

Securities Litigation

Door Manufacturer Is Accused in Shareholder Lawsuit of Concealing Acquisition

Represented by Robbins Geller Rudman & Dowd and Wolf Popper, an institutional investor alleged that Masonite violated federal securities law by failing to refrain from trading company stock as they were negotiating a potential acquisition by Owens Corning.

February 09, 2026 at 05:35 PM By **Alyssa Aquino**



Masonite headquarters in Tampa, Florida. Photo: JHVEPhoto/Adobe Stock

A fund filed suit in the U.S. District Court for the Southern District of New York alleging that a door manufacturer, Masonite International Corp., and its top executives snapped up corporate stock at a discount before disclosing lucrative buy-out offers.

Represented by Robbins Geller Rudman & Dowd and Wolf Popper, the Central Illinois Carpenters Health & Welfare Trust Fund alleged that Masonite violated federal securities law by failing to refrain from trading company stock as they were negotiating a potential acquisition by Owens Corning, or by failing to disclose the talks.

“The magnitude of the proposed transaction, the credibility of the bid by a company of Owens Corning’s stature, and the degree of interest shown by Owens Corning, in total, illustrate that the Owens Corning’s offer would have been material and significant to a reasonable investor in making their investment decision,” [the fund alleged](#) in a securities class action that was filed on Friday.

The complaint also names Howard Heckes and Russell Tiejema, Masonite’s president and executive vice president during the negotiations, as co-defendants. The complaint brings its claims under Sections 10(b) and 20(a) of the Securities Exchange Act.

Representatives for Masonite and the fund didn’t immediately respond to Monday’s requests for comment.

The class action was filed a year after Owens Corning—a building and construction supplies company—announced it was buying out Masonite for \$3.9 billion.

The transaction was announced in February 2024, with Owens Corning explaining the acquisition would expand its position in branded residential products. But the fund alleges that Owens Corning first approached Masonite about a potential acquisition in June 2023.

According to the complaint, Owens Corning made six offers to buy all of Masonite’s outstanding stock between June 2023 and February 2024, each of which allegedly looked to purchase the shares “at significant premiums” to Masonite’s stock market price.

Owens Corning first offered, according to the complaint, to purchase all of Masonite’s outstanding stock for \$120 per share. At the time, Masonite’s stock was selling at \$94.09 per share, according to the filing.

But the fund claims that Masonite kept these offers from investors—allegedly while Masonite repurchased millions of dollars of its own shares at prices below Owens Corning’s offers.

The offer Masonite ultimately accepted had Corning acquiring all outstanding shares for \$133 per share. “Masonite’s stock price climbed sharply” when the deal was announced, the fund alleged.

“In total, Masonite repurchased nearly 270,000 of its outstanding shares from unsuspecting investors for approximately \$25 million between June 2023 and December 2023, despite knowing that Owens Corning was continuously proposing offers at a significant premium to Masonite’s then stock price,” according to the complaint.

Securities

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BlackRock Investor Sues Fink, Board Over Coal Antitrust Claims

Feb. 10, 2026, 8:26 AM PST

Summary by Bloomberg AI

AI Generated



- A shareholder lawsuit accuses BlackRock Inc. board members of colluding with other asset managers in an environmentally-focused pressure campaign on coal companies to reduce production.
- The complaint alleges that BlackRock's actions caused lowered coal output, rising thermal coal prices, and increased electricity-generation costs, ultimately passing on higher utility bills to US consumers.
- The shareholder seeks damages, restitution, and corporate governance reforms for BlackRock, alleging breaches of fiduciary duties, unjust enrichment, and violations of a 1934 Securities Exchange Act provision.

BlackRock Inc. board members had the financial giant collude with other asset managers in an environmentally-focused pressure campaign on coal companies to reduce production, a shareholder lawsuit said.

The shareholder derivative complaint accuses billionaire CEO Larry Fink and others of leveraging BlackRock's holdings of publicly-traded US coal producers to bully companies into lowering production in line with its net-zero emissions goals while profiting off of increasing returns in its natural gas and renewable energy companies. In doing so, the board exposed BlackRock to consequences of litigation and pressure from both the political right and left over its publicly-touted environmental promises, the stockholder told the US District Court for the Eastern District of Texas on Monday.

"For at least the past four years, BlackRock employed a systematic and coordinated mechanism to suppress coal output across the industry through its substantial ownership stakes combined with aggressive stockholder activism," stockholder Joseph Crognale said.

BlackRock's anticompetitive pressure campaign caused lowered output, thermal coal prices to rise, and increased electricity-generation costs for about 150 power plants—ultimately passing on higher utility bills to US consumers while returns in its natural gas and renewable energy companies increased, Crognale said. "The scheme thus extracted wealth from ordinary Americans to enrich BlackRock, its executives, and the coal-company management that complied with BlackRock's output restrictions."

Crognale's complaint pulls from antitrust allegations in a lawsuit led by Texas Attorney General Ken Paxton and other Republican-led states against BlackRock, Vanguard Group Inc., and State Street Corp. The states accused the three major asset managers of using environmental, social, and governance-related initiatives to suppress coal production, allowing them to reap "cartel-level profits."

A Texas federal judge in August mostly denied the financial managers' request to shed that suit. Judge Jeremy D. Kernodle said the states pulled together enough circumstantial evidence suggesting BlackRock and the others "agreed to collectively pressure coal companies to reduce the output of coal in the relevant markets and disclose future output information." Kernodle's assigned to Crognale's case, according to the court docket.

Crognale seeks damages, restitution, and corporate governance reforms for BlackRock. He alleged breaches of fiduciary duties, unjust enrichment, and violations of a 1934 Securities Exchange Act provision due to an allegedly misleading 2025 proxy solicitation by the board.

Sbaiti & Company PLLC, Levi & Korsinsky LLP, and Robbins LLP represent Crognale.

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

The case is Crognale v. Fink , E.D. Tex., No. 6:26-cv-00085, complaint filed 2/9/26 .

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

To contact the editor responsible for this story: Kiera Geraghty at kgeraghty@bloombergindustry.com

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BlackRock execs hit with investor lawsuit over alleged climate collusion

 [reuters.com/legal/government/blackrock-execs-hit-with-investor-lawsuit-over-alleged-climate-collusion-](https://www.reuters.com/legal/government/blackrock-execs-hit-with-investor-lawsuit-over-alleged-climate-collusion-2026-02-10)
2026-02-10

Mike Scarcella

February 10, 2026

The BlackRock logo is seen at the BlackRock Japan headquarters in Tokyo, Japan, October 20, 2016. REUTERS/Toru Hanai/File Photo [Purchase Licensing Rights](#), [opens new tab](#)

WASHINGTON, Feb 10 (Reuters) - Financial services company BlackRock ([BLK.N](#)) [opens new tab](#) and some of its corporate leaders are facing an investor lawsuit that accuses them of mounting an illegal campaign to curb coal production across the United States.

The [lawsuit](#), [opens new tab](#) filed by a shareholder on Monday in federal court in Texas, claims BlackRock leaders used the asset management firm's sizable holdings in major coal companies to pressure them into cutting production. Sign up [here](#).

BlackRock's influence helped to push coal producers to scale back output from 2019 to 2022, even as demand and prices rose, the lawsuit said.

BlackRock did not immediately respond to a request for comment. An attorney for plaintiff Joseph Crognale declined to comment.

The case was filed as a so-called derivative lawsuit on the company's behalf. The defendants include Laurence Fink, BlackRock's chairman and chief executive, and Martin Small, the company's chief financial officer.

"The anticompetitive effects of BlackRock's output suppression scheme imposed severe harms on American consumers, the competitive coal market, and ultimately BlackRock's own stockholders," the lawsuit said.

BlackRock allegedly misled investors by marketing some of its funds as unrelated to environmental or social objectives while still using the shares held in those funds to support a climate-related agenda.

The lawsuit said BlackRock's directors approved and oversaw the alleged scheme despite the antitrust risks and in breach of their fiduciary duties to shareholders.

Their conduct "has exposed the company to massive antitrust liability and financial exposure," according to the lawsuit.

A judge last year [declined to dismiss most of an earlier lawsuit](#) filed by Texas and 12 other Republican-led states that claimed BlackRock and other fund managers violated antitrust law through climate activism that reduced coal production and boosted energy prices.

BlackRock and the other fund managers [denied](#) any wrongdoing in the states' lawsuit, calling the claims "half-baked and untested."

The investor lawsuit seeks unspecified monetary damages on behalf of BlackRock, changes to the company's governance practices, and repayment from directors and officers who allegedly benefited.

The case is Joseph Crognale v. Laurence Fink et al., U.S. District Court for the Eastern District of Texas, No. 6:26-cv-00085.

For plaintiff: Gregory Nespole of Levi & Korsinsky and Brian Robbins of Robbins LLP

For defendant: No appearance yet

Read more:

[Texas anti-ESG law declared unconstitutional by US judge](#)

[BlackRock, other fund managers lose bid to dismiss Texas climate collusion lawsuit](#)

[US supports Republican states' argument in BlackRock climate case](#)

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Securities

Comerica Investor Loses Revival Bid in Federal Program Suit (1)

Feb. 9, 2026, 11:19 AM PST; Updated: Feb. 9, 2026, 12:22 PM PST

A Comerica Inc. investor failed to convince an appellate panel to reopen allegations the acquired bank covered up noncompliance risking its servicing of government benefits cards.

The pension fund leading the proposed class action failed to sufficiently tie loss causation to stock price declines, a required pleading for securities fraud claims, the US Court of Appeals for the Ninth Circuit said, affirming the suit's dismissal.

The stock price's falter after a 2023 American Banker article "was modest, typical, and quickly reversed," the unpublished opinion said. The Nova Scotia Health Employees' Pension Plan didn't adequately allege fraud reported in the article, which concerned Comerica vendors' regulatory and contractual compliance, caused the bank's share price to drop.

The article revealed a vendor allegedly processed Direct Express cardholder disputes in Pakistan, violating a regulatory requirement to provide services in the US, the Feb. 6 opinion said. Direct Express allows federal benefits recipients who lack bank accounts or are under-banked to get payments digitally rather than by paper checks. Comerica, which last week merged into Fifth Third Bancorp., was the Department of the Treasury's Bureau of the Fiscal Service's agent of this pre-paid card program.

The pension plan's claim a letter from Comerica's CEO reversed the stock's downturn lacked merit, the opinion said. The fund didn't adequately plead CEO Curtis Farmer's letter shrouded the state of affairs from reasonable investors.

Another alleged corrective disclosure, the 2024 announcement of an enforcement agreement between the Office of the Comptroller of the Currency and Comerica's wealth management subsidiary, wasn't sufficiently pleaded as revealing risks to the bank's renewal as the program's agent. The agreement targeted an uninvolved subsidiary, the opinion said. The only analyst report linking the agreement and the program came a day later "and concluded that the OCC Enforcement 'shouldn't' impact Comerica's chances for renewal."

A third disclosure, in which the Fiscal Service said it preliminarily decided against renewing Comerica, wasn't plausibly alleged as revealing fraud, the opinion said, supporting US District Court for the Central District of California Judge Stanley Blumenfeld Jr.'s dismissal.

"None of the alleged disclosures mention compliance issues in the Direct Express program, and none even speculate that the nonrenewal decision was a result of Comerica's noncompliance," the opinion said. The more reasonable driver of the stock drop was news of losing "a highly lucrative contract."

Fifth Third

The Fiscal Service had named the Bank of New York Mellon Corp. as its new agent in 2024. Fifth Third, which declined to comment for this story, said it took over as the Direct Express agent in 2025.

The Consumer Financial Protection Bureau and Comerica Bank last year dropped lawsuits against each other over allegedly improper fees and paltry customer service for the program, part of the Trump administration's trend to retract Biden agency enforcement.

Judges Kenneth K. Lee, Lucy H. Koh, and Ana de Alba were on the opinion.

Pomerantz LLP represented the pension fund. Wachtell, Lipton, Rosen & Katz and Buchalter represented Comerica and two executives. Neither side's attorneys immediately responded to emails seeking comment.

The case is Nova Scotia Health Emps.' Pension Plan v. Comerica Inc. , 9th Cir., No. 24-7673, unpublished 2/6/26 .

(Updates to include Fifth Third declined to comment in the ninth paragraph.)

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

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

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Securities

American Airlines Investors Drop Derivative Suit Over Sales Plan

Feb. 9, 2026, 3:52 PM PST

Two American Airlines Group Inc. investors have voluntarily dismissed their suit on behalf of the company over its leaders' positive statements to investors about a failing post-pandemic sales strategy.

Judge Reed O'Connor of the US District Court for the Northern District of Texas approved the dismissal Feb. 6 after tossing a related proposed class action in November.

The investors sued the board and top executives, saying the company pushed customers away from corporate booking agencies and toward American's website in an effort to pare down debts accrued during the pandemic. The switch alienated the company's most lucrative customers, yet leaders continued to tout strong demand, they said.

A voluntary dismissal with the ability to refile the suit is appropriate in light of the class suit's dismissal, the investors said in a recent filing.

Graves Law Office PLLC, the Brown Law Firm PC, and Rigrodsky Law PA represented the investors. Kelly Hart & Hallman LLP and Latham & Watkins LLP represented American.

The case is *Hollin v. Isom*, N.D. Tex., No. 4:24-cv-00895, 2/6/26.

To contact the reporter on this story: Martina Barash in Washington at mbarash@bloomberglaw.com

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

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Securities

Deutsche Bank Unit Off Hook in Mortgage-Backed Offering Suit

Feb. 9, 2026, 3:08 PM PST

Deutsche Bank Securities Inc. didn't act as an "underwriter" for residential mortgage-backed securities that allegedly harmed Citizens National Bank, a federal court ruled.

Deutsche Bank Securities is entitled to summary judgment on claims by Citizens' receiver, the Federal Deposit Insurance Corp., Judge Laura Taylor Swain said Monday for the US District Court for the Southern District of New York.

The suit, dating back to 2012, is part of the fallout from the subprime mortgage crisis of 2008. The FDIC's claims against J.P. Morgan Securities LLP, UBS Securities LLC, and other financial institutions were previously dismissed, according to the court.

Deutsche Bank Securities is correct that it didn't underwrite the security in question, Swain said.

"In the context of residential mortgage-backed securities, 'each tranche is a discrete security' and, while different underwriters may underwrite different tranches that are offered in the same securitization, a plaintiff may only sue the underwriter of the specific tranche that the plaintiff purchased," she said.

"It is undisputed that DBS did not purchase, sell, offer to sell, or distribute the specific securities at issue here," the judge said.

Yetter Coleman LLP and Grais & Ellsworth LLP represented the FDIC. Simpson Thacher & Bartlett LLP represented Deutsche Bank.

The case is Fed. Deposit Ins. Corp. v. Deutsche Bank Sec. Inc. , S.D.N.Y., No. 1:12-cv-04000, 2/9/26 .

To contact the reporter on this story: Martina Barash in Washington at mbarash@bloomberglaw.com

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

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Litigation

Manage Newsletters

Nationwide In-House 401(k) Fund Class Action Advances to Trial

Feb. 10, 2026, 6:31 AM PST

Summary by Bloomberg AI

AI Generated



- A trial is needed to determine whether Nationwide properly monitored the challenged fund and whether the plan was charged a fair price, Judge Sarah D. Morrison said.
- The 50,000-person class action against Nationwide centers on a fixed-interest fund that guarantees an employee's underlying investment while paying a modest interest rate determined by the company.
- Workers say Nationwide sets the interest rate unreasonably low for the 401(k) plan and higher for certain outside investors and for Nationwide's pension plan.

Former Nationwide Mutual Insurance Co. employees can go to trial on claims their 401(k) plan wrongly offered an affiliated stable value fund that treated the company's own workers worse than outside investors.

A trial is needed to determine whether Nationwide properly monitored the challenged fund—which held more than \$1.75 billion in plan assets as of 2020—and whether the plan was charged a fair price, Judge Sarah D. Morrison said. She pointed to the “palpable tension” created by Nationwide’s refusal to allow its outside investment consultant to review relevant aspects of the fund, saying that this “dissonance demands further exploration.”

Morrison focused on the fact that Nationwide’s review of the fund appeared to be limited to its crediting rate—the guaranteed rate of return promised to investors—and didn’t include sufficient consideration of the profits Nationwide earned through the plan’s investment in the fund. There are also ambiguities in the 401(k) plan document that bear on whether the fund was appropriately managed, Morrison said in a summary judgment opinion issued Monday in the US District Court for the Southern District of Ohio.

Hundreds of lawsuits challenging retirement plan management have been filed in federal courts over the past few years, and the handful of cases that went to trial have mostly favored defendants. B. Braun Medical Inc., Wood Group US Holdings Inc., Laboratory Corp. of America Holdings, Natixis Investment Managers LP, and AutoZone Inc. each defeated retirement plan challenges after trial, but last year participants in a retirement plan administered by Pentegra Services Inc. won a jury trial and later negotiated a settlement worth nearly \$50 million.

The 50,000-person class action against Nationwide centers on a fixed-interest fund that guarantees an employee's underlying investment while paying a modest interest rate determined by the company. Nationwide earns money off the fund by keeping the difference between the interest rate it sets and the amount actually earned by the underlying investments, the lawsuit claims.

Workers say Nationwide sets the interest rate unreasonably low for the 401(k) plan—where workers bear responsibility for growing sufficient retirement savings—and higher for certain outside investors and for Nationwide's pension plan, where Nationwide is on the hook for funding specified benefit levels. The case survived Nationwide's motion to dismiss in 2022.

Cohen Milstein Sellers & Toll PLLC and Zagrans Law Firm LLC represent the workers. Jones Day and Carpenter Lipps LLP represent Nationwide.

The case is *Sweeney v. Nationwide Mut. Ins. Co.*, 2026 BL 41488, S.D. Ohio, No. 2:20-cv-01569, 2/9/26 .

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

To contact the editor responsible for this story: Patrick L. Gregory at pgregory@bloombergindustry.com

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Crypto Founders Accused of Fake AI, Market Manipulation and Staged Death

A class action alleges that cryptocurrency founders sold a fictitious artificial intelligence venture, manipulated token markets and staged a founder's death as prices collapsed and insiders allegedly cashed out.

February 10, 2026 at 02:49 PM By  **Michael A. Mora**



The Daniel Patrick Moynihan U.S. Courthouse in the Southern District of New York, at 500 Pearl St. Photo: Ryland West/ALM

A proposed class action filed Monday in Manhattan federal court accused the founders of a cryptocurrency project of defrauding investors in a sham artificial intelligence venture that unraveled after one founder allegedly staged his own death, a move that helped divert scrutiny as the token's price collapsed and insiders exited with millions of dollars.

Max Burwick, the managing partner at Burwick Law, represents the plaintiffs in their lawsuit against defendants Jeffry Yu and Agustin "Tint" Cortes. He said that what's important about the market-making allegations in this case is that they are not novel or exotic; they are the same mechanics that underpin nearly every pump-and-dump scheme we see in the crypto industry.



Max Burwick

“As lawmakers debate bills like the Clarity Act and broader crypto-market legislation, the unresolved question is whether those frameworks will actually require disclosure of the behaviors that matter most: who controls supply, who is providing liquidity and whether the ‘market’ is real or issuer-engineered,” Burwick added. “Until those disclosure gaps are addressed, these same schemes will keep repeating, regardless of how tokens are labeled.”

The lawsuit, brought by Canadian investor Jonathan Beckwith, alleged that Yu and Cortes promoted a venture called Zerebro as a venture-grade AI infrastructure project powering autonomous agents, developer tools and consumer platforms, while privately knowing that no functioning technology existed behind the claims made to the market.

According to the complaint, the defendants marketed Zerebro as a sophisticated, near-ready ecosystem supported by proprietary AI models and a token, \$ZEREBRO, which is described as the platform's economic engine. Purchasers were told the token's value would appreciate as adoption of the purported technology accelerated and expanded across users and developers.

However, behind the scenes, the founders secretly controlled a substantial share of the token supply and operated an undisclosed market-making operation. Using a network of wallets they controlled, the defendants allegedly injected liquidity, manufactured trading volume, influenced prices and sold zero-cost inventory into demand generated by their own promotional efforts.

Investors were never told that most of the apparent liquidity and price stability was engineered by issuer-controlled wallets rather than independent market activity, the complaint alleged. Had purchasers known insiders were trading against them while promoting the project as legitimate, they would not have bought the tokens at prevailing prices.

As scrutiny intensified and doubts grew over the absence of any delivered technology, artificial market support waned and the price of \$ZEREBRO collapsed, according to the complaint. By that time, the defendants had allegedly exited significant portions of their holdings, leaving retail investors with substantial losses as confidence in the project evaporated.

