

## The Geography of Waiver: What FirstEnergy Doesn't Solve

The article argues that while the Sixth Circuit's decision in *In re FirstEnergy Corp.* strengthens protection for internal investigations by holding that disclosure of work product to independent auditors does not waive protection (because auditors are not litigation adversaries), it does not resolve the broader and more complex issue of waiver when companies disclose materials to government regulators. Courts remain divided on whether such disclosures result in "selective waiver" or broader subject-matter waiver, and outcomes vary significantly by jurisdiction.

February 18, 2026 at 11:47 AM By **Joshua Newville Hadassa Waxman**



Credit: maurice norbert/Adobe Stock

The Sixth Circuit's recent decision in *In re FirstEnergy Corp.* has been widely read as reaffirming strong protections for internal investigations. In vacating a district court order compelling production of investigative materials, the court held that disclosure of work product to the company's independent auditor did not waive work product protection, because auditors are not litigation adversaries.

But *FirstEnergy* answers only part of the waiver problem. The decision addressed disclosure to an independent auditor in the Sixth Circuit. Many difficult waiver disputes arise when companies

cooperate with regulators and later face private litigation, and courts have divided over whether disclosure to the government preserves or waives privilege protections—and, if not, how far the waiver extends.

## **I. FirstEnergy: A Protective Auditor Holding**

In *In re FirstEnergy Corp.*, No. 24-3654, 2025 WL 2814286 (6th Cir. Oct. 3, 2025) (per curiam, mandamus), the Sixth Circuit addressed whether materials prepared by outside counsel during an internal investigation lost work-product protection when shared with outside auditors. The court held they did not.

The court relied on the adversary-focused nature of the work-product doctrine. Because the auditor was not a litigation adversary, disclosure did not substantially increase the likelihood that an adversary would obtain the materials. The court emphasized that:

- The investigation was undertaken for legal advice.
- The company consistently asserted privilege.
- The disclosures did not reveal counsel’s mental impressions in a way that exposed them to adversarial use.

The holding centered on auditor disclosure—not regulator cooperation. Although the broader factual backdrop involved government scrutiny, the waiver analysis focused squarely on the auditor. In the Sixth Circuit, disclosure to an auditor does not, by itself, forfeit work-product protection.

## **II. Selective Waiver Versus Subject-Matter Waiver**

In this context, selective waiver and subject-matter waiver are distinct. Selective waiver asks whether disclosure to the government preserves protection against others. In the Second, Ninth, and Tenth Circuits, these arguments face somewhat steeper odds.

By contrast, subject-matter waiver concerns scope. Under Federal Rule of Evidence 502(a), even where a disclosure results in waiver, that waiver extends to undisclosed communications or information only if the waiver was intentional and fairness requires that the disclosed and undisclosed materials be considered together. That fairness inquiry often drives whether waiver remains limited.

In practice, courts rarely expand work-product waiver beyond the actual information disclosed. Because work product protects materials from adversarial use, courts generally confine waiver to what was actually disclosed unless a party affirmatively places protected analysis at issue.

Opinion work product (counsel's mental impressions and legal theories) receives especially strong protection, and courts are reluctant to force its disclosure absent extraordinary circumstances. The risk arises when disclosure gives an adversary access to counsel's analysis.

### **III. The Second Circuit: Steinhardt and the Limits of Selective Waiver**

*In re Steinhardt Partners, L.P.*, 9 F.3d 230 (2d Cir. 1993) remains guiding authority in the Second Circuit. There, voluntary disclosure of attorney work product to the SEC resulted in a subsequent waiver during civil litigation. The court declined to adopt selective waiver permitting disclosure to regulators while preserving protection against private litigants.

The operative fact was voluntary disclosure to an adversarial agency. Unlike *FirstEnergy*, which involved disclosure to a non-adversarial auditor, *Steinhardt* addressed disclosure directly to a regulator acting in an adversarial capacity. In that setting and under those facts, work-product protection gave way.

The court did not impose automatic subject-matter waiver; the scope remained fact-specific. Courts then decide whether waiver reaches only the disclosed materials or extends to related communications on the same subject.

### **IV. When Substance Controls: The “Oral Download” in 'SEC v. Herrera'**

In *SEC v. Herrera*, No. 1:17-cv-20301 (S.D. Fla.), the SEC brought an enforcement action against former executives, after the company had cooperated. During discovery, the defendants subpoenaed the company's outside counsel for interview notes and memoranda prepared during the internal investigation.

In a Dec. 5, 2017 order, the trial court held that work-product protection was waived as to the interview notes and memoranda that were “orally downloaded” to the SEC. The court reasoned that there was little substantive distinction between producing the memoranda and conveying their meaningful substance to a legal adversary.

The court confined waiver to the interviews summarized—not the entire investigation. A subsequent order contemplated attorney testimony on what had been conveyed to the SEC, before the parties settled and the rulings were vacated in early 2018. Though not binding, *Herrera* shows how detailed regulator readouts can become discoverable in follow-on litigation.

### **V. Auditor Disclosures: Divergence Within and Across Circuits**

Auditor disclosure occupies a distinct doctrinal space from regulator disclosure. In *Merrill Lynch & Co. v. Allegheny Energy, Inc.*, 229 F.R.D. 441 (S.D.N.Y. 2004), the district court held that disclosure

to the company's outside auditor waived attorney-client privilege but did not waive work-product protection.

The reasoning turned on adversarial exposure. The auditor was not a litigation adversary, and disclosure did not substantially increase the likelihood that adversaries would obtain the material. There was no evidence that the auditor acted as a conduit to regulators.

This holding, however, is far from universal. In *Medinol, Ltd. v. Boston Scientific Corp.*, 214 F.R.D. 113 (S.D.N.Y. 2002), disclosure of investigative information to the company's independent auditors waived work-product protection.

*Merrill Lynch* and *Medinol* reached opposite results in the same district. Auditor disclosure outcomes can turn on subtle factual differences, and the question remains whether the disclosure gave an adversary access to counsel's analysis.

## **VI. Other Circuits: Selective Waiver (Mostly) Rejected**

The Ninth Circuit in *In re Pacific Pictures Corp.*, 679 F.3d 1121 (9th Cir. 2012), and the Tenth Circuit in *In re Qwest Communications Int'l Inc.*, 450 F.3d 1179 (10th Cir. 2006), explicitly rejected selective waiver. In those circuits, once work product goes to the government, civil plaintiffs may be entitled to it as well.

The Eighth Circuit takes the most protective view of selective waiver. In *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1977) (en banc), the court held that disclosure of privileged materials to the SEC did not waive protection as to private litigants. Other circuits, including the Second (*Steinhardt*), Ninth (*Pacific Pictures*), and Tenth (*Qwest*), have declined to adopt that approach.

## **VII. Geography Matters: Practical Structuring Guidance**

Across circuits, the same factors recur: who received the information, what was disclosed, and how far the waiver extends. In waiver disputes, geography often decides the outcome.

### **1. Separate factual narratives from attorney work product.**

Structure regulator presentations around independent factual chronologies rather than witness-specific summaries tied to interview memoranda. This reduces the risk that a court will treat the presentation as the functional equivalent of producing protected materials.

### **2. Know your circuit—and your audience.**

In the Sixth Circuit after *FirstEnergy*, auditor disclosures remain protected because auditors are not adversaries. In the Second Circuit's *Medinol* line, the inquiry is more fact-dependent. For

regulator disclosures, assume selective waiver arguments will fail in the Second, Ninth, and Tenth Circuits. The planning question is what you are willing to put at risk.

### **3. Maintain a defensible record of what was disclosed.**

Courts may demand granular proof of what was conveyed, as the *Herrera* proceedings showed before vacatur. Clear records can determine whether waiver is limited or expanded.

Internal investigation privilege is not governed by a uniform national rule. It turns on who received the information, what was disclosed, and where the dispute lands. Geography determines exposure, and *FirstEnergy* does not change that.

**Joshua Newville** and **Hadassa Waxman** are partners at *Proskauer Rose*.

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## Securities Litigation

### Securities Settlements Reached New Highs in 2025, Despite Lower Pace of Dealmaking

The median securities class action settlement reached a record high in 2025, despite overall settlement activity declining over the past year, according to a new report from Cornerstone Research.

February 19, 2026 at 12:01 AM By **Alyssa Aquino**



Credit: Zoe/Adobe Stock

The median securities class action settlement reached a record high in 2025, despite overall settlement activity declining over the past year, according to a new report from Cornerstone Research.

In 2025, the median settlement reached \$17.3 million—the highest since 1997—in what experts at Cornerstone Research partly attributed to the growing size of settlements for cases alleging misstatements or omissions in registration statements under the Securities Act of 1933.

In the past year, the median settlement for '33 Act claims hit \$32.5 million, more than three times the median for the prior nine years, according to the report.

There were only nine settlements in 2025 arising from cases that only plead '33 Act claims, but "it's a large enough group to influence the median settlement amount," said Dr. Laarni T. Bulan, a co-author of the report and vice-president at Cornerstone Research, a San Francisco-based global company.

Explaining her findings in an interview with [Law.com](https://www.law.com) and the New York Law Journal, Bulan highlighted a potential explainer for the record median settlement amount—the median number of docket entries for '33 Act suits. Standing at 206, the number of median docket entries reached a record high.

"Docket entries could be a proxy for the time and effort spent by the litigants," Bulan said. "We also think of it as a proxy for the complexity of the case."

The higher settlement amounts, however, occurred amid reduced dealmaking. According to the report, 74 securities class actions settled for a total \$3 billion in 2025. In 2024, 88 such cases settled for \$3.8 billion.

"We're seeing fewer settled cases, relative to the prior year," said Bulan. "The last time it was this low was actually back in 2019."

But that observation wasn't surprising for Bulan, who found it consistent with case filing trends. It takes roughly three to four years from when a case is filed to settle; three to four years ago, there was a decline in case filings, Bulan said.

Cornerstone Research further found that the average settlement amount in 2025—\$40.6 million—was down 7% from 2024, which was attributed in part to the smaller number of so-called mega settlements, settlements valued at \$100 million or more.

But Bulan said there are a number of large settlements that are awaiting court approval.

"There could be several large settlements in the near future. We'll have to see what the rest of 2026 looks like," she said.

Eric Tam, a principal at Cornerstone Research, added that the communications services/information technology sectors saw the largest aggregate settlement amounts in 2025, marking the fourth time in the last five years that happened. The healthcare and financials/real estate sectors previously comprised the largest share of settlement dollars between 2016 and 2020, according to the report.

"In 2025, the settlement amount in those sectors reached their ten year lows," Tam said. "It appears that there's potentially a shift from the healthcare and financial and real estate sectors in terms of settlement dollars towards technology companies."

# Record High Median Securities Class Action Settlement Amount Amid Slower Settlement Activity in 2025

 [cornerstone.com/insights/press-releases/median-securities-settlement-amount-record-high](https://www.cornerstone.com/insights/press-releases/median-securities-settlement-amount-record-high)

February 18, 2026

[HomeInsights](#) Record High Median Securities Class Action Settlement Amount Amid Slower Settlement Activity in 2025

- Press Release
- 19 February 2026

## Elevated median settlement amount partially driven by larger settlements in Securities Act of 1933-only cases.

The median settlement amount in securities class actions reached a nearly three-decade high of \$17.3 million in 2025, while the total number of settlements declined, according to a report released today by Cornerstone Research.

The report, [Securities Class Action Settlements—2025 Review and Analysis](#), attributes the median increase in part to cases that only involve claims under the Securities Act of 1933, which arise from alleged misstatements or omissions in registration statements associated with a securities offering. While '33 Act-only cases represented just 12% of settled cases in 2025, their median settlement amount more than tripled year-over-year to reach an all-time high of \$32.5 million.

Median plaintiff-style damages, a proxy for the potential losses investors may claim in a securities class action with Rule10b-5 claims were essentially unchanged from 2024, while median statutory damages in '33 Act-only cases declined 19%.

| The median settlement amount reached the highest level since 1997.

"The median settlement amount reached the highest level since 1997, due in part to larger '33 Act only settlements," said [Dr. Laarni T. Bulan](#), a report co-author and vice president at Cornerstone Research. "The '33 Act-only cases were associated with a record high median number of docket entries—a proxy for the time and effort expended by the litigants and/or case complexity, factors that could explain these larger settlements."

The higher median settlement amount is also consistent with a year-over-year decline in the number of special purpose acquisition company (SPAC)-related settlements. In 2024 and 2025, SPAC-related cases typically settled for smaller amounts than non-SPAC cases.

The average settlement amount decreased 7%, in part due to mega settlements—defined as settlements of \$100 million or more—that were smaller compared to past years.

“We also observe a shift of settlement dollars from the Health Care and Financials/Real Estate sectors to the Communication Services/Information Technology sectors in recent years that may reflect changes in case filing trends,” added [Eric Tam](#), a report co-author and principal at Cornerstone Research.

## Securities Class Action Settlements—2025 Review and Analysis

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### [Read the Report](#)

#### Key Findings

- **By the numbers:** In 2025, there were seventy-four securities class action settlements totaling \$3.0 billion, including nine ‘33 Act-only cases and nine SPAC-related settlements.
- **Time to settlement remained elevated:** The median duration from case filing to settlement hearing was three and a half years and continues to be historically elevated, in line with the median in 2023-2024.
- **Industry exposure continues to shift:** While the Health Care and Financials/Real Estate sectors had the largest aggregate settlement dollars and number of mega settlements during 2016-2020, the Communication Services/Information Technology sectors took the lead in the most recent five-year period.
- **Institutional investors remain associated with larger settlements:** Institutional investors continue to be involved as lead or co-lead plaintiff in cases with larger plaintiff-style damages and issuer defendant assets.
- **Defendant firms were smaller on average:** Defendant firms involved in 2025 settlements were 9% smaller as measured by median total assets, which reached an eight-year low.
- **More cases settled at earlier case stage:** In 2025, 54% of settlements occurred prior to the filing of a motion for class certification, up from 48% in 2024 and equal to the 2016–2024 average.

## Related Insights

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The median settlement amount in securities class actions reached a nearly three-decade high, while the total number of settlements declined.

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# Judge allows scheme theory in Musk Twitter securities trial

DJ [dailyjournal.com/articles/389805-judge-allows-scheme-theory-in-musk-twitter-securities-trial](https://www.dailyjournal.com/articles/389805-judge-allows-scheme-theory-in-musk-twitter-securities-trial)

Senior U.S. District Judge Charles R. Breyer

Plaintiffs can present the theory that Elon Musk schemed to lower Twitter's stock price ahead of his 2022 purchase of the company, a San Francisco federal judge decided as a securities lawsuit against the Tesla and SpaceX CEO readies for trial next month.

The plaintiff investors, represented by Bottini & Bottini Inc. and Cotchett, Pitre & McCarthy LLP, allege Musk made three posts to the social media platform, which he renamed X, that contained false statements, violating Rule 10b-5 of the Securities Exchange Act. Musk said the purchase was "on hold" since he believed roughly 20% of Twitter accounts to be bots, higher than the 5% estimate the company's then-owners gave.

In addition to the false statements theory, the plaintiffs claim Musk was struggling to fund his \$44 billion purchase and said the deal was in jeopardy to drive the stock price down and renegotiate. The stock price fell by over 30% while Musk's takeover was in flux.

Musk's counsel, Quinn Emanuel Urquhart & Sullivan, LLP, moved ahead of trial to block that theory, saying it was practically identical to the false statements theory.

"If it's a true statement that affects the market, that's not securities fraud," Quinn Emanuel partner Ellyde R. Thompson said at the pretrial conference on Tuesday. *Giuseppe Pampena v. Elon R. Musk*, 3:22-cv-05937 (N.D. Cal., filed Oct. 10, 2022).

But Senior U.S. District Judge Charles R. Breyer disagreed, saying a statement doesn't need to be false to be part of a scheme if its purpose is to manipulate the market.

"This is exactly what this case is about, isn't it?" Breyer said.

Breyer outlined a hypothetical scenario where an investor hoping to drive a company's stock prices down disparages the company but clarifies that each statement is only an opinion. The investor then buys shares at a lower price. While the investor in this scenario didn't make any false statements, scheme liability could clearly still be in play, Breyer said.

Thompson then argued plaintiffs shouldn't be allowed to present additional statements made by Musk that Breyer had dismissed from the initial complaint.

Aaron P. Arnzen of Bottini & Bottini argued for the plaintiffs that a series of "independently innocuous" statements can still indicate a broader scheme.

Breyer said the statements might be permissible as evidence for the scheme claim even if they're out of the picture when it comes to the false statements claim.

The judge also discussed the admissibility of testimony regarding statements Musk made in the presence of an attorney.

Breyer said that if the defense plans to assert attorney-client privilege, it can't present any conversations Musk had with his lawyers as evidence.

"I am committed to the proposition that if it is going to be a shield, it can't be a sword," Breyer said.

That could prove difficult, the judge said, since many of the conversations Musk had with his team around the time of the merger included his attorneys. If either side includes evidence stemming from a conversation that involved a lawyer but didn't involve privileged communication, the jury can't know a lawyer was present, Breyer said.

