision is necessary due to the strong public policy interest in enforcing settlements, Under Armour said, reiterating that the endorsement settled when certain claims would be deemed made.

In the alternative, Under Armour asked the Fourth Circuit to certify a question to the Maryland Supreme Court concerning whether a negotiated contract that deems certain specific claims made during the policy period conclusively determines when those claims were made, thus overriding the general terms and conditions.

According to court filings, Under Armour shareholder Brian Breece filed the securities action against the company and its executives in February 2017. The U.S. Securities and Exchange Commission began looking into the company later that year, and in 2019 the U.S. Department of Justice opened an investigation into the company's sales practices.

The company's insurers covered the securities action and certain derivative demands under the 2016-2017 policy period, but denied Under Armour's request for coverage under the 2017-2018 policy for the government investigations and subsequent derivative matters, according to court filings. Under Armour's primary carrier, Endurance American Insurance Co., filed the present action in September 2022, with the excess carriers, including AIG unit National Union Fire Insurance Co. and Hartford unit Navigators Insurance Co., joining later.

Endurance and Under Armour eventually resolved their dispute, but the **excess carriers maintained** that the securities action, government investigations and subsequent derivative matters all constituted one claim under the 2016-2017 policy. U.S. District Judge Richard D. Bennett sided with Under Armour in March 2024, finding that the legal claims and investigations were separate claims that implicated coverage under both towers.

Counsel for Continental Casualty Co. and QBE Insurance Co. declined to comment. Representatives of Under Armour and the other insurers did not immediately respond to requests for comment Wednesday.

Under Armour is represented by Michael T. Sharkey, Jonathan G. Hardin and Molly A. Olds of Perkins Coie LLP.

The insurers are represented by attorneys from Wiley Rein LLP, DLA Piper, Werner Ahari Mangel LLP, Azrael Franz Schwab Lipowitz & Solter LLC, Kaufman Borgeest & Ryan LLP, Walker Murphy & Nelson LLP, Ropers Majeski PC, Kennedys CMK, Bailey Cavalieri LLC and Peabody & Arnold LLP.

The case is Navigators Insurance Co. et al. v. Under Armour Inc., case number 25-1068, in the U.S. Court of Appeals for the Fourth Circuit.

--Editing by Amy Rowe.



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Class Attys In Del. Northwest Biotherapeutics Praise Deal

By **Jeff Montgomery**

Law360 (February 4, 2026, 9:26 PM EST) -- Delaware Chancery Court has lined up a March 16 settlement hearing for a four-year stockholder lawsuit alleging insiders of Northwest Biotherapeutics Inc. received \$40 million in stock awards, with proposals including a call for the company to forfeit nearly 22.9 million stock options and it receiving \$2.25 million.

Vice Chancellor J. Travis Laster issued an amended scheduling order Monday for a proposed hearing on March 16 in the case, which opened in 2022 and hit several potholes along the way, including multiple discovery disputes, failed motions for dismissal or summary judgment and two contested stockholder ratification votes.

Serial stockholder litigant Shiva Stein filed the derivative action on behalf of Northwest, alleging "excessive and unfair compensation" for company officers and directors.

Driving the case toward settlement and the insurer-paid cash, according to the parties, are complexities in the case, which alleges the awards were designed to offset insider dilution rather than reward performance, with approval secured through conflicted processes.

"The settlement achieves an excellent outcome for the company, which has no material revenue and a market cap under \$450 million," the class said in a brief filed Tuesday. "Given the litigation risks" faced by those who sued, the nearly 23 million forfeited options, the terms "confer a significant benefit," along with \$2.25 million in cash consideration that will be available to fund the business "without further diluting stockholders."

Also of concern, the stockholders said, were awards to insiders intended to supplement the value of prior equity awards, which have been diluted by other equity issues in 2018 and 2019.

The stockholders on Tuesday alleged that recipients employed "Rope-a-Dope" tactics to "evade discovery" of their gains before a second ratification. The rope-a-dope term referred to boxer Muhammad Ali's move of leaning against ropes and covering while in the ring to fend off punches and tire out an opponent.

"I think it's inferable at the pleading stage that this is an unjust benefit," the vice chancellor said during a hearing in November 2023, noting separately that the amended complaint filed on the company's behalf "supports an inference that this was just a pure, interested transaction."

Northwest is a clinical stage biotech company headquartered in Bethesda, Maryland, that operates with what the court called "minimal revenues" while seeking to develop lifesaving "personalized" immune therapy for cancers. It has never taken a drug candidate to commercialization.