During the collapse, the lawsuit alleged, Yu escalated the deception by publicly staging his death, broadcasting what appeared to be a suicide and arranging for an obituary to be published. He did

so to allegedly divert attention from the missing technology, collapsing token price and mounting questions surrounding insider conduct and trading activity.

Yu later resurfaced alive, the complaint said, with him posting photographs of himself holding large amounts of cash and continuing to launch new cryptocurrency projects. The lawsuit characterized the episode as part of a broader pattern of concealment and evasion employed when the alleged scheme began to unravel under public scrutiny.

Now, the case is pending before U.S. District Judge Andrew L. Carter, Jr. of the Southern District of New York. The lawsuit asserted claims including fraud, false advertising, deceptive business practices, breach of contract and unjust enrichment under New York law, seeking damages on behalf of a proposed class of token purchasers.

“This case is not about a failed startup or ambitious founder,” the plaintiffs said in the complaint, “it is about misrepresentations, concealed market manipulation and the deliberate exploitation of public trust in emerging technology.”

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Litigation

Manage Newsletters

Social Media Giants Lose Last Bid to Avoid Trials With Schools

Feb. 9, 2026, 10:54 PM PST

Summary by Bloomberg AI

AI Generated



- A federal judge in Oakland, California, rejected a request by Meta Platforms Inc., Google, TikTok Inc. and Snap Inc. to dismiss claims brought by a school district in rural Kentucky.
- The judge intends to hold the first jury trial later this year over claims that social media platforms harmed the mental health of students and strained school resources.
- The school districts have provided a “reasonable articulation” of how social media features cause specific harm to students and schools, according to Judge Yvonne Gonzalez Rogers.

Meta Platforms Inc., Google, TikTok Inc. and Snap Inc. lost a chance to avoid going to trial over claims by public school districts across the US that social media platforms harmed the mental health of students and strained school resources.

A federal judge in Oakland, California, issued a ruling late Monday rejecting a request by the companies to dismiss claims brought by a school district in rural Kentucky that are similar to those filed by more than 1,000 other local districts. The judge has said she intends to hold the first jury trial later this year.

The ruling comes the same day as a [trial](#) against social media companies kicked off in state court in Los Angeles over claims that their platforms caused a young woman’s depression, anxiety and other mental health struggles. Her case is the first to be presented to a jury among thousands of similar personal injury complaints.

Read More: [Meta, TikTok Likely to Face Summer Trial in Schools’ Suits](#)

Bloomberg Intelligence has [estimated](#) that the compensation sought by more than 1,200 school districts from the social media companies totals nearly \$500 billion.

At a recent hearing, Judge Yvonne Gonzalez Rogers said the school districts have provided a “reasonable articulation” of how social media features like SnapChat’s “streaks” or Instagram’s beautification image filter cause specific harm to students and schools. She said it should be up to a jury to decide whether the platforms distracted students and disrupted their education.

The case is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, 4:22-md-03047, US District Court, Northern District of California (Oakland).

To contact the reporter on this story:

Peter Blumberg in San Francisco at pblumberg1@bloomberg.net

To contact the editor responsible for this story:

Misyrlena Egkolfopoulou at megkolfopoul@bloomberg.net

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'Addiction by Design:' Groundbreaking Trial Opens Against Instagram, YouTube

W. Mark Lanier told a jury in Los Angeles Superior Court on Monday that YouTube and Instagram were designed to addict kids, like his client, Kaley, who got her first iPhone at age 9.

February 09, 2026 at 11:19 PM By  **Amanda Bronstad**

What You Need to Know

- Plaintiff's lawyer W. Mark Lanier insisted that Meta Platforms Inc. and Google's YouTube created a 'digital casino' with their social media platforms.
- The trial is the nation's first to attempt to hold social media liable for addicting a teenage user.
- Meta attorney Paul Schmidt spent most of his opening focused on the plaintiff's troubles at home, primarily verbal and physical abuse.



Mark Lanier of The Lanier Law Firm. Courtesy photo

The nation's first-ever trial to attempt to hold social media liable for addicting a child began on Monday, with plaintiff's lawyer W. Mark Lanier insisting that Meta Platforms Inc. and Google's YouTube created a "digital casino" with their social media platforms.

The trial, in Los Angeles Superior Court, involves plaintiff Kaley, sometimes referred to as K.G.M., who alleged she became addicted to YouTube and Instagram, developing mental health problems such as depression and body dysmorphia.

"This case is about two of the richest corporations in history who have engineered addiction in children's brains," W. Mark Lanier, of the Lanier Law Firm in Houston, told jurors in a courtroom that was packed shoulder-to-shoulder. "These companies built machines designed to addict the brains of children, and they did it on purpose."

Lanier briefly introduced jurors to his client, Kaley, now 20, who did not remain in the courtroom.

Setting three wooden blocks on the podium, Lanier told 12 jurors and six alternates that the case was as simple as A, B, C: Addiction, Brains and Children.

"These devices in the hands of a child are what the defendants, the evidence will show, consider a digital casino," he said, displaying the image of a slot machine. "Imagine a slot machine that fits in your pocket."

For a child, like Kaley, the motion of swiping is like pulling the handle of a slot machine, Lanier said, at one point showing the jury a miniature version of the casino device. And social media works best on kids who are most vulnerable, like his client, who he described as an "eggshell plaintiff," holding up an egg for the jury.

"People who are fragile, people who have trauma," he said. "You don't mock them for it. You don't take advantage of them for it. They're the most likely to get addicted."

And the brains of teenagers are more sensitive to dopamine, less capable of self-regulation and only 80% mature, Lanier said. Kaley was on YouTube at age 6. She got an old iPhone at age 9, when she managed to set up an Instagram account despite her mother blocking her access to social media.

Lanier showed the jury multiple internal documents from both YouTube and Meta, including some that referred to the "addictive experience" of their product, likening it to tobacco.

"These companies were aware of the harms, they were aware of what was going on, they studied it," he said.

Meta attorney Paul Schmidt, of Covington & Burling in New York, spent most of his opening focused on the plaintiff's troubles at home. Kaley, who has been in therapy since age 3, when her parents divorced following instances of domestic violence, told her mental health professionals that her mom hit and screamed at her, and called her dumb or stupid, all of which made her want to kill herself. Those problems got worse during the COVID-19 pandemic, he said.

"What we do know from records and testimony is the impact they had on Kaley's life," Schmidt said.

Schmidt asked jurors to focus on one primary question: "Was Instagram a substantial factor in Kaley's mental health struggles?"

None of Kaley's treating physicians or mental health professionals diagnosed her with social media addiction or considered her social media use to be one of the main factors for her mental health struggles, he said. And Kaley used other social media sites, including TikTok.

Schmidt said some research, including Meta's own internal studies, has found that social media often helped teens cope with their mental health challenges. And Instagram has come up with tools, such as turning off notifications, managing time and blocking users, that give teens more control over their social media use.

Schmidt, who showed up in court with a noticeable lump on his head and a black eye, told jurors, "I wish I had a colorful story to tell you." Instead, he said, he fell at his home and sustained a concussion, which he feared, at first, would be a distraction.

"Over the course of this trial, you'll have distractions," he said.

Luis Li, a Los Angeles partner at Wilson Sonsini Goodrich & Rosati, who represents YouTube, plans to give his opening statement on Tuesday.

'They Didn't Just Build Apps, They Built Traps'

The trial is part of a consolidated proceeding in California state courts before Los Angeles Superior Court Carolyn Kuhl. Two other defendants, TikTok, owned by ByteDance, and Snap Inc., which operates Snapchat, settled prior to trial.

Meta CEO Mark Zuckerberg, Instagram President Adam Mosseri and YouTube CEO Neal Mohan plan to testify during the trial, which is expected to last through March.

The case is separate from the addiction multidistrict litigation against the same four social media defendants in the U.S. District Court for the Northern District of California.



Paul W. Schmidt, partner with Covington & Burling. Photo: Diego M. Radzinski/ALM

Kuhl previously ruled that jurors must remain anonymous to the public during [the trial](#), with their names disclosed only to the lawyers in the trial—not their clients—in order to restrict potential research conducted about them.

In her instructions to the jury, Kuhl did

not prohibit all social media use outside the courtroom but emphasized that no one should conduct research about the case, the parties, or the lawyers.

“You should not change how you normally use social media and not investigate features you do not normally use,” she said. “Do not create new accounts or change settings to attempt to explore the evidence in this case.”

Kuhl also instructed the jury not to hold Meta or YouTube liable for third-party content.

“A defendant may be held liable for harm caused by a feature or activity that was part of the design or operation of the defendant’s platform,” she told jurors on Monday.

In his opening, Lanier pointed to three specific features of Instagram and YouTube that he alleges addicted his client: infinite scroll and autoplay, the “like” button and body image filters.

“They didn’t set out to build a library, they didn’t set out to build a school, they set out to build an addiction machine,” Lanier said. “Every feature they built that is part of this case was just a tool to achieve that one goal of addiction. It’s addiction by design.”

But the apps aren’t simply tools, Lanier noted, holding up a hammer.

“A tool is something you put down when you’re through with it, ” he said. “You hammer what you need to hammer, and then you put it away.”

'Engineered addiction': Landmark trial over social media's effect on kids boots up in downtown LA

 [courthousenews.com/engineered-addiction-landmark-trial-over-social-medias-effect-on-kids-boots-up-in-downtown-la](https://www.courthousenews.com/engineered-addiction-landmark-trial-over-social-medias-effect-on-kids-boots-up-in-downtown-la)

Hillel Aron

February 10, 2026

Parents who say their children's deaths were caused by social media platforms outside Spring Street Courthouse, in February 2026, days ahead of the landmark social media addiction trial (Jordan Strauss/ ParentsTogether Action)

LOS ANGELES (CN) — The first-of-its-kind trial over the effects that social media has on children kicked off with opening statements on Monday by the plaintiff and two defendants, Meta and Google.

"This case is about two of the richest corporations in history, who have engineered addiction in children's brains," said attorney Mark Lanier, representing the plaintiff, known in court as Kaley G.M. to preserve her anonymity. "I'm going to show you evidence that these companies built machines designed to addict the brains of children. And they did it on purpose."

Lanier, a folksy, excitable Texan who moonlights as a pastor, exuded all the charm of a 1990s sitcom dad, employing a number of props, including a hammer, a phone book-sized working slot machine, an eggshell and a toy Ferrari. Two of his daughters are serving as his co-counsels throughout the trial.

Meta's attorney, Paul Schmidt, was much less boisterous and colorful — despite a black eye and gigantic, cartoonish welt on his forehead, which he said was the product of a recent fall. He delivered an almost somber opening statement, in which he argued Kaley's lifelong struggles with depression were largely the product of her chaotic upbringing. He cited the records of two therapists and a psychiatrist who treated her over the years.

"All three of them believed you can be addicted to social media," Schmidt told the jury. "They never diagnosed Kaley with social media addiction."

This is the first bellwether trial in a massive consolidated action pitting more than 1,600 personal injury plaintiffs — parents who say their children were harmed by excessive social media use — against five globally popular social media platforms: Facebook and Instagram, both of which are owned by Meta; YouTube, which is owned by Google; TikTok; and Snapchat. Both TikTok and Snap reached

settlements with Kaley G.M. in the weeks before the trial, but they remain as defendants in the overall case. The verdict of the bellwether trial could be used to help craft a global settlement.

Up until now, social media companies have been shielded from a wide range of liability by Section 230 of the Communications Decency Act, which protects online platforms from litigation over content. But plaintiffs have successfully argued that Section 230 does not shield tech companies from liability for their design features, such as "like" notifications, "infinite scroll" or "autoplay," and "filters," which alter the appearance of a subject in photographs.

Plaintiffs say those design features have helped foment a mental health crisis among teenagers, causing depression, anxiety, addiction and a host of body image issues.

Although the case could have enormous implications for the country and the world, with some predicting — or, perhaps, hoping — for something akin to a tobacco industry-like reckoning for the tech giants, the jury will hear nothing of the 1,600 plaintiffs or a potential global settlement worth untold billions. Instead, this trial will focus on Kaley G.M. and her very personal challenges. The plaintiffs will have to prove that Instagram and YouTube (Kaley never took to Facebook) played a substantial role in her mental health harm.

"Kaley is now easily overwhelmed," Lanier told the jury. "The part of her mind that filters out noise and stress, it was devastated by the defendants' machine."

Lanier likened social media apps to a casino: Every swipe of the finger, he said, can lead to a "like" notification, which then releases dopamine into the user's brain. It could also lead to a funny video or some form of social validation. Or, he said, it could be "something that tells her she's not good enough."

"That uncertainty — 'maybe next time' — is how the machine hurts the brain," Lanier said.

Much of Kaley G.M.'s case will rest on a trove of internal documents, unearthed in discovery, in which employees of Instagram and YouTube acknowledge targeting kids, as well as the effects their products have on them.

"The goal is not viewership, it's viewer addiction," reads one such document, displayed by Lanier in court. A YouTube internal strategy memo argued: "If we want to win big with teens, we must bring them in as tweens."

An internal message from an Instagram employee admitted: "We're basically pushers... We're causing reward deficit disorder, because people are binging on Instagram so much they can't feel the reward."

Schmidt focused mostly on Kaley herself. He said her mental health issues came mostly from her tumultuous home life, in which she experienced both physical and emotional abuse at the hands of her mother.

"My mother would not talk to me for a few days on end," Kaley would tell a mental health professional, according to a slide Schmidt showed to the jury. She would "hit me on the back of the head and call me stupid." In another slide, she said, "Mom screams at me all day everyday she makes me want to kill myself."

"Imagine the impact of that on a young child," Schmidt said.

Schmidt said that when Kaley was 13, she stated her worst memory "was when she had to call the police because her sister was making a suicidal attempt."

Far from being the cause of her depression and anxiety, Schmidt argued, social media was a "coping mechanism" and a "positive outlet" to talk about her feelings.

Attorney Luis Li will give Google's opening remarks on Tuesday morning.

The trial will feature one star witness: 41-year-old Meta CEO Mark Zuckerberg, the third richest person in the world, according to Forbes. He is expected to testify in person sometime this week. Neal Mohan, the CEO of YouTube, and Adam Mosseri, the head of Instagram, are also expected to take the stand in the monthlong trial.

Coincidentally, this was not the only social media trial to kick off on Monday. New Mexico Attorney General Raúl Torrez is suing Meta for failing to protect minors from sexual exploitation.

Litigation

Manage Newsletters

Instagram, YouTube Called Addiction 'Machines' at Landmark Trial

Feb. 10, 2026, 9:00 AM PST

Summary by Bloomberg AI AI Generated



- A 20-year-old woman, Kaley, appeared in court to testify that Instagram and YouTube exploited her for profit by designing their products to be addictive.
- Kaley's lawyer, Mark Lanier, accused the platforms of "building machines designed to addict the brains of children" with features that keep them constantly engaged.
- The companies deny wrongdoing, with Meta's lawyer, Paul Schmidt, arguing that Kaley's psychological distress came from family turmoil, physical and verbal abuse, and bullying at school, rather than social media use.

A 20-year-old woman who claims she's been addicted to social media for more than a decade made a brief appearance Monday before the jury that will decide whether Instagram and YouTube exploited her for profit.

She was introduced simply as Kaley, and within 30 seconds she was gone from the courtroom. Her lawyer, Mark Lanier, told jurors that in her fragile state, she needs to be spared from hearing advocates and experts dissect and debate her mental health struggles over the next several weeks.

This week is the kickoff of a landmark trial in Los Angeles at which Instagram owner Meta Platforms Inc. and YouTube parent Google will answer to Kaley's allegations that they designed their products to hook kids and turn them into lucrative customers.

The trial will serve as a critical test for thousands of similar lawsuits that target not only Meta and Google, but also TikTok Inc. and Snap Inc. The latter two companies aren't participating in the first trial because they reached confidential settlements with Kaley's lawyers at the Social Media Victims Law Center in Seattle.

Read More: ['Massive Legal Siege' Against Social Media Companies Looms](#)

Lanier accused the platforms of "building machines designed to addict the brains of children" by introducing features that keep them constantly engaged, including one that allows users to swipe endlessly on their screens and never run out of new content.

"Imagine a slot machine that fits into your pocket," he said during his two-hour opening statement. "It doesn't require you to read or type, it only requires one physical motion. For a child like Kaley, this motion is the handle of a slot machine. Every time she swipes, she's gambling. Not for money, but for mental stimulation."

Paul Schmidt, an attorney representing Meta, said there's no dispute that Kaley suffered psychological distress and sought treatment to recover. But he argued that the sources of her trauma came from family turmoil, physical and verbal abuse and bullying at school.



Attorneys Phyllis Jones, left, and Paul Schmidt, center, representing Meta, arrive at the Los Angeles County Superior Court in Los Angeles on Feb. 9.

Photographer: Frederic J. Brown/AFP/Getty Images

"If you took Instagram away, and everything else was the same in Kaley's life, would her life be completely different or would she still be struggling with the same things she is today?" Schmidt said.

Google's lawyer is scheduled to give an opening statement early Tuesday to the jury of six women and six men.

The companies vehemently deny wrongdoing and say they have rolled out tools and resources to support parents with teens. But if they lose early trials, they will face pressure to change the way minors interact with social media and reach settlements with other plaintiffs that could total billions of dollars – a scenario that could be akin to the deals that tarnished the tobacco and opioid industries.

Instagram head **Adam Mosseri** is expected to testify in the days ahead, as is Meta Chief Executive Officer Mark Zuckerberg and YouTube boss **Neal Mohan**. Jurors also will hear from dueling expert witnesses in child psychology and related research fields.

Kaley is identified in court filings as K.G.M. rather than her full name because she was a minor throughout much of the period described in her lawsuit, which alleges that her nonstop use of social media caused her anxiety, depression and body dysmorphia.

Lanier told jurors that in a quest to make "trillions of dollars," the companies intentionally engineered the platforms to "trap" children by stimulating their developing brains to crave rewards.

"They use the science of the human brain and my experts will liken it to building a Trojan horse," Lanier said as he showed the jury slides displaying the companies' internal documents. "YouTube and Google will tell you they are just a streaming service, a digital library. Harmless. But that's not what the evidence shows."

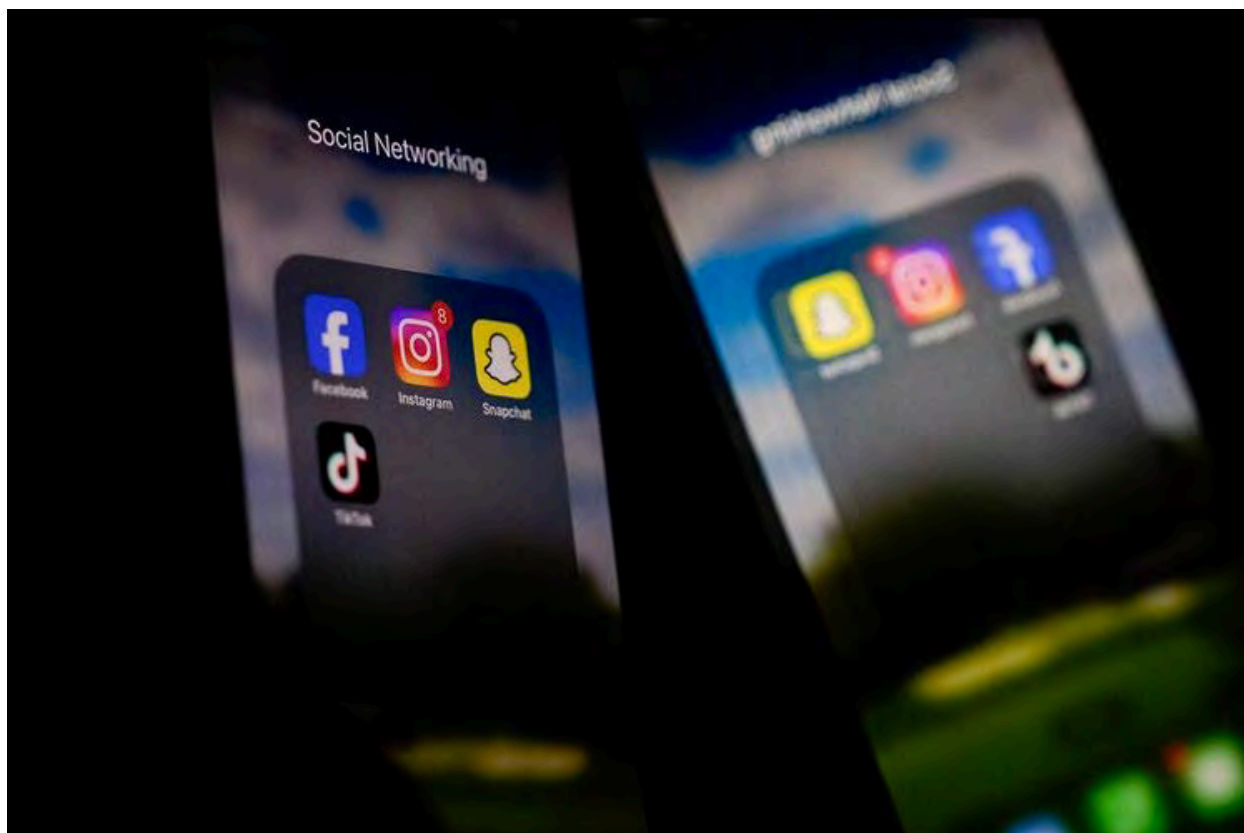
Lanier said he plans to call Kaley as a witness, along with her sister and mother, but won't make her listen to other testimony.