"You're all going to engage in some fiction here," Breyer said.

Breyer rejected a motion to intervene filed by Eric Meckley on behalf of X that would have allowed a company lawyer to be present during the testimony of any X employee. That would allow the lawyer to protect the witness from any questions that lead them to reveal information violating attorney-client privilege or disclosing confidential company information.

Breyer said that he's had plenty of witnesses testify without their own counsel present, and he's more than capable of handling it himself.

"Why is it necessary or desirable to have another lawyer here?" Breyer said.

Jury selection is slated for Feb. 19. Musk's lawyers expressed concern that it could be difficult to find jurors without strong opinions about Musk, citing expletive-filled responses to an initial questionnaire.

Breyer called it a "record of responses that I have never seen before," but said he's confident he can find jurors who are committed to setting aside their opinions of Musk to arrive at a fair verdict. After serving on the team that prosecuted the Watergate trials, Breyer said, he'll have no problem seating a jury to try Musk.

Breyer said he hopes to seat nine jurors. The trial will begin on March 2.

#389805

## **Daniel Schrager**

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## Musk: SEC Disclosure Claim Represents Targeted Application of Unclear Rule

The filing claims the disgorgement the SEC is seeking is an example of unconstitutional selective enforcement and violates Musk's right to due process by being punitive and "grossly disproportional to the alleged conduct."

February 18, 2026 at 03:29 PM By  **Ellen Bardash**



Elon Musk, chief executive officer of Tesla Inc., during the World Economic Forum (WEF) in Davos, Switzerland, on Thursday, Jan. 22, 2026. Photo: Krisztian Bocsi/Bloomberg

Elon Musk answered the SEC's disclosure violation claim against him on Tuesday with a [filing](#) that claims the agency has zeroed in on his acquisition of Twitter for a case it wouldn't normally pursue involving a rule he says is unconstitutional.

In the filing, Musk presented 14 defenses in total. They mirror arguments U.S. District Judge Sparkle L. Sooknanan for the District of the District of Columbia [ruled earlier in February](#) didn't warrant dismissal of the case.

The SEC filed its lawsuit, which brings one beneficial ownership disclosure violation claim against Musk, in [January 2025](#), alleging Musk failed to properly disclose he had acquired more than 5% of

a publicly traded company within 10 days of reaching that threshold.

Musk alleges the Exchange Act requirements he's accused of violating, Section 13(d) and Rule 13d-1, violate the First Amendment because they compel content-based disclosures that can't satisfy the strict scrutiny standard they're subject to. He also states the rule is vague because at the time of his alleged disclosure violation, it was unclear whether business days or calendar days were to be used when calculating when a disclosure was due. Rule 13d-1 was amended in 2023 to require disclosures within five business days.

In the filing, Musk admits an irrevocable trust in his name began acquiring shares of common stock in what was at the time Twitter Inc. through a broker on Jan. 31, 2022, and on April 4 filed a Schedule 13G disclosing he'd acquired a 5% stake in the company. Also undisputed are several other dates relevant to his acquisition of Twitter, which was completed in October 2022. He denies mischaracterizing or taking out of context information about Twitter's historical stock prices.

The SEC claims between March 24, 2022, when Musk allegedly should have filed a 13G, and the filing on April 4, Musk was able to underpay \$150 million for Twitter shares. Musk ultimately took the company private and reorganized the former Delaware entity as a Nevada corporation called X Corp. in 2023.

The filing claims the disgorgement the SEC is seeking is an example of unconstitutional selective enforcement and violates Musk's right to due process by being punitive and "grossly disproportional to the alleged conduct."

"The SEC has never sought a nine-figure disgorgement award from any individual for a similar alleged Section 13(d) violation, which the SEC routinely settles for a fraction of the amount sought here," the filing stated.

Musk stated the SEC needs to prove negligence at a minimum to support a Rule 13d-1 claim, but that it can't do so in this case because he acted with good faith and relied on third parties Jared Birchall, who managed Musk's family office, and Morgan Stanley, where the broker who acquired the Twitter securities worked, to properly time any mandatory disclosures.

Still pending in the case is the SEC's motion for summary judgment on liability, which asks the court to find as a matter of law that Musk violated Section 13(d).

An SEC spokesperson declined to comment, and the Quinn Emanuel Urquhart & Sullivan attorneys representing Musk did not immediately respond for comment.

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## Securities

### Manage Newsletters

## **Driver Assistance Tech Maker Must Battle Investor's IPO Claims**

Feb. 19, 2026, 9:19 AM PST

### **Summary by Bloomberg AI**

AI Generated



- Hesai Group and parties who signed off on its initial public offering must defend against investor allegations that they understated the severity of a margin disparity between driverless and driver-assistance technology sales.
- The IPO prospectus acknowledged falling margins, yet touted its gross margin as a hallmark of Hesai's competitive strength, without disclosing how dramatically lower the margins were in the newer LiDAR line compared to its previous Autonomous Mobility products.
- Investor King Ho Wong can proceed with claims tied to misstatements and omissions in offering documents, disclosure duties for known-trends and risk factors, and control-person liability, as far as they relate to the margins topic.

Hesai Group and parties who signed off on its initial public offering must defend against investor allegations that they understated the severity of a margin disparity between driverless and driver-assistance technology sales.

"At a minimum," the investor leading the case plausibly alleged IPO documentation "failed to disclose the magnitude of the disparity between Autonomous Mobility margins and LiDAR margins, and that this disparity was so severe that the shift in product mix would materially alter Hesai's overall profitability," Judge Colleen McMahon said Wednesday, while tossing some other claims.

Hesai makes three-dimensional light detection and ranging technology, called LiDAR, which supports driver-assistance systems and autonomous vehicles. IPO paperwork touted historically high gross margins, derived from its autonomous products, but left out that its shift to ramp up driver-assistance sales was harshly undercutting its profit margins, the investor suit said. After the company's 2023 IPO, it reported disappointing gross margin results, hindering its share prices, investor King Ho Wong said.

The IPO prospectus "acknowledged falling margins, yet at the same time touted its gross margin as a hallmark of Hesai's competitive strength," the US District Court for the Southern District of New York judge said.

"Put simply, the Prospectus emphasized that Hesai's margins would remain a driver of future growth; yet it did not disclose how dramatically lower the margins were in the newer LiDAR line compared to its previous Autonomous Mobility products – information a reasonable investor would need to appreciate the likely effect of that product shift on Hesai's overall profitability," she said.

Wong can proceed with claims tied to misstatements and omissions in offering documents, disclosure duties for known-trends and risk factors, and control-person liability, as far as they relate to the margins topic, McMahon said.

The proposed class covers those who purchased Hesai American Depositary Shares pursuant or traceable to the IPO documentation. Wong alleged 1933 Securities Act violations by Hesai, certain officers and directors, and underwriters of its IPO—Goldman Sachs (Asia) LLC, Morgan Stanley Asia Ltd., Credit Suisse Securities (USA) LLC, and Huatai Securities (USA) Inc.

### **Dismissed Claims**

But allegations the paperwork omitted the risk of Hesai being designated by the US Department of Defense as a "Chinese military company" were time-barred, McMahon said.

Wong, after being appointed lead plaintiff last year, filed an amended complaint in November alleging the paperwork left off the risk of this designation given its footprint in China under a congressional act for the 2021 fiscal year. But sufficient information to plead the company's pre-IPO affiliations met the department's threshold for the designation existed beyond a one-year window, McMahon said.

And she tossed claim under which Wong had needed to allege he purchased his shares directly in the IPO.

The Rosen Law Firm PA represents Wong. Skadden, Arps, Slate, Meagher & Flom LLP represents Hesai. O'Melveny & Meyers LLP represents the underwriters. None of these law firms nor Hesai immediately responded to requests for comment.

The case is Wong v. Hesai Grp. , S.D.N.Y., No. 1:24-cv-00876, 2/18/26 .

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## Securities

### Manage Newsletters

## **iRobot Shareholders Drop Lawsuit Against Execs After Bankruptcy**

Feb. 19, 2026, 10:15 AM PST

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Former iRobot Corp. shareholders voluntarily dismissed a suit alleging management exaggerated the effectiveness of its turnaround after the abandoned Amazon Inc. acquisition, given that those suing are no longer stockholders.

The robot-vacuum maker emerged from Chapter 11 bankruptcy last month as a private company, meaning the investors “ceased being iRobot stockholders and no longer have standing to pursue the derivative claims in this action,” they told the US District Court for the Southern District of New York Wednesday. Shareholders sued iRobot’s then officers and directors after casting doubt over its survival while reporting disappointing fourth quarter and full year 2024 financial results last year. iRobot’s stock price plummeted almost 36% the day of the report—then shares’ biggest one-day plunge since its 2005 market debut, according to Bloomberg data.

A proposed securities class action levying similar allegations remains pending

Two of former executives are defending dismissal of another investor proposed class action that alleged iRobot misrepresented prospects for the Amazon acquisition, which was abandoned in 2024 amid regulatory antitrust concerns, and that company’s cooperation with regulators

iRobot was dropped from the aforementioned appeal and proposed class action given its bankruptcy filing

Rigrodsky Law PA, The Brown Law Firm PC, and Rosen Law Firm PA represent the former iRobot stockholders. Goodwin Procter LLP represents the iRobot leadership in the dropped derivative and related proposed class action.

The case is In re iRobot Corp. Derivative Litig. , S.D.N.Y., No. 1:25-cv-06625, notice 2/18/26 .

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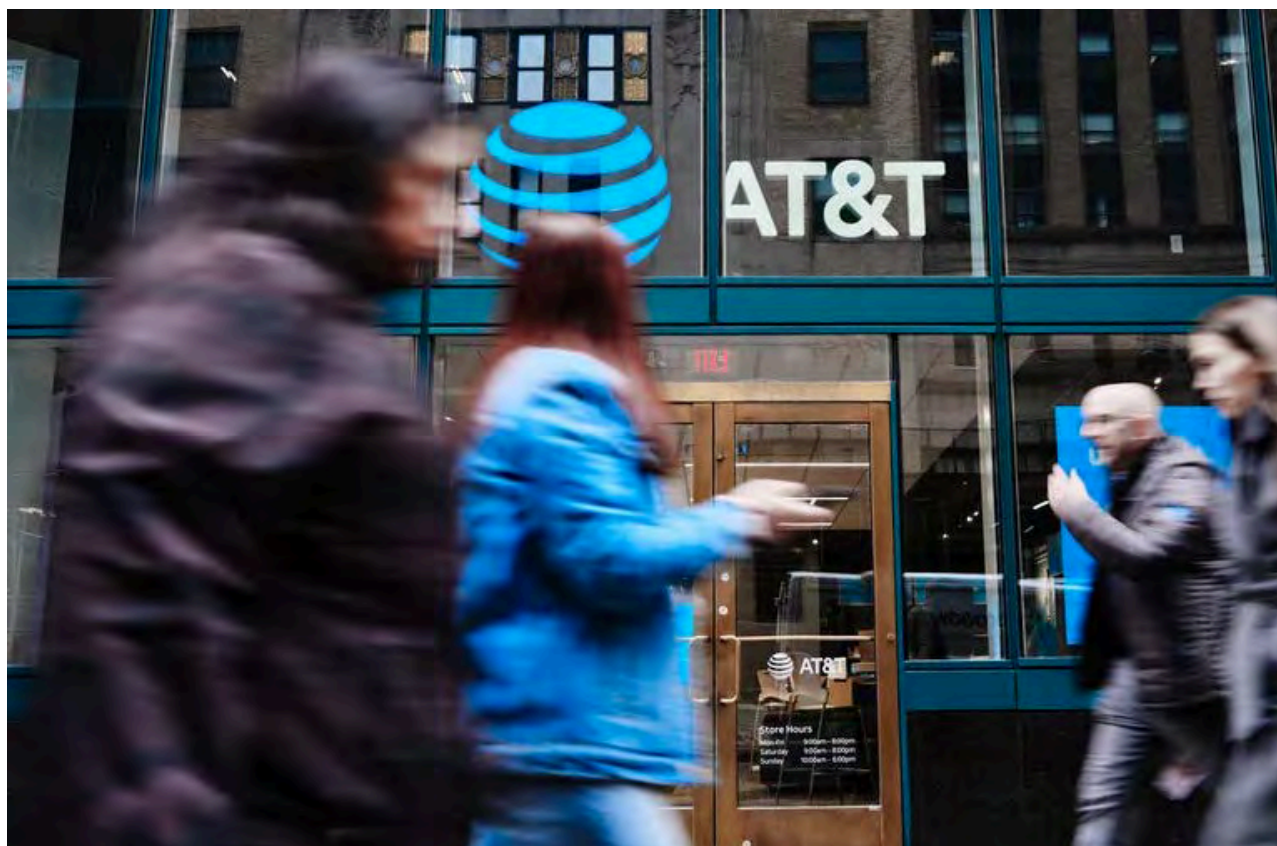
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## Commercial Litigation

### NYC Counsel Sues AT&T for Blocking Shareholders' Diversity Reporting Proposal

NYC's Corporation Counsel Steven Banks filed a lawsuit alleging that AT&T violated federal securities law by refusing to include the city pension funds' proposal in its 2026 proxy materials—an exclusion that effectively blocked the proposal. The case is one of the first to be filed by the Law Department under Banks' leadership.

February 18, 2026 at 03:50 PM By **Alyssa Aquino**



**A person walks past an AT&T store in Manhattan, New York on February 18, 2026. Photo: Ryland West**

New York City's Corporation Counsel Steven Banks is calling out AT&T Inc. for refusing to let shareholders vote on a proposal that, if passed, would give investors demographic information to assess the telecommunications giant's commitment to diversity and inclusion.

On behalf of pension funds for hundreds of thousands of current and former city employees, teachers and police officers, Banks filed a lawsuit alleging that AT&T violated the U.S. Securities and Exchange Commission's Rule 14a-8 by refusing to include the funds' proposal in its 2026 proxy materials—an exclusion that effectively blocked the proposal.

“AT&T’s decision to omit the Funds’ proposal from its 2026 proxy materials has caused injury to the Funds. If the proposal is omitted from the proxy materials distributed in anticipation of AT&T’s 2026 annual meeting, that injury will be irreparable,” according to [a complaint](#) that was filed in the U.S. District Court for the Southern District of New York on Tuesday.

The NYC Law Department brought the case on behalf of the New York City Employees’ Retirement System, the Teachers’ Retirement System of the City of New York, the New York City Police Pension Fund, and the New York City Board of Education Retirement System—pension funds that hold \$209 million in AT&T stock.

The Law Department and the Office of the NYC Comptroller, which serves as the chief investment advisor for the pension funds, didn’t immediately respond to Wednesday’s requests for comment. AT&T, which is headquartered in North Texas, didn’t immediately respond to a request for comment.

The case is one of the first to be filed by the Law Department under Banks’ leadership. Banks was named as the city’s top attorney roughly eight months after he resigned as the head of Paul, Weiss, Rifkind, Wharton & Garrison’s pro bono department following the firm’s deal with President Donald Trump.

The proposal the pension funds are championing would require AT&T to publicly disclose demographic data it annually submits to the U.S. Equal Employment Opportunity Commission, “a comprehensive breakdown of its workforce by race, ethnicity and gender.”

According to the complaint, that particular data would “allow investors to assess the representation of specific racial and ethnic groups by gender, such as Black female employees, in a job category—and to make meaningful, year-over-year comparisons.”

The pension funds alleged that AT&T had voluntarily disclosed this report between 2021 and 2023 under an agreement with the pension funds, but “ended the practice without explanation” in 2024. The pension funds further alleged that “virtually all S&P 100 companies, and nearly 400 of the S&P 500 companies” already disclose, or have committed to disclose this demographic data, including International Business Machines Corp. and Netflix Inc.

The funds argued that under the Rule 14a-8, AT&T should have included the proposal in its proxy materials, but that AT&T improperly claimed an exemption allowing businesses to omit shareholder proposals that deal with “ordinary business operations.”

The complaint only named AT&T as a defendant. But the funds alleged that AT&T was able to successfully claim the exemption based on the SEC’s recent shift on how it reviews shareholder proposals. Under the policy, the SEC will not object to the exclusion of a shareholder proposal if

the company provides “unqualified representation” that it has a reasonable basis to exclude the proposal. The agency cited resource constraints as its reasoning for the shift.

But the funds argued that AT&T inappropriately claimed the exemption, saying their proposal “does not seek to micromanage the company, is not fundamental to the company’s day-to-day operations, and in any event, implicates policy considerations that transcend AT&T’s ordinary business.”

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## California Brief

# California's TikTok Child Addiction Suit Gets Boost From Judge

Feb. 18, 2026, 8:14 PM PST

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A judge said TikTok Inc. should have to face California's claims that the platform's features are addictive and harmful to kids.

In a tentative ruling Wednesday, the judge said the company isn't immune from the state's allegations that the platform preys on young people through algorithms that keep them scrolling to maximize profits.

Santa Clara County Superior Court Judge Beth McGowen in San Jose tentatively denied the company's request to dismiss the suit under Section 230 of the Communications Decency Act, the 1996 federal statute that shields companies from liability over comments, ads, pictures and videos on their platforms.