The vice chancellor said during a hearing on the new settlement plan in November 2023 that the board's allegedly self-dealt benefits could be deemed unjust based on the pleas, adding that the allegations support "an inference that this was just a pure, interested transaction."

The suit argued that proxy statements in 2022 were misleading, and proposed a \$1.5 million, insurer-covered attorney fee and \$5,000 incentive award for the lead plaintiff, F. Glenn Schaeffer. According to the support brief, the award emphasized "that the relief provides a meaningful corporate benefit to a pre-revenue biotech company with a sub-\$450 million market capitalization."

Board members sought shareholder ratification only in 2022, after the first version of the suit was filed. Although the vote on the ratification secured a majority, stockholders challenged the ratification based on disclosure violations.

During a hearing in January 2025, Steven J. Purcell of Purcell & Lefkowitz LLP, counsel for the stockholders, expressed concern about the protracted litigation, telling the vice chancellor: "The defendants want to make this like the game Chutes and Ladders, right?"

"So we've progressed to a certain point where we're nominally at summary judgment, notwithstanding we didn't get meaningful discovery, and the defendants have turned around and said they want to send us back all the way, filing a new complaint and starting over again. This doesn't make any sense," Purcell said in 2025.

Attorneys for the stockholders have argued the terms were "fair and reasonable given the risks of proving entire fairness and disclosure claims at trial" and highlighted evidence that the awards were designed to offset dilution rather than reward performance and were approved through conflicted processes.

Attorneys for the defendants have argued stockholders overwhelmingly approved the options in 2022, supporting arguments for giving the decision the ordinary deference given to the business judgment of Delaware corporate boards.

Counsel for the defense declined to comment Wednesday. Counsel for the stockholders did not immediately respond to a request for comment.

The stockholders are represented by David A. Jenkins, Neal C. Belgam and Jason Z. Miller of Smith Katzenstein & Jenkins LLP, and Steven J. Purcell and Robert H. Lefkowitz of Purcell & Lefkowitz LLP.

The defendants are represented by Raymond J. DiCamillo, Rudolf Koch and Sandy J. Xu of Richards Layton & Finger PA, and Alexander K. Mircheff, Jonathan D. Fortney and Mark H. Mixon Jr. of Gibson Dunn & Crutcher LLP.

The case is In re: Northwest Biotherapeutics Inc. Stockholder Litigation, case number 2022-0193, in the Court of Chancery of the State of Delaware.

--Editing by Lakshna Mehta.

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Class Action Group Of The Year: Lieff Cabraser

By Jack Rodgers

Law360 (February 4, 2026, 4:03 PM EST) -- Lieff Cabraser Heimann & Bernstein LLP helped secure a \$300 million settlement for third-party payors, a class of private benefit plan providers who argued that opioid distributors fanned the flames of the addiction crisis in the U.S., one of several high-profile class action settlements with nationwide impacts that earned the firm a place among the **2025 Law360 Class Action Groups of the Year**.



Lieff Cabraser, founded in 1972, is one of the largest plaintiff law firms in the U.S., with more than 135 attorneys across four offices. Over the years, it has represented Holocaust survivors whose assets were confiscated and Alaskans after the Exxon Valdez oil spill, among other notable clients.

More recently, Lieff Cabraser helped secure final court approval in January 2025 for a \$300 million **settlement** fund, paid for by opioid distributors McKesson Corp., Cardinal Health Inc. and Cencora Inc., on behalf of third-party payors. Those payors argued they had spent billions on their members' opioid prescriptions and medical care resulting from opioid abuse.

Elizabeth J. Cabraser, a name partner at the firm, told Law360 in an interview that the third-party payors' claims were part of multidistrict litigation that originally consisted of thousands of lawsuits filed by cities and counties, Native American tribes and healthcare providers against opioid manufacturers.

"When it came to the third-party payors, these are anything from small, union health and welfare funds to larger insurance companies," Cabraser said. "They aren't individuals, but they end up footing the bill when opioids are prescribed, and opioid treatment is necessary for their members. And so,

they were paying for the drugs, and then paying for the treatment from the drugs."

Initially, Cabraser said, the team tried to use the negotiation class mechanism of cities and counties that were seeking a global settlement with drug companies, "because they're on the front lines of trying to mitigate public nuisances" like opioid addiction.

"This shouldn't be a taxpayer burden," she said.

The Sixth Circuit **struck down** that negotiating class, and for the first several multibillion-dollar settlements, there was an opt-in process for cities and counties, which was "more work" and "less efficient," but successful, Cabraser said. The firm hopes to add to its successful settlement for third-party payors with additional opioid defendants on top of that decision, she said.