"Kaley is now easily overwhelmed, and the part of her mind that filters out noise and stress – it was devastated by the defendants' machine," he said. "To ask her to sit here for weeks and listen to people talk about her descent would be like asking someone with a broken leg to run a marathon."

Schmidt countered that social media is often beneficial to young people – and has been so for Kaley. When lawyers asked about her social media habits, she said spending time on her phone was a coping mechanism, one that allowed her to "avoid everything."

She also described social media as a creative outlet, and acknowledged that it provided her with a way to communicate about her feelings, according to Schmidt.

He said K.G.M. told company lawyers she was still actively using Instagram, YouTube and TikTok and that she hoped to find a job that would allow her to pursue her passion for editing videos.



Social media networking apps.

Photographer: Asanka Ratnayake/Getty Images

Schmidt said medical records show K.G.M. had been through more than 260 mental health treatment sessions and that she didn't spend that time talking about social media addiction.

"You'll not see more than twenty of those records that even reference social media, good or bad," Schmidt told the jury. "You'll see ones that reference other things going on."

Critics of social media have long held that it can have a negative impact on mental health, especially among young people. Australia late last year banned social media for kids under 16 years old, and several other European countries are [considering similar restrictions](#).

Some of Meta's own research, which was made public by an employee-turned-whistleblower in 2021, found that the company [struggled to rein in misinformation](#), and that its Instagram platform could have negative effects on teens, especially girls.

Meta has since made several changes to how young people can access its services, most notably creating [so-called teen accounts](#) that include some content limitations and parental oversight.

Schmidt highlighted some of those efforts during his arguments, walking the jury through features that limit user time on apps and respond to problematic usage.

Read More: [How Lawsuits Seek to Make Social Media Safer for Kids: QuickTake](#)

YouTube spokesman José Castañeda said before the trial that the allegations in the litigation are "simply not true."

"Providing young people with a safer, healthier experience has always been core to our work," he said in a statement. "In collaboration with youth, mental health and parenting experts, we built services and policies to provide young people with age-appropriate experiences, and parents with robust controls."

--With assistance from Maia Spoto.

To contact the reporter on this story:

Madlin Mekelburg in Austin at mmekelburg@bloomberg.net

To contact the editors responsible for this story:

Ben Bain at bbain2@bloomberg.net

Peter Blumberg, Kurt Wagner

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California Brief

Meta Says Child Safety Isn't Guaranteed in New Mexico AG's Trial

Feb. 9, 2026, 5:29 PM PST

Meta Platforms Inc. told a jury in New Mexico during opening statements of an anticipated six-week trial that it continually tells Facebook and Instagram users that it can't guarantee child safety on the platforms.

"Meta repeatedly has warned parents and teens and everyone that harmful content does get past Meta's safe guards," attorney Kevin Huff of Kellogg Hansen Todd Figel & Frederick PLLC told the jury Monday. "Meta disclosed this, it did not deceive anyone."

The social media giant is seeking to defend a lawsuit from New Mexico Attorney General Raúl Torrez that claims the platforms enables adults to connect with children to obtain sexually explicit images and become a digital marketplace for "enormous volumes" of child sexual abuse material.

The trial in New Mexico state court kicked off the same day as Meta and Google LLC face the start of a different trial in California state court in Los Angeles, where the companies are defending claims that their platforms addicted a teenage girl and caused her depression and anxiety.

The New Mexico case stems from an undercover investigation by Torrez's office that created decoy accounts of children 14-years and younger that were served sexually explicit images and posts even when they didn't express interest in that content.

Meta failed to detect and disable a decoy Facebook account of a fictional mother who offered her 13-year-old daughter for trafficking, the AG's lawsuit alleged, which was filed in 2023 in the state's Santa Fe District Court.

Donald Migliori, an attorney for the New Mexico AG's office, told the jury during opening statements that Meta's claims about safety were entirely misrepresented, violating the state's consumer protection laws against deception.

"Despite these public misrepresentations, the evidence will be that internally, Meta clearly knew that youth safety is not its corporate priority," Migliori said during opening statements, were were broadcast on Court View Network.

The case is State of New Mexico v. Meta Platforms Inc., N.M. Dist. Ct., No. D-101-CV-2023-02838, 2/9/26 .

To contact the reporter on this story: Isaiah Poritz in San Francisco at iporitz@bloombergindustry.com

To contact the editor responsible for this story: Stephanie Gleason at sgleason@bloombergindustry.com

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Meta, Google face first jury trial over social media addiction claims

DJ [dailyjournal.com/articles/389705-meta-google-face-first-jury-trial-over-social-media-addiction-claims](https://www.dailyjournal.com/articles/389705-meta-google-face-first-jury-trial-over-social-media-addiction-claims)

Meta Platforms and Google deliberately built their social media apps to function as "addiction machines" and "digital casinos" aimed at children, a plaintiffs' attorney told jurors Monday at the start of the first bellwether trial in Los Angeles County's coordinated social media addiction litigation.

The defense told the jury the plaintiff's mental and emotional problems stemmed from a detrimental home environment where she saw and experienced abuse, not the social media sites she said she turned to for solace, from the time she was 6.

The claims of the case center on a novel theory that social media platforms are inherently defective products subject to personal liability.

"This case is about two of the richest corporations in history who have engineered addiction in children's brains," Lanier Law Firm founder Mark Lanier said in opening statements. He represents an adult named Kaley, who alleged that her use of Instagram and YouTube as a child substantially worsened her mental and physical health and disrupted her development into her teen years.

Lanier told jurors that she once spent more than 16 hours on Instagram in one day and called her phone her "lifeline" after her mother disciplined her. He said the evidence will show the companies built algorithms designed to bypass parental precautions and maximize children's engagement with the platforms.

"They didn't want users, they wanted addicts. They didn't want time spent, they wanted control. And I'll show you evidence this was no accident. It was addiction by design," Lanier said. "They didn't just build apps, they built traps."

At one point, Lanier pulled a mini slot machine out of a backpack and pulled the lever. He also had "ABC" letter blocks to help the jurors visualize his analogies.

For Meta, Covington & Burling LLP partner Paul W. Schmidt told jurors to consider the environment Kaley grew up in, and posed what he said is the central question of the case: "Was Instagram, in Meta's case, YouTube, in Google's case, a substantial factor in Kaley's mental health struggles?"

He said the evidence at trial will show Kaley's "tough" life experiences were the driving force of her struggles. This included domestic violence exposure at 3, bullying from her father and schoolmates, and physical and verbal abuse.

"There is no dispute in this case that she experienced mental health struggles ... and worked to overcome them. But that's not the dispute. The dispute is what caused them," Schmidt said.

Schmidt said a key component of the case comes from Kaley's medical records, which include many documented conversations she and others had with her doctors.

Schmidt said this treatment began when Kaley was 3 and included over 260 sessions.

"This was all before Instagram," Schmidt said. "This is what she experienced in her life."

In one instance, according to a text message displayed to jurors, Kaley told her sister: "Mom screams at me all day every day. She makes me want to kill myself."

Schmidt also previewed depositions from Kaley's doctors. One said social media was not a primary factor in their discussions.

Another said social media addiction - or the fear that it might be a problem - was not brought up at all, and that when Kaley was asked about this lawsuit, all she said she knew was that her mother told her she'll be part of it and "there might be compensation."

The plaintiffs' opening statements began around 11 a.m. and ended just before 3 p.m. The defense's opening presentation did not finish before press deadline.

The trial before Superior Court Judge Carolyn B. Kuhl is the first of three scheduled bellwethers in a coordinated proceeding involving thousands of lawsuits alleging that platforms intentionally designed addictive features that harmed minors. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

Companies that own Snapchat and TikTok settled Kaley's claims days before jury selection began. They are still defendants in the other lawsuits.

Lanier framed Kaley's case around what he called the "ABCs" of social media addiction: "addicting brains of children."

Kuhl instructed jurors that the case centers on whether Meta and Google acted negligently in designing and operating their platforms, and in failing to warn minors about alleged dangers. She emphasized that jurors could not hold the defendant companies liable for third-party content posted on the platforms, but could consider whether features of the platforms' design caused harm.

During his presentation, Lanier presented several internal corporate documents he said showed the companies viewed children as a key target audience.

Displaying an internal Google presentation, Lanier pointed to language describing a "key mission" to "make YouTube feel less like a utility and more like an addictive experience" to keep them coming back on a daily basis.

Lanier compared the apps to a "digital casino," telling jurors to "imagine a slot machine that fits into your pocket," driven by endless swiping and uncertainty over what comes next.

He argued the companies sought not just users but "addicts," pointing to internal YouTube documents stating: "The goal is not usership. It's viewer addiction."

"This is their language, not mine," Lanier said.

Lanier also cited internal Meta documents and emails discussing teen retention strategies, including a document that stated: "If we want to win big with teens, we must bring them in as tweens," referring to 9-to-12-year-olds. Some charts showed strategies aimed at children as young as 4.

Lanier then displayed a 2015 internal Meta memo allegedly written by CEO Mark Zuckerberg outlining a strategy to increase user time spent as teen engagement declined. He told jurors Zuckerberg knew about this decline and "wanted to reverse it," claiming the directive was part of what the company internally referred to as a "youth strategy."

According to Lanier, the companies' business model depended on capturing children's attention for advertisers. "What they've done ... is they're selling a product, but the product they sell is not the app ... the product is Kaley, specifically her attention," Lanier said.

Lanier previewed testimony from experts including a psychiatrist, whom he said would explain how features like infinite scroll, autoplay and "like" notifications exploit dopamine-driven reward pathways.

"For a teenager, social validation is survival," Lanier said. "[The companies] knew that for a child, social validation isn't just nice, it's a biological necessity."

The defendants have denied liability, disputing any scientific link between platform design and addiction, and arguing that outside factors contributed to Kaley's struggles.

#389705

Devon Belcher

Daily Journal Staff Writer

devon_belcher@dailyjournal.com

Trial Against Meta in New Mexico Focuses on Dangers of Child Sexual Exploitation on Social Media

Prosecutors say they'll present evidence that Meta knew about 500,000 inappropriate interactions with children took place each day on its platforms, while its ability to track those interactions was inadequate.

February 09, 2026 at 02:54 PM By **Morgan Lee**



Credit: beavera / AdobeStock

Editor's Note: This story was updated Monday afternoon to add new quotes and details.

SANTA FE, N.M. (AP) — A trial focused on the dangers of child sexual exploitation on social media and whether Meta misrepresented the safety of its platforms began Monday in New Mexico with opening statements.

It's the first stand-alone trial from state prosecutors in a stream of lawsuits against major social media companies, including Meta, over harm to children, and one that is likely to highlight explicit online content and its effects.

Prosecutors told a jury that Meta failed to disclose what it knew about harmful effects of its platform on children, in violation of state consumer protection laws. Meta also is accused of creating a public nuisance.

"The theme throughout this trial is going to be that Meta put profits over safety," attorney Donald Migliori, representing the state of New Mexico in its suit against Meta. "Meta clearly knew that youth safety was not its corporate priority ... that youth safety was less important than growth and engagement."

Migliori said jurors will hear testimony and see internal communications from CEO Mark Zuckerberg and head of Instagram Adam Mosseri that illustrate Meta's emphasis on profits over safety.

He said internal Meta communications also show that Zuckerberg knew of widespread use of the platform by children under 13, contradicting public statements.

"The actions of these two individuals demonstrate their prioritization of growth and engagement over safety," said Migliori.

Testimony is expected to be drawn from current and former employees of Meta with safety responsibilities to show that Meta misrepresented what it knew about the effects its platforms on teenagers and preteens.

Whistleblowers on the state's witness list include Arturo Bejar, an engineering director at Facebook from 2009 to 2015 who later testified to Congress about his daughter confronting harassment on Instagram.

Migliori said prosecutors will also delve into what Meta knew about the addictive nature of its algorithms that decide which content to present to users.

Prosecutors say they'll present evidence that Meta knew about 500,000 inappropriate interactions with children took place each day on its platforms, while its ability to track those interactions was inadequate.

Meanwhile, in California, opening statements began Monday in a separate case against Meta and Google's YouTube alleging that their platforms deliberately addict and harm children. Plaintiffs' arguments there and in New Mexico, if successful, could sidestep the companies' First Amendment shield and Section 230, which protects tech companies from liability for material posted on their platforms, and determine how thousands of similar lawsuits will play out.

New Mexico Attorney General Raúl Torrez sued Meta in 2023 and attended Monday's trial opening. His team built the case by posing as kids through social media accounts, then documenting the

arrival of sexual solicitations as well as the response by Meta, the owner of Facebook, Instagram and WhatsApp.

Prosecutors say they'll provide evidence and testimony that Meta's algorithms and account features not only enticed and addicted young people to social media but also fostered a "breeding ground" for predators who target children for sexual exploitation.

Meta denies any legal violations and says prosecutors are cherry-picking evidence to make sensationalist arguments. On Sunday, Meta called the state's investigation "ethically compromised" in its use of child photos on proxy accounts, delays in reporting child sexual abuse material and the disposal of data from devices used in the investigation, in social media posts on X by company spokesperson Andy Stone.

The company says lawsuits are attempting to place the blame for teen mental health struggles on social media companies in a way that oversimplifies matters. Meta says it has a longstanding commitment to supporting young people, highlighting a steady addition of account settings and tools — including safety features that give teens more information about the person they're chatting with and content restrictions based on PG-13 movie ratings.

"For over a decade, we've listened to parents, worked with experts and law enforcement, and conducted in-depth research to understand the issues that matter most," the company said in a statement. "We're proud of the progress we've made."

It's unclear whether Zuckerberg will testify at trial. New Mexico limits the ability to compel out-of-state witnesses to testify in person, while prosecutors can present testimony by Zuckerberg from a deposition.

Initial objections Monday by Meta to showing explicit images at trial — arguing that might revictimize people or unfairly imply that Meta is responsible for all content on its platform — were overruled by New Mexico District Court Judge Bryan Biedscheid.

Meta argues it works hard to take down harmful content but that it can't reasonably be held liable for material posted on its platforms under a 30-year-old provision of the U.S. Communications Decency Act.

More than 40 state attorneys general have filed lawsuits against Meta, claiming it is deliberately designing features that addict children to its platforms. The majority filed their lawsuits in federal court, and New Mexico's case against Meta is the first to reach trial.

Torrez, a Democrat seeking reelection this year to a second term, has urged Meta to implement more effective age verification and remove bad actors from its platform. He's also seeking

changes to algorithms that can serve up harmful material and criticizing end-to-end privacy encryption that can prevent the monitoring of communications with children for safety.

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New Mexico accuses Meta of putting profits over child safety as trial opens

 [courthousenews.com/new-mexico-accuses-meta-of-putting-profits-over-child-safety-as-trial-opens](https://www.courthousenews.com/new-mexico-accuses-meta-of-putting-profits-over-child-safety-as-trial-opens)

Joe Duhownik

February 10, 2026

FILE - Meta CEO Mark Zuckerberg speaks during an event at the Biohub Imaging Institute in Redwood City, Calif., Nov. 5, 2025. (AP Photo/Jeff Chiu, File)

(CN) — The state of New Mexico opened a projected 8-week trial on Monday claiming Meta made false statements about its efforts to improve child safety and remove bad actors on its main social media platforms Instagram and Facebook.

State attorney Donald Migliori told a panel of 12 jurors and six alternates in a Santa Fe County courtroom that Meta's algorithms intentionally promote sexually exploitative or otherwise harmful content to minors and prolong time teens spend on the apps to maximize advertising revenue.

"The theme throughout this trial is going to be that Meta puts profits over safety," the Motley Rice partner said Monday morning.

Migliori told the jury Meta knowingly overestimates the efficacy of its teen safety features. Meta has claimed in public hearings that children are safe from adults sending them explicit material, safe from sexual exploitation or trafficking, and safe from other content that promotes self harm, suicide and eating disorders, Migliori said. Internal Meta documents tell a different story.

"Internally, Meta clearly knew that youth safety is not a corporate priority," he said. "Safety measures were underresourced, ineffective and deprioritized. Meta has acted with total disregard, making its conduct unconscionable"

Migliori presented the jury with a handful of statements made by Meta and its CEO Mark Zuckerberg, comparing them to Meta's internal documents.

In 2018, Zuckerberg told Congress that Meta prioritizes child safety above everything else. In an internal memo titled "Safety First," Zuckerberg said he can't prioritize safety over free expression.

"Keeping people safe is the counterbalance, not the main point," Zuckerberg wrote in the document shared with the jury.

Zuckerberg also told Congress that Meta doesn't allow children younger than 13 on its platforms, but internal data indicates that more than 4 million Instagram users are younger than 13.

A 2018 document presented by Migliori indicated that Meta was aware teen accounts experienced a higher rate of exposure to content that violates Instagram's safety guidelines than adult accounts. A 2020 memo reported inappropriate interactions with children were "through the roof," with one employee writing that Meta had not been fulfilling its legal obligation to report child exploitative images to the National Center for Missing and Exploited Children.

Migliori added that while Meta does report to NCMEC, it still takes insufficient enforcement action on its platforms.

Representing the tech conglomerate, Kellogg Hansen attorney Kevin Hugg said Meta has always been transparent about its efforts to protect children and the reality those efforts can never be 100% effective.

"Meta tells the world what the policies are so everyone knows the rules," Huff told the jury. "Meta publicly admits that some of this content gets past its safeguards."

He said Meta warns all users on its platforms that they may be inadvertently exposed to sexually exploitative or otherwise harmful material.

"That's disclosure, not deception," he said.

Among its safety features, Meta touts its teen account setting for children 13 to 17 which can limit what content users can see, whether strangers can interact with them, and how much time they spend on the app. Huff said Meta implemented those protections knowing it would cut teen traffic by 3.3%.

Huff said the state's "profit over safety" argument falls flat because Meta has a financial incentive to keep the app safe. The more positive experiences, the more future engagement, he said.

Because Meta is aware that children younger than 13 can give a false age to gain access to the platforms, Huff said the company provides forms to report underage users and deploys automated tech that detects children who may be too young.

"Are these tools perfect?" Huff asked. "Of course not. But they are constantly improving. And Meta does not hide that fact from the public either."

New Mexico Attorney General Raúl Torrez filed suit in 2023, accusing Meta of creating a marketplace and “breeding ground” for predators who target children for sexual exploitation and failing to disclose what it knew about those harmful effects. Meta says the state cherry-picked data out of billions of daily posts across its platforms to sensationalize a relatively small issue.

Zuckerberg was dismissed in his personal capacity, but has been deposed and may still testify in trial.

The lawsuit was built largely on an undercover investigation in which state actors used fake accounts posing as children to document sexual solicitation from other users and observe Meta’s response.

In his opening, Huff questioned the investigation’s ethics.

“The state designed the investigation to intentionally circumvent Meta’s safeguards to make Facebook and Instagram look more dangerous than they really are,” he said.

Investigators made accounts to resemble children but told the app they were adults to avoid the teen safety features. The Investigators used photos of real underage girls to lure known pedophiles into engaging with the accounts on Instagram and Facebook.

“The state put real people at risk,” Huff said.

Meta also faces a [multistate lawsuit in California](#) on claims its products are designed to be addictive and harmful to children and teens. [Snapchat and TikTok settled](#) in January, but Meta and Google remain defendants.

Litigation

Class Suit Accuses Adobe of Using Pirated Books to Train AI Models

A class action accuses Adobe of secretly pulling hundreds of thousands of copyrighted books—including titles scraped from pirate “shadow libraries”—to train its new SlimLM small language models, in what plaintiffs call mass, willful infringement that contradicts Adobe’s public claims of “ethical” AI development.

February 10, 2026 at 02:27 PM By **Briana Warsing**



Photo: Sergey Nivens/Adobe Stock

Adobe was hit with a class action lawsuit accusing the software company of illegally copying hundreds of thousands of copyrighted books, including titles scraped from pirate “shadow libraries,” in what the suit calls large scale, willful copyright infringement.

The complaint was filed on Feb. 9 in the U.S. District Court for the Northern District of California.