The judge reasoned that the states' claims are based not on TikTok's content or status as a publisher, but on the platform's design. She scheduled a hearing for Thursday for TikTok to challenge her conclusions before she issues a final ruling.

In 2024, California, New York, a dozen other states and the District of Columbia sued TikTok and its Beijing-based parent, ByteDance Ltd., alleging under consumer protection laws that the company deceives users about its child safety tools.

[Read More: TikTok Accused by States of Features Addicting, Harming Kids](#)

The allegedly addictive features include autoplay, infinite scrolling and livestreams. The states also targeted TikTok features like beauty filters, which they contend damage children's self-esteem and mental health.

ByteDance and TikTok didn't immediately respond outside regular business hours to a request for comment.

TikTok, Snap Inc., Google and Meta Platforms Inc. are facing thousands of suits filed on behalf of young people who blame social media for their mental health struggles. The first jury trial over those claims is under way in Los Angeles Superior Court.

The case is People of the State of California v. TikTok Inc., 24CV449203, California Superior Court, Santa Clara County (San Jose).

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# Meta's Zuckerberg denies at LA trial that Instagram targets kids

 [reuters.com/sustainability/society-equity/metazuckerberg-faces-questioning-youth-addiction-trial-](https://www.reuters.com/sustainability/society-equity/metazuckerberg-faces-questioning-youth-addiction-trial-2026-02-18)  
2026-02-18

Jody Godoy

February 18, 2026



- Summary
- Companies
- Zuckerberg was called as a witness in case over alleged harms to youth
- Meta may have to pay damages if it loses this case
- Jurors saw Meta documents discussing tween strategy

LOS ANGELES, Feb 18 (Reuters) - Meta Platforms ([META.O](https://www.meta.com))  [opens new tab](#)

CEO Mark Zuckerberg on Wednesday repeatedly said during a landmark trial over youth [social media addiction](#) that the Facebook and Instagram operator does not allow kids under 13 on its platforms, despite being confronted with evidence suggesting they were a key demographic.

Mark Lanier, a lawyer for the woman suing Instagram and Google's YouTube for harming her mental health when she was a child, pressed Zuckerberg over his statement to Congress in 2024 that users under 13 are not allowed on the platform. Lanier confronted Zuckerberg with internal Meta documents.

Sign up [here](#).

The case involves a California woman who started using Instagram and YouTube as a child. She alleges the companies sought to [profit by hooking kids](#) on their services despite knowing social media could harm their mental health. She alleges

the apps fueled her depression and suicidal thoughts and is seeking to hold the companies liable.

Meta and Google have denied the allegations, and pointed to their work to add features that keep users safe.

"If we want to win big with teens, we must bring them in as tweens," read one internal Instagram presentation from 2018.

"And yet you say that we would never do that," said Lanier.

Zuckerberg replied that Lanier was "mischaracterising what I am saying." The CEO said Meta has "had different conversations over time to try to build different versions of services that kids can safely use." For example, he said Meta discussed creating a version of Instagram for children under 13, but ultimately never did.

Meta faces potential damages at the jury trial in Los Angeles, part of a wave of litigation against social media companies in the U.S., where cases are beginning to go to trial amid a broader global backlash over the platforms' effect on young users.

Meta's rivals Snap and TikTok settled with the plaintiff before the trial kicked off last week.

In one email, Nick Clegg, who was Meta's vice president of global affairs, told Zuckerberg and other top executives, "we have age limits which are unenforced (unenforceable?)" and noted different policies for Instagram versus Facebook make it "difficult to claim we are doing all we can."

Zuckerberg responded by saying that it is hard for app developers to verify user age and that the responsibility should be on the makers of mobile devices. Teens on Instagram are estimated to make up less than 1% of revenue, he testified.

## MAXIMIZING SCREENTIME

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Zuckerberg also faced questions about his statement to Congress in 2021 that he did not give Instagram teams the goal of maximizing time spent on the app.

Lanier showed jurors emails from 2014 and 2015 in which Zuckerberg laid out aims to increase [time spent on the app](#) by double-digit percentage points. Zuckerberg said that while Meta previously had goals related to the amount of time users spent on the app, it has since changed its approach.

Item 1 of 6 Meta Platforms CEO Mark Zuckerberg testifies at a Los Angeles Superior Court trial in a key test case accusing Meta and Google's YouTube of harming kids' mental health through addictive platforms, in Los Angeles, California, U.S., February 18, 2026 in a courtroom sketch. REUTERS/Mona Edwards

**[1/6]**Meta Platforms CEO Mark Zuckerberg testifies at a Los Angeles Superior Court trial in a key test case accusing Meta and Google's YouTube of harming kids' mental health through addictive platforms,... [Purchase Licensing Rights, opens new tab](#) Read more

"If you are trying to say my testimony was not accurate, I strongly disagree with that," Zuckerberg said.

Jurors were shown a document from 2022 listing "milestones" for Instagram in the coming years, including incrementally increasing the time that users spend on the app daily from 40 minutes in 2023 to 46 minutes in 2026.

The milestones are not "goals," Zuckerberg said, but a "gut check" for senior management about how the company is doing.

In response to questioning by Meta's lawyer, Paul Schmidt, Zuckerberg said that Meta bases employee goals for its products on giving users a good experience.

"If we do that well, people find the services more valuable and one side effect is they will use the services more," he said.

The appearance was the billionaire Facebook founder's first time testifying in court on Instagram's effect on the [mental health of young users](#).

Matthew Bergman, a lawyer representing other parents who claim social media caused their children's deaths, told reporters outside the courthouse that the parents, several of whom have been attending the trial, hope the cost of the litigation will force change in the industry.

"We know that simply because we have achieved this milestone, justice has been done," he said of Zuckerberg's testimony and the trial.

## CASE PART OF BROADER BACKLASH

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The lawsuit serves as a test case for similar claims in a larger group of cases against Meta, Alphabet's [\(GOOGL.O\)](#)  [, opens new tab](#) Google, Snap and TikTok. Families, school districts and states have filed thousands of lawsuits in the U.S. accusing the companies of fueling a youth mental health crisis.

A verdict against the companies in the Los Angeles case could erode Big Tech's [longstanding legal defense](#) against claims of user harm. For many years, U.S. law has shielded internet companies from liability for content decisions. But the ongoing cases focus on the way companies designed and operated the platforms. Over the years, investigative reporting has unearthed internal Meta documents showing the company was aware of potential mental health harm. Meta researchers found that some teens reported that Instagram regularly made them feel bad about their bodies, and that these people saw significantly more “eating disorder adjacent content” than those who did not, [Reuters reported](#) in October. Adam Mosseri, head of Instagram, [testified last week](#) that he was unaware of a recent Meta study showing no link between parental supervision and teens' attentiveness to their own social media use. Teens with difficult life circumstances more often said they used Instagram habitually or unintentionally, according to the document shown at trial.

Meta's lawyer told jurors at the trial that the woman's health records show her issues stem from a troubled childhood, and that social media was a creative outlet for her.

The U.S. litigation is part of a broader reckoning for tech companies. Australia has prohibited access to social media platforms for users under age 16. [Other countries](#) are [considering similar curbs](#). In the U.S., Florida has prohibited companies from allowing users under age 14. Tech industry trade groups are challenging the law in court.

Reporting by Jody Godoy; Editing by Chris Sanders, David Gregorio, Franklin Paul, Nick Zieminski and Christian Schmollinger

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# Meta CEO Mark Zuckerberg grilled during landmark social media addiction trial

 [courthousenews.com/meta-ceo-mark-zuckerberg-grilled-during-landmark-social-media-addiction-trial](https://www.courthousenews.com/meta-ceo-mark-zuckerberg-grilled-during-landmark-social-media-addiction-trial)

Hillel Aron

February 19, 2026

Meta CEO Mark Zuckerberg arrives for a landmark trial over whether social media platforms deliberately addict and harm children, Wednesday, Feb. 18, 2026, in Los Angeles. (AP Photo/Ryan Sun)

LOS ANGELES (CN) — Meta CEO Mark Zuckerberg appeared in a Downtown LA courtroom on Wednesday to testify as an adverse witness in the first-of-its-kind civil trial over the mental health effects of social media on teenagers.

The Facebook founder, one of the five richest people in the world, was largely on the defensive, insisting that his company is focused not on keeping its users glued to their screens but on “delivering something with value” to the world.

“We’re building this thing to be a good thing that has value in people’s lives,” said Zuckerberg. “I want people to have a good experience with it.”

He did, however, admit that the amount time people spend on his apps is, to a certain extent, a measure of success.

“If you make your product better, then people will use it more,” he said, glancing over at the jury.

His testimony was part of the first bellwether trial in a bundle of more than 1,600 lawsuits filed against four social media companies — Meta, Google (which owns YouTube), Snap and TikTok — by parents who say their children became addicted to the platforms, causing or exacerbating their depression, anxiety and body dysmorphia. The plaintiff in this trial is Kaley GM, a now-20-year-old woman whose last name is being withheld. She has not been present in court for most of the proceedings but was sitting in the front row Wednesday morning to watch Zuckerberg testify. Both TikTok and Snapchat have reached confidential settlements with Kaley GM, but Instagram and YouTube remain as defendants.

The outcome of the LA Superior Court trial could help the army of lawyers hammer out a global settlement and could even lead to groundbreaking reforms. But the jury will hear little about that; this trial is instead narrowly focused on Kaley. Lawyers for YouTube and Instagram have argued that Kaley GM’s mental

health “struggles” were the product of an unhappy childhood, and that social media provided her with a quiet refuge and a creative outlet. Kaley says that what started out as an escape became an addiction and a new source of trauma.

Under hours of grilling by plaintiff’s attorney Mark Lanier, Zuckerberg repeatedly insisted, as he has before Congress, that “children under the age of 13 are not allowed on Instagram.” But Kaley GM was nine years old when she started using Instagram. And her attorney, Lanier, cited a trove of internal documents and communications discussing the ubiquitous presence of early teens and “tweens” on the popular photo sharing app. One such document, from 2018, stated that 4 million people under the age of 13 had Instagram accounts in 2015, including roughly 30% of all kids ages 10 to 12 in the United States.

“I generally think there are a set of people, who lie about their age in order to use our services,” Zuckerberg told the jury in a wooden tone.

Zuckerberg looked pale and tired, in a dark blue suit and smoke gray tie, and appeared to grow quietly irritated as Lanier pressed him, again and again, on why so many young children are allowed to remain on his app. Zuckerberg explained that age verification was difficult, especially since 12 year olds don’t exactly have drivers’ licenses. He suggested that phone makers, like Apple, might be better suited to do so.

“There’s a distinction between whether someone is allowed to do something and whether they’ve been caught breaking a rule,” he said. “I don’t see why this is so complicated.”

The 41-year-old billionaire was similarly defensive when questioned about whether or not Meta has made it a goal to increase the amount of time users regularly spent on the platform. Lanier showed the court an email sent by Zuckerberg to employees at the end of 2015, in which he stated that one of the things he “hoped to accomplish” over the next three years was to increase the time spent on the app by 12%. Zuckerberg admitted that this may have once been his aim but said he has since shifted the goal toward bringing “value” to users.

Lanier then confronted him with a series of internal documents in which Meta employees reveled in the fact that more people were spending more time on Instagram. In one from 2022, someone at the company cited “milestones” the company hoped to reach every year: 40 minutes of use per daily active user in 2023, 42 minutes in 2024, 44 minutes in 2025, and 46 minutes in 2026. Again, Zuckerberg insisted these weren’t “goals.”

"You don't give them goals, you give them milestones," Lanier said, almost mockingly, in his Texas drawl.

"That's wrong, that's not what I'm saying," Zuckerberg answered flatly. "You're mischaracterizing the document and what I said."

The plaintiff's attorney also brought up a 2022 "self-review" authored by Adam Mosseri, the head of Instagram, who [testified](#) last week. In the review, Mosseri touted his own job performance and noted that his primary goal was to "ensure the app remains culturally relevant as measured by session time and sharing, particularly with teens."

"The head of Instagram has a goal for Instagram that seems to be trying to increase the amount of time people spend on Instagram," Lanier said.

"We try to increase the value of our services," Zuckerberg responded. "But we're also trying to measure our progress against competitors, like TikTok. Looking at the time people spend on our apps is often the best proxy. That's different from giving our team the goal of trying to increase time."

Zuckerberg was also questioned about Instagram's "beauty filters," some of which can be used to alter photographs in ways that mimic the effects of plastic surgery. The filters are among the most controversial aspect of Instagram — many say that they encourage insecurity and body dysmorphia amongst teenage girls. Though the tech company had, at one time, briefly banned the filters, which are created by users, they are currently allowed, although they are not recommended by Instagram and can only be found by searching for them.

Lanier asked Zuckerberg why he had ignored the advice of some "18 experts" that the filters were causing harm to teens. Zuckerberg said that he'd listened to those experts, but also to experts on "free expression" and "what the community was telling us."

"It felt like it was going too far to not allow them," Zuckerberg said. "I think that's quite a reasonable balance." He later added, under questioning by Meta's own attorney, Paul Schmidt: "These aren't massively popular features. I think I cared more about the expression point on principle."

The social media trial continues on Thursday with the testimony of a number of former Meta employees, some of whom have been described as "whistleblowers." The trial is expected to last until the middle of March.

## Meta CEO Mark Zuckerberg on the Stand on Social Media Addiction: 'If Something Is Valuable, People Will Do It More'

Mark Zuckerberg, CEO of Meta, testified on Wednesday as part of a first-ever trial alleging Instagram and another defendant, YouTube, addicted a teenage girl, causing mental health problems.

February 18, 2026 at 04:36 PM By  **Amanda Bronstad**



**Meta CEO Mark Zuckerberg arrives for a landmark trial over whether social media platforms deliberately addict and harm children, Wednesday, Feb. 18, 2026, in Los Angeles. Photo: Ryan Sun/AP**

Meta Platforms Inc. CEO Mark Zuckerberg in a Los Angeles courtroom on Wednesday pushed back on accusations that Instagram deliberately targeted users under the age of 13.

Plaintiffs attorney W. Mark Lanier, attacking Zuckerberg's credibility, centered on his statements to Congress insisting that Instagram had a policy of not allowing users under 13.

"Is it true you said children under the age of 13 are not allowed on Instagram?" Lanier asked him.

"That's our policy," Zuckerberg said.

Zuckerberg said there are more tools today to prevent underage users, such as asking their age, and they remove such accounts. But tracking user ages, he said, remains difficult to determine.

“I generally think that there are a set of people potentially meaningful number of people who lie about their age in order to use our services,” Zuckerberg said. “There’s a distinction between allowed to do something and whether we caught them breaking the rule.”

Zuckerberg, dressed in a dark suit with white shirt and gray tie, looked at the jury at times but most often stared straight at Lanier during his daylong testimony. Lanier, of The Lanier Law Firm in Houston, represents plaintiff Kaley, sometimes referred to as K.G.M., who alleged she became addicted to YouTube and Instagram, developing depression and body dysmorphia. Now 20, Kaley, who attended Wednesday’s hearing, facing Zuckberg, was 9 when she got an account on Instagram, which, Lanier told jurors, never asked for her birth date.

Since then, Zuckerberg explained, Instagram has shifted its goals from encouraging time spent on the platform to providing users with a valuable service.

“There’s a basic assumption I have that, if something is valuable, people will do it more because it’s useful for them,” he said.

“People do things more because it’s addictive, too?” Lanier asked.

At the end of his examination, Lanier and seven other members of his trial team unrolled a giant collage of images Kaley posted on Instagram since she was 9.

“You haven’t looked into the personal details of any of these pictures, have you?” he asked Zuckerberg.

“I reviewed some of the photos while getting ready for this,” Zuckerberg replied, “but no, I didn’t look at every photo.”

## **'I Disagree With That Characterization'**

**The testimony, which drew several objections from Meta attorney Paul Schmidt of Covington & Burling in New York, particularly as to discussions about content, comes in the first-ever trial pinning the mental health problems of a teenager on social media opened on Monday.**

Schmidt, in the afternoon, questioned Zuckerberg, who said he never intended to create a platform that harmed anyone.

“I’ve been running the company for 20 years,” Zuckerberg said. “I want to make sure we can build this platform and build this community over a long period of time, and the way we do that is people need to have a good experience.”

On Wednesday, Lanier showed jurors internal Meta documents indicating 4 million people under age 13 were on Instagram in 2015, years prior to Zuckerberg’s congressional testimony. Other business records appeared to demonstrate Meta’s objectives and goals to build a user base under the age of 13.

Jurors saw an internal Meta document that discussed how age limits are “unenforced and unenforceable,” despite knowing there were harms to preteen users. Lanier pressed Zuckerberg to explain why Meta didn’t follow the recommendation of 18 experts the company hired to ban beauty filters on Instagram.

“I felt like it would be going too far to tell people if they wanted to create filters like that that wouldn’t be allowed anymore,” Zuckerberg replied. “Telling people they can’t express themselves in ways like that feels overbearing.”

Zuckerberg also repeated statements he made in Congress about the scientific literature refuting a tie between social media and mental health problems.