"I am proud to say that our firm has been one of the firms that has been active in trying to innovate with new forms of settlements — almost a mix-and-match, if you will, approach — to see what will work in a given situation," Cabraser said.

Lieff Cabraser also was successful in challenging Anthropic's use of datasets and books without author compensation for training its artificial intelligence chatbot, Claude. Anthropic settled with a class of copyright-holders represented by Lieff Cabraser for some \$1.5 billion in September 2025 — the largest settlement related to AI and copyrights to date.

Cabraser said she encouraged "everyone to try and break" that record.

"Copyright, the intellectual property of authors and creators, is really at risk in ways it never has been before, including not only books, but in music," Cabraser said. "And AI is apparently here to stay in some way, shape or form, but [resolving] the legal battles that it has given rise to, including rights and interests and how to make sure that we still do encourage and incentivize and reward human innovation and human creativity, is one of the major questions that we're all facing."

In November 2024, Lieff Cabraser notched another win in a high-profile fight with Oracle, which was accused of collecting personal data from consumers without their knowledge and selling it for some \$42.4 billion in annual **revenue**.

David Rudolph, a Lieff Cabraser partner who helped represent consumers in the litigation, said the case challenged a certain set of business practices "that had not been challenged in that way before." Namely, it zeroed in on data brokers that track internet users through "ID graphs," a vast system connecting people's personal information to device identifiers and browsing history.

"What it really was giving was this sort of panoptic view of all of the activity that somebody was doing online," Rudolph said.

Working with the team, Lieff Cabraser attorneys were able to show Oracle had been violating "well-established common law and constitutional rights," Rudolph said. The company changed its data collection practices following the litigation.

"What it did, I think, was it vindicated our theory in the case, which was in fact, this business model, this conduct, really was straightforwardly violating these long-established rights, but they just hadn't been asserted before," Rudolph said.

--Additional reporting by Bonnie Eslinger and Lauren Berg. Editing by Linda Voorhis.



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Drugmakers Say Hagens Berman Responsible For Costs

By **Emma Cueto**

Law360 (February 4, 2026, 4:33 PM EST) -- Drugmakers including GSK and Sanofi have told a Pennsylvania federal court that plaintiffs firm Hagens Berman Sobol Shapiro LLP should bear the costs for the special master tasked with sorting out long-running disputes in a since-dropped product liability suit.

Given that special master William T. Hanglely concluded Hagens Berman engaged in conduct that U.S. District Judge Paul S. Diamond later characterized as **"bordering on the criminal"** — and that Hanglely found no misconduct on the part of Sanofi-Aventis U.S. LLC or GSK, formerly known as GlaxoSmithKline — the companies asked Judge Diamond on Tuesday to shift the burden of Hanglely's fees and costs to the Seattle-based plaintiffs firm.

"Given the special master's and court's findings of egregious misconduct on the part of the firm, Hagens Berman should appropriately bear the costs and fees of the investigation leading to those determinations," GSK argued in the motion.

Hagens Berman has continued to deny wrongdoing in the case. In December, the firm filed a petition for mandamus in the Third Circuit, citing Judge Diamond's decision not only to rule on the special master's report while a motion for his recusal was pending but also to refer Hagens Berman to the U.S. Department of Justice for possible criminal investigation, an action no party had previously requested and that the judge had not publicly raised ahead of time.

The Third Circuit denied the request without comment in January, and Hagens Berman on Tuesday filed a petition for rehearing.

"By any reckoning, the district court's actions are highly unusual," the firm said in the motion. "At the very least they beg many questions. ... At the heart of the matter: When a judge publicly and gratuitously announces his view that counsel of record has committed some unspecified crime, how could that counsel's client expect to receive the fair trial to which they are entitled?"

The motions in both the Pennsylvania federal court and the Third Circuit are the most recent in a sprawling and acrimonious case that began in 2011 over the morning sickness drug thalidomide, which plaintiffs allege caused their birth defects a half century ago.

The firm has contended that it knew it would be difficult to overcome the statute of limitations in the case, but that it had a good faith basis for pursuing claims due to new scientific research suggesting thalidomide injuries could be much broader than once believed.

Judge Diamond appointed Hanglely in 2014 to untangle discovery issues related to the statute of limitations. As the judge described it in a December opinion, Hanglely found in his October 2023 report and recommendation that the law firm had "conducted grossly inadequate presuit investigations; obstructed discovery; recklessly (or, perhaps, intentionally) made false and baseless allegations intended to toll the limitations clock; doctored evidence; and — when their misconduct came to light — sought to abandon plaintiffs and evade defendants' sanctions requests."