The action, brought by Bursor & Fisher with New York author Arthur Kleiner as lead plaintiff, alleges Adobe secretly downloaded, copied, stored and used datasets containing copyrighted books without permission. Those datasets allegedly included Kleiner’s 1996 book “The Age of Heretics,” which he registered with the U.S. Copyright Office in 1995.

The books were allegedly used to train Adobe's SlimLM small-language models. According to the complaint, Adobe ingested enormous quantities of copyrighted material through SlimPajama, a 627-billion-token dataset Adobe acknowledges using to pretrain SlimLM. SlimPajama is described as a cleaned and deduplicated version of RedPajama, a corpus created by Together AI. RedPajama includes the Books3 dataset that is comprised of roughly 196,000 books scraped from Bibliotik, which the complaint characterizes as a "notorious pirate website." The complaint also alleges SlimPajama incorporates large portions of Common Crawl, a web-scraped dataset known to contain unauthorized copies of news articles and other copyrighted works.

The filing alleges Adobe relied on the "surreptitious, non-consensual" use of these datasets to develop SlimLM, a family of small-language models optimized for mobile deployment and document-assistance tasks. The plaintiffs argue the models are designed to operate within Adobe's commercial ecosystem, including Acrobat, Photoshop, Illustrator and Premiere, creating a risk that copyrighted expression may be reproduced or leveraged in downstream products.

The complaint asserts that Adobe's use of SlimPajama-derived data violates the company's own terms of service, which prohibit unauthorized collection of user content, and contradicts Adobe's public marketing around Firefly, its flagship AI image generator that the company says was developed without scraping copyrighted material from the internet.

"Despite Adobe's claims of ethical AI development for its Firefly product, Adobe has nevertheless celebrated the development of its SlimLM SLM, which was trained on multiple datasets of copyrighted material, including Plaintiff's," the complaint states.

Kleiner alleges Adobe copied protected books at every stage of SlimLM's training pipeline, including initial downloading, internal storage, processing, pretraining, fine-tuning and ablation experiments. The complaint emphasizes that SlimLM's "weights," the numerical parameters that determine how the model behaves are fully derived from copyrighted expression.

The suit references *Bartz v. Anthropic*, a 2025 decision from the Northern District of California, which held that downloading copyrighted books from pirate sources when lawful alternatives are readily available "cannot be reasonably necessary to any subsequent fair-use defense." While Bartz found certain uses of lawfully acquired works to be transformative, it also held that assembling and retaining a "central library" of pirated books constituted infringement.

Adobe's conduct "is not fair use," the complaint argues, because it is commercial, nontransformative and involves copying entire works without alteration. Plaintiffs further cite recent research showing that large language models can regurgitate verbatim portions of training data, undermining the characterization of AI model outputs as purely statistical or expressive transformations.

“It is near impossible that any accused infringer could ever meet its burden of explaining why downloading source copies from pirate sites that it could have purchased or otherwise accessed lawfully was itself reasonably necessary,” the complaint quotes from Bartz.

According to the suit, the alleged harm is ongoing. Adobe, based in San Jose, California, is accused of continuing to store and use copyrighted texts to train SlimLM and other undisclosed models, displacing licensing markets and diminishing the value of authors’ works. The complaint also argues that Adobe has shown knowledge of licensing obligations by choosing to pay for certain training data—including video—while allegedly copying books without permission.

The proposed class excludes Adobe, its officers and employees, and is estimated to include “hundreds of thousands” of copyright holders whose works appear in the datasets Adobe allegedly used. The plaintiffs seek statutory and actual damages, disgorgement of profits, attorneys’ fees and injunctive relief requiring Adobe to destroy infringing copies under 17 U.S.C. § 503.

Adobe has not filed a response to the complaint at the time of publication. Neither Adobe nor plaintiffs' counsel, Bursor & Fisher have responded to requests for comment.

This complaint was first surfaced by [Law.com Radar](#), ALM's source for immediate alerting on just-filed cases in state and federal courts. [Law.com Radar](#) now offers state court coverage nationwide. [Sign up today](#) and be among the first to know about new suits in your region, practice area or client sector.

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Talc lawyers lose again as class action is squelched | Federal Courts

 [legalnewsline.com/federal-courts/talc-lawyers-lose-again-as-class-action-is-squelched/article_7772d025-9b0c-41cc-8eda-270f63892d0e.html](https://www.legalnewsline.com/federal-courts/talc-lawyers-lose-again-as-class-action-is-squelched/article_7772d025-9b0c-41cc-8eda-270f63892d0e.html)

Daniel Fisher, Daniel Fisher

February 10, 2026

Johnson & Johnson Baby Powder no longer contains talc powder.

Austin Kirk, Public domain, via Wikimedia Commons

TRENTON, N.J. - An attempt by plaintiff lawyers to collect all the women who haven't yet sued Johnson & Johnson over talcum powder into a single class action failed as a federal judge in New Jersey ruled the lawsuit suffered from fatal conflicts of interest between present and future claimants.

It was the second major defeat for Beasley Allen in New Jersey, after an appeals court last week [disqualified the Alabama law firm](#) from representing thousands of plaintiffs in state court because of its association with a former J&J defense lawyer. Golomb Legal of Philadelphia partnered with Beasley Allen in the failed class action in federal court.

Beasley Allen and Golomb purported to represent every woman in the U.S. who used Johnson's Baby Powder or Shower to Shower for more than four years, or their legal representatives or family members. They sought damages both for women claiming cancer and for those who feared contracting talc-related diseases. The lawyers also sought money for medical monitoring.

That was too complex a package to combine into a single lawsuit, U.S. District Judge Michael Shipp said in a Jan. 29 order. As the U.S. Supreme Court ruled in two landmark asbestos cases, the same lawyers can't claim to represent both current and future plaintiffs because the interests of the two groups are directly opposed. The current plaintiffs – and their lawyers – want payment immediately, while the future claimants seek to conserve assets so they can be paid later.

"Plaintiffs seek to litigate a class action on behalf of individuals who allege a present cancer diagnosis, as well as individuals who allege no present injury at all," Judge Shipp wrote.

"Those already diagnosed with cancer may reasonably prioritize immediate compensatory and punitive damages, while those without a cancer diagnosis may reasonably prioritize a fund for medical monitoring, long-term preservation of resources and protections against premature valuation of their claims."

Judge Shipp granted J&J's motion to strike the complaint, giving lawyers the chance to try to amend it to fix the conflicts between present and future claimants.

The class action represented yet another attempt by plaintiff lawyers to conclude the litigation they started over claims cosmetic talc contains cancer-causing asbestos. J&J steadfastly denies there ever was asbestos in its products, but plaintiff lawyers have hired a small group of experts who testify they have can identify asbestos fibers in talc, and doctors who say that asbestos was in large enough amounts to cause cancer.

J&J has won plenty of defense verdicts, but when it loses, jurors have delivered massive verdicts. In December, one woman won [\\$1.5 billion in Baltimore](#), and two women in Los Angeles [won \\$40 million](#).

The problem for J&J, and the lawyers suing the company, is virtually every person born before J&J removed mineral talc from the market in 2020 can claim damages under the theories plaintiff lawyers promote, so ubiquitous was the product.

That means attempts to settle the litigation run head-on into the problem highlighted by Judge Shipp: Plaintiff lawyers can't claim to represent both current claimants and those who are certain to assert the same claims in the future, if the experts they hire are to be believed.

Johnson & Johnson attempted to settle talc litigation through a \$9 billion bankruptcy plan but Beasley Allen succeeded in [killing the approach](#) by citing concerns with the voting process for claimants. After that defeat, J&J vowed to fight talc cases in court, but both sides know there is no feasible way to litigate tens of thousands of individual talc lawsuits.

That leaves creative solutions like the class action Beasley Allen tried to assemble for all the women it doesn't already represent. Unfortunately for it, the U.S. Supreme Court emphatically closed the door on that approach with its *Amchem* and *Ortiz* decisions striking class action settlements on behalf of everyone exposed to asbestos.

Since then, asbestos litigation has become a multibillion-dollar business, driving scores of companies into bankruptcy and causing huge losses to insurance companies forced to pay out on policies that may have been written decades earlier.

Robins Kaplan seeks to remain class counsel after antitrust co-lead departs

DJ [dailyjournal.com/articles/389707-robins-kaplan-seeks-to-remain-class-counsel-after-antitrust-co-lead-departs](https://www.dailyjournal.com/articles/389707-robins-kaplan-seeks-to-remain-class-counsel-after-antitrust-co-lead-departs)

Robins Kaplan LLP hopes to keep its spot as class counsel in an antitrust lawsuit against several disk drive makers after its attorney serving as the case's co-lead left the firm.

In a motion filed Feb. 6, attorneys Stacey P. Slaughter, a firm partner, and Ellen G. Jalkut petitioned U.S. District Judge Maxine M. Chesney to join Qianwei Fu of Zelle LLP as class counsel for the end-user plaintiffs.

Just days earlier, Fu's previous co-lead, William V. Reiss, withdrew from the case after leaving Robins Kaplan.

Staying with the firm, Robins Kaplan argued, would ensure plaintiffs have a new co-lead who's familiar with the case.

"The proposed leadership slate will promote continuity of leadership, preserve institutional knowledge developed over years of litigation, and enhance [the plaintiffs'] ability to prosecute this action effectively," the motion states.

Both attorneys submitted declarations citing their experience in antitrust law as reasons the court should appoint them to replace Reiss. *In re: Hard Disk Drive Suspension Assemblies Antitrust Litigation*, 3:19-md-02918 (N.D. Cal., filed Oct. 8, 2019).

Slaughter currently serves as plaintiffs' co-lead counsel in ongoing antitrust litigation in the Minnesota federal court over alleged price fixing in the granulated sugar industry, as well as a case in the Middle District of Tennessee alleging rental pricing software amounts to conspiracy to set prices.

Jalkut worked on both cases as well and held leadership roles on the plaintiff side in the disk drive litigation.

The firm didn't respond to a request for comment in time for publication.

Plaintiffs, both individuals and IT companies, first filed the lawsuit in 2019, alleging that several companies that make disk drive suspension assemblies -- pieces of the drive that hold the head in place above the disk, allowing it to read the data --

conspired to fix prices and divide shares of the market among themselves.

The case is at the summary judgment stage, with motions due by late March.

Defendants are represented by Morgan Lewis & Bockius LLP and Paul Hastings LLP.

#389707

Daniel Schrager

Daily Journal Staff Writer

daniel_schrager@dailyjournal.com

California Brief

Goldstein Prosecutors Bring Receipts to Show His Luxury Spending

Feb. 9, 2026, 3:11 PM PST

Prosecutors shored up some of their tax charges against Tom Goldstein Monday through the testimony of an FBI forensic accountant who detailed the high-profile lawyer's spending from 2016 to 2022.

Although Goldstein previously admitted to much of that spending, Peter Flack's testimony featured more comprehensive summary charts, receipts, and photos—including one of the St. Regis Bali Resort, where prosecutors say Goldstein spent around \$25,000 to vacation in 2018.

Goldstein faces one count of tax evasion, eight counts of aiding and assisting in the preparation of false and fraudulent tax returns, four counts of willful failure to pay taxes, and three counts of making a false statement on a loan application.

His seemingly frivolous spending when prosecutors say he owed significant tax debts primarily supports the government's willful failure to pay charges. He could have paid the taxes when they were due, but chose not to, the government argues.

Flack also testified about transfers from Paul Phua, one of Goldstein's former clients and sometimes financial baker in poker games, that made their way to US accounts through Goldstein's foreign accounts. He didn't and couldn't speak to whether the transfers were properly documented for tax purposes.

He also testified about liabilities, including more than \$14 million in gambling-related debt, that Goldstein allegedly owed when he applied for mortgages in 2021. Darran Anthony, an executive with NFM Lending affiliate Main Street Home Loans, also testified, confirming the debts weren't disclosed.

Earlier in the day, Judge Lydia Kay Griggsby denied a defense motion alleging prosecutors willfully failed to produce notes from a recent meeting with accountant Walter Deyhle, a key government witness. At the meeting, the government confronted Deyhle with an email that contradicted his grand jury testimony and statements he'd made to prosecutors.

The defense wants the notes, but prosecutors say there are none to produce and deny that Deyhle made any additional statements that needed to be disclosed.

Griggsby said she wasn't sure there was anything for the government to produce, but ruled without prejudice. The defense said it intends to submit further briefing on the issue.

Another Outside Accountant

Ian Shuman, an accountant with GRF CPAs & Advisors who served as an outside accountant for Goldstein's law firm, was the third and last witness to take the stand Monday.

He testified about how he always had a difficult time gathering the information he needed to properly characterize the law firm's transactions, and said he would have no way of knowing how to properly do so without Goldstein's guidance, which was almost always relayed through Goldstein's firm managers or assistants.

In a 2022 email, presented to him on the stand, Shuman said getting the information he needed was "like pulling teeth."

He also explained that his job as an outsourced accountant wasn't to conduct audits or to look for substantiating documentation. It wouldn't have been appropriate for the firm's outsourced accountant to also conduct an audit of its books and records, in any event, he said. An auditor should be independent from the accountant who's keeping the books being audited.

On cross-examination, the defense launched into a line of questioning designed to attack the government's investigation, namely around GRF's alleged failure to preserve, collect, and produce all internal communications related to GRF's work for Goldstein's firm from 2017 to 2021.

Shuman will resume his testimony Tuesday. Prosecutors say they have one more witness to call after him.

Muger Tolles & Olson LLP represents Goldstein.

The case is United States v. Goldstein, D. Md., No. 8:25-cr-00006, trial held 2/9/26 .

To contact the reporter on this story: Holly Barker in Washington at hbarker@bloombergindustry.com

To contact the editor responsible for this story: Laura D. Francis at lfrancis@bloombergindustry.com

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'We Have License Plate Numbers,' How Brad Karp, Representing Leon Black, Worked with Epstein to Track a Woman

Karp notified Epstein of an audio recording of a meeting with a woman and worked with Epstein to track her location, emails show.

February 10, 2026 at 07:45 AM By  **Ryan Harroff**  **Dan Roe**

What You Need to Know

- Brad Karp corresponded with Jeffrey Epstein over the whereabouts of a woman they were tracking, emails show.
- Karp has stated that his dealings with Epstein specifically related to a fee dispute between Epstein and Karp's client, Leon Black.
- Some emails appear to refer to a woman who later accused Leon Black of sexual abuse and harassment, Guzel Ganieva.
- Ganieva lost a defamation lawsuit against Black after Black accused her of lying and extortion.



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

Former Paul, Weiss, Rifkind, Wharton & Garrison chairman Brad Karp corresponded with child sex trafficker Jeffrey Epstein to keep tabs on at least one woman — who appeared to be former Russian model Guzel Ganieva — during his work for client Leon Black.

To explain his inclusion in the Epstein email disclosures, Karp told the American Lawyer in [December](#) and [February](#) that he was representing Black, the former chairman of Apollo Global Management, in a fee dispute with Epstein. He has affirmed that he neither saw nor participated in any misconduct.

Ganieva had been in a relationship with Black prior to October 2015, when Ganieva signed a non-disclosure agreement with Black not to discuss their relationship. In a 2021 defamation lawsuit against Black, Ganieva alleged Black sexually abused and harassed her on multiple occasions between 2008 and 2014. A New York state court dismissed the lawsuit in 2023, and Black won on appeal when a state appeals court dismissed the complaint with prejudice in 2025.

Some emails between Karp and Epstein highlight their emphasis on tracking down a transcript of a recording with Ganieva.

On August 19, 2015, Epstein had [emailed](#) Karp, “??transcript?” Karp replied, “It’s not ready and will take a while,” explaining there had been background noise as “the restaurant.” Karp added: “The audio tape needs to be enhanced. I’ve asked them to do the best they can, under the circumstances.”

Four days later, on [August 23, 2015](#), Karp emailed Epstein, “GG is in Moscow; the transcript should be completed tomorrow. I’ll send it to you as soon as I receive it.”

Epstein followed up, “Did we get a report on where she went after lunch? Details?”

Karp [responded](#), “To the Cielo apartment bldg on 83rd and York, where she stayed until she traveled to JFK. She was snuck out through the garage, in a car with tinted windows, and we have license plate numbers.”

The next day, Karp received an [email](#) — sent to him and Paul Weiss white-collar and regulatory defense practice co-chair Lorin Reisner — from the chief professional officer of private investigations firm Nardello & Co. regarding the transcript. The company’s executive chairman, Dan Nardello, and managing director James Nauwens were cc’d.

“On behalf of Dan and Jim, I am sending the attached rough draft of a transcript of the client’s lunch with GG last Wednesday, September 19th [sic]. As Jim mentioned to you, we had to have the recording enhanced to be able to better discern the conversation. If you are interested, we can

courier over two DVDs containing a copy of the enhanced version to your office tomorrow or whenever is convenient this week,” Nardello CPO Tara MacMillan wrote.

(MacMillan appeared to refer to August 19, a date that would have been “last Wednesday” from her August 24 email to Karp and Reisner.)

Karp forwarded the email to Epstein, to which Epstein responded, “surveillance? report also bill to date?”

Karp and a representative for Paul Weiss didn’t return messages seeking comment.

A Nardello & Co. spokesperson said the company was “retained by counsel for Leon Black” for investigative support in a lawsuit that Black’s counsel called “extortionate,” noting public reporting on the lawsuit and its dismissal. “In the course of that engagement, no one at Nardello had any contact or communication with Jeffrey Epstein., nor did the firm share any documents or findings with him,” the spokesperson said.

Ganieva did not respond to a request for comment on the email or others that may reference her.

Black stepped down in 2021 from his role as chairman of Apollo Global Management following a review of his ties to Epstein.

Susan Estrich, Black’s attorney, said in an email to Law.com on Friday that Epstein had been providing tax and estate planning advice to Black and his family. Estrich did not address the specifics of Karp’s and Epstein’s correspondence regarding Ganieva but did speak on her allegations against Black.

“At the time of these emails, Ms. Ganieva was threatening Mr. Black and his family while attempting to blackmail him as he was ending their years long [sic] consensual relationship,” Estrich said. “Ms. Ganieva’s lawsuit against Mr. Black, filed years later, was dismissed with prejudice, and that decision was affirmed by the appellate court.”

The conversations appearing to reference Ganieva persisted as far forward as [October 2018](#), when Epstein suggested that they may need more money for “Guzel” after Karp said they should be in “wait and react mode” regarding their dealings with Black.

Ganieva signed the NDA with Black in 2015, which had guaranteed her payments of \$100,000 monthly until Ganieva breached it by publicly accusing Black of sexual harassment and abuse in March 2021, court filings indicate.

In addition to emails appearing to discuss Ganieva, Karp and Epstein also had multiple emails discussing the whereabouts and visa status of a woman, whom neither named directly. The pair

discussed the viability of pursuing criminal charges against her for, as they put it, extorting Black.

In a [July 2015 email](#), Epstein appears to have suggested to Karp that the two should work to get a woman arrested.

“I have come to the conclusion that we will need to bring in law enforcement sooner rather than later,” Epstein wrote. “Needs to be a close sensitive relation Your call on fbi or nypd [sic]. I think she should be arrested either at next meeting or follow up when and after he passes her a large check. Grand larceny etc.”

Karp replied, “Let’s discuss. A critical call.” A [few days later](#), Epstein emailed Karp with the suggestion that they should try and get a woman’s visa revoked. Karp replied, “will work on this.” It is unclear what, if any, measures Karp took following the messages.

After that exchange, Karp updated Epstein on a woman’s whereabouts with the help of private investigators on multiple occasions, the emails show.

For example, in August 2015, Epstein emailed Karp asking if there was “any news.” Karp replied that the woman had not gotten on a flight they expected her to take and was instead at a hotel in Bridgehampton, [going on to elaborate](#) that the place was on Route 27 when Epstein asked for an address.

The emails were disclosed in late January by the Justice Department, leading to pressure on [Karp last week to resign](#) as Paul Weiss chairman. He continues to practice at the firm as a partner. Paul Weiss named corporate department leader Scott Barshay as its next chair.

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Securities

Big Law's Diversity Reckoning Fizzles as EEOC Ends Investigation

Feb. 9, 2026, 2:07 PM PST

A US agency said Monday it has ended an investigation of possible Big Law discrimination in hiring without action, acknowledging that most firms failed to comply with data requests.

The time for law firms to respond to data requests has lapsed and the matter is closed, the Equal Employment Opportunity Commission said in a court filing. A non-profit that represented law students that sued the agency over the data requests declared victory.

"This case is proof that litigation works," Skye Perryman, president of Democracy Forward, said in a statement. The EEOC filing that said the probe was over was in response to the lawsuit.