Zuckerberg often responded that Lanier was mischaracterizing internal emails and other documents. For instance, internal documents Lanier showed to the jury that appeared to show Instagram targeting preteens actually demonstrated how Meta was trying to build a version of its services in a regulated way for those under 13, he said. Many of the documents also were a decade old.

“You’re asking me questions about emails from more than 10 years ago to make a point about something I’m saying about how we operate the company now,” Zuckerberg said after being shown multiple internal discussions at Meta about increasing time users spend on Instagram as a primary goal.

Zuckerberg explained the focus on time spent as “trying to understand how things are stacking up in the industry,” but disagreed with Lanier that they are goals or milestones at Instagram.

Lanier also displayed internal Meta emails that discussed how an algorithm could be tuned for maximize engagement of teens.

“I disagree with that characterization,” Zuckerberg replied.

“That’s Meta’s characterization,” Lanier responded.

“This is a very over-simplified and not necessarily accurate description of how this works,” Zuckerberg said.

Lanier quipped, “I didn’t write it.”

“I didn’t either,” Zuckerberg said.

Schmidt picked apart many of the documents Lanier showed the jury, noting they were written years before Zuckerberg’s latest statements that Instagram’s goal wasn’t to increase time on its platform.

“Do the company’s goals change at different points in time?” Schmidt asked.

“At some point, we did have goals on our time, but isn’t necessarily the best way to create the best results,” Zuckerberg replied.

Other documents Schmidt asked about had to do with Messenger Kids, not Instagram, which was geared for kids under 13 with parent involvement.

## **Zuckerberg in Court: ‘Important and Societal Institution’**

Wednesday’s testimony drew dozens of journalists—a fact brought up briefly by Lanier when discussing Zuckerberg’s media training, which could include speaking to jurors.

“This is a court proceeding,” Zuckerberg said. “This is an important societal institution where you have a jury debate and understand and come to a judgment on an important question. That’s a much higher important thing than how the media will report on what I say.”

On Wednesday morning, dozens of members of the public also stood in line for designated seats in the packed courtroom to hear Zuckerberg’s testimony.

Before court proceedings began, Los Angeles Superior Court Judge Carolyn Kuhl excused one of the jurors who was hospitalized, with six weeks of recovery possible, and replaced him with an alternate. She also addressed a dispute over what Lanier could ask Zuckerberg about his net worth, income and stock holdings. Kuhl found his net worth was not relevant, but Lanier could ask him about his income and the value of his stock holdings.

When Zuckerberg was on the stand, Lanier asked him if his 13% share in Meta equaled about \$215 billion, based on Tuesday’s share price.

Zuckerberg agreed but answered, “It might be worth adding that when I have pledged to give almost all of my money to charity, and I focus on giving billions of dollars to science research to

help cure diseases.”



**Mark Lanier of The Lanier Law Firm. Courtesy photo**

Lanier then asked how much Zuckerberg pledged to help those hurt by social media—a request made by at least one member of Congress?

“I disagree with the characterization of that,” Zuckerberg replied.

But Schmidt followed with, “Does Meta take steps on problematic use?”

“Yeah,” Zuckerberg replied.

“Why?” Schmidt asked.

“It’s the right thing to do,” Zuckerberg said.

The trial is part of a consolidated proceeding in California state courts before Kuhl. Instagram president Adam Mosseri [testified earlier in the trial](#) that he doubted social media was addictive.

Trial opened on Feb. 9 against Meta and YouTube, owned by Google [opened on Feb. 9](#). 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.

*This story was updated to reflect Mark Zuckerberg's full testimony.*

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# Zuckerberg defends Instagram policies in first bellwether social media addiction trial

DJ [dailyjournal.com/articles/389796-zuckerberg-defends-instagram-policies-in-first-bellwether-social-media-addiction-trial](https://www.dailyjournal.com/articles/389796-zuckerberg-defends-instagram-policies-in-first-bellwether-social-media-addiction-trial)

Meta CEO Mark Zuckerberg. Photo: Shutterstock

Meta CEO Mark Zuckerberg defended Instagram's policy barring children under 13 from the platform as he testified in court Wednesday, but acknowledged that the company's enforcement tools have "evolved" over time and that "a meaningful number" of young users can still gain access by lying about their age.

Testifying as an adverse witness in the first bellwether social media addiction trial in Los Angeles County Superior Court, Zuckerberg was confronted with internal Meta documents estimating that over 4 million underage users were on Instagram even as the company publicly maintained that children under 13 were not permitted on the service.

Plaintiff's lawyer Mark Lanier, founder of the Lanier Law Firm, tied those figures to Zuckerberg's prior congressional testimony, where he said children under 13 are "not allowed" on Instagram and that Meta does not permit them on the platform.

This is the first of three bellwether trials in the coordinated social media addiction litigation before Kuhl, which centers on claims that Instagram and YouTube were deliberately designed to addict and harm minors. The plaintiff, an adult identified as Kaley, filed her lawsuit when she was a minor.

Lanier also pressed Zuckerberg on Meta's historic focus on engagement metrics such as "time spent," showing jurors internal goal-setting documents and later "milestones" projecting daily Instagram use rising from 40 minutes per user in 2023 to 46 minutes by 2026.



Families of children who died and who claim social media played a role in their deaths stand outside court Wednesday. Photo: Devon Belcher

Zuckerberg disputed claims that such benchmarks reflected an effort to maximize scrolling, especially among young users, describing time spent instead as a "proxy" for whether users find the platform valuable.

Lanier pointed jurors to Zuckerberg's past statements to Congress: "I don't give our Instagram team goals around increasing the amount of time that people spend," contrasting that with internal company materials discussing time-based targets.

"I think earlier on in the company we had goals around this, and then at some point I decided that I didn't want our teams to have specific goals around time and we focused on utility and value instead," Zuckerberg said.

"There's a basic assumption that I have, that if something is valuable, then people will do it more because it's useful for them. But that's different from having a goal for a team, asking them to try and encourage people to spend some amount of time."

Lanier immediately challenged Zuckerberg's framing, asking whether a person's inclination to "do things more" can also reflect addiction rather than value.

"I'm not sure what to say to that," Zuckerberg said. "I think that that can be true, but I don't think that applies here."

Zuckerberg also disputed characterizations of Meta's algorithm as being designed simply to maximize engagement, saying he "disagree[s] with that characterization," and defended past decisions around teen safety and content policies.

He testified that Meta temporarily paused certain beauty filters - described to jurors as "cosmetic" Instagram photo and video filters that could mimic plastic surgery effects - after receiving outside feedback about potential harms to young girls. He said the company ultimately allowed users to create them while declining to recommend them, characterizing the approach as a balance between wellbeing and free expression, and calling it "quite a reasonable" one.

He also reiterated his view that the "existing body of scientific work has not shown" a causal link between social media use and worse mental health outcomes among young people.

After a lunch break, Lanier returned to the theme of harm, confronting Zuckerberg with an internal "youth empathy" document that referred to "known negative effects" of increased screen time, including disrupted sleep and long-term cognitive impacts.

Lanier, along with about six other members of the plaintiff's legal team, unrolled a large banner in front of Zuckerberg that compiled the plaintiff's Instagram posts from age 9 into adulthood. The Meta CEO acknowledged he had reviewed "some of the photos" while preparing for trial but had not analyzed her full account history.

During a mid-morning break, Superior Court Judge Carolyn B. Kuhl addressed members of the public in the gallery, instructing anyone wearing recording-enabled glasses to remove them and delete any footage.

"This is very serious," Kuhl said. "It is the order of this court that there should be no facial recognition with regard to the jury. If you have done that, you must delete it or you will be held in contempt of court."

Under examination by Covington & Burling LLP partner Paul W. Schmidt, Meta's lead attorney, the focus shifted to how Zuckerberg viewed his social media platforms, with Zuckerberg telling jurors it was "very important" to him to build apps that create "value in people's lives."

Additionally, he said, "There's so much mischaracterization from a business perspective" around the notion that the company is more profitable the more it encourages people to "maximize" their time on the apps.

"I don't care about what happens in terms of the next quarter or so ... I want to make sure we build this platform .... and the way we do that is people need to have a good experience," Zuckerberg said. "To me, the North Star is making sure we're delivering value and people are having a positive experience."

This idea began as a college experiment with Facebook in the early 2000s, Zuckerberg said, which was originally meant to be a way for college students to stay connected with each other. It then evolved into a worldwide phenomenon and set the stage for Instagram in 2010, a way for people to not only connect with each other but see and learn about the world, he said.

"Those are the things I care about ... helping people," Zuckerberg said.

He also addressed Meta's early "move fast and break things" motto, testifying that it was always a technical approach to software development and "never applied" to the well-being of users. He said the company later adopted "move fast with stable infrastructure."

The slogan was first heard last week when Instagram chief Adam Mosseri testified.

Zuckerberg revealed that teens represent less than 1% of Meta's advertising revenue, though he added the company still wants "everyone" to be able to get value from its services.

Schmidt also revisited Zuckerberg's congressional testimony from March 2021, in which he acknowledged the difficulty of verifying users' ages and conceded that Meta "doesn't find everyone" who violates the under-13 policy but evolved its safety measures over time to better enforce it.

The plaintiff, Kaley, was present in the courtroom on Wednesday, her first appearance before the jury since opening statements last Monday.

Companies that own TikTok and Snapchat settled Kaley's claims on undisclosed terms days before trial, though they remain as defendants in thousands of other pending cases. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

In Kaley's case, Meta and Google denied there was any scientific link between the design of their social media apps and the plaintiff's alleged mental health harms. The companies contend Kaley's struggles stem largely from circumstances that predated her use of Instagram and YouTube, including a detrimental home environment since age 3.

Kaley claims she began using YouTube at 6 and Instagram at 9. During opening statements, Lanier said Kaley's highest recorded daily Instagram usage reached 16 hours.

Attorneys for Meta and Google spoke about her current minimal use, saying she is not addicted to social media. During opening statements, the defense attorneys argued this would be proven through years-worth of medical records that never mention social media outside of one reference.

#389796

**California Brief**

# Zuckerberg Says 'Difficult' to Enforce Instagram Age Limits (3)

Feb. 18, 2026, 6:10 PM PST

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Mark Zuckerberg testified that it's "very difficult" to enforce Instagram's age limits and downplayed how much teen users do for the company's business during a landmark trial over social media addiction.

The chief executive officer of Meta Platforms Inc. was sharply questioned on the witness stand Wednesday about the company's efforts to attract and engage teens, and whether it adequately policed accounts belonging to children under 13, despite rules barring them from using the app.

Zuckerberg said Meta has introduced some "proactive tools" to try to identify and remove accounts used by children under 13, but called it a "challenging" problem.

"There are a set of people — potentially a meaningful number of people — that lie about their age," Zuckerberg told the jury in Los Angeles Superior Court.

The Facebook founder, the world's fifth richest person, was the second executive to testify during the trial, which started Feb. 9, and centers on Kaley G.M., a 20-year-old woman who blames Meta's Instagram and Google's YouTube for her years of mental health struggles. He fielded questions from lawyers for roughly six hours, and is not expected to return to the stand again.

The trial, which is expected to run through the end of March, will serve as a critical test for thousands of other lawsuits that target not only Meta and Google, but also TikTok Inc. and Snap Inc. The latter two companies aren't participating in the current case because they reached confidential settlements with the woman's lawyers at the Seattle-based Social Media Victims Law Center shortly before trial.

## How a Social Media Addiction Trial Threatens Big Tech: QuickTake

While the four social media giants have denied wrongdoing and maintain they have installed robust guardrails for young users, they face billions of dollars in potential damages if juries side against them in early trials.



Mark Zuckerberg arrives at Los Angeles Superior Court in Los Angeles on Feb. 18.

Photographer: Kyle Grillot/Bloomberg

Kaley, who is also identified in court documents by her initials K.G.M., was present in court for a portion of Zuckerberg's testimony. She has been absent for much of the trial so far after her lawyer Mark Lanier told jurors in his opening statement that it would be traumatic for her to sit through it.

Zuckerberg, dressed in a dark blue suit and gray tie, at times appeared visibly uncomfortable and frustrated, particularly when Lanier suggested that Meta's goals were focused on maximizing time spent on its apps.

Under questioning from Meta's lawyer, Zuckerberg testified that while it's true the company wants teens to use its services, that cohort isn't a meaningful revenue driver. Teens account for just 1% of the company's revenue, he said. Meta makes almost all its revenue from advertising.

"Most teens don't have that much disposable income," Zuckerberg said. "In terms of our business, I don't think it's a meaningful thing in the near term."

The company adopted a policy that new users must enter their date of birth in order to create an account after internal debates at Meta about "privacy sensitivity," Zuckerberg said.

"I think we got to the right place over time," he said. "I always wish we could have gotten there sooner."

Lanier told Zuckerberg that Kaley had an Instagram account when she was nine years old — a time during which the company was seeking to increase how much time users spent on its platforms, the plaintiff's lawyer said, referencing internal company documents.

"You expect the nine-year-old to read all of the fine print?" Lanier said.

At one point, Lanier's team unfurled a large banner showcasing a collection of thousands of selfies Kaley had posted to her Instagram account. The display stretched across much of the courtroom and Lanier urged Zuckerberg to view the images, as he explained that she had spent her adolescence posting copious amounts of content to the platform.

Lanier also presented a series of emails, slides and internal messages from Meta employees spanning several years that suggested the company saw the young demographic as key to its platforms' long-term success. The documents presented a nuanced and in-depth understanding of how to reach different age groups, spanning from pre-teens, or "tweens," to older teenagers.

Read More: Macron Dismisses Social Media Platforms' Free Speech Arguments

The documents also showed that some Meta employees had concerns about company policies surrounding child safety. Lanier pointed Zuckerberg to an email from **Nick Clegg**, who was then Meta's top policy executive, stating that age limits were unenforced, making it "difficult to claim we are doing all we can."

Meta has long argued that age verification should happen before a user downloads an app — meaning that Apple Inc. and Alphabet Inc.'s Google, which control the world's dominant mobile operating systems and app stores, should be responsible for age-gating certain experiences.

Zuckerberg said Wednesday that several companies lack reliable ways to verify a young user's age, particularly children without a driver's license. He argued that having phone makers bear more of that responsibility would be a "very wise and simple way to do it."

Meta, Apple and Google have all lobbied in various US states to get ahead of potential legislation that could force them to take responsibility for age enforcement.



Mark Lanier, center, arrives at Los Angeles Superior Court on Feb. 11.

Photographer: Ethan Swope/Getty Images

Documents made public in 2021 by an employee-turned-whistleblower showed that Meta faced declining teen usage on Facebook, its core network, forcing employees to strategize about how to “optimize” its networks for young people.

In recent years it has made attracting young adults to Facebook a key focus, tweaking its algorithms to surface more content from outside a user’s network of friends and family — a strategy popularized by TikTok.

Meta has been criticized for years for allegedly failing to protect young people online. Internal documents unveiled in 2021 found that employees were aware that Instagram could have negative effects on teens, especially girls.

During a Federal Trade Commission antitrust trial in Washington last year, other internal documents showed that Instagram’s automated software systems recommended that child “groomers” connect with minors on the app.

The company has made efforts of late to improve its privacy settings for teen users. It debuted so-called teen accounts in late 2024 that automatically restrict content and some interactions on Instagram for kids under 18.

## Litigation

### Manage Newsletters

## **Gaming Giant Roblox Sued by Los Angeles for Endangering Kids (1)**

Feb. 19, 2026, 10:40 AM PST; Updated: Feb. 19, 2026, 11:11 AM PST

### Summary by Bloomberg AI

AI Generated



- Roblox Corp. is facing a lawsuit from Los Angeles County over allegations that the gaming platform has built a roadmap for adult predators to access underage users.
- Los Angeles County alleged that Roblox prioritizes profits and growth over safety by allowing children to create accounts without age verification or parental notification.
- Roblox said it strongly disputes the claims in the lawsuit and will vigorously defend against it, stating that safety is a constant and consistent focus of its work.

Roblox Corp. is facing a new lawsuit from Los Angeles County over allegations that the gaming platform marketed to children has built a roadmap for adult predators to access underage users.

"Roblox portrays its platform as a safe and appropriate place for children to play. In reality, and as Roblox well knows, the design of its platform makes children easy prey for pedophiles," according to the lawsuit filed Thursday in California Superior Court, Los Angeles.

Rather than invest in safety features to protect children, Roblox continues to allow children to create accounts without age verification or parental notification, prioritizing profits and growth over safety, Los Angeles County alleged.

The company said Thursday in a statement that it strongly disputes the claims in this lawsuit and will vigorously defend against it.

"Safety is a constant and consistent focus of our work," the statement said. "We take swift action against anyone found to violate our safety rules and work closely with law enforcement to support investigations and help hold bad actors accountable."

In the same court this week, social media platforms Facebook, Instagram, and YouTube are on trial for similar allegations of prioritizing profit over the safety of its users. Meta Platforms Inc. CEO Mark Zuckerberg testified that it's "very difficult" to enforce age limits on Instagram.

The company is also facing dozens of lawsuits from around the country accusing them of allowing sexual predators to exploit and groom children. The lawsuits were consolidated in the US District Court for the Northern District of California in December.