Hagens Berman has in turn told the court that it spent hundreds of hours and significant resources researching its legal theories, building off the work of an Australian attorney who had pursued similar cases, and that clients had not been duped into agreeing to dismiss their cases.

Judge Diamond found this explanation unsatisfying and announced in a three-page order in December that he was referring the firm to the DOJ for potential criminal investigation.

While initially the special master's fees were shared equally between the plaintiffs and the drugmakers in the suit, the drugmakers **first moved** to shift the costs to Hagens Berman in 2018. Judge Diamond at the time denied the motion without prejudice, saying that he could not rule on the question until Hangley's investigation had finished.

Counsel for GSK declined to comment. Counsel for the other defendants and Hagens Berman did not respond immediately to a request for comment.

Hagens Berman is represented by Keith Beauchamp and Malvika A. Sinha of Coppersmith Brockelman PLC, Gaetan J. Alfano and Peter St. Tienne Wolff of Pietragallo Gordon Alfano Bosick & Raspanti LLP, and Christopher C. Conner and Timothy M. Stengel of Saxton & Stump LLC.

Former Hagens Berman partner Tyler S. Weaver is represented by Robert E. Welsh Jr. of Welsh & Recker PC.

Sanofi is represented by Daniel S. Pariser, Paige H. Sharpe, Anand Agneshwar and Carmela T. Romeo of Arnold & Porter Kaye Scholer LLP.

Defendant Grünenthal GmbH is represented by Michelle A. Ramirez and Daniel A. Spira of Sidley Austin LLP, and Eugene A. Schoon of Croke Fairchild Duarte & Beres LLC.

GSK is represented by Michael T. Scott of Mike Scott Law LLC, and Sonja S. Weissman of Reed Smith LLP.

The case is Glenda Johnson et al. v. SmithKline Beecham Corp. et al., case number 2:11-cv-05782, in the U.S. District Court for the Eastern District of Pennsylvania.

--Additional reporting by Adrian Cruz, Lauren Berg, Emily Field and Matt Fair. Editing by Robert Rudinger.



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Goldstein Accountant Admits Tax Return Errors

By **Jared Foretek**

Law360 (February 4, 2026, 10:59 PM EST) -- A star government witness and the top outside accountant for SCOTUSblog founder Thomas Goldstein and his law firm admitted to making mistakes on Goldstein's tax returns and offering the grand jury erroneous testimony, under cross-examination in the U.S. Supreme Court lawyer's tax fraud trial Wednesday.

Under relentless pressure from lead defense attorney Jonathan Kravis, retired Gellman Rosenberg & Freedman accountant Walter Deyhle copped to a multimillion-dollar error on Goldstein's 2016 tax return, the year Goldstein is accused of underreporting his tax liability the most. Deyhle also acknowledged changes in his description of events from what he told U.S. Internal Revenue Service agents during their investigation into Goldstein and the grand jury that indicted the lawyer.

In an October 2017 email exchange the jury first saw Tuesday while Deyhle was under direct examination from prosecutors, Deyhle asked Goldstein for his 2016 gambling figures, calling it "the one big thing" on his tax return that year, which was being prepared for late filing at the time.

In his response, Goldstein wrote back that his gross winnings were \$27.1 million, while the losses and distributions were \$24.4 million, bringing his net figure — the most important on the tax return — to \$2.7 million.

In a follow-up, Deyhle then asked Goldstein to break out the \$24.4 million figure into losses and distributions, as they would be needed to fill out certain lines in the return, to which Goldstein answered that \$13.49 million had been losses, the rest distributions to his poker investors.

In court Wednesday, Kravis — having already begun his cross-examination by accusing Deyhle of changing his story and covering for himself with IRS investigators — handed the accountant a pen, a pad and a calculator, and told him to subtract the figures.

After struggling with the calculator, switching to his phone, and noting the number that appeared as Goldstein's gambling winnings from the exhibit up in the courtroom, Deyhle realized the mistake he'd made all those years ago. Whereas that number should have been the total \$27.1 million minus what was paid to investors, he had instead subtracted the losses. Deyhle said it was a "minor error that can happen" when an accountant doesn't get figures until the last minute.

"It was a last-minute email that I just misread," he said, adding that it didn't affect the tax liability for Goldstein's declared net winnings total, which appeared on another line in the form. "They got screwed up because I got the email two days before it was due."