The agency's closing of the investigation is an example of how Trump administration actions against law firms, after beginning with great fanfare, can end without action. District judges last year struck down four executive orders aiming to punish four big law firms for lawfare, though the Justice Department has appealed.

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

The commission on March 17, 2025 sent letters to 20 law firms requesting hiring and contact information for all law students or attorneys who applied for jobs since 2019. Firms that got letters are among the biggest in the world, including Kirkland & Ellis, Latham & Watkins and Skadden, Arps, Slate, Meagher & Flom.

"The EEOC is prepared to root out discrimination anywhere it may rear its head," Chair Andrea Lucas, who was acting at that time, said in a statement that day. "No one is above the law—and certainly not the private bar."

Firms Answer

Big Law firms responded to the letter in various ways. Goodwin Procter handed over parts of the requested information and told the EEOC it suspended its relationships with some diversity programs.

A group of firms including Kirkland, Latham, Simpson Thacher & Bartlett, and A&O Shearman settled with the Trump administration and the EEOC. The terms of that settlement weren't disclosed.

Perkins Coie declined to disclose any information before receiving a final ruling in their lawsuit contesting Trump's punitive executive order against the firm.

Still, the administration hasn't ended all diversity actions against law firms. Federal Trade Commission chairman Andrew Ferguson sent a January 30 letter warning more than 40 Big Law firms of "serious concerns" about their participation in an incubator's diversity program.

And the Trump administration has achieved some results in going after law firms. Nine Big Law operators pledged \$940 million in legal services to the administration last year after President Donald Trump threatened some of them with executive orders.

The case is DOE 1 et al v. EEOC et al , D.D.C., 1:25-cv-01124, 4/15/25

To contact the reporter on this story: Tatyana Monnay at tmonnay@bloombergindustry.com

To contact the editors responsible for this story: John Hughes at jhughes@bloombergindustry.com

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February 10, 2026

Ex-FirstEnergy attorney says utility paid Randazzo 'to do nothing'

Adam Ferrise; cleveland.com

AKRON, Ohio — A former FirstEnergy attorney described Sam Randazzo's relationship with FirstEnergy as something of a double agent, working for clients against FirstEnergy while simultaneously working for FirstEnergy under a multi-million dollar consulting contract.

Mark Hayden said he was shocked when he first learned of Randazzo's \$2.1 million contract and later believed it was "bull---t," he testified Monday and Tuesday in the bribery trial of former FirstEnergy CEO Chuck Jones and former top lobbyist Michael Dowling.

He said it appeared Randazzo was "paid to do nothing."

Hayden's testimony came on the fifth day of trial in which Jones and Dowling are accused of paying a \$4.3 million bribe to Randazzo shortly before Randazzo was appointed chairman of the Public Utilities Commission of Ohio, the state's utility regulator that decides how much utilities can charge consumers.

Summit County Common Pleas Judge Susan Baker Ross allowed Hayden to testify without being photographed or recorded by TV cameras or journalists' recording devices as part of her media order that's the subject of an ongoing lawsuit by three Ohio newspapers.

Hayden, who worked in FirstEnergy's regulatory legal department, largely discussed Randazzo's entangled relationship with FirstEnergy in the years leading up to the \$4.3 million payment.

During that time, Randazzo represented IEU-Ohio, a group of commercial and industrial businesses. Randazzo fought for lower energy prices for the trade group.

Hayden said he was initially sent the consulting contract in early 2013 without context from then-FirstEnergy general counsel Bob Reffner.

He said the contract said it was for work at subsidiary FirstEnergy Solutions, an arm of FirstEnergy that owned power-generating plants, like Davis-Besse and Perry nuclear power plants.

Those plants later became the subject of House Bill 6, which gave a \$1.3 billion ratepayer bailout for the plants.

Hayden said the contract was odd since it paid Randazzo so much money— more than Hayden earned— and had no specific work responsibilities spelled out for Randazzo.

"It's so ambiguous such as to mean almost absolutely nothing," Hayden said.

Hayden said he was disturbed that Randazzo was working for the company at a time when Randazzo represented clients against FirstEnergy.

Over the years, he became frustrated with the contract and raised issues with higher-ups at FirstEnergy, including the company's top attorneys, Ebony Yeboah, Robert Reffner and Leila Vespoli, along with FirstEnergy Solutions President Donnie Schneider and Dowling.

He said Randazzo would meet or hold conference calls with FirstEnergy Solutions, but that they were largely useless.

"I didn't think anyone got any value out of it," Hayden said.

Later, when Hayden learned of a multi-million dollar 2016 settlement between FirstEnergy and Randazzo's client, IEU-Ohio, he again pushed back internally, he said.

The settlement was changed later in 2016, adding an additional \$4.3 million to IEU-Ohio over five years. That's the payment prosecutors say was a bribe and defense attorneys defended as a legitimate payment, meant for IEU-Ohio that was ultimately stolen by Randazzo.

After he raised more concerns about Randazzo, Hayden said he was increasingly sidelined at FirstEnergy Solutions until he stopped working for the company. Hayden did not say if he left on his own or was fired.

"I raised concerns with as many possible people as I could," Hayden said. "I don't know what else I could have done."

---- **Index References** ----

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February 9, 2026

Testimony delves into history of \$4.3 million
FirstEnergy payment prosecutors say was a bribe

Adam Ferrise; cleveland.com

AKRON, Ohio — The \$4.3 million payment from FirstEnergy officials to a former state regulator came into focus on Monday during the trial of two former executives of the Akron-based utility.

Former Public Utilities Commission of Ohio Chairman Sam Randazzo ended up with the money, either by design as a bribe, as prosecutors say, or by theft, as defense attorneys argued during the fourth day of the trial of former FirstEnergy CEO Chuck Jones and top lobbyist Michael Dowling.

No one disputed that Randazzo, who died by suicide after being charged in the case, ended up with the money.

Both sides questioned Brakey Energy President Matt Brakey for a second day, trying to lay the foundation for future arguments about the \$4.3 million at the heart of the case.

The \$4.3 million was paid to Randazzo as a lump sum in 2018, shortly before his appointment as chairman of PUCO, the state's utility regulation arm that decides how much FirstEnergy can charge customers.

Prosecutors say the money was a bribe of Randazzo, who secretly worked for FirstEnergy as a consultant while representing clients like Brakey against FirstEnergy.

Defense attorneys are seeking to show the money was payment for legitimate business reasons, not bribes, and that Randazzo was a thief who stole from his clients.

Much of the testimony stemmed from a settlement agreement that Randazzo struck between a trade association that Brakey belonged to called IEU-Ohio and FirstEnergy. Randazzo was IEU-Ohio's attorney at the time.

IEU-Ohio represented several commercial and industrial business owners who consumed a lot of energy and organized to argue for lower prices.

Randazzo negotiated a settlement in 2015 that called for FirstEnergy to pay IEU-Ohio customers \$5.4 million in exchange for the trade group not opposing an extra charge FirstEnergy wanted to levy against ratepayers from 2016 to 2018.

Prosecutors say there was an addendum to the settlement agreement in 2015 called for another \$4.3 million to be paid to IEU-Ohio from 2019 to 2024.

Brakey testified that Randazzo secretly negotiated the contract with FirstEnergy officials and kept the \$4.3 million.

Brakey said Randazzo never communicated to him or any other members of IEU-Ohio about the settlement or that he was even negotiating it. Later, Brakey learned that Randazzo stole the \$4.3 million and had skimmed money off prior settlements he negotiated.

"There was a pattern of behavior of skimming from settlements," Brakey said.

On cross-examination by Dowling attorney Steven Grimes and Jones attorney George Stamboulidis, Brakey said he had no knowledge of what Jones or Dowling knew about the deal and didn't know if the former executives knew that Randazzo kept the money.

Brakey said he never got a cent of the extra \$4.3 million.

Assistant Ohio Attorney General Matthew Meyer asked Brakey if he believed Randazzo had "divided loyalties" between FirstEnergy and IEU-Ohio.

"Yes," Brakey said. "It's only a question of how many pieces of division we're speaking about here."

---- Index References ----

Company: FIRSTENERGY CORP; PUBLIC UTILITIES COMMISSION; BRAKEY ENERGY INC

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Opinion

Matt Levine's Money Stuff: Bond Trading Gets Cheaper

Feb. 10, 2026, 11:16 AM PST

Flow credit trading

One way to think about corporate finance is: There is a company that needs money. It goes to an investment bank to raise money. The bank is like "you can sell \$1 billion of paper to investors, and then you will have money." The company does this. It gets \$1 billion of money, the investors get \$1 billion of "paper" – that is, financial instruments, stocks or bonds or syndicated loans or hybrids or some other weirder thing – and the bank gets a fee. The company is happy because it has money; the investors are happy because they have put their money to work in a useful way for some promised return; the bank is happy because it gets a fee.

Another way to think about corporate finance is: There is a casino for trading financial instruments, paper, stocks and bonds and whatever else you've got. The casino needs paper to trade: Some paper is always going away (maturing, getting cashed out in mergers, etc.), plus the casino always wants to expand, so there is constant need for more paper. The investment banks run the casino; they take a cut of every bet. The more bets there are, the more money they make. They want more paper. Sometimes a company comes to a bank because it needs money; sometimes a bank comes to a company because it wants paper. "You can get great financing for your AI data center right now, please, give us some paper," the bank says, and the company is like "well we do need money for the AI data center so sure." So the company issues paper to the bank, which sells it to investors; the company gets money and the investors get paper and the bank gets a fee; everything *happens* just as in the previous paragraph, but none of this is the *point*. The *point* is not the corporate financing transaction – company sells paper to investors for money – but rather what comes next, the *trading*. What happens next is that the paper is constantly traded back and forth in the casino, and the people in the casino are happy, and the banks get a cut of *that* revenue.

One important thing to realize is that both of these models are true, at least much of the time. (In some rough theoretical sense things like private credit might *not* be like this, because private credit is traditionally a buy-and-hold sort of investment that is *not* traded constantly in the casino. But this is only approximately true, and we have [talked about](#) various forms of private credit liquidity, at the loan and fund-stake and retail-product level, because the logic of the casino is powerful.) The first model is the simple traditional one: Companies really do need money to build factories and AI data centers and whatnot, and the financial markets provide that money. The social purpose of raising money for companies is pretty obvious.

But the second model, the casino, is also true. The casino serves several purposes:

1. It's fun, a place for smart people to match wits against each other, with the best wits winning. It is a general-purpose venue for [rewarding correct understanding of the world](#), which (1) seems like it might be socially useful and (2) is certainly nice for people with correct understandings of the world, who can get quite rich in the casino.

2. It makes it easier for companies to raise money. The first model, in the first paragraph, *could* work without a casino: Companies could raise money by selling stocks and bonds to investors, and the investors could hold the stocks forever and the bonds until they mature, and successful companies could reward their investors with interest and dividends. But it works *better* with trading. Trading markets allow for price discovery, which makes the pricing of paper more efficient, so people can more confidently give money to companies because they know that the price is probably right. And they allow for liquidity, so people can more confidently give money to companies, knowing that if they need the money back they'll be able to sell their paper. Because the investors are happier, the cost of financing goes down, and more companies can build more stuff because the casino exists.

The difference in the two models is in what the *point* is. In the first model, the point of the casino is to help raise money for companies. In the second, the point of corporate finance is to create trading volume and volatility for the casino. Which model you will emphasize will depend on where you sit. If you are a high-frequency stock trading firm, for instance, you live entirely in the casino and never (directly) help companies raise money. The supply of stocks for you to trade is entirely exogenous: The stocks just show up on your computer, and you make money trading them. If you are a debt capital markets investment banker, you live *almost* entirely in the money-raising world; *your* job is to raise money for companies, though to do the job you need to know a little about how the casino works.

Also the other difference in the models is in how the banks make money. If the paradigmatic way that a bank makes money is *fees from companies*, that's the first model; if the paradigmatic way that a bank makes money is *trading revenue*, that's the second. If banks' corporate finance activities are where the action is, and they provide some low-margin trading services to help customers get in and out of investments, that's the first model. If banks' trading activities are where the action is, and they help companies issue paper as a loss leader to supply the casino with bets, then that's the second.

In practice neither corporate finance nor trading is really a loss leader for investment banks, and they trade off primacy with market conditions. (Broadly speaking volatility is good for trading revenue and bad for capital-raising revenue, while calm is good for capital-raising and bad for trading, but you can find ways to make money either way in any conditions.) You might have some sort of very-long-run efficiency view like "in the long run, markets will get more efficient and it will be hard for banks to make a ton of money in the casino, so in the long run the corporate finance function of markets will dominate," but that does not seem to be especially true. (The famous paper is by Thomas Philippon.)

Anyway here's an IFR story about electronic credit trading:

Banks' corporate bond trading revenues have slumped to their lowest level in more than a decade, according to benchmarking firm BCG Expand, in the wake of a rapid electronification of these markets that is eroding the profitability of credit trading desks.

The top 10 banks generated US\$4.3bn of revenues in North America “flow” credit trading in 2025, BCG Expand said, less than half their 2021 total. That comes amid a structural shift in the once human-centric world of corporate credit towards an equities-style trading paradigm in which machines process a larger share of transactions.

This electronic revolution has sent trading volumes soaring to record highs in the US\$11.5trn US corporate bond market as investors have found it easier to shuffle positions. But it has also compressed trading margins to their skinniest levels in history, making it harder than ever for banks to turn a profit despite this surge in activity.

Tough for those banks, but this seems like an obviously good story for market efficiency: Paying less to trade bonds is good. Also, *is* it bad for the banks? It sort of depends on what their job is:

The pure market-making focus of firms like Citadel Securities represents a different proposition to traditional banks, many of which believe they still need bond trading to support their debt underwriting activities. ...

“The [bid-offer] compression is very real, but it’s not a reason to panic. We can withstand it,” said the head of credit at a major bank, who predicted that spreads will keep tightening to the point where today’s markets feel like a “golden age” for bid-offer.

“The reality is we need to have a secondary trading business. The top houses have the technology and the personnel to keep sharpening it and making it more efficient. But we’ve also got the capital markets piece, we have the derivatives piece, so we have many ways to access the client wallet.”

“We need to have a secondary trading business” to do corporate finance, is *one* way for banks to think about things, but sometimes some bankers think the opposite.

Bithumb fat ... thumb

One theory of crypto is that there will only ever be 21 million Bitcoins. Bitcoin is scarce in a way that traditional financial assets aren’t: Bitcoin’s supply is set permanently and transparently by code, so no one can ever create any more, while banks can create dollars whenever they please. A dollar is just an entry on a list at a bank, and a bank can give you more dollars just by adding numbers to your list. It’s not *quite* that simple – when it creates dollars, the bank will create an offsetting asset (a loan) and liability (a deposit) for itself, so it doesn’t get magically richer, and its capital requirements will limit its ability to create too many dollars – but broadly speaking that’s true. This is called “fractional reserve banking,” and part of the reason that [Bitcoin was invented](#) is that a lot of people don’t like it. Feels fishy, that banks can create dollars. Better to just have 21 million Bitcoins forever.

But then Bitcoin became hugely popular and integrated into the traditional financial system, with [the result](#) that now there are a lot more ways to create, you know, fractional reserve crypto. In particular, [crypto futures exchanges](#) can effectively create Bitcoin supply: If you want to bet that the price of Bitcoin will go up, and I want to bet that it will go down, an exchange will happily match our bets without either of us owning any actual Bitcoin. Economically and psychologically, you now own some Bitcoin – you are exposed to its price moves, etc. – but you don't own any of the 21 million Bitcoins. We just created some new Bitcoins for you.

But there is also a dumber and more literal version: You have an account at a crypto exchange, the crypto exchange has a database listing how much Bitcoin its customers own, and if it increases the number next to your name then ... do you own more Bitcoin? Not *really*: Strictly speaking, you can only own as many Bitcoin as the exchange has backing your account, and if the exchange is just making up some Bitcoin then eventually people will notice, someone will get in trouble and the accounts will get fixed. But if you think you own more Bitcoin, and the exchange thinks you own more Bitcoin, and your trading counterparties think you own more Bitcoin, then maybe, for a while, you do?

Anyway here's a crypto exchange that accidentally increased the numbers next to some names:

The hundreds of prize payouts were mostly just a few bucks each, part of a promotional campaign by a South Korean cryptocurrency exchange. The total reward pot: 620,000 Korean won, or about \$425.

Then came a colossal mistake. A staffer for Bithumb, South Korea's No. 2 crypto exchange, didn't distribute 620,000 Korean won.

Rather, the prizes, due to an input error, emerged in a different currency: 620,000 bitcoins, valued at more than \$40 billion.

That meant a winner who should have received a sum of 2,000 won—enough to buy a cheap cup of coffee—reaped, at least momentarily, more than \$120 million in bitcoins.

Enough recipients sought to sell or withdraw bitcoin that the market sank 17%, before Bithumb halted transactions after roughly 30 minutes. Those affected included investors who had held bitcoin before the botched giveaway. The losses totaled about \$685,000, Bithumb says.

The company has since said it has reversed the transactions or had recipients voluntarily return more than 99% of the misdistributed bitcoins. But Bithumb is still trying to convince users who during the brief window of trading managed to offload more than 100 bitcoins, valued at roughly \$9 million, to give back the equivalent funds.

Look, if a crypto exchange accidentally gave me \$9 million, I would fight to the death to keep it, just on principle. (The principle is "hahahahaha crypto exchange.") Also:

South Korean lawmakers have raised concern over the so-called "phantom coin" issue: How Bithumb was able to distribute 620,000 bitcoins when its own stockpile appeared to have numbered closer to 50,000. ...

Cryptocurrency exchanges, by local law, can't allow trades exceeding the actual supply of coins held in their digital vault. But that doesn't appear to be the case with the recent Bithumb activity, representing a "catastrophic failure of internal controls," said Lee Jung-soo, who advises the South Korean government on digital-asset policy.

Yeah I mean we can await the results of the investigation, but here I will tell you how I think "Bithumb was able to distribute 620,000 Bitcoins when its own stockpile appeared to have numbered closer to 50,000," which is that (1) it had a computer that lists how many Bitcoin its customers have and (2) it typed bigger numbers into the computer. Obviously it *shouldn't* have done that – it was a "catastrophic failure of internal controls" – but it *did* do that. And to the extent "a Bitcoin" means "an entry on the electronic list maintained by Bithumb," then some people really got some extra Bitcoin. It doesn't mean that in quite the same way that "a dollar" means "an entry on the electronic list maintained by a bank," but it's closer than some people would like.

We [talked once](#) about a (harmless) fat finger error at Paxos, the stablecoin company, which minted and quickly burned \$300 trillion of its PYUSD stablecoin. That \$300 trillion of PYUSD was *supposed* to be backed by \$300 trillion of dollar assets, because that's how stablecoins work, but it *wasn't* backed by \$300 trillion of dollar assets, because (1) obviously Paxos doesn't have \$300 trillion and (2) someone put the wrong number into the computer. I wrote:

In a good financial thriller, the person who accidentally created that \$300 trillion would have sent it all to herself, sold it as quickly as possible and cleared, you know, at least enough to buy a first-class ticket to a non-extradition country. (The market price for \$300 trillion of fat-fingered PYUSD is nowhere close to \$300 trillion, but it's not zero either, and you don't need to get particularly close to \$300 trillion to have a very good day.) But in the real world they just deleted the extra \$300 trillion and went about their day.

Bithumb was slower, and some people apparently did make off with the money.

Century bond

You know what's a good piece of paper? A contract that costs \$1,000 up front and pays you \$61.25 per year forever. The two big problems in saving for the future are:

1. You don't know how much money you will need each year, and
2. You don't know how much money you will get each year.

This contract solves the second problem completely: You know you will get exactly \$61.25 each year. (If that's not enough, buy more than one of this contract. If you buy 1,000 of them, for \$1 million, then you'll get exactly \$61,250 each year.) Most other financial instruments don't do that. If you buy stock in Nvidia, it might go up or down. If you buy a 30-year US Treasury bond for \$1,000, it will pay you about \$48 per year for 30 years and \$1,000 in 30 years, but then what? You'll have to reinvest that \$1,000, and maybe when you do yields will be lower and you'll only get \$25 per year. This contract – the \$61.25 perpetuity – avoids reinvestment risk. You just get the same exact amount, guaranteed, forever.

Of course this contract does nothing to solve the first problem. What if there's massive inflation and, in 30 years, \$61.25 doesn't buy what it used to? You probably wouldn't want to put all of your eggs in this basket; you'd want to own some stuff with payoffs that vary with economic growth or interest rates or inflation. But if you have some fixed expenses, putting some of your money into an investment that pays a fixed amount forever might be a good deal. It might make life a little simpler. And if you are a *pension fund*, with lots of long-term fixed liabilities, this might be especially appealing.