Roblox has more than 100 million daily active users, according to the website, and generated \$1.36 billion in the third quarter of 2025—a nearly 50% increase from the same period in 2024.

Los Angeles County is represented by county counsel.

The case is People of the State of Calif. v. Roblox Corp. , Cal. Super. Ct., 2/19/26 .

(Adds Roblox's statement in paragraphs four and five.)

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# Explainer: Will Bayer's proposed \$7.25 billion Roundup deal bring legal closure?

 [reuters.com/business/healthcare-pharmaceuticals/will-bayers-proposed-725-billion-roundup-deal-bring-legal-closure-2026-02-19](https://www.reuters.com/business/healthcare-pharmaceuticals/will-bayers-proposed-725-billion-roundup-deal-bring-legal-closure-2026-02-19)

Dietrich Knauth, Diana Jones

February 19, 2026



Monsanto Co's Roundup is shown for sale in Encinitas, California, U.S., June 26, 2017. REUTERS/Mike Blake [Purchase Licensing Rights, opens new tab](#)

Feb 19 (Reuters) - Bayer's Monsanto unit has proposed a \$7.25 billion [nationwide class settlement](#) to resolve both current and future lawsuits alleging that its Roundup weedkiller caused cancer, billing it as a long-awaited path toward ending years of litigation. Here's a look at whether it could deliver the legal certainty Bayer ([BAYGn.DE](#))  [, opens new tab](#) needs.

## WHAT IS BAYER PROPOSING?

The settlement, which still needs a court's approval, would make payments over up to 21 years, funding a long-term claims program for people who allege Roundup exposure caused non-Hodgkin lymphoma, an often-fatal cancer of the lymphatic system.

Sign up [here](#).

Individual payments would vary depending on the age of the person, their exposure and the severity of their cancer. Some patients with occupational exposure diagnosed with aggressive non-Hodgkin lymphoma before age 60 could

receive an average of \$165,000.

Patients older than 78 with a qualifying diagnosis would receive \$10,000. The settlement would cover the majority of the existing 65,000 claims Bayer faces in state and federal courts and would also compensate people who have been exposed to Roundup and develop non-Hodgkin lymphoma in the future.

## HOW MANY PLAINTIFFS SUPPORT THE DEAL?

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It's not clear yet. Bayer can terminate the deal if too few plaintiffs sign on, but the company won't say how many can opt out before the agreement is canceled. Bayer says numerous law firms representing Roundup plaintiffs support the settlement, but it has not disclosed how many, leaving open the question of whether the proposed settlement will have enough support to win court approval.

The firms that negotiated the settlement are seeking to serve as representatives for all current and future claimants, rather than committing specific numbers of their own clients in support of the deal. Some lawyers familiar with the litigation said Bayer's strategy of trying to supersede existing cases by creating a new class action instead of addressing those claims directly could draw objections from people with claims or the judge.

Many law firms with large numbers of clients are still reviewing the deal, and at least one has signaled opposition to the settlement offer.

## WHAT DOES THE 21-YEAR CLAIMS PROGRAM MEAN FOR LEGAL CERTAINTY?

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The lengthy period is designed to sweep in future cancer claims and offer payouts to people who used Roundup before February 17, 2026, and develop cancer. The company did not remove glyphosate — the active ingredient in Roundup that plaintiffs allege is carcinogenic — from its residential products until 2023. The latency period for non-Hodgkin lymphoma may be 10 years or more, so new claims could arise for several years, according to the settlement.

The settlement requires annual notice and advertising to alert future claimants, who will have two years from their cancer diagnosis to decide whether to participate.

Bayer is betting that future claimants will opt into the settlement rather than take the risk of litigating. But because they could opt out, Bayer could still face future jury trials—and past verdicts show the stakes are high. The company has prevailed

in a series of Roundup trials, but plaintiffs have won several large judgments, including [a \\$2.1 billion award](#) by a Georgia jury in 2025 and [a \\$332 million California verdict](#) in 2023.

## WHAT ROLE DOES THE US SUPREME COURT PLAY?

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Bayer has a case [before the U.S. Supreme Court](#) slated for oral arguments on April 27 that is a key part of the company's effort to defeat these claims. The court will decide whether Bayer can be sued under state law for failing to warn about the alleged cancer risks associated with Roundup, when federal regulations do not require a warning label on the product.

A ruling in Bayer's favor could cut off thousands of claims — worth potentially billions in damages — brought under a failure-to-warn theory that underpins most of the current litigation. But even if the Supreme Court cuts off that route, plaintiffs could still attempt to pursue other theories of liability, making the settlement necessary to cover other potential exposures.

## DOES THE PROPOSED DEAL GUARANTEE CLOSURE?

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No, the deal could fall apart if it does not get enough support, or the court could reject it. Even if it is finalized, there is no way to force all claimants to opt in. Current and future plaintiffs can opt out of the settlement if they choose and pursue their claims on their own.

If the settlement is approved and the U.S. Supreme Court sides with the company, plaintiffs would face increased pressure to resolve their claims. The settlement could offer a quicker payout, especially if the Supreme Court has made it more difficult to sue.

Reporting by Dietrich Knauth in New York and Diana Jones in Chicago, Editing by Alexia Garamfalvi and Lisa Shumaker

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Thomson Reuters

Diana reports on product liability, litigation, mass torts and the plaintiffs' bar. She previously worked at Law360 and the Chicago Sun-Times.

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**California Brief**

# Uber Assault Plaintiff Drops Negligence Claim in Second Trial

Feb. 18, 2026, 4:15 PM PST

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Uber Technologies Inc. won't face claims that it acted negligently or designed a defective product from a woman alleging she was sexually assaulted by her driver in North Carolina in the second federal case slated for trial in multidistrict litigation against the ride-sharing giant.

She also won't pursue punitive damages meant to punish Uber for its conduct, according to a Wednesday court filing submitted by her attorneys and Uber. Her remaining legal claim to be decided by the jury argues that Uber is a common carrier, akin to a taxi service or airline, that has a special duty to protect its passenger from harm.

The case is the second so-called bellwether to go to a trial out of nearly 3,000 similar passenger sexual assault cases filed around the country. A federal jury in Arizona early this month issued an \$8.5 million verdict against Uber, finding that it is liable after a female passenger said her Uber driver raped her in 2023.

The second trial, scheduled to begin in April, involves claims by a woman proceeding under the pseudonym WHB 823, who alleged that during a 2019 Uber ride in North Carolina her driver grabbed her upper thigh and made sexualized comments.

The passenger's attorney, John Boundas of Williams Hart & Boundas LLP, didn't immediately return an emailed request for comment about the dropped claims.

In the first trial, the jury found that Uber was liable because its drivers are legal agents of the company, but the panel rejected the passenger's claims that Uber was itself negligent or designed a defective product.

In a statement, an Uber spokesperson said the plaintiff in the North Carolina case is abandoning the same claims that were rejected by the jury in Arizona.

"This change reinforces what we have said from the outset: that Uber has acted reasonably and invested extensively in safety," the statement said. "We will continue strengthening safeguards and supporting survivors."

The Wednesday court filing said the North Carolina trial would likely last nine days.

Kirkland & Ellis LLP represents Uber.

The case is In re: Uber Technologies, Inc., Passenger Sexual Assault Litigation, N.D. Cal., No. 3:23-md-03084, 2/18/26 .

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# US appeals court orders lawyer to pay \$2,500 over AI hallucinations in brief

 [reuters.com/legal/government/us-appeals-court-orders-lawyer-pay-2500-over-ai-hallucinations-brief-](https://www.reuters.com/legal/government/us-appeals-court-orders-lawyer-pay-2500-over-ai-hallucinations-brief-2026-02-18)  
2026-02-18

Nate Raymond

February 18, 2026

A message reading "AI artificial intelligence", a keyboard, and robot hands are seen in this illustration taken January 27, 2025. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

- Lawyer sanctioned for using AI in legal brief without verification
- Court identifies 21 fabrications or misrepresentations in brief
- AI-generated hallucinations in legal filings increasingly problematic, 5th Circuit says

Feb 18 (Reuters) - A federal appeals court on Wednesday expressed frustration that lawyers continue to submit briefs containing AI-generated fictitious case citations and other hallucinated material, saying the problem "shows no sign of abating."

A three-judge panel of the New Orleans-based 5th U.S. Circuit Court of Appeals made that observation as it [sanctioned, opens new tab](#) Heather Hersh of FCRA Attorneys \$2,500 after concluding she used artificial intelligence to draft much of a brief she filed in a case and then failed to verify the accuracy of the content it generated.

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Hersh, who did not respond to a request for comment, had filed the brief as part of an appeal of a sanctions award a judge had imposed on the attorney who founded her firm, Shawn Jaffer, and his law firm, then known as Jaffer & Associates, in a lawsuit accusing a lender and credit reporting agency of Fair Credit Reporting Act violations.

A federal judge in Texas had ordered Jaffer and his law firm to pay the defendants a combined \$23,000 in attorneys' fees after concluding he had not done even a minimal investigation of his client's claims before filing the lawsuit.

The 5th Circuit later overturned that sanctions order. But before it did so, it issued a show-cause order against Hersh after identifying 21 instances of fabricated quotations or serious misrepresentations of law or fact in her brief.

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U.S. Circuit Judge Jennifer Walker Elrod, writing for the panel, said Hersh's response was "disappointing," as she claimed she relied on publicly available versions of the cases that she believed were accurate and identified several well-known legal databases as what led to the inaccuracies.

Elrod called Hersh's response "not credible" and "misleading in several respects and said she only admitted to using AI when she was later specifically asked whether she used it. Had she accepted responsibility and been more forthcoming, Elrod said the court likely would have imposed lesser sanctions.

"However, when confronted with a serious ethical misstep, Hersh misled, evaded, and violated her duties as an officer of this court," Elrod wrote.

The judge said cases like Hersh's demonstrated AI-hallucinated case citations "have increasingly become an even greater problem in our courts," despite nearly three years of news stories about similar incidents since the [first high-profile case in 2023](#).

She cited a database maintained by French lawyer and data scientist Damien Charlotin that, as of Wednesday, listed 239 cases of AI-generated hallucination in filings submitted by lawyers in the United States.

Elrod noted that the 5th Circuit had considered adopting what would have been a first-of-its-kind rule at the appellate level regulating the use of generative AI by lawyers appearing before it, but opted against doing so in 2024, concluding existing rules governing lawyers were sufficient.

"If it were ever an excuse to plead ignorance of the risks of using generative AI to draft a brief without verifying its output, it is certainly no longer so," Elrod wrote.

The case is Fletcher v. Experian Info Solutions, 5th U.S. Circuit Court of Appeals, No. 25-20086.

Read more:

[Judge fines lawyers \\$12,000 over AI-generated submissions in patent case](#)  
[5th Circuit scraps plans to adopt AI rule after lawyers object](#)

Securities

# AI May Trigger a Singularity in Software Debt: Paul J. Davies

Feb. 17, 2026, 8:00 PM PST

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Artificial intelligence fears have ripped through stock and bond markets, but investors in loans and private credit are still playing catch-up. Part of the problem is working out which areas of the debt market are exposed to disruption and which aren't. Because fund managers apply industry categories in varying ways, some companies that are really software sellers are misclassified as anything from retailers to food producers, according to Bloomberg News.

Different business models within the software industry — whatever their labels — will prove more or less vulnerable to AI disruption. Investors in loan-focused mutual funds, collateralized loan obligations, business-development companies (BDCs) and private-credit funds all have work to do to comprehend their holdings. Only then can they start to assess which credits might be at risk of default, or refinancing problems, or other shenanigans that could lead to losses down the track.

Within the relatively transparent world of BDCs, at least 250 loans to software firms worth more than \$9 billion were categorized as some other kind of business by one or more of those often publicly-traded vehicles that invest in private credit, Bloomberg News found. A pricing-software business called Pricefx was labelled “business services” by one lender, while Restaurant365, which supplies software to eateries, was called “food products” by another. Such idiosyncratic classification doesn't make the business more likely to be blown up by AI — but it sure doesn't help investors.

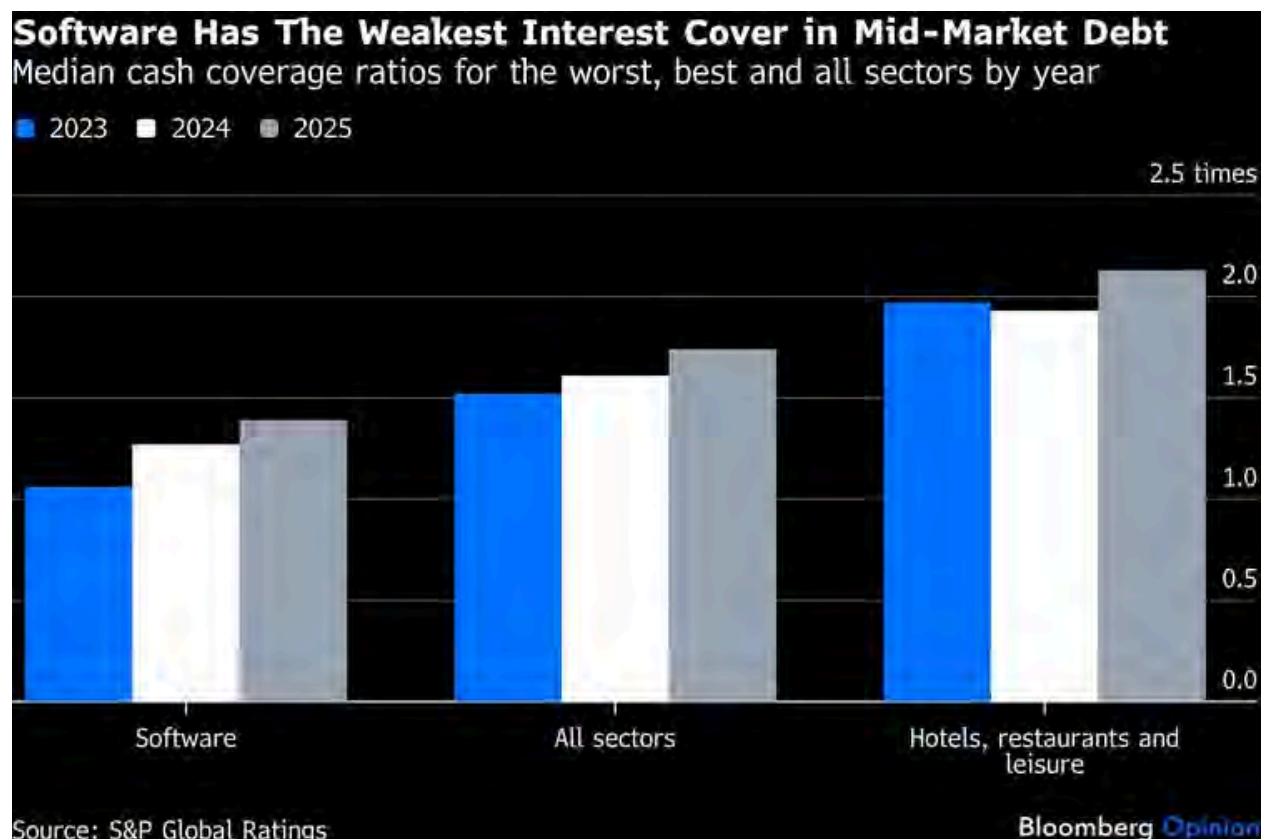
In fact, software is the biggest single industry among private-equity-backed businesses, however you cut it. In mid-market CLOs, which package up loans to smaller companies and are a good proxy for private credit funds, software makes up 19% of portfolios, according to analysis by S&P Global Ratings. Another ratings company, KBRA, categorized borrowers using its own data on mid-market CLOs, BDCs, and bonds backed by companies that got credit based on their recurring revenue. It found that 22% of this debt by value was owed by software firms.

Private equity and private credit managers have fought back against the disruption fears stalking their assets. Several listed managers, for example KKR & Co. and Apollo Global Management Inc., said on earnings calls this month that they had already cut software exposures through sales over the past couple of years. Others, including Ares Management Corp., said the share of their portfolios invested in the sector was significantly smaller than the industry average.

Bankers and other managers, meanwhile, have been highlighting the low loan-to-value ratios of many deals. Marc Lipschultz, co-chief executive officer of Blue Owl Capital Inc., told shareholders two weeks ago that its software loans on average were granted at just 30% of the borrowers' enterprise values (the sum of their equity and debt). Even after the recent selloff in public software stocks, companies are still worth more than two years ago, Lipschultz said, suggesting the same applied to private-equity backed companies in the same space.

"If the software business evolves over time, well, that'll be to the benefit or loss of the equity holders," he said. "But we're in a position, we think, to continue to get our capital back and earn a very strong return." For lenders to really lose significant money, more than 70% of the total value of these businesses would need to be destroyed, he added. In other words, the equity would have to go to zero.

That's fair up to a point, but there are problems with this argument. Judging loans against enterprise value is a risk in itself, especially if the deals were done in the recent vintage of peak valuations. A better guide to creditworthiness is the value of debt as a multiple of earnings before interest, tax, depreciation and amortization. The indicators there aren't great. Software companies have the highest median leverage ratios among mid-market borrowers, according to S&P. They also have the lowest interest coverage ratios, although both ratios have improved slightly in recent years.