But Kravis reminded Deyhle that the gambling figures were — in Deyhle's own words from the time — the "one big issue" for the 2016 tax return.

Kravis, occasionally taking notes and direction from Goldstein himself, also hammered Deyhle on his changing story. Showing grand jury transcripts in which Deyhle said that he only received the net winnings figure from Goldstein and never got the broken-out figures in writing, Kravis accused the accountant of changing his story once he saw the late-October 2017 email from Goldstein.

Deyhle had also told the grand jury that Goldstein appeared afraid to detail his gambling activity over email, an account refuted by the existence of the email exchange at issue.

On Wednesday, the accountant said his earlier recollection of the events was "based on a false

remembrance."

Even without the admitted mix-up by Deyhle, Goldstein's numbers still would have come out over \$2 million in net winnings less than the \$5 million prosecutors have alleged. But the timing of when, exactly, Deyhle was first shown the email by prosecutors could come to the forefront later, as Kravis argued that the defense hadn't been alerted when Deyhle changed his testimony before trial.

Later in Deyhle's testimony, Kravis would also get the accountant to acknowledge that his firm's return filing system entered "no" to tax form questions about the existence of crypto accounts by default, unless accountants were otherwise instructed. According to previous statements to the IRS, Deyhle told agents that the accounting firm would switch to asking clients about crypto accounts in writing "as a result" of the Goldstein "experience."

And while Deyhle had described having to coax Goldstein to send important information just days ahead of filing deadlines in his **Tuesday testimony to the government**, Kravis tried to reframe the late communications as the result of last-minute scrambles on the accounting firm's part.

In fact, Kravis argued, Deyhle was motivated by a desire to shift the heat for Goldstein's alleged tax errors off his accounting firm and onto Goldstein himself.

In one message from the accounting firm Kravis showed, one of Deyhle's colleagues wrote that Deyhle himself had suggested opening new bank accounts to use after the IRS had opened levies on other ones. On redirect, Deyhle would later defend the idea as a perfectly above-board way to protect Goldstein & Russell's — Goldstein's law firm at the time — ability to make payroll and fund other business extensions from any accidental IRS draws that might occur while Goldstein was negotiating a payment plan with the agency.

But Kravis said that when Deyhle had been confronted with the email by IRS agents, he said he shouldn't have said that.

"You knew you had to find a way to make this Mr. Goldstein's fault," Kravis said Wednesday.

When his cross-examination was finished, Kravis read back one of Deyhle's last answers during direct examination, in which Deyhle told prosecutors, and the court, that he thought he and his firm had "done a very good job" for Goldstein. "Do you still believe that?" Kravis asked.

"Given ... the circumstance," Deyhle answered, "... we did a good job, maybe not a really good job."

Wednesday also featured testimony from Dai Wai Chin Feman, an attorney at the litigation funder Parabellum Capital, who testified about two 2021 loans the firm gave Goldstein in connection with the purchase of his Washington, D.C., home. As collateral for the multimillion-dollar loans, Parabellum took stakes in ongoing Goldstein & Russell litigation. But Chin Feman said Goldstein never disclosed his gambling debts at the time.

Three of the government's counts against Goldstein charge him with failing to disclose debts on mortgage applications, though none are directly connected to Parabellum's loans.

"[The debts] would have been something material ... and it would be a factor" in deciding whether or not to loan Goldstein the money, Chin Feman said.

Finally Wednesday, the jurors heard testimony from IRS agent John McDonald, one of the criminal investigators who first interviewed Goldstein at his law firm's offices in 2020. According to McDonald, Goldstein had insisted that two deposits into his firm's account totaling nearly \$2 million — including the \$968,000 in cash that Goldstein brought into the country in a duffel bag — had been a loan.

McDonald said that when asked about the terms of the loan and the payment schedule, Goldstein promised to track the information down and share it with the government. According to McDonald, he never did. When first interviewed, Goldstein couldn't even say where, exactly, in Macau he'd received the cash that would later be changed into \$968,000 U.S. dollars.

According to **testimony earlier at trial** from a U.S. Customs and Border Patrol agent who

interviewed Goldstein at the Dulles Airport border crossing, Goldstein had said he won the money gambling.

"I did not think they were loans," McDonald said Wednesday. "They certainly did not appear to be loans."

The government is represented by Kelly O. Hayes and Adeyemi Adenrele of the U.S. Attorney's Office for the District of Maryland, and Sean Beaty, Hayter L. Whitman and Emerson Gordon-Marvin of the U.S. Department of Justice's Criminal Division.

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

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

--Editing by Linda Voorhis.

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