The other problem with this, though, is how do you know you'll get \$61.25 per year forever? Sure the contract says that, but forever is a long time and things can change. If I promise you \$61.25 per year forever, you might doubt my ability to keep paying you forever. You'd need to be really sure of my ability to pay, before you'd give me \$1,000 for this deal.

And so historically the main issuers of contracts like this were governments, which were considered pretty creditworthy; British consols had about a 250-year run. But if you look around in 2026 and think "who can I trust to pay me \$61.25 per year forever?" I guess you could come up with [worse answers than Google](#) :

Alphabet Inc. raised almost \$32 billion in debt in less than 24 hours, showing the enormous funding needs of tech giants competing to build out their artificial intelligence capabilities – and the huge appetite from credit markets to fund them.

The Google parent sold sterling and Swiss franc-denominated offerings, both of which were the biggest-ever corporate bond sales in their respective markets. Those deals followed Monday's \$20 billion dollar debt sale. The sterling issue included an ultra-rare 100-year note – the first sale with such an extreme maturity by a technology firm since the dot-com era, according to data compiled by Bloomberg. ...

Alphabet's 100-year note was the first sale with such an extreme maturity by a technology firm since Motorola sold this type of debt in 1997, according to data compiled by Bloomberg. The market for 100-year bonds is dominated by governments and institutions like universities. For corporates, potential acquisitions, outdated business models and technological obsolescence make such deals a rarity. ...

Still, demand from UK pension funds and insurers has made sterling a go-to market for issuers seeking longer-dated funding, and investors turned out in force for the century bond.

The 100-year has a 6.125% coupon and got [strong demand](#) . Bloomberg tells me that it has a duration of about 16.8 years, about a year longer than a 30-year US Treasury bond, so if you want to bet that long-term interest rates will go down this is a way to do it. But if you just want to get £61.25 per year forever, or at least for 100 years, or at least for as long as Google is around, this is a way to do that too.

California blackjack

Here is an article with the headline “California to ban blackjack-style games from cardrooms by April,” which seems to capture the spirit of what is going on: Blackjack has long been illegal under California state law, some cardrooms have operated “blackjack-style games” that arguably get around the spirit of that law, Native American tribal casinos object to this arguably-illegal competition, and now the state is tightening its regulations to ban those games.

Here, though, is a much funnier article with the headline “California imposes sweeping changes to blackjack in cardrooms,” which describes what sorts of “blackjack-style games” *will* still be allowed:

Under the new rules, cardroom players can’t “bust.” Instead, the winner of a hand is determined by which player has the most points toward the target point count, when compared to the player-dealer.

Also, receiving an ace card along with a 10, jack, queen or king no longer means an automatic win.

There is a certain participation-trophy vibe, “blackjack but you can’t bust.” It would hurt people’s feelings to bust!

Two quick points here:

1. If you are a commodity futures exchange (or “designated contract market,” DCM) registered with the US Commodity Futures Trading Commission, you *probably* mainly operate an electronic exchange, but technically you can have a physical trading floor too. Members can come to the trading floor to trade their commodity contracts, instead of doing it electronically. There is not too much demand for that these days, as a matter of financial-market efficiency, but there is a lot of [nostalgia for it](#) among former floor traders. It would be a bit simplistic to say “the trading floor was really fun and people just liked going there,” but one does get that sense.
2. The CFTC regulates [prediction markets](#) , or “event contract” markets, which are essentially federally regulated gambling sites. Federal commodity regulation preempts state law, so these prediction markets can *probably* (it is still being litigated) [ignore state regulation](#) , offer gambling in states where it is otherwise illegal, let 18-year-olds bet and otherwise get [favorable regulatory treatment](#) . Currently they offer [mostly](#) sports gambling, and there is some regulatory reason to think that an event contract like “I will get closer to 21 than the dealer without going over” would *not* be a legal commodity futures contract, but I don’t know, man; who would stop it?

The synthesis of these points is that Kalshi should open some “trading floors” in California to let people “trade” blackjack “contracts.” You know, at felt-topped tables, with free drinks. This is not legal or gambling advice and is mostly a joke but also I feel like it will happen in the next two years and then I’ll link back to this column and be like “see?” Everything is so dumb but there’s no reason to think it won’t get dumber.

Things happen

Paramount [Sweetens Warner Bros. Bid](#) Terms to Woo Investors. Trump to Repeal Landmark Climate Finding in Huge Regulatory Rollback. Atlanta Is Challenging Big [Corporate Landlords](#) Without Waiting on Trump. Elon Musk’s Go-To Banker Is Back in Action for the SpaceX IPO. Don’t let Elon Musk monopolize space compute. US Labor Board [Gives Up Oversight of SpaceX](#) in Victory for Musk. Inside OpenAI’s Decision to Kill the AI Model That People Loved Too Much. How One Prediction-Market Trader Played the Super Bowl—and Lost \$100,000. No, Jeffrey Epstein didn’t trigger the 2008 subprime mxreltdown.

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To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

1. Here is an Oren Cass essay at the New York Times about “financialization,” which perhaps inspired some of the tone of this model. Though also all the prediction-market and crypto stuff.

2. Also an annuity issued by a life insurance company has roughly this shape, though it pays a fixed amount not “forever” but “until you die.” Either way you avoid reinvestment risk, but you need to worry about credit, so life insurers are heavily regulated.

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California Brief

Drugmakers Fail to Shed Collusion Claims From Walgreens, Kroger

Feb. 9, 2026, 9:21 AM PST

Takeda Pharmaceutical Co. and TWi Pharmaceuticals Inc. will face the majority of claims brought by major retailers in an antitrust suit alleging the drugmakers colluded to delay the generic version of medicine that treats gastroesophageal reflux disease.

Judge Jacqueline Scott Corley of the US District Court for the Northern District of California on Feb. 6 denied the pharmaceutical companies' motion to dismiss a "reverse payment" claim from the plaintiffs—Walgreens Boots Alliance Inc., Kroger Co., and Albertsons Cos.—alleging Takeda paid TWi \$9.5 million to refrain from launching the generic version of Takeda's Dexilant product until January 2022.

"Drawing reasonable inferences in Plaintiffs' favor, Plaintiffs' allegations plausibly support an inference the settlement led TWi to delay its launch from June 15, 2020 until January 1, 2022 and therefore delayed market entry for the first generic dexlansoprazole," she said.

Corley also found the retailer plaintiffs plausibly alleged antitrust injury—paying inflated prices for Dexilant—flowing from the defendants' deal to keep the generic drug off the market.

Takeda has sold branded Dexilant since 2009, generating billions of dollars in sales.

Under reverse-payment deals, the brand name patent holder settles a challenge to its patent with an allegedly infringing generic drugmaker. In this case, Takeda sued TWi, alleging it infringed on Takeda's patents for the drug. Takeda then settled the litigation with the reverse-payment deal.

Takeda and TWi—now a unit of Bora Pharmaceuticals Co.—argued the plaintiffs' March 2025 complaint was filed long after the four-year statute of limitations on antitrust claims had run, given that the pharmaceutical companies entered their settlement agreement in 2015.

Corley disagreed, ruling that the defendants' drug sales at higher prices constituted a continuing violation.

Because the 2015 deal gave the defendants market power to bring about a series of unlawfully high-priced sales over a period of years, "the agreement is least analogous to a price-fixing conspiracy in which 'each sale to the plaintiff starts the statutory period running again,'" she said.

Corley did, however, grant the defendants' motion to dismiss claims from the retailers and direct-purchaser plaintiffs over alleged injuries occurring more than four years before the complaints were filed, with leave to amend.

She also agreed for now to dismiss plaintiffs' claims against Bora and its Upsher-Smith Laboratories Inc. unit.

CVS Health Corp. brought a similar complaint against the drugmakers last September.

The retailer plaintiffs are represented by Sperling Kenny Nachwalter. Takeda is represented by Covington & Burling LLP. TWi is represented by Husch Blackwell LLP.

The case is *In re Dexilant Antitrust Litigation*, N.D. Cal., No. 3:25-cv-02785, 2/6/26 .

To contact the reporter on this story: Katie Arcieri in Washington at karcieri@bloombergindustry.com

To contact the editor responsible for this story: Michael Smallberg at msmallberg@bloombergindustry.com

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Ex-Shareholder Agrees to Settle Defamation, Fiduciary Duty Claims by Paying \$18M to Directors

The stipulation indicates the settlement is to be paid to directors of LRN Corp. by Howard Marks, a longtime investor in the company and the CEO of StartEngine. Marks has also agreed to dismiss his part of a shareholder suit pending in the Court of Chancery, in which the document that was sent to the Financial Times and became the basis of a Superior Court defamation case was filed.

February 09, 2026 at 04:04 PM By  **Ellen Bardash**



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

An \$18 million settlement will resolve a Superior Court defamation case related to statements made in a filing in the Delaware Court of Chancery and passed along to a reporter at the Financial Times, according to a [stipulation](#) filed Monday.

The stipulation indicates the settlement is to be paid to directors of LRN Corp. by Howard Marks, a longtime investor in the company and the CEO of StartEngine. Marks has also agreed to dismiss his part of a shareholder suit pending in the Court of Chancery, in which the document that became the basis of the defamation case was filed.

The litigation stems from a 2019 breach of fiduciary duty suit brought by several shareholders of LRN, a New York-based corporation that advises companies on ethical practices and regulatory compliance. That case alleges shareholders were misled about a 2017 tender offer completed prior to LRN's acquisition by Leeds Equity Partners. Marks, a longtime LRN shareholder, moved to intervene as a plaintiff in the Chancery case in 2020. Claims brought by shareholder plaintiffs other than Marks are unaffected by the settlement.

In September 2021, the three LRN directors named as defendants in the Chancery lawsuit filed a complaint for one count of defamation per se against Marks in Superior Court, alleging Marks had made false and defamatory statements in a [July 2020 filing](#) in the Chancery action and went on to share that filing with the Financial Times, which published an article repeating those statements that October.

In the filing in question, Marks alleged LRN founder Dov Seidman had led him to believe LRN was not going to be sold, leading Marks to accept a tender offer he claimed undervalued his shares compared to the premium later paid by Leeds, stating the LRN directors devised a "scheme" because they "did not want Marks to learn that he had been cheated by the individual defendants."

According to the Superior Court [complaint](#), Marks then filed an amended supplement in the Court of Chancery, removing the allegedly defamatory statements, but did not share that information with the Financial Times or make an effort to correct public perception, which LRN directors Seidman, Lee Feldman and Mats Lederhausen said caused lasting harm to their professional reputations.

In September 2024, Superior Court Judge Danielle J. Brennan granted the directors' motion for summary judgment, finding the elements of defamation per se had been met. Brennan denied Marks' request for an interlocutory appeal to the Delaware Supreme Court. Prior to the parties giving notice that a settlement had been reached, a three-day trial on damages had been scheduled for January. On Jan. 12, after being notified the parties had reached a settlement agreement, Brennan issued an order stating the action would be dismissed with prejudice if the parties did not update the court on the status of the case within 60 days.

Attached to the stipulation is a letter from Marks to LRN shareholders stating he is withdrawing as a plaintiff from the Chancery suit.

"I repudiate this lawsuit and my entire participation in it," Marks wrote in the letter. "When I joined the lawsuit, I had no evidence to support the allegations in the lawsuit, including the ones I added to it. Now, with the evidence I have seen, this lawsuit in my view is without merit, which is why I am repudiating it."

Susman Godfrey represents Seidman, Feldman and Lederhausen in both cases, along with Abrams & Bayliss in the Chancery action and Farnan LLP in the Superior Court case. Marks is represented by Kent & McBride and Olshan Frome Wolosky in Superior Court and Michael Ippoliti in Chancery.

"Dov has been the leading voice in the corporate ethics industry for decades, and the defamatory allegations at issue struck at the core of his work and reputation," Susman Godfrey partner Stephen Shackelford said.

The stipulation states a "meaningful sum" of the \$18 million settlement is to be distributed from Seidman, Feldman and Lederhausen to charities, including The HOW Institute for Society, of which Seidman is the founder and chairman. Shackelford said the specifics on how the settlement will be divided are to be determined but that \$1 million has already been donated to charitable organizations.

Shackelford said the settlement agreement doesn't include confidentiality or nondisparagement provisions that are common in settlements.

"I've been doing this for a while. I've seen a lot of settlements, achieved a lot of settlements. I've never seen one like this in terms of just complete and utter transparency," he said.

Counsel for Marks did not immediately comment on the settlement.

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Securities

Insight

US Audit Board Needs Structural Reform, Insulation From Politics

Feb. 10, 2026, 1:30 AM PST

The Public Company Accounting Oversight Board is supposed to provide stable, expert oversight of audit quality in US capital markets. That stability is increasingly elusive.

As technology reshapes auditing and financial reporting, the PCAOB's governance structure has made it vulnerable to political flights of fancy that undermine regulatory consistency, delay innovation, and distract from its core mission.

Recent budget changes and changes in board composition highlight the problem. The PCAOB's inspection budget was cut by nearly 10% this year following a roughly 40% budget increase from 2022 to 2025. The entire board was replaced with new members on Jan. 30, representing the third leadership overhaul in less than 10 years.

Lengthy interim appointments caused the strategic direction of the PCAOB to remain undefined and leaving it rudderless. While a lag in top leadership placements is common in government, frequent changes in leadership and strategic direction aren't conducive to an optimal standard-setting environment, adding unnecessary delays.

The more consequential issue is volatility. With each change comes a new strategic priority.

The 2022 strategic plan included a renewed focus on enforcement. It also included an aggressive standard-setting agenda that proposed significant prescriptive guidance that is more conducive to check-the-box auditing and moving away from a principles-based approach. This shift was apparent in several PCAOB proposals, including the noncompliance with laws and regulations and firm reporting and firm and engagement metrics.

Volatility reflects structural weakness. Strategic priorities that change sharply with political leadership produce regulatory whiplash. Firms struggle to plan investments, advisory groups lose influence, and longer-term governmental initiatives—particularly those involving technology upgrades—are delayed or deprioritized.

Such volatility also affects the willingness of firms to continue performing public company audits. The number of US firms registered with the PCAOB dropped by about 25% between 2021 and December 2025, according to former board member Christina Ho. Over time, instability erodes confidence in the oversight system and weakens its ability to respond to market evolution.

Structural reform is crucial to insulate the PCAOB from short-term political pressures and to reinforce its statutory mission. There are three ways to accomplish this.

First, standard setting must be more stable, transparent, and grounded in demonstrated audit quality outcomes. New requirements should address material risks and reflect operational realities. They shouldn't add complexity that increases cost and deters talent without clear benefit.

Advisory groups with deep expertise in auditing, financial reporting, and technology should play a more central role, and the PCAOB should clearly explain how stakeholder input informs final decisions.

Second, the inspection process requires modernization. Inspections should prioritize systemic and high-risk issues rather than minor deficiencies that consume significant firm and regulatory resources.

Communication of inspection results should be clearer and more constructive, firms should have access to a meaningful and timely appeals process, and response timelines should reasonably accommodate firm size and capacity.

Third, enforcement should be better aligned with investor protection. Actions should target egregious audit quality failures—not technical or administrative errors that could be addressed through remediation or guidance.

Enforcement also should be more clearly separated from inspections to avoid incentives that distort inspection outcomes. Where PCAOB enforcement overlaps with Securities and Exchange Commission authority, both entities should pursue efficiencies to reduce duplication of effort.

Overlaying all of these reforms is the need for a coherent, forward-looking technology strategy. Recent emphasis on integrity and regulatory simplification is important, but it's ultimately insufficient. Innovation is reshaping how audits are planned, executed, and reviewed.

Without a stable, expert-driven framework that supports the responsible adoption of new tools, regulators risk either falling behind market practices or impeding improvements that could enhance audit quality.

Debates over annual budget increases or cuts miss the larger issue. The real risk to audit oversight isn't a single funding decision, but a governance structure that allows regulatory priorities to swing in the political winds. Structural reform—designed to promote continuity, expertise, and accountability—is the only durable solution.

Until that reform occurs, public companies and audit committees must remain vigilant. Active engagement with auditors on technology use, firm capacity, inspection history, and quality management is essential in an environment of growing complexity. In a rapidly evolving market, regulatory instability is a risk the system can ill afford.

The PCAOB was meant to be a steady steward of audit quality. To fulfill that role in a technology-driven economy, it must be insulated from political volatility and recommitted to long-term, strategic oversight.

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Author Information

Allison Henry is vice president of professional and technical standards at the Pennsylvania Institute of Certified Public Accountants.

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To contact the editors responsible for this story: Rebecca Baker at rbaker@bloombergindustry.com; Heather Rothman at hrothman@bloombergindustry.com

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9th Circ. Backs Comerica's Escape From Investor Suit

By **Sydney Price**

Law360 (February 9, 2026, 7:08 PM EST) -- The Ninth Circuit backed Comerica's win in an investor dispute led by a pension fund accusing the bank of misleading investors about its oversight of a U.S. Department of the Treasury contract, concluding a California federal judge was right to permanently toss the case for failure to state a claim.

According to the opinion issued by the three-judge panel Friday, none of the alleged corrective disclosures identified by Nova Scotia Health Employees' Pension Plan establish loss causation.

The pension plan **sued in 2023** after American Banker, a financial services industry trade publication, reported issues with two vendors handling Direct Express operations and the company stock price fell, costing the pension approximately \$300,000, according to the suit. The pension sought to represent a proposed class of investors.

According to the suit, Comerica was the sole provider of the Direct Express card, which allows individuals who don't have a bank account to access federal benefits, such as Social Security or veterans' benefits. The deal required Comerica to conduct all operations related to Direct Express in the United States and enact certain consumer fraud protection measures, according to court records.

But the Ninth Circuit said Friday that the California district court correctly concluded the three disclosures regarding Comerica's probability of being renewed as financial agent for the Direct Express Program are irrelevant to the plan's claims.

Loss causation is established if the market learns of a defendant's fraudulent act or practice, the market reacts and a plaintiff suffers a loss as a result of the market's reaction, the order stated. None of this occurred for pension plan, the Ninth Circuit determined.

"Beginning June 2, 2023 through late September 2023, for approximately four months, Comerica's stock price remained higher than it had been before the AB Article was published," the order noted.

The district court was also justified in denying the pension plan's motion for reconsideration, the Ninth Circuit said.

"NSHEPP has identified no clear errors of law or fact, newly discovered evidence, or changes in controlling law that would leave this court 'with the definite and firm conviction that a mistake has been committed,'" the opinion stated.

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

U.S. Circuit Judges Kenneth K. Lee, Lucy Koh and Ana de Alba sat on the panel for the Ninth Circuit.

The Nova Scotia Health Employees' Pension Plan is represented by Matthew L. Tuccillo and Zachary Denver of Pomerantz LLP.

Comerica is represented by Frank Herrera of Buchalter PC and Stephen DiPrima and David Anders of Wachtell Lipton Rosen & Katz.

The case is Ramos et al. v. Comerica Inc. et al., case number 24-7673, in the U.S. Court of Appeals for the Ninth Circuit.



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Hasbro Wants To Ditch Magic: The Gathering Investor Suit

By **Hailey Konnath**

Law360 (February 9, 2026, 10:57 PM EST) -- Hasbro asked a New York federal court to throw out investors' amended proposed class action accusing the game company of overprinting sets of the popular game Magic: The Gathering, arguing that the investors have "completely abandoned" their original allegations and embarked on an "equally misguided" quest to recover alleged losses.

"Ironically, Magic was (and remains) the poster child of success in Hasbro's portfolio," Hasbro Inc. says in a motion to dismiss filed Friday. "Plaintiffs do not (and cannot) offer any particularized facts to support their untenable assertion that defendants were damaging the brand and lying to investors during the alleged class period."

Investor West Palm Beach Firefighters' Pension Fund **first sued** Hasbro in November 2024, claiming it falsely portrayed high inventory levels as a protective measure against supply chain issues despite knowing its inventory far exceeded actual consumer demand. At the time, the shareholders say, the company faced increased demand for its products in the early days of the COVID-19 pandemic lockdowns. But Hasbro over purchased inventory to an extent that significantly outpaced customer demand, they add.

A year later, the shareholders filed an amended complaint that focuses on alleged false and misleading representations made about Magic, which they describe as the company's "most important brand." They say Hasbro's leaders assured investors over and over that the company wasn't overprinting Magic sets while it was, indeed, overprinting Magic sets.

"Hasbro's overprinting harmed the Magic franchise and left the company laden with unsold Magic sets," they say in the new complaint. "As investors learned the truth, Hasbro's stock price plummeted, erasing over \$2.7 billion in shareholder value."

Hasbro tears into the amended complaint Friday, noting that the Magic: The Gathering brand is in an "entirely different segment of Hasbro's business" than the initial products underlying the suit.