A subset of software firms has even higher leverage, because they are younger businesses that divert more of their earnings into marketing and sales to generate faster growth. These companies borrowed against the value of recurring revenue from existing clients rather than against Ebitda, with the idea that they could slash spending to repay debt if required. That's an inherently riskier strategy, but the creditworthiness of these businesses has also been improving in the past couple of years.

The past isn't necessarily a guide to the future, however. About one-fifth of the private-equity backed companies exposed to AI disruption will need to refinance debt in 2028, according to strategists at UBS Group AG. The recent wave of withdrawals from BDCs shows fresh funding might become harder to find. Borrowers would face higher interest costs if their businesses look under pressure when they need new debt. That in turn could cut the value of their equity and make owners less willing to inject more capital to keep companies afloat — hence some are predicting an increase in defaults across private credit and leveraged loans beyond what has been acknowledged so far by investors. Others, however, already think the selloff in loans has gone too far: Carlyle Group Inc., BlackRock Inc. and others have begun buying discounted software debt, Bloomberg News reports.

Another risk among large-scale borrowers where multiple lenders are involved, is more creditor-on-creditor violence, but that's less of a risk across mid-market private debt.

Any resulting losses aren't likely to remain contained within these corners of the credit market. With a combined \$3.5 trillion worth of debt, leveraged loan and private credit markets are big enough to matter to broader debt and equity markets in the worst scenario, where systemwide losses could amount to \$275 billion, according to UBS strategists.

If losses spike too quickly, that could lead to a wider financing crunch. "In a tail outcome, the knock-on effects for all issuers attempting to access credit — including hyperscalers and AI related firms — could be significant, potentially undercutting capital spending, investment plans, and ultimately the AI boom itself," UBS strategists wrote last week.

Maybe we're headed for a debt-market singularity, where the disruption-inspired selloff contains the seeds of the AI bubble's own bursting. For investors, the choice is run away from the risk as many are doing in stock markets — or really dig into the stresses their debt funds actually face.

#### **More from Bloomberg Opinion:**

The AI Narrative Has Flipped. The Evidence Hasn't: Parmy Olson

Grok Fakes Are Digital Assault. Make Them a Crime: Noah Feldman

Private Credit Is Headed for a Software Shock: Paul J. Davies

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## California Brief

# Live Nation Loses Bid for Full Dismissal of Antitrust Suit (2)

Feb. 19, 2026, 7:30 AM PST

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Live Nation Entertainment Inc. must face an antitrust trial on some claims brought by the US Justice Department and various states for allegedly monopolizing the live events market, after a federal judge rejected the company's request to dismiss a case that could force the shedding of its Ticketmaster unit.

A jury should see evidence and decide whether Live Nation's conduct in the concert business amounts to illegal monopolization, US District Judge **Arun Subramanian** said Wednesday in a 44-page ruling. A trial is scheduled to begin on March 2.

The judge said the government can proceed with its allegations that Live Nation ties the use of its amphitheaters to its concert promotion services and monopolizes the ticketing market. However, Subramanian threw out claims that the company monopolizes the concert promotion market and harms fans through higher ticket prices.

A DOJ spokesperson declined to comment.

Live Nation, in a statement, said it was "grateful that the district court dismissed all claims in the concert promotions and concert booking markets. With those claims gone, we see no possible basis for breaking up Live Nation and Ticketmaster. The deficiencies we identified in the government's monopoly power and conduct claims have not gone away, and we continue to believe that we will prevail in the end."

And in a letter to Subramanian late Wednesday evening, Live Nation said that because he threw out the claims related to the concert promotion market, it would be a "legal error" to keep alive the claim that it ties amphitheaters to the use of its promotion services. The company is seeking to resolve that issue ahead of trial.

Read More: Why US Sued Live Nation, Big Tech Firms for Antitrust

Live Nation asked the judge to decide on the case without a trial. The federal government and some 30 state attorneys general sued in 2024 alleging Live Nation illegally monopolized the live events industry.

The company controls more than 265 concert venues in North America and manages more than 400 musical artists, according to the complaint. The government says the company controls 87% of the concert ticketing market through its Ticketmaster subsidiary and more than 65% of the concert promotion market.

According to the judge, Live Nation “vastly overstated” the competitiveness of the ticketing market. Subramanian said “the government plausibly paints a grim picture for new entrants.”

However, Live Nation won dismissal of a key claim involving its concert promotion business. The DOJ and states accused the company of monopolizing concert promotion services to “major concert venues.” Subramanian ruled the evidence “supports only the trivial conclusion that Live Nation and other market players often discuss promotion services in reference to some kind of venue,” and not the specific types of venues discussed in the lawsuit.

That ruling may dampen the possibility of a breakup. Live Nation bought Ticketmaster in 2010 after a controversial settlement with the federal government, and the DOJ and states are hoping to unwind that deal.

According to the complaint, Live Nation’s conduct in ticketing and concert promotions were “mutually reinforcing” in its efforts to dominate the live music industry. Because the judge threw out the claims that Live Nation monopolizes the concert promotion market, that could undermine the need for a break up.

However, the company’s power in the promotions market still factors into the allegations that it monopolizes ticketing, so it could still be feasible for the DOJ to seek to separate the two businesses.

New York Attorney General Letitia James said she’s looking forward to the trial. “Live Nation has used its monopoly to rig the live events industry to its benefit, driving up costs with higher ticket prices and outrageous fees,” she said in a statement. “Regardless of the path that the Department of Justice takes, my office will continue this case and we will see Live Nation in court.”

The case is US v. Live Nation Entertainment, 24-cv-03973, US District Court, Southern District of New York (Manhattan).

(Updates with Live Nation letter to the judge on the concert promotion tying claim in sixth paragraph.)

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Steve Stroth, Elizabeth Wasserman

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## California Brief

# Smith & Wesson Stuck With Suit Over Deceptive Cookie Banner

Feb. 18, 2026, 8:40 AM PST

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Smith & Wesson Inc. must face several claims of a proposed class action alleging the gun manufacturer used online tracking tools to collect consumers' personal data even after they had opted out of the use of the tools during their website visits.

Lead plaintiffs Tony D'Antonio, Thomas Thayer, and Reina Garcia adequately pleaded claims of invasion of privacy, intrusion upon seclusion, and unjust enrichment, Judge P. Casey Pitts of the US District Court for the Northern District of California said Tuesday.

The plaintiffs alleged that Smith & Wesson incorporated tracking technology from Google LLC, X Corp., Listrak Inc., and Digioh LLC on its website, allowing the tech companies to gather visitors' personal information.

The website presented visitors with a consent banner informing them they could opt out of tracking during their visits, but the company continued to collect their information regardless, the complaint said.

Data collected by third parties included "browsing history, visit history, website interactions, user input data, demographic information, interests and preferences, shopping behaviors, device information, referring URLs, session information, user identifiers, and geolocation data," the complaint said.

The company argued the data collection wasn't "highly offensive" because the plaintiffs voluntarily provided their information, but Pitts said their allegation that the cookie banner misled them into providing their data was the "plus factor" needed to state their invasion-of-privacy and intrusion-upon-seclusion claims.

Their allegation that the data was valuable to the company's marketing efforts was also enough to support their claim of unjust enrichment, he said.

D'Antonio and Thayer provided enough detail about their site visits to allow their claims of common-law fraud to survive dismissal, but Garcia's claim failed because she wasn't precise enough about when she visited the site, Pitts said.

The plaintiffs' CIPA claims failed because they didn't specifically allege that their own communications were intercepted, and their claims of breach of contract and breach of the implied covenant of good faith and fair dealing likewise failed because they didn't allege the existence of valid contract, he said.

The trespass-to-chattels claim failed because the plaintiffs didn't allege that the tracking tools caused a physical or functional impairment of their devices, Pitts said.

Gutride Safier LLP represents the plaintiffs and the proposed class. Bradley Arant Boult Cummings LLP represents Smith & Wesson.

The case is D'Antonio v. Smith & Wesson Inc. , N.D. Cal., No. 5:25-cv-03085, 2/17/26 .

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## 'I Look Forward to Getting a Higher Verdict': Plaintiff's Team Says They Plan to Challenge Overturned \$113M Award

"Nevertheless, based on the extent of injury, I felt the verdict should have been higher, and I look forward to getting a higher verdict if we are forced to retry the case," plaintiffs counsel told the Daily Report.

February 18, 2026 at 01:55 PM By  **Alex Anteau**



Credit: Alexander Oganezov/Shutterstock.com

A multimillion-dollar personal injury verdict is being sent back for a new trial after the [Georgia Court of Appeals](#) recently took issue with a likely-confusing jury instruction.

The plaintiff, Dale Adams, was working as a superintendent on a bridge construction project along Ga. 400 when defendant Ashley Claxton allegedly drove through a closed-off lane and hit him. In September 2023, Adams, represented by a team from Brodhead Law, was awarded a \$133 million jury verdict in Fulton County State Court. Claxton died in 2021 before the case went to trial, and her estate appealed the outcome, arguing that the court should grant a new trial based on an improper and likely confusing jury charge. The defense took issue with the verdict form asking "total damages," without instructions that the amount should exclude attorney fees and litigation expenses.

On Thursday, the Georgia Court of Appeals agreed with Claxton's estate.

"We conclude that the jury instruction could have confused the jury and that there is a reasonable likelihood that the jury improperly applied the trial court's instruction and included some amount for attorney fees and expenses of litigation as part of the 'total damages' on the verdict form," Presiding Judge Brian Rickman wrote in the court's unanimous opinion.

Judges Elizabeth Gobeil and Jeffrey Davis concurred with the opinion.

By the time the case made it to trial before Fulton County Judge Eric Richardson, Claxton had admitted liability. The trial was bifurcated, or divided into a phase where the jury was asked to determine whether Claxton acted in bad faith, was stubbornly litigious or caused Adams unnecessary trouble and expense. The first phase would also determine how much, if anything, Claxton would owe in general and special damages, while the second phase was to determine attorney fees and litigation costs.

After phase one, the jury was given the following charge: "[The] plaintiff in this case is seeking an award of attorneys' fees and expenses of litigation. Generally, attorneys' fees and litigation expenses are not allowed to be recovered as part of the damages. However, if you find that [the] defendant acted in bad faith, you may award reasonable attorneys' fees and litigation expenses incurred by plaintiff."

The defense objected to the jury charge, arguing that the court should explain the charge to the jury because it might be confusing. However, the trial judge decided against doing so, ruling, "I'm not going to explain it further. I haven't had any issue with that in the past," according to the opinion.

During the second phase, \$39.9 million was awarded for attorney fees, and an additional \$3.5 million was awarded for attorney fees. Claxton's estate filed a successful post-trial motion convincing the trial court to lower the phase two award to \$24 million and nix the \$3.5 million OCGA Section 9-11-68 award but did not succeed in getting a new trial, leading to the current appeal.

On appeal, a team from Swift Currie McGhee & Hiers and Webb Daniel Friedlander [argued](#) that a new trial is justified because "the charge was ambiguous and may have resulted in the jury awarding a sum of attorney fees as part of Adams's 'total damages' in phase one of the trial."

Rickman agreed.

"In isolation, this jury instruction was not erroneous. However, we must evaluate this instruction in the context of the trial court's jury instructions as a whole," the judge wrote in the opinion. "Here,

although the trial court instructed the jury that it could award attorney fees and expenses 'as part of the damages' if it found the defendant acted in bad faith, the jury was not instructed that 'total damages' on the verdict form should exclude attorney fees and expenses of litigation. Furthermore, when they were considering their verdict in phase one of the trial, the jurors had not been informed that if they found bad faith, there would be a second phase of the trial in which evidence of attorney fees and litigation expenses would be presented."

Plaintiff's counsel, Ben Brodhead of Brodhead Law, said [his client intends](#) to file a motion for reconsideration with the intermediate court and a petition for writ of certiorari with the state supreme court.

"The defendant got the jury charge they requested. They got the verdict form they approved, and they waived any challenge to the verdict by failing to poll the jury or point out any impropriety in the basis for the verdict while the jury was still available to correct the error. They also failed to ask for a specific instruction for correcting any alleged ambiguity," Brodhead told the Daily Report in a phone call. "Nevertheless, based on the extent of injury, I felt the verdict should have been higher, and I look forward to getting a higher verdict if we are forced to retry the case."

Counsel for Claxton declined to comment.

**Page printed from:** <https://www.law.com/dailyreportonline/2026/02/18/i-look-forward-to-getting-a-higher-verdict-plaintiffs-team-says-they-plan-to-challenge-overturned-113m-award/print/>

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## BUSINESS

# Top Lawyers' Fees Have Skyrocketed. Be Prepared to Pay \$3,400 an Hour.

Expertise and ego are pushing up hourly rates to once-unthinkable levels in an escalating race among firms

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

Feb. 18, 2026 7:00 pm ET



JEREMY LEUNG/WSJ, ISTOCK

### Quick Summary

- Top lawyers' hourly rates have surged, with some partners now charging \$3,000, and one specialist up to \$6,000.

[View more](#)

When Christopher Clark, a litigator at a boutique law firm, raised his hourly rate to the once-unthinkable level of \$3,000, he said he didn't receive pushback from clients. But he did get one notable comment.

"Congratulations," the client said. "That is the highest rate we've seen."

Just over a year ago, the going rate for a top lawyer was in the \$2,500 an hour range. Now that looks downright quaint, as premium partners are raking in as much as Clark—and far more in some cases.

Legal fees have risen much faster than inflation for years now and corporations are [trying to rein in spending](#) by pressuring law firms to use artificial intelligence for routine tasks and keep associate fees in check. The same isn't true at the top end, where star trial lawyers, rainmaking corporate dealmakers, and veterans of Supreme Court oral arguments are driving more aggressively on pay than ever and meeting little resistance.

“The question is always, are they worth it? You know, some of these guys are worth it,” said Kerry McLean, [Intuit's](#) general counsel, who in her role hires law firms to do the company's outside legal work. “They understand the industry, they're connected, and have a lot of experience.”

Clark has pushed his own fees by about 30% since he left his position at a large firm four years ago. As the lawyer for clients including Hunter Biden, Mark Cuban and Elon Musk, he still views his rate as a bargain. “There is a small world of lawyers who can hop on the phone and solve a crisis,” he said.

Some senior partners now charge as much as \$3,400 an hour at the country's largest law firms, according to data from Persuit, a software company that in-house lawyers use to analyze their legal bills. Among the top 50 largest firms, rates for partners increased by 16% on average last year.

[In bankruptcy court filings](#), Latham & Watkins and Kirkland & Ellis—two of the largest firms in the world—report some partners' hourly rates will rise to more than \$3,000 an hour this year.

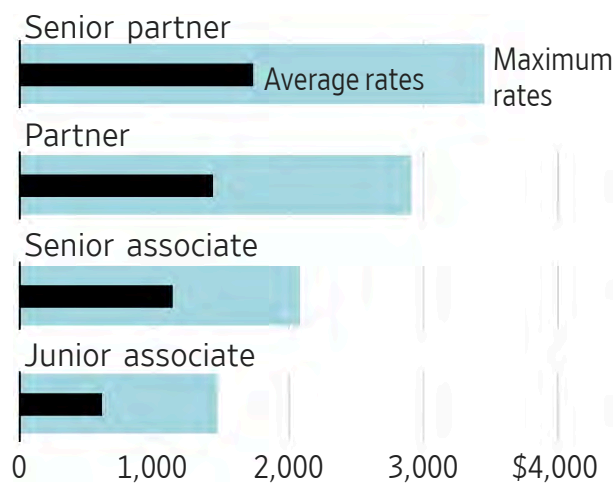
A decade ago, [elite partners raised eyebrows when they raised rates to \\$1,500 an hour](#). Since then rates have rapidly escalated for several reasons, including a more competitive market for talent that has increased [law-firm expenses](#), the high stakes of litigation and corporate dealmaking—and perhaps most of all because of ego.

Some lawyers with specialized skills are even more aggressively pushing the upper limit. Eric Troutman, a partner at a Southern California firm, has already told his clients that he is upping his rates to \$6,000 for consulting on compliance issues in his niche specialty of telecom regulation. Last year he charged \$4,200 an hour.

A few prospective clients have balked and found other lawyers to do their work, but he still has a full plate.

“It’s basic supply and demand,” Troutman said. “If you want what I would consider the gold standard, this is who we are and this is the price.”

#### Standard hourly rates at top 50 U.S. law firms, by revenue



Source: Pursuit

Some lawyers say they upped their rates to \$3,000 or more an hour in response to [public reports](#) of a couple of superstar lawyers—including celebrity trial lawyer Alex Spiro and Supreme Court litigator Neal Katyal—beginning to charge that.

“Setting these rates is more art than science,” said David Lat, a former corporate lawyer who now writes [a legal affairs newsletter](#). “At a certain point, for some firms, it’s a publicity stunt.”