According to Hasbro, the investors have seized on a 2022 analyst report that they "know turned out to be wrong." In that report, the analyst downgraded Hasbro's rating to "underperform" based on an opinion that the company was overproducing Magic cards and destroying the brand's long-term value, Hasbro says.

"Contrary to the analyst's erroneous prediction, Magic's brand value is stronger than ever," it asserts. And when the investors filed their amended complaint, Hasbro's stock price was trading nearly 30% higher than it was just before the report was published, the company adds.

Hasbro claims the investors are trying to repurpose the report to claim that the company falsely attributed Magic's historical success to its "segmentation" strategy as a cover-up for a purported "parachute strategy" that used Magic set releases to address shortfalls elsewhere in the company's business.

"Plaintiffs do not (and cannot) allege any inconsistency between these two strategies, the first of which concerns the target players for various Magic product releases (i.e., 'who'), and the second of which concerns the timing for such releases (i.e., 'when')," Hasbro says. "Plaintiffs then claim that the supposed 'fraud' was revealed when Hasbro reported allegedly disappointing results in January

and October 2023 — obfuscating that these results had nothing to do with Magic, but rather were driven by separate business segments."

"Plaintiffs' theory of fraud is meritless," Hasbro argues.

For one, their claims were brought too late, it says. Because they allegedly learned about the fraud in October 2023, they had until October 2025 to sue over it, the motion contends, adding that they waited until November 2025.

The investors have also failed to point to a "single material misrepresentation or omission," Hasbro says. And they haven't pled that the company and its executives intended to defraud investors, it states. Beyond that, they haven't pled loss causation, Hasbro notes.

"While they have latched onto three instances when Hasbro's stock price declined, they plead no connection between the alleged 'corrective disclosures' and anything that defendants actually said," Hasbro argues.

Last September, the parties agreed that the investors could file an amended complaint, which Hasbro had until Feb. 9 to respond to, according to the case docket. The stipulation came shortly after the New York federal judge overseeing the case appointed Bernstein Litowitz Berger & Grossmann LLP **as lead counsel** for the putative investor class.

The West Palm Beach Firefighters' Pension Fund and City of Miami General Employees' & Sanitation Employees' Retirement Trust were appointed co-lead plaintiffs.

Hasbro and counsel for the investors didn't immediately respond to requests for comment late Monday.

West Palm Beach Firefighters' Pension Fund is represented by Jonathan D. Uslaner and Matthew S. Goldstein of Bernstein Litowitz Berger & Grossmann LLP, and Robert D. Klausner of Klausner Kaufman Jensen & Levinson.

Hasbro is represented by Scott D. Musoff, Christopher R. Fredmonski and Jemma M. Curtin of Skadden Arps Slate Meagher & Flom LLP.

The case is West Palm Beach Firefighters' Pension Fund et al. v. Hasbro Inc. et al., case number 1:24-cv-08633, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Emilie Ruscoe. Editing by Kristen Becker.



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Catching Up With Delaware's Chancery Court

By **Jeff Montgomery**

Law360 (February 9, 2026, 5:03 PM EST) -- Delaware's chancellor has rejected a bid for dismissal of a derivative suit accusing Coinbase Global Inc. insiders of massively unloading shares ahead of a steep stock drop, stressing a special litigation committee's failure to meet independence standards.

Separately, during a busy week, a SpaceX-focused investment company launched a **breach of contract suit** against fund GenGlobal Opportunity III LLC after books and records demands by Burton Equity LLC yielded limited results, including documents stamped "draft only."

In case you missed it, here's the latest from the Delaware Chancery Court.

Top News

Finding that timing matters, Delaware's Supreme Court **revived** a fire and life-safety services company's suit to enforce postemployment restrictions against a former executive. The full five-member appellate court rejected a Court of Chancery ruling that North American Fire Ultimate Holdings LP's covenants were unenforceable after the executive forfeited equity incentives following a for-cause termination. The state justices reversed dismissal of the case, with the state's high court observing that dismissal focused on the timing of enforcement rather than timing of the original agreement.

Del. Justices Probe Advance Notice Rules

Stockholder efforts to reverse dismissal of suits challenging **advance notice bylaws** adopted by AES Corp. and Owens Corning got a going-over in the Delaware Supreme Court, with those who appealed arguing that boards should face scrutiny when they adopt allegedly entrenching bylaws, rather than when a proxy contest is triggered. Both cases were dismissed by the Court of Chancery as failing to show "ripeness."

Twitter Stock Sale Appeal Craters

Delaware's Supreme Court rejected on Feb. 2 a Washington state software engineer's **late-filed, pro se attempt** to resurrect a suit seeking damages after his sale of Twitter shares when Elon Musk briefly balked at a \$44 billion closing on his company in 2024. Justice Abigail M. LeGrow, writing for a three-justice panel, said ATM Shafiqul Khalid's "status as a self-represented litigant does not excuse a failure to comply strictly with the jurisdictional requirements" of the court.

SpaceX Investment Fund Sued For Proof Of Stake

Meanwhile, a fund that sued a SpaceX-focused investment company **went to** Chancery Court after a books and records demand yielded documents stamped "draft only." None of the records shared with those who sued were said to have a date showing whether the company currently owns any shares of SpaceX. The suit now seeks four years of audited financial statements.

No-Competes Get Closer Look

And Delaware's justices **revived** a Chancery Court decision tossing a no-compete employment restriction, finding a need for a closer look at when to apply the restriction.

Chancery Suit Probes Soon-Shiong Equity Financing

An attorney for an ImmunityBio Inc. stockholder told Vice Chancellor J. Travis Laster that biotech company billionaire Patrick Soon-Shiong and ImmunityBio directors **unfairly approved** insider financing that allowed Soon-Shiong to snap up equity at deeply discounted prices as the company neared regulatory approval for its lead cancer drug. The convertible-note transactions approved in 2023 repriced Soon-Shiong-affiliated debt at a four-year stock low. Attorneys for those named argued the company was facing a cash crunch and had big debts coming due.

MeridianLink Suit Seeks Chancery Share Appraisal

Two institutional stockholders of financial software platform venture MeridianLink **sought** a Delaware Court of Chancery appraisal of their shares at the time of the company's \$2 billion, Aug. 11, 2025, acquisition by a merger affiliate of Centerbridge Partners LP. The stockholders, who own some 3.46 million shares, joined the suit for a court-determined price, initially pegging the value of the shares involved at more than \$69.2 million. In focus in the case are shares owned by Highbridge Tactical Credit Institutional Fund Ltd. and Highbridge Tactical Credit Master Fund LP. Both are seeking a court-set value that could beat a deal price MeridianLink said at the time of the closing announcement was already 26% higher than the closing price of company shares on Aug. 8, 2025, the last full trading day before the announcement.

Fed. Court Deal May Ground Virgin Galactic Suit In Del.

The Delaware's Court of Chancery **has been asked to 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. The stipulation and proposal argued for a 120-day pause, pointing to potential savings as mediation proceeds in a parallel federal derivative case that could resolve or release overlapping claims. The suit focuses on claims that Virgin Galactic suffered from longstanding safety problems that were not adequately disclosed to investors, even as Branson sold shares at inflated prices.

Implant Maker Trust Sues In Del. Alleging Liability Evasion

A settlement trust of joint implant maker Exactech **filed a billion-dollar lawsuit** in Delaware Chancery Court against TPG Inc., accusing the private equity firm of controlling Exactech after buying it in 2018, concealing the implants' defects, delaying product recalls and pushing the company into **Chapter 11** to avoid liability. TPG reached a **\$10 million settlement** of potential claims against it in Exactech's bankruptcy, but the deal sparked creditor objections and gave way to the creation of a trust to pursue legal claims.

Chancery Cuts Bolt Financial Atty Fee

A Delaware vice chancellor on Feb. 3 **pruned to \$4.1 million** a \$7.5 million attorney fee request for litigation that ended with the cancellation of more than \$37 million in Bolt Financial Group shares used by a company controller to secure a later-defaulted-upon, company-guaranteed loan. Vice Chancellor Nathan A. Cook observed that the benefits arising from litigation by Bolt stockholder Activant Ventures Advisors II LLC and three affiliates "were 10%, or even, frankly, below" the nearly \$38 million estimated benefit obtained, in contrast to a 15% request. The vice chancellor said the decision balanced other factors and his own discretion in setting an 11% mootness fee, resulting in a "reasonable" \$4,114,000 award. The vice chancellor also noted "the record suggests that Activant continued to litigate" after the case was practically moot.

Shake Shack Suit Facing Shutdown

A stockholder lawsuit challenging Shake Shack Inc.'s corporate governance arrangements is **set to be dismissed** after the parties jointly asked the Delaware Court of Chancery to end the case, cutting off the named plaintiff's claims while preserving the ability of other stockholders to bring similar suits later. The proposed dismissal, filed Thursday, would permanently bar plaintiff Robert Garfield from relitigating his claims but would not release or resolve claims belonging to the broader, never-certified stockholder class. Those claims would be dismissed without prejudice, leaving open the possibility of a new lawsuit brought by a different investor.

CD&R OKs \$70M Deal To End Covetrus Suit

Private equity firm Clayton Dubilier & Rice LLC and others have agreed to pay **\$70 million to settle** a suit in Delaware's Court of Chancery by shareholders of animal health company Covetrus Inc. accusing them of failing to disclose vital information to shareholders when joining forces with another private equity firm to acquire Covetrus in 2022. According to a motion filed Thursday, the parties reached an agreement to settle in November after receiving a mediator's recommendation. If approved, the settlement will end claims against Clayton Dubilier and its affiliated companies, as well as Clayton Dubilier partners Ravi Sachdev and Sandra Peterson.

--Editing by Lakshna Mehta.

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Crypto Investor's \$16M Case Ousted From Chancery

By Jarek Rutz

Law360 (February 9, 2026, 5:53 PM EST) -- The Delaware Chancery Court on Monday dismissed a cryptocurrency investor's lawsuit accusing a group of crypto entities and insiders of engineering a \$16 million "pump and dump" scheme, ruling the claims were not properly brought in equity and belong, if anywhere, in the Delaware Superior Court instead.

Vice Chancellor Bonnie W. David **said in his opinion** that Hash Asset Management Ltd. failed to adequately plead the fiduciary-duty and veil-piercing theories it relied on to keep the case in the Court of Chancery, leaving only legal claims for fraud, breach of contract and conversion that fall outside the court's limited jurisdiction.

"The Court of Chancery is a court of limited jurisdiction," the vice chancellor said, citing the court's ruling in 2017 in **Yu v. GSM Nation** and concluding that Hash's complaint did not establish a sufficient equitable hook to keep the case before him.

Hash Asset Management, a Cayman Islands investment fund, sued DMA Labs Inc., the ICHI Foundation and four individuals in April 2025, alleging the fund lost more than \$16 million after investing in crypto tokens known as "oneTokens" and staking them in a lending pool called Rari Pool 136.

The four individuals being sued are Nick Poore, DMA Labs' chief technical officer; Bryan Gross, the company's founder and chief executive; Tyler Christian Pintar, described as an associate involved with the ICHI project; and Julian Brand, also known as Julian Finch-Brand, a former business development manager for the ICHI Foundation.

Hash alleged it paid about \$16 million in the USD Coin stablecoin in early 2022 to purchase oneTokens issued by the Cayman Islands-registered ICHI Foundation, relying on offering materials that described the tokens as stable, redeemable and protected by governance safeguards.

Hash alleged the defendants later diverted collateral, manipulated token prices through cyclical borrowing and trading, and triggered a rapid collapse that wiped out the fund's investment.

The case followed the dismissal of a related federal action in March 2025 for lack of subject matter jurisdiction. Hash then refiled in Chancery Court, asserting claims for fraud, breach of contract, conversion, breach of fiduciary duty, and corporate veil piercing against DMA, ICHI and the four individuals.

In Monday's decision, Vice Chancellor David focused on whether Hash had adequately pled any claim that would give the equity court jurisdiction over what he characterized as fundamentally legal disputes.

On the fiduciary duty claim, the court held that Hash failed to allege the kind of "special relationship" required under Delaware law. The opinion emphasized that arm's-length commercial relationships, even in novel contexts like cryptocurrency platforms, do not automatically give rise to fiduciary duties.

The vice chancellor said simply labeling a dispute as equitable does not create Chancery Court jurisdiction, rejecting Hash's effort to recast its investment dealings with the defendants as a fiduciary relationship.

The vice chancellor said the complaint did not plausibly allege that any defendant occupied a position of trust or exercised control over property for Hash's benefit, noting that vague titles like "network steward" or allegations of influence over token governance were insufficient.

Group pleading and claims of information asymmetry, the court added, could not transform a commercial crypto transaction into a fiduciary relationship.

Vice Chancellor David also rejected Hash's effort to pierce the corporate veil between DMA and the ICHI Foundation. While acknowledging allegations that funds were siphoned and the entities acted in concert, she found the complaint relied on conclusory assertions rather than specific facts showing domination, undercapitalization or that the entities were mere shams created to perpetrate fraud.

Because both the fiduciary duty claim and veil-piercing theory failed, Vice Chancellor David concluded the court lacked subject matter jurisdiction over the remaining causes of action, which sounded in law rather than equity.

She dismissed the case but granted Hash leave to transfer its remaining claims to Delaware Superior Court under state law. She also denied Hash's motion to amend its complaint, finding that proposed new claims, including civil conspiracy and aiding and abetting, would be futile absent a viable fiduciary-duty claim.

"Our clients are pleased the court reached the right result, and we hope this will bring an end to a years-long litigation that never should have been filed in the first place," said Andrew W. Robertson of Morris Kandinov LLP, representing DMA Labs Inc., ICHI Foundation, Poore and Gross.

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

Hash Asset Management Ltd. is represented by Daniel A. Griffith of Whiteford Taylor & Preston LLP and George Benaur of Benaur Law LLC.

DMA Labs Inc., ICHI Foundation, Nick Poore and Bryan Gross are represented by William M. Alleman Jr. of Meluney Alleman & Spence LLC, and Aaron T. Morris, Andrew W. Robertson and William Spruance of Morris Kandinov LLP.

Tyler Christian Pintar is represented by Sara A. Barry and Louis F. Masi of Connolly Gallagher LLP.

Julian Brand is represented by Kevin S. Mann of Cross & Simon LLC.

The case is Hash Asset Management Ltd. v. DMA Labs Inc. et al., case number 2025-0374, in the Court of Chancery of the State of Delaware.

--Editing by Lakshna Mehta.



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Deutsche Bank Escapes FDIC's RMBS Underwriter Claims

By **Sydney Price**

Law360 (February 9, 2026, 3:36 PM EST) -- A brokerage and investment banking arm of Deutsche Bank ducked a lawsuit the Federal Deposit Insurance Corp. had brought against it over investment losses suffered by now-failed Citizens National Bank, after a New York federal judge determined Monday it did not have a relevant role in underwriting residential mortgage-backed securities Citizens bought more than two decades ago.

U.S. District Judge Laura Taylor Swain agreed with Deutsche Bank Securities Inc.'s stance in its motion for summary judgment that the company did not "purchase, sell, offer to sell, or distribute the specific securities at issue," nor did it participate, directly or indirectly, in underwriting the offer.

According to the opinion and **order** granting Deutsche Bank's motion, examples of participating in distribution-related activities include referring investors to sellers or offerors and acting as an intermediary in a purchase of securities for resale.

Even though the FDIC had alleged Deutsche Bank led aspects of the offering, Judge Swain found none of the proffered evidence demonstrated the company participated in distributing the senior certificates.

"That defendant made decisions regarding the structure of the offering, including how to divide the offering into different tranches and the payment flows for each tranche, is not relevant because it is not distributional activity," according to the decision.

The relevant offering took place over 20 years ago, the order noted. Each of the three underwriters — Deutsche Bank, Ally Securities LLC and now-defunct Lehman Brothers — entered into a separate underwriting agreement with the depositor, Residential Accredited Loans Inc., the ruling said.

The suit, which dates to 2012 and was brought back from the brink in 2017 by the Second Circuit, accused the bank issuers and underwriters of those RMBS of misrepresenting the quality of the securities' underlying mortgages, violating the Securities Act in the process.

The FDIC alleged Deutsche Bank made misrepresentations and omissions regarding the loan-to-value ratios of the underlying mortgages, the loans' compliance with appraisal standards, the occupancy status of the properties securing the mortgages and the loans' compliance with underwriting guidelines.

The claims asserted against Deutsche Bank were the only ones remaining in this action, according to the order.

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

The FDIC is represented by R. Paul Yetter and Bryce Callahan of Yetter Coleman LLP and David J. Grais of Grais & Ellsworth LLP.

Deutsche Bank is represented by Linton Mann III of Simpson Thacher & Bartlett LLP.

The case is Federal Deposit Insurance Corp. v. Deutsche Bank Securities Inc., case number 1:12-cv-04000, in the U.S. District Court for the Southern District of New York.



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Another Suit Filed Over Arsenic Levels In Laffy Taffy, Nerds

By **Jonathan Capriel**

Law360 (February 9, 2026, 7:58 PM EST) -- The maker of the popular candies Nerds and Laffy Taffy was once again hit with a proposed class action accusing it of selling the confections with dangerous levels of arsenic, according to suit filed in California federal court.

Oakland mother Phanny Chhin claims she bought Ferrara Candy Co. products on a "near-daily basis" for herself and her children only to later learn they were unknowingly being contaminated by the products, the suit filed Friday said.

"Plaintiff is aware of the risks of exposure to heavy metals — especially arsenic — for her young children. But when she purchased the Products, she was unaware that the Products could, and in fact did, contain arsenic," the suit said. "She likewise would not have purchased the Products if there was a disclosure indicating that the Products contained arsenic (or had a risk of containing arsenic)."

The 40-page complaint filed in the Northern District of California claims that Ferrara Candy Co. knew or should have known that its products contained unsafe levels of arsenic.

Much like an earlier **suit filed Wednesday** in Illinois federal court, the current litigation leans on state unfair business practices and false advertising laws.

Notably, both suits claim that consumers had no way of learning of the toxic nature of the candies. The suit claims that the arsenic contamination was made public in January, after the Florida Department of Health tested a variety of the company's candy. Those results uncovered arsenic in eight out of 10 Ferrara products tested, according to the suit.

These included some of the company's most well-known products, such as its Black Forest Gummy Bears, Laffy Taffy, Nerds and SweetTarts.

Ferrara didn't immediately respond to a request for comment.

Counsel information for the company wasn't immediately available.

Chhin is represented by Arturo Peña Miranda and Jennifer S. Czeisler of Sterlington PLLC and Jean S. Martin and Christopher J. Pollack of Aylstock Witkin Kreis & Overholtz PLC.

The case is Chhin v. Ferrara Candy Company, case number 4:26-cv-01186, in the U.S. District Court for the Northern District of California.

--Additional reporting by Gina Kim. Editing by Amy Rowe.

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Meta Allows Pump-And-Dump Scam Ads, New Suit Says

By **Katryna Perera**

Law360 (February 9, 2026, 10:18 PM EST) -- A new proposed class action in California federal court alleges Meta Platforms Inc. knowingly allowed pump-and-dump scammers to advertise on its platform and to promote and falsely inflate the prices of certain stocks before selling their shares, gaining millions of dollars from Meta users.

Three Meta users filed a **complaint** on Thursday, claiming Meta was aware of the scammers and their scheme but refused to implement policies to prevent the fake advertisements.

According to the complaint, Meta's core business is its advertising services, which include selling and generating online ads and targeting them to Facebook and Instagram users based on collected user data, and the platform derives most of its revenue from advertising customers.

"Meta creates and develops ads that target particular user groups based on a range of demographic characteristics (e.g., geographic location, income, age, and ethnicity) and interests (e.g., past engagement with content related to a particular activity or product), and optimizes the ads to increase the likelihood of engagement by the targeted users," the complaint said.

However, the suit alleges Meta has "long been aware" of scam ads on its social media platforms but has failed to implement technology or processes to monitor, identify, and prevent them.

"Instead, Meta has invested billions in developing generative artificial intelligence tools that have only worsened the proliferation of fraudulent advertisements and enhanced their effectiveness by generating hundreds of variations of advertisements that are optimized to drive engagement by vulnerable users," the complaint said.

According to the complaint, Meta knowingly courts business from scammers and has implemented measures to limit fraud reduction so that the revenue from scammers is not reduced.

The complaint states that many of the scam ads on Meta platforms are investment scams where users are lured into schemes by impersonations of celebrities and well-known investors.

"Meta knows that the advertisers have no affiliation whatsoever with the famous people and firms represented, yet the company permits millions of those ads across its platforms every day and develops millions of variations of them through its suite of advertising tools," the complaint said.

The plaintiffs themselves were victims of an investment scam on a Meta platform that was perpetrated by an organized criminal network operating out of China, according to the complaint.

The plaintiffs say the scammers targeted victims through advertisements for supposed investment clubs associated with famous people. Meta users who clicked on the ads were allegedly added to WhatsApp messaging groups where the scammers posed as financial advisers and "encouraged users to purchase securities whose prices the scammers were manipulating so that their co-conspirators could unload their holdings at inflated prices, reaping massive, illicit profits."

Specifically, the complaint states that in March 2025, scammers recommended to the plaintiffs and others that they purchase shares of Jayud Global Logistics Ltd., a Chinese stock listed on Nasdaq and trading under the ticker JYD.

"The scammers instructed victims to make purchases of JYD shares at specified price points based on claims that JYD was poised for strong growth and soon would announce a strategic transaction that would boost its share price," the complaint said. "In reality, the scammers were using the victims' purchases to artificially inflate JYD's share price and create a market for their co-conspirators to unload their holdings of 50 million shares of JYD stock, which they had acquired at deeply discounted prices through a non-bona fide offering in December 2024."

Ultimately, users' purchases of JYD stock doubled the price to a high of \$8 per share on April 1, 2025, according to the complaint, at which point the scammers and their co-conspirators sold more than 45 million shares, causing JYD's stock to lose over 95% of its value.

According to the complaint, the plaintiffs' and the proposed class's estimated losses exceed \$500 million.

The plaintiffs claim that, without Meta's advertising tools, the scheme would not have worked.

"Meta's advertising tools developed and determined the content and appearance of the ads used to perpetrate the scam," the complaint said. "Meta's tools also optimized the particular ads targeted to each user, including by showing users ads featuring celebrities or investors of their same race or ethnicity in order to increase the appeal of the ads."

The suit seeks damages, attorney fees and a jury trial. Representatives for the parties did not immediately respond to requests for comment on Monday.

Friday's action is the latest in a string of lawsuits filed over Meta's alleged awareness of and allowance of pump-and-dump scam ads on its platforms.

Two other proposed **class actions** have been filed in California federal court claiming Meta is knowingly publishing and profiting from scam advertisements, and last June, attorneys general from 40 states and the District of Columbia publicly **urged** Meta to help stem the tide of investment scams across Facebook and WhatsApp that they said have caused people to lose "life-changing" amounts of money.

The plaintiffs are represented by Leonid Kandinov, Aaron T. Morris, Andrew W. Robertson and William H. Spruance of Morris Kandinov LLP.

Counsel information for Meta was not immediately available.

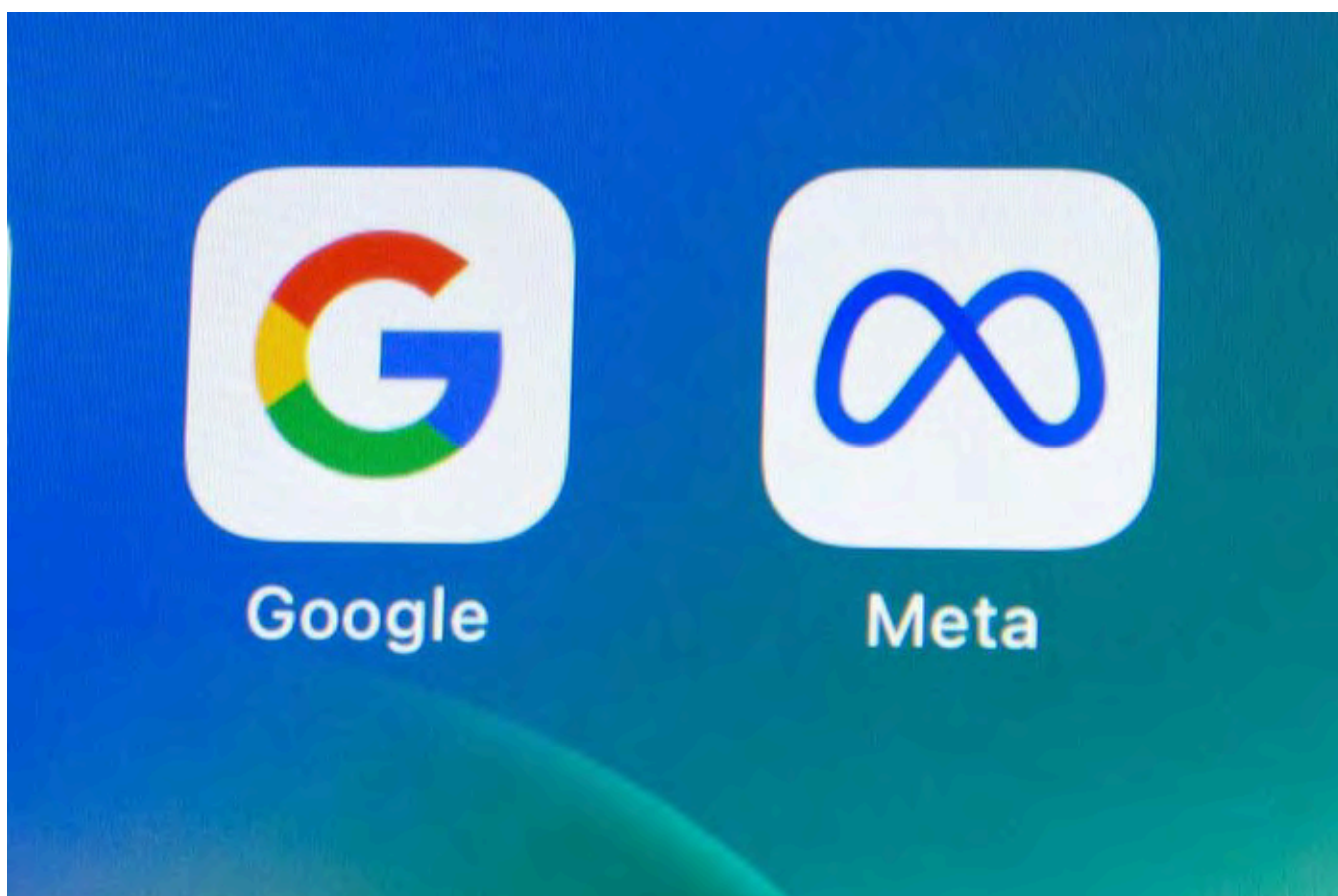
The case is Irving et al. v. Meta Platforms Inc., case number 3:26-cv-01127, in the U.S. District Court for the Northern District of California.

--Editing by Linda Voorhis.

Meta And Google's 'Addiction Machine' Hurt Kids, Jury Told

By **Craig Clough**

Law360 (February 9, 2026, 10:00 PM EST) -- The first bellwether trial over thousands of consolidated cases alleging social media apps harm young people's mental health began in a California state court Monday, with an attorney for the plaintiff telling jurors that internal documents from defendants Meta and Google will prove they knew their products addicted children.



Google and Meta are accused in a bellwether trial of harming young people's mental health through their social media apps' allegedly addictive features, such as infinite scroll, autoplay, notifications and reward systems. (Alamy Stock Photo/Koshiro K)

Mark Lanier of The Lanier Law Firm, who represents the plaintiff known in court as Kaley G.M., spent much of his roughly two-hour opening statement in Los Angeles County Superior Court walking jurors through a series of internal documents and emails from Meta Platforms Inc. and Google LLC, which he argued will prove the companies set out to addict children and did not stop when the data showed the addiction was seriously harmful.

The case, Lanier said, is as simple as A, B, C, which stands for "addicting brains of children."

"They didn't set out to build a library," Lanier said. "They didn't set out to build a school. They set out, the evidence will show, to build an addiction machine."

Paul W. Schmidt of Covington & Burling LLP, who represents Meta, told the jury that the most important documents in the case are the plaintiff's medical records, which show she suffered through abusive, neglectful parents who are the likely cause of her mental health struggles, and not Instagram.

An attorney for Google is expected to deliver an opening statement Tuesday morning.

The highly anticipated trial is the first of its kind and the first bellwether trial to come before a jury in the courtroom of Superior Court Judge Carolyn B. Kuhl, where several thousands of cases are consolidated. The courtroom was packed during the opening statements, with some media and members of the public waiting hours before sunrise to get in line for a seat.

The litigation accuses the social media companies of purposely inducing young people to compulsively use their products with allegedly addictive features, such as infinite scroll, autoplay, notifications and reward systems.

The bellwether is the first of at least nine that are planned, with the idea being the parties may be able to reach a settlement in the rest of the cases based on the outcome of the bellwether trials.

TikTok Inc. and Snap Inc. were also named defendants in Kaley G.M.'s case and many others but reached settlement deals recently, although those settlements do not resolve the other consolidated personal injury cases in the Judicial Council Coordination Proceedings, or JCCP, pending before Judge Kuhl.

In October, Judge Kuhl **held** that Meta CEO Mark Zuckerberg, Instagram CEO Adam Mosseri and Snap CEO Evan Spiegel must testify at the bellwether trial, although she would decide later about further testimony at any other possible trials. With the Snapchat maker settling, Spiegel will no longer be called to testify in the trial, according to plaintiffs' counsel.

A parallel federal proceeding is pending in the Northern District of California, where parents, school districts and dozens of states have **brought similar claims**.

Jurors were instructed by Judge Kuhl on Monday morning before openings, including the instruction that Kaley G.M. will not be referred to by her full name during the proceedings, as she was a minor at the time of her alleged injuries. She is now 20.

The judge also told the jurors the case is not about what content Kaley viewed on the platforms; it's about the allegation the platforms were designed to addict minors.

Lanier told jurors that Kaley would not be attending the trial except to deliver her testimony.

"Kaley is now easily overwhelmed, and the part of the mind that filters out noise and stress, you will hear evidence it was devastated by the defendant's machine, and to ask her to sit here for weeks and listen to people talk about her dissent would be like asking someone with a broken leg to run a marathon," Lanier said.

Lanier told jurors that Kaley's mother allowed her child to use Google's YouTube and Meta's Instagram apps as a child because she believed they would be educational and fun. And her mother had reason to believe this because that's what the companies advertised their products as, he said, but added they were like a "Trojan horse" that tricked her into allowing them into her home.

Behind the scenes, the companies were making sinister plans to hook millions of children to their harmful platforms, Lanier said while showing the jury documents and emails he argued proved this point. One internal Instagram study found that teens "are hooked despite how it makes them feel," and that time on the app is having a negative impact on many teens' mental health.

Still, the document said, teens "can't help themselves."

Instagram also had a public policy of not allowing kids younger than 13 on the platform, but behind the scenes, it was working to hook "tweens" from the ages of 9 to 12. Why? Because an internal study found that kids who started on Facebook at the age of 11 were four times as likely to keep using it compared to someone who started at 20, Lanier said.

Some other internal communications from Instagram employees worried that if they buried some of the studies they possessed about the platform's negative impact on kids, they would look like tobacco

companies that knew cigarettes were bad but were "keeping that information to themselves."

"I don't want to work for somebody that's long-term bad for people," the employee added in the communication.

YouTube, meanwhile, advertised its YouTube Kids feature as a safer alternative for young people but was still working to get young kids on regular YouTube because advertisers would pay more for those ads, Lanier said.

In 2011, when Kaley was 5 years old, some YouTube employees were talking in internal documents about how the goal of YouTube was "viewer addiction," and that it is "an addictive experience," Lanier said while displaying the document.

"That's their word, it's not mine," Lanier said. "I'm not some lawyer trying to make them sound bad. It's their word."

Lanier said he expects attorneys from Google and Meta to argue at the trial that Kaley's mental health struggles are not their fault, but the result of a chaotic home life.

He said it is true that Kaley's parents divorced when she was 3 years old and her home life was often chaotic, but he also asked the jurors to keep in mind an internal Instagram study from 2023 and 2024 called Project Myst that he said the company tried to hide.

That report, Lanier said, studied 1,000 teens and their parents and discovered that teens with adverse events in their childhood were the most likely to get addicted to social media, and that parents were often "powerless" to control the addiction.

"But they didn't use the data to protect these kids, they used it to make sure the algorithm never let them go," Lanier said.

Lanier also said the jury will hear from some expert witnesses who will explain how children's brains are uniquely vulnerable to dopamine-driven social media cues like those on Instagram and YouTube, and that he would also call some company whistle-blowers to testify.

Schmidt spent much of his opening statement focusing on Kaley's medical records. Out of 260 sessions with therapists, she only mentioned social media issues — good or bad — in 20 of them, and none of the three therapists she saw as a child diagnosed her with social media addiction, he said.

Academic struggles, living through the COVID-19 pandemic as a youth and bullying at school also contributed to her struggles, he said.

"This is the question that we'll ask you to focus on throughout this case, you will see the larger periods of this trial that it doesn't really have much to do with Kaley as an individual, because we're talking so much about science and Instagram and YouTube," Schmidt said. "But this, I suggest, is the most important question you'll be asked to decide at the end of the case: Was Instagram a substantial factor in Kaley's mental health struggles?"

Schmidt said the trial should focus on the question of what Kaley's life would be like if she never used Instagram.

"Would her life be completely different, or would she still be struggling with the same things she is today?" he asked.

Schmidt also highlighted studies from the National Academy of Sciences and the U.S. Surgeon General's Office that found the impact of social media on mental health is mixed but with more people experiencing positive effects than negative ones.

The internal documents Lanier showed the jury don't tell the whole picture, because when Instagram discovered that some users were having negative experiences, it undertook safety measures to help protect kids, which included time limits and directing them to alternative content if they spent too much time looking at a certain topic like "beauty," he said.

The trial is scheduled to resume Tuesday.

The plaintiffs are represented by Mariana A. McConnell of Kiesel Law LLP, W. Mark Lanier, Sarah Lanier and Rachel Lanier of The Lanier Law Firm, Rahul Ravipudi of Panish Shea Ravipudi LLP, Adam S. Davis of Wagstaff & Cartmell LLP and Joseph VanZandt of Beasley Allen Law Firm.

Meta is represented by Phyllis Jones, Paul W. Schmidt and Michael Imbroscio of Covington & Burling LLP.

YouTube is represented by Luis Li and Lauren Gallo White of Wilson Sonsini Goodrich & Rosati PC.

The JCCP case is Social Media Cases, case number JCCP5255 and lead case number 22STCV21355, all in the Superior Court of the State of California, County of Los Angeles.

--Editing by Dave Trumbore.

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Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Meta 'Lies' Hid Risk To Kids, New Mexico AG Says

By **Cara Salvatore**

Law360 (February 9, 2026, 9:59 PM EST) -- New Mexico's attorney general went to trial Monday over Facebook and Instagram's alleged harms to young users, saying parent company Meta has long known of mental health and sexual exploitation risks but has obscured the truth, sometimes with "outright lies."

In a bellwether case whose claims parallel those also going to trial **in California** and in a **federal multidistrict litigation**, New Mexico Attorney General Raúl Torrez said Facebook, Instagram, WhatsApp and Messenger hurt the state's youth by allowing children under 13 to join and failed to protect teen users from violent and sexual content and addictive designs that cause serious mental health issues.

He added that Meta has tried to make the public believe it didn't know about the contours and extent of the problem.

Meta has violated the state's Unfair Practices Act by "publicly misrepresenting that their platforms were safe for youth" through "statements that Meta has made about the safety of its platform — statements that are deceptive and misleading and, in some instances, outright lies," said Donald Migliori, of Motley Rice LLC, in the prosecution's opening argument.

The company has claimed, for example, that children are "safe from inappropriate contact" and "safe from exploitation or trafficking," Migliori said — but internal emails show otherwise.

"You'll see that, for Mr. Zuckerberg, with respect to safety, he simply says, 'It's not the main point.' This is where the extreme danger lies, ladies and gentlemen, when you have a platform like this and people can post what they want — good, bad and ugly," Migliori said.

The jury will hear from current and former executives as well as software engineers in the trenches of app and algorithm design, counsel previewed.

Expected witnesses include former senior Instagram senior UX researcher Natalie Troxel, former senior Instagram researcher Alison Lee, former Meta director of engineering Arturo Béjar, former Meta vice president of partnerships Brian Boland and former Meta researcher Jason Sattizahn.

The attorney general will also bring expert computer scientists: Arvind Narayanan regarding algorithms, Damon McCoy regarding design features and Aza Raskin, who Migliori said invented "infinite scroll," but for a newsreading context, not to hook social media users.

Each Meta app was optimized for "growth and engagement" — i.e., profit — over safety, Migliori said. The company's first priority was to "keep the eyeballs," even when it came to teenagers, he added.

"Your phone or your computer, when using this platform, gathers information about what you're seeing, how long you're seeing it, whether you like it, whether you forward it to somebody else and share it, how long you stay on that platform," Migliori said. "Young users are assigned an expected lifetime dollar value within the company," and advertisers will pay extra to reach them and know more about them, he said.

The jury previewed documents like a 2018 internal presentation that said, "Tweens have the highest long-term retention out of all age groups ... the young ones are the best ones."

In another example, Zuckerberg testified to Congress in April 2018, "We do not allow users under 13 on our platforms." But in an internal document created the same year, staff noted, "We can estimate that there were 4 million people under 13 in 2015 on [Instagram]. This represents 30% of all 10-12 years old in the U.S." at that time.

According to Migliori, a Facebook executive alarmed by messages his daughter was receiving undertook a survey in which 16.3% of young respondents reported being exposed to inappropriate images like nudity. But Facebook's own Community Standards Enforcement Report showed a much lower rate of just 0.02%, the Motley Rice lawyer said.

While investigating social media harm, New Mexico law enforcement set up a false account with a teen profile picture and watched as inappropriate messages rolled in, Migliori told the jury.

In the defense opening argument, Facebook lawyer Kevin Huff of Kellogg Hansen Todd Figel & Frederick PLLC told the jury that the company has been careful, proactive and scrupulous.

"When you connect 3 billion people, some of those people are going to do terrible things," Huff told the jury. "This case is about whether Meta knowingly lied about the safety of its apps."

He said it didn't.

The company immediately tells new users right up front when they're signing up "about the risk of bad content," Huff said. "Harmful content does get past Meta's safeguards."

Users see notices that there may be "objectionable" or "unlawful" material presented to them. "That's disclosure, not deception," Huff added.

He said it was simple for people to use the apps in this way if that was their desire.

"Predators might misuse Facebook and Instagram to try to contact teens," Huff said. But he said the company "searches for predators," reports them to the National Center for Missing and Exploited Children — which in turn makes reports to law enforcement — and "has helped to put hundreds of criminals behind bars."

He asked the jury to consider that the right people to blame here are the criminals, not the platform on which they operate.

"The state wants to place all the blame on Meta, and we just think that's wrong," Huff said.

Jurors will hear from at least two former federal prosecutors who now work at Meta in safety-related roles: Monika Bickert and Ravi Sinha. It will also hear from Meta Chief Marketing Officer Alex Schultz, who will admit to oversights in content removal, and Facebook's Global Head of Safety Antigone Davis.

Huff also noted the company has made disclosures to the public about how much inappropriate content it removes, suggesting this reporting is evidence of uncommon transparency.

"Does your local grocery store tell you how many bad apples were in the store last week? Of course not," Huff said.

As for mental health, "Yes, it is true that some people, including teens, spend too much time scrolling on their phones and wish they had done something else with their time," Huff said. But he said teen accounts with specialized settings speak to that.

When users sign up, they are asked for their age. Self-declared teens get a special account, and 97% of them do not change the default safety settings on that account, which can be made stricter if the user or parent desires, Huff said.

"Teen accounts are automatically set to try to prevent the algorithm from recommending content that is inappropriate for teens," he said. They also default to sleep mode from 10 a.m. to 7 p.m. and default to a 60-minute daily limit, he noted.

A public form allows anyone to report a user they suspect is under 13, he said. And the company uses "automated technology" to flag accounts that suggest, through ages or grade levels in bios, that a user is younger than 13, Huff said.

"Meta does not want miserable, doomscrolling teens, because that will hurt its business in the long run," he said.

The first witness in the trial was a middle school principal who testified she has seen an array of troubling phenomena in her students' social media usage, including sexual and violent messages, insensitive montage videos involving a murdered student, numerous 11- and 12-year-old sixth graders on Instagram, a student breaking into a classroom and harming himself to get his phone back, and students frequently planning fights for the specific purpose of posting them on social media.

The principal said she believes these apps are not developmentally appropriate for children who are so young that, for example, they can't parse what's sarcasm and what's not.

TikTok is also facing similar claims **in North Carolina**.

New Mexico is represented by Donald A. Migliori of Motley Rice LLC and Raúl Torrez pf the New Mexico Office of the Attorney General.

Meta is represented by Kevin B. Huff of Kellogg Hansen Todd Figel & Frederick PLLC.

The case is State of New Mexico v. Meta Platforms Inc. et al., case number D-101-CV-2023-02838, in the 1st Judicial Circuit of New Mexico.

--Editing by Lakshna Mehta.

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