Two prominent Susman Godfrey partners, Bill Carmody and Neal Manne, upped their hourly rates to \$4,000 an hour this year. But Carmody said in reality he usually gets paid via fee agreements he makes with clients that can involve an overall cap or a payout only if he wins.

“They could be in a pickle and it’s not public yet. I can size up the case and determine what it’s worth. Then, I figure out if I can quickly and quietly make it disappear,” Carmody said.

Carmody has represented [Uber](#), including in a high-profile battle with Waymo over alleged trade secrets that led to a settlement worth about \$245 million, and recently won a privacy class action against Google. He won a \$4.7 billion jury verdict against the NFL in an antitrust lawsuit over its Sunday Ticket pricing. (It was later

overturned.) He typically only charges his high hourly fee as a stopgap measure until he strikes a fee agreement.

A reckoning does appear to be coming on fees for [more routine work](#). Companies are starting to do more legal work in-house thanks to AI tools, including completing tedious regulatory filings, performing due diligence for mergers and acquisitions, and reviewing documents. That will put pressure on firms' bottom line, even if the top partners continue to charge stratospheric rates.

The associate lawyers who do this type of work and bill large volumes of hours now make as much as \$1,400 an hour for a junior associate and \$2,000 an hour for senior associates, according to Pursuit's analysis.

In light of more sophisticated AI tools, "traditional rate hikes don't just look expensive, they look illogical," Pursuit's CEO Jim Delkousis said.

Veteran trial lawyer David Boies said clients are willing to pay the hourly rates at the high end because the stakes for certain litigation and corporate work are so high. The current rates, though, "by any standard, in a sensible world, are out of sight," he said.

Boies, chairman emeritus of Boies Schiller, said his firm has never wanted to be at the top of the market. "We want to say with a straight face that we are a bargain—not in a reasonable world but in the actual world."

He charges just over \$2,700 an hour.

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Erin Mulvaney is a national legal affairs reporter with The Wall Street Journal. She covers the legal industry and litigation affecting business and the economy nationwide. She writes about high-profile trials, lawsuits that explore novel questions, and cases that reveal legal tensions for companies,...

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## Videos

## California Brief

# Tom Goldstein's Fate Heading to Jury Following Closing Arguments

Feb. 18, 2026, 2:49 PM PST

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Prolific US Supreme Court litigator Tom Goldstein engaged in a “textbook tax evasion scheme” that he executed “almost flawlessly,” prosecutors told jurors at the close of his criminal case Wednesday.

You don’t have to “check your common sense” at the door, Justice Department lawyer Sean Beaty told jurors at closing argument. “How is it possible that someone who can argue the most complex cases at the Supreme Court can’t understand his legal obligation to pay his taxes on time and not lie to the IRS?”

The trial, in its sixth week in the US District Court for the District of Maryland, will head to jurors for deliberations on Thursday.

Beaty cataloged instances that Goldstein had been dishonest with people in his life—something he’d also done while cross-examining the SCOTUSblog co-founder.

“If this case comes down to credibility, there is no reason to believe Tom Goldstein,” he said. “He lied to people when he wanted something from them,” and now he “wants something from this jury.”

### Attacking the Investigation

Goldstein’s counsel, Jonathan Kravis, countered in his closing argument that the government was attempting to mislead jurors.

Among other things, the government attempted to mislead jurors about where the loan applications at issue were signed, Kravis said.

Travel records put Goldstein in the US Virgin Islands when one of the applications was signed, and records show another application was signed in Washington, DC.

The government’s only evidence that Goldstein was in Maryland when the other applications was signed is the IP address associated with the e-filing. But the IP address isn’t reliable because it was the same even when Goldstein was out of the country.

The government could have obtained cellphone data to place Goldstein, but they didn't. It's just another investigative step the government failed to take, Kravis said.

When Goldstein took the stand, and the prosecution finally had the chance to ask him any question it wanted to, it "flinched," Kravis told the jury.

Instead of confronting Goldstein about his gambling calculations, misclassified transactions, or the "actual charges" in the case, they asked about his spending.

"Why? Because at the end of the day, they got nothing," Kravis said.

The government relied entirely on statements made by one of Goldstein's outside accountants without bothering to do its own investigation, he said. For years, the government had critical emails showing the accountant wasn't telling the truth, but it didn't look at them until halfway through this trial, he said, calling the failure "shocking" and "inept."

Goldstein is facing one count of tax evasion for 2016, eight counts of assisting in the preparation of a false tax return for tax years 2017-2021, four counts of willful failure to pay taxes in 2017, 2019, 2020 and 2021, and three counts of making a false statement on a loan application in 2021. He was indicted in January 2025. Jurors heard 15 days of evidence, with a day and a half of testimony from Goldstein.

## Instructions

Although some new disputes arose during and after closing arguments that will need to be addressed Thursday morning, Judge Lydia Kay Griggsby said she still plans to instruct jurors before lunch.

Each party scored some important victories at the jury charge conference that preceded closing arguments.

The government got a requested instruction on willful blindness, which tells jurors they may find Goldstein guilty if they find he deliberately avoided learning of the facts underlying the crime, over the defense's objection. The defense argued it wasn't appropriate, claiming there wasn't enough evidence to justify its inclusion, but the objection was overruled.

And the defense got a remedial instruction telling jurors about the government's failure to turn over an arguably exculpatory email.

The instruction, with the government strenuously objected to, advises jurors they can decide what weight, if any, to give to the government's failure to comply with its discovery obligation.

Munger Tolles & Olson LLP represents Goldstein.

The case is United States v. Goldstein, D. Md., No. 8:25-cr-00006, 2/18/26 .

To contact the reporter on this story: Holly Barker in Washington at [hbarker@bloombergindustry.com](mailto:hbarker@bloombergindustry.com)

Securities

# Exxon Drops Paul Weiss for Boutique in Climate Litigation Shift

Feb. 19, 2026, 2:15 AM PST

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Exxon Mobil Corp. is replacing Paul Weiss as its lead legal counsel in US climate change litigation and giving the work to boutique law firm Hueston Hennigan.

The company is making the move for cost purposes and wants more engaged outside counsel at the trial level, according to three people familiar with the matter, who requested anonymity to discuss a change that hasn't been announced.

The swap in the company's national coordinating counsel has nothing to do with revelations early this month that former Paul Weiss leader Brad Karp assisted disgraced financier Jeffrey Epstein, according to the people. The disclosures in Justice Department files prompted Karp to step down from his chairman role on Feb. 4.

The move comes as sprawling climate change cases against Exxon and other oil giants play out in different courts, and after Paul Weiss cemented its position as a corporate counsel for Exxon rival Chevron Corp. The firm, whose Exxon litigation team is led by veteran trial lawyer Theodore "Ted" Wells Jr., has withdrawn its representation in at least four cases, filings in Connecticut, Hawaii, Maine, and Washington state show.

John Hueston, a former federal prosecutor best known for leading the Justice Department's criminal case against former Enron Corp. executives Kenneth Lay and Jeffrey Skilling, is leading the Hueston Hennigan team. The group also includes Moez Kaba, the firm's managing partner, according to the people and court filings.

Paul Weiss, Hueston Hennigan, and Exxon either declined or didn't respond to comment requests.

## Paul Weiss Role

Wells, 75, is a longtime co-leader of the litigation department at Paul Weiss. He brought Exxon with him as a client in 2000 when he joined Paul Weiss in a high-profile lateral move from Lowenstein Sandler.

Wells, a New Jersey native, had a close working relationship with Exxon's former lead director Kenneth Frazier, a fellow attorney and former pharmaceutical industry CEO. Frazier retired from the suburban Houston-based energy company's board in 2022, according to two of the people familiar.

The initial series of Paul Weiss withdrawals in the Exxon case drew attention from some news outlets due to the disclosure of emails and other materials related to Epstein.

The first withdrawal by Paul Weiss on behalf of Exxon was filed Jan. 30, the same day the Justice Department began releasing millions of documents from its Epstein archive. Decisions to substitute counsel in complex litigation, such as climate change cases Exxon has faced for almost a decade, are not likely decided in one day, said three of the people familiar with the matter.

Wells has worked on the Exxon cases with other Paul Weiss partners, including Daniel Toal, Yahonnes Cleary, and Justin Anderson, who left the firm in 2023 to become head of litigation at Exxon. Kannon Shanmugam, a star appellate litigator who replaced Wells last year on the board of Harvard Corp., has also appeared on behalf of Exxon. Paul Weiss is continuing to represent Exxon in at least two climate change cases pending in a Dallas federal court and another ongoing civil action filed in 2019 by the attorney general of Massachusetts.

Paul Weiss has enjoyed some key wins during its years representing Exxon, having successfully defended the company against the first-ever \$1.6 billion climate change lawsuit brought by New York State in 2019. A state court in South Carolina dismissed last year another lawsuit over climate change risks brought by the city of Charleston against Exxon and 16 other fossil fuel companies.

The firm drew protests in 2020 over its work for Exxon, with law students at Harvard and Yale pressuring the firm to drop its climate change representation of the company.

### **Chevron's Status**

Paul Weiss has become a key dealmaker for the energy giant's rival, Chevron.

Scott Barshay, who replaced Karp as chairman this month, has helped build the firm into an M&A powerhouse since he joined it in 2016. His relationship with Chevron spans decades, including advising the company on its \$18 billion acquisition of Unocal Corp. in 2005.

Chevron tapped Paul Weiss to handle several major engagements since Barshay was hired, such as its \$5 billion acquisition of Noble Energy Inc. in 2020 and an ill-fated \$33 billion bid for Anadarko Petroleum Corp. the year prior.

Paul Weiss and Barshay also took the lead for Exxon last summer in closing its \$53 billion purchase of Hess Corp., a mega-deal that was finalized after Exxon unsuccessfully sought to scuttle the transaction.

Chevron didn't respond to a request for comment.

## Titans Battle

Exxon and Chevron developed a schism in late 2023 that involved access to offshore oilfields in Guyana. Exxon filed an arbitration case that was called one of the most notable disputes in the energy industry in decades.

Exxon lost the 20-month feud and now shares Guyana's oil-rich coastal waters, a region that neighbors Venezuela, with Chevron and Cnooc Ltd., a Chinese company that merged its arbitration claims with Exxon.

Exxon, however, was never directly adverse to Chevron in the arbitration proceeding, although the latter supported Hess in the matter, said two people familiar with the dispute. Paul Weiss has sought to de-conflict its position between oil and gas titans by handling litigation for Exxon and deal work for Chevron, an arrangement that in the insular US energy sector is not unusual.

"It's not uncommon to be friends and allies on one deal and enemies on yet another," said Ed Hirs, an energy industry expert at the University of Houston.

Christopher Kulander, a senior lecturer at the University of Texas School of Law and of counsel at Houston's Oliva Gibbs, said energy companies tend to be most concerned about conflicts in litigation, not deal work, and that despite bitter disagreements on some issues there can still be cooperation elsewhere.

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News | **United States Supreme Court**

## Roberts, Alito Face New Criticism of Stock Ownership After Rule Change

The U.S. Supreme Court is changing its rules to require litigants to list their corporate stock tickers in support of new conflict-checking software.

February 18, 2026 at 05:57 PM By  **Jimmy Hoover**



**Chief Justice John Roberts Jr., left, and Justice Samuel Alito Jr. Photos: Diego M. Radzinski/ALM**

The U.S. Supreme Court next month will begin requiring litigants to list the stock ticker symbols of all the parties in their case.

The rule change, which takes effect March 16, is designed to assist new internal software developed by the court to identify potential conflicts of interest that would trigger the justices' recusal. Court staff began working on the new recusal system after the justices adopted a code of conduct in late 2023.

Instead of plaudits, however, Tuesday's announcement inspired further calls for the remaining two justices who reported owning stocks to finally sell them off.

In their latest financial disclosures, only Chief Justice John Roberts Jr. and Justice Samuel Alito Jr. reported stock holdings in individual publicly traded companies.

“A much better solution would be for the Justices (especially Justice Alito) to divest their holdings of individual stocks and diversify into index funds,” said Daniel Epps, a law professor at Washington University in St. Louis, in a post on social media in response to the court’s announcement.

“If the justices wanted to institute a more effective change related to their ethics and their investments, they’d agree as a Court not to hold any stocks during their tenures, since all it does is cause unnecessary recusals,” said Gabe Roth, executive director of the watchdog group Fix the Court.

Following the court’s rule change, petitioners will need to list the stock tickers of all the parties in the proceeding in both their certiorari petitions and their merits briefs to the court. In addition, respondents will have a duty to include any parties omitted by the petitioner, along with their stock ticker information. That includes even when respondents don’t intend to file a brief in opposition to a petition.

As Supreme Court practitioner and Hogan Lovells lawyer Sean Marotta posted on X, “You used to be able to waive by simply not responding to the petition. Now, corporate respondents must either file a brief in opposition or a waiver form including the corporate disclosures. Silence isn’t an option any longer.”

The legal journalist Chris Geidner, [writing](#) in his “Law Dork” newsletter on Substack, called Tuesday’s announcement “embarrassing.”

“The Chief Justice of the United States will literally change the rules of the Supreme Court of the United States instead of divesting in individual stocks,” Geidner wrote.

Fix the Court’s Roth endorsed a congressional [proposal](#) to ban stock ownership by federal judges and Supreme Court justices.

“Public service requires certain sacrifices in the name of ethics, and going stock-free should be one of them for all branches of government,” he said.

Indeed, in an ethics filing prior to becoming U.S. solicitor general, D. John Sauer indicated he would soon divest ownership of holdings in nearly 30 leading companies that he valued between \$2.5 million and \$6 million.

Roberts, for his part, last year reported owning a combined value of between \$600,000 and \$1.25 million in Lam Research—a California supplier in the semiconductor industry whose stock has

soared recently—and the life science company Thermo Fisher.

Alito reported holdings in over two dozen companies on his 2024 financial disclosure for a combined value of between roughly \$300,000 and \$1 million, the largest of which being between \$50,000 and \$100,000 in stock in the aerospace and defense manufacturer Parker Hannifin.

One particular investment, Alito's stake in the energy giant ConocoPhillips, has posed a recurring issue for the Supreme Court as it has heard several high-profile environmental cases against the oil and gas industry.

In January, Alito [recused](#) from an environmental case just days before oral arguments in light of his financial interest in ConocoPhillips.

The late-hour of the recusal was unusual as recused justices typically do not participate in any stage of a case, including the court's initial vote to agree to hear an appeal months before a hearing.

In a letter, Supreme Court Clerk Scott Harris stated Alito only discovered through "later briefing" that a ConocoPhillips subsidiary continued to be a party to the case.

Alito's holdings also prevented him from participating in a 2021 case involving Baltimore's climate claims against various energy companies, *BP v. Mayor and City Council of Baltimore*, resulting in the court's 7-1 decision for the oil companies.

And in 2023, Alito recused from considering a potential blockbuster petition that could have foreclosed climate tort litigation proceeding in state courts around the country.

According to Fix the Court, Alito's investments have triggered 28% of the court's 39 total recusals so far during the October 2025 term.

Not long ago, the Supreme Court stressed the importance of having all nine of its members participating in cases, citing its "duty to sit" as a particularly high bar for recusal.

"The loss of even one Justice may undermine the 'fruitful interchange of minds which is indispensable' to the Court's decision-making process," the court said in late 2023 in explaining its new ethical canon for recusals. "And the absence of one Justice risks the affirmance of a lower court decision by an evenly divided Court—potentially preventing the Court from providing a uniform national rule of decision on an important issue."

Recently, the Supreme Court deadlocked 4-4 in a major constitutional battle over the potential creation of religious charter schools following Justice Amy Coney Barrett's recusal. Although

Barrett did not publicly explain her recusal, she is well-known to be a close personal friend of a Notre Dame law professor who advised one of the parties.

"In short, much can be lost when even one Justice does not participate in a particular case," the court said in 2023.

Roberts and Alito did not return requests for comment Wednesday from the *National Law Journal*.

**Page printed from:** <https://www.law.com/nationallawjournal/2026/02/18/roberts-alito-face-new-criticism-of-stock-ownership-after-rule-change/print/>

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Securities

# Apollo Seeks to Reassure Clients About Rowan's Epstein Ties (1)

Feb. 18, 2026, 4:04 PM PST

Apollo Global Management Inc. sought to reassure clients that its top executives didn't have a relationship with disgraced financier Jeffrey Epstein after some employees — including Chief Executive Officer **Marc Rowan** — were named in newly released files by the Justice Department.

In "select instances" Rowan and other Apollo employees provided information to Epstein in connection with his tax work for Apollo co-founder Leon Black, Apollo said in a letter to clients. Epstein's deep ties with Black have haunted the firm since 2019, when Epstein was arrested on federal charges that he molested and exploited teenage girls.



Marc Rowan

Photographer: Yuki Iwamura/Bloomberg

"Black, who left the firm in 2021, previously retained and compensated Mr. Epstein for personal tax advice," Apollo President Jim Zelter said in the letter. "While Mr. Epstein sought to do work with the Apollo co-founders other than Mr. Black, it was declined at every turn."

The statement comes after two teachers unions sent a letter to the US Securities & Exchange Commission on Tuesday asking the agency to scrutinize whether a 2021 statement from Apollo about the extent of its contact with the late sex offender could be considered materially false or misleading. The union said its 1.8 million members have a combined commitment to Apollo of at least \$27.5 billion.

The unions referred to an investigation commissioned by Apollo in 2020 and carried out by law firm Dechert, which found no evidence that Epstein or any Epstein entity had any relationship with Apollo or any Apollo-managed funds, despite the convicted pedophile's repeated efforts to ingratiate himself with other senior executives at Apollo.

"Despite the flurry of coverage and certain constituents pushing their own agendas, the facts remain the same," Zelter said. "Neither Marc Rowan nor anyone else at Apollo (excluding Leon Black) had either a business or personal relationship with Jeffrey Epstein."

Dechert, for its part, reviewed over 60,000 documents at the time and interviewed more than 20 witnesses.

Read More: Teachers Unions Ask SEC to Scrutinize Apollo's Epstein Ties

The Justice Department in recent weeks released millions of pages of files from years of Epstein-related probes. The files show that Epstein corresponded with Black's colleagues at Apollo, sometimes arranging calls and in-person meetings.

Rowan and Epstein also exchanged some emails over the years, the latest documents show, and Rowan arranged to meet with Epstein multiple times, including at least two gatherings in 2016. The late sex offender also considered buying a private jet from Rowan himself, though the plane wasn't ultimately sold to Epstein, Bloomberg previously reported.



Leon Black

Photographer: Patrick T. Fallon/Bloomberg

"Transparency and accessibility are hallmarks of who we are, and we will not be dissuaded from speaking out," Zelter said. "The facts matter. From an Apollo perspective, there's nothing new in these documents."

The Justice Department's largest release yet of the Epstein files shows Black consulting Epstein on matters that stretched far beyond estate and tax planning, Bloomberg previously reported. Over the years, Epstein arranged family portraits, helped the billionaire leverage up a vast art collection, and obscured some of his most sensitive secrets.

Read More: [The Leon Black Files: Epstein Was Fixer for His Deepest Secrets](#)

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Jenny Surane

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# Bill Gates cancels appearance at India AI summit amid Epstein scrutiny

 [reuters.com/world/india/bill-gates-cancels-keynote-address-india-ai-summit-2026-02-19](https://www.reuters.com/world/india/bill-gates-cancels-keynote-address-india-ai-summit-2026-02-19)

Aditya Soni, Munsif Vengattil, Aditya Kalra

February 19, 2026

- Gates' absence follows cancellation by Nvidia's Huang
- Modi inaugurates summit alongside French President Macron
- Summit faces criticism for poor management
- Event attracts over \$200 billion in AI investments
- Modi's AI unity pose turns awkward for Altman and Anthropic's Amodei

NEW DELHI, Feb 19 (Reuters) - Bill Gates pulled out of India's AI Impact Summit hours before his scheduled keynote on Thursday, as scrutiny over his ties to late financier and sex offender Jeffrey Epstein intensified following the release of U.S. Justice Department emails.

The abrupt withdrawal of Microsoft's co-founder dealt a fresh blow to a flagship event already marred by organisational lapses, a [robot row](#) and complaints of traffic chaos.

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The six-day event still notched more than [\\$200 billion](#) in investment pledges for AI infrastructure in India, including a [\\$110 billion plan](#) announced by Reliance Industries ([RELI.NS](#)), [opens new tab](#) on Thursday. India's Tata Group also signed a partnership deal with OpenAI.

Gates' cancellation follows the [release of emails](#) last month by the DOJ that included communication between late financier and convicted sex offender [Epstein](#) and the Gates Foundation's staff.

The foundation said the billionaire will not deliver his address "to ensure the focus remains on the AI Summit's key priorities". Only days ago, the foundation had dismissed rumours of his absence and insisted he was on track to attend.

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The foundation's chief strategy officer and Africa and India chief Ankur Vora spoke instead of Gates.

A representative for the philanthropic organisation, started by Gates and his then-wife in 2000, did not respond to a Reuters query on whether the withdrawal was linked to scrutiny over the Epstein files.

Gates has said the relationship was confined to philanthropy-related discussions and that it was a mistake for him to meet the sex offender.

He was among the top tech leaders due to attend the event among the likes of Google ([GOOGL.O](#)), [opens new tab](#) CEO Sundar Pichai, OpenAI CEO Sam Altman and Anthropic CEO Dario Amodei.

Gates' absence followed another high-profile cancellation by Nvidia's ([NVDA.O](#)), [opens new tab](#) Jensen Huang earlier on Saturday, which added to a difficult opening for a summit billed as the first major AI forum in the Global South, where India has sought to position itself as a leading voice in worldwide AI governance.

## MODI ADDRESS, AI COMMITMENTS

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Item 1 of 3 Bill Gates attends the Australian Open men's doubles final match between Australia's Jason Kubler and Australia's Marc Polmans and Christian Harrison of the U.S. and Britain's Neal Skupski, Tennis , in Melbourne Park, Melbourne, Australia, January 31, 2026 REUTERS/Tingshu Wang

**[1/3]** Bill Gates attends the Australian Open men's doubles final match between Australia's Jason Kubler and Australia's Marc Polmans and Christian Harrison of the U.S. and Britain's Neal Skupski, Tennis , in Melbourne Park, Melbourne, Australia, January 31, 2026 REUTERS/Tingshu Wang [Purchase Licensing Rights](#), [opens new tab](#)

In his keynote address, Indian Prime Minister Narendra Modi called for maintaining children's safety on AI platforms as he addressed the gathering on Thursday, alongside French President Emmanuel Macron.

"We must be even more vigilant about children's safety. Just as a school syllabus is curated, the AI space should also be child- and family-guided," Modi said, after standing on stage with top AI executives and posing for photographs with their arms raised in a show of strength.

The photoshoot produced an [awkward moment](#) when Altman and Amodei, chiefs of rival AI firms OpenAI and Anthropic, stood side by side on stage but did not hold hands although the other executives did.

The symbolic unity pose was to declare the formal launch of the New Delhi Frontier AI Commitments, a set of voluntary principles adopted by leading AI companies at the summit to advance inclusive, responsible development of frontier AI models.

"One hundred million people in India now use ChatGPT each week," Altman told the gathering.

Despite the investment successes, India's first major AI summit has been marred by organisational [lapses](#) that have left attendees shocked and angry over what they described as a lack of planning by the Indian government.

## CHAOS AND TRAFFIC SNARLS

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The summit exhibition halls were shut to the public on Thursday in a surprise move that led to more anger among participating companies that had put up stalls and pavilions. The venue compound was largely deserted after three days of large crowds at the event.

Indian university Galgotias was asked to vacate its stall after a staff member presented a commercially available robotic dog made in China as its own creation, sparking a public uproar.

Police repeatedly shut roads to give preference to VIP movement at the summit, creating chaos in the city of 20 million people. The Indian government has apologised for inconvenience caused to attendees in the initial days.

Opposition parties attacked the government and the prime minister for poorly managing the global summit.

"The whole summit is, sorry was, meant for researchers, founders, builders who are grinding in the field every day. Instead we get treated like we don't matter, blocked for hours so some minister or official can pass through," Jay Gala, a Microsoft researcher, said on social media website X.

Reporting by Munsif Vengattil, Aditya Soni, Aditya Kalra in New Delhi; Additional reporting by Sakshi Dayal, and Abhirami G; Editing by Kim Coghill, Muralikumar Anantharaman, Raju Gopalakrishnan and Christian Schmollinger

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Thomson Reuters

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[Aditya Kalra](#)

Thomson Reuters

Aditya Kalra is the Company News Editor for Reuters in India, overseeing business coverage and reporting stories on some of the world's biggest companies. He joined Reuters in 2008 and has in recent years written stories on challenges and strategies of a wide array of companies -- from Amazon, Google and Walmart to Xiaomi, Starbucks and Reliance. He also extensively works on deeply-reported and investigative business stories.

## NewsRoom

2/19/26 News Journal (Mansfield, Ohio) A1  
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February 19, 2026

Section: News

FirstEnergy paying millions in trial

Laura A. Bischoff

February 19, 2026

Like most of corporate America, Akron-based FirstEnergy promises to pay the legal bills for officers and board members. Without such guarantees, candidates would be unwilling to serve, legal experts say.

Inside a Summit County courtroom, roughly 20 attorneys from prestigious law firms flank former FirstEnergy Corp. executives Charles Jones and Mike Dowling as they stand trial for allegedly bribing a state regulator.

But Jones and Dowling might not be the ones paying the tab for the legal firepower.

Like most of corporate America, Akron-based FirstEnergy promises to pay the legal bills for officers and board members. Without such guarantees, candidates would be unwilling to serve, legal experts say.

In a May 2018 disclosure to the Securities and Exchange Commission, FirstEnergy said it would protect directors and officers against lawsuits and claims and pay their legal defense bills in criminal and civil matters. The company may seek repayment if they are found guilty or didn't act in good faith.

In October 2020, FirstEnergy fired Jones, who served as CEO, and Dowling, who was a senior vice president.

It's unclear if Dowling qualifies for the indemnification provided for directors and officers but in a March 2024 brief the Ohio Attorney General's office said Dowling's legal fees are paid entirely by FirstEnergy and its customers.

FirstEnergy spokeswoman Jennifer Young declined to elaborate on the coverage, beyond the disclosure to the SEC.

**Ballpark: How much is the legal tab in the FirstEnergy trial?**

The cover-your-legal-bills perk could save Jones and Dowling huge money.

Case Western Reserve University Law Professor Anat Alon-Beck said calls Jones and Dowling's defense a "mega-case" that could run up a hefty tab from \$5 million on the low end to \$60 million on the high end.

Eric Chaffee, another Case law professor, said "A good white collar criminal defense can run into the tens of millions of dollars. The fact that multiple defendants and multiple processes are involved will only multiply the legal fees in this case."

In the Summit County case, 20 defense attorneys are listed, including 15 partners from prestigious law firms.

Alon-Beck said junior partners bill \$1,500 to \$2,000 an hour while senior partners charge more than \$2,000 an hour. Chaffee estimates that senior partners charge \$800 to \$1,500 an hour.

Fifteen partners billing at \$1,500 an hour would cost \$180,000 for an eight-hour day in court. The trial is expected to stretch at least eight weeks, so the bill could hit \$7.2 million.

That doesn't count the work leading up to the trial. Battalions of lawyers have been taking depositions, filing motions, writing briefs and preparing strategy for months. Nor does it cover the hours spent outside of court while the trial is underway or the hours billed for support staff work.

FirstEnergy, and other corporations, purchase insurance policies to cover directors and officers when they're involved in legal matters. Alon-Beck said the policy coverage can be quickly depleted in complex cases.

**Other legal battles for FirstEnergy**

For nearly six years, FirstEnergy and its current or former officers have been entangled in complex legal fights with the U.S. Department of Justice, Securities and Exchange Commission, Federal

Energy Regulatory Commission, Public Utilities Commission of Ohio, and shareholders as well as criminal cases in state and federal courts.

Millions of pages of records have been produced in discovery for each legal fight.

The docket for one shareholder lawsuit in federal court has 977 items and Jones has 16 attorneys from five firms representing him. The docket for the current criminal case in Summit County holds more than 385 entries.

**Why is FirstEnergy in so many legal fights?**

FirstEnergy and its current and former executives have been fighting legal battles related to the House Bill 6 scandal since July 2020.

FBI agents arrested then Ohio House speaker Larry Householder, former Ohio Republican Party chairman Matt Borges, lobbyists Neil Clark and Juan Cespedes and political strategist Jeff Longstreth in July 2020.

Prosecutors alleged they took \$60 million in bribes that FirstEnergy funneled through dark money groups to help Householder return to the speakership. In return, Householder championed House Bill 6, a sweeping energy bill that would've delivered \$1 billion in subsidies to FirstEnergy.

A federal jury convicted Householder and Borges of conspiracy to racketeering; Cespedes and Longstreth pleaded guilty and testified for the prosecution; and Clark died by suicide before trial.

Parallel to FirstEnergy's conspiracy with Householder, the company admitted to paying a \$4.3 million bribe to attorney Sam Randazzo shortly before Gov. Mike DeWine made Randazzo chairman of the Public Utilities Commission of Ohio in 2019.

Randazzo helped write House Bill 6 and advanced FirstEnergy's business interests before the PUCO.

Randazzo, who pleaded not guilty to state and federal charges, died by suicide in April 2024.

**\$620 million in fines and settlements**

FirstEnergy has paid \$620.7 million in fines and settlements tied to the House Bill 6 scandal. In July 2020, the company signed a deferred prosecution agreement, agreed to cooperate with federal prosecutors and paid a \$230 million fine.

In December 2022, FirstEnergy paid a \$3.9 million civil penalty to the Federal Energy Regulatory Commission and \$100 million to the SEC in September 2024.

In January 2026, FirstEnergy agreed to pay \$286.8 million back to customers to settle investigations conducted by the PUCO.

State government reporter Laura Bischoff can be reached at lbischoff@usatodayco.com and @lbischoff on X.

Like most of corporate America, Akron-based FirstEnergy promises to pay the legal bills for officers and board members. Without such guarantees, candidates would be unwilling to serve, legal experts say.

#### ---- Index References ----

Company: FIRSTENERGY CORP; OHIO HOUSE APPRAISERS, INC; UNITED STATES, GOVERNMENT OF; CASE WESTERN RESERVE UNIVERSITY

News Subject: (Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Regulatory Affairs (1RE51); Social Issues (1SO05))

Industry: (Electric Utilities (1EL82); Energy & Fuel (1EN13); Utilities (1UT12); Utilities Regulatory (1UT69))

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## NewsRoom

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Cleveland Plain Dealer

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February 19, 2026

Section: B

Witness details how Randazzo's decisions enriched FirstEnergy Former exec  
testifies that the PUCO chair shut down a rate review and inserted langua...

Adam Ferrise - aferrise@cleveland.com

Witness details how Randazzo's decisions enriched FirstEnergy Former exec testifies that the PUCO chair shut down a rate review and inserted language into HB6 that gave the utility an estimated \$229 million in benefits.

A former FirstEnergy executive testified Wednesday that decisions by former Public Utilities Commission of Ohio Chairman Sam Randazzo helped the Akron-based utility avoid an estimated \$150 million "haircut" to its annual revenue and reap roughly

\$79 million in additional profits over two years.

Eileen Mikkelsen, FirstEnergy's former vice president of rates and regulatory affairs, gave her testimony on the 10th day of the bribery trial of former CEO Chuck Jones and former senior vice president Michael Dowling. The two men are accused of paying Randazzo \$4.3 million shortly before he was appointed to lead the PUCO, the powerful regulatory body that determines how much revenue utilities can make. Randazzo died by suicide in 2024, after being charged by both federal and state prosecutors.

Mikkelsen's testimony marked the first time jurors heard specific dollar estimates tied to Randazzo's actions. Prosecutors allege he made key decisions benefiting FirstEnergy in exchange for the payment.

Mikkelsen is testifying under an agreement with prosecutors that she will not face criminal charges. She was fired in 2021 for what the company described as her "inaction" regarding the payment to Randazzo.

Summit County Common Pleas Judge Susan Baker Ross ruled that Mikkelsen could be photographed and audio-recorded but not video-recorded, a decision made in open court after direction from the Ohio Supreme Court. Mikkelsen and her attorney objected to being recorded or photographed, citing emotional strain and arguing she was not central to the case.

Her testimony focused on two major actions by Randazzo that she said were worth millions to FirstEnergy.

First, Randazzo halted a PUCO review of FirstEnergy's finances. According to Mikkelsen, that review would likely have found the company was earning excessive profits and would have led regulators to reduce its revenue. When Dowling learned in 2018 that the rate review was pending, he texted Mikkelsen that he felt like he was "in a bad dream" and feared a roughly \$150 million loss, referring to it as a "haircut," jurors were told.

The second action involved House Bill 6, the controversial legislation that provided a \$1.3 billion bailout for two aging nuclear power plants. The law later led to FirstEnergy admitting it had bribed Randazzo and former Ohio House Speaker Larry Householder, who is serving a 20-year federal prison sentence for accepting \$60 million to help pass the bill.

Randazzo pushed to include a "decoupling" provision in HB 6 that allowed FirstEnergy to charge customers using a flat rate rather than tying charges directly to electricity usage, prosecutors said. The rate was based on customers' 2018 energy consumption, a year marked by unusually high usage due to a hot summer, Mikkelsen testified. The decoupling provision was worth hundreds of millions of dollars to the company and enabled it to generate about

\$978 million annually, she said.

Mikkelsen read from a March 2020 email she sent to an employee who was preparing to brief FirstEnergy's board at Jones' direction. In the email, she wrote that decoupling alone produced an extra \$45 million in the first year, nearly offsetting a financial shortfall the company experienced in 2019, a year with more typical weather.

The company expected another

\$33 million from the provision during the remainder of 2020, bringing the two-year total to nearly \$79 million, according to the email.

Decoupling and most of HB 6 have since been repealed.

Throughout the day, Mikkelsen read and explained numerous text messages and emails. Some showed Dowling maintained frequent contact with Randazzo, including a July 10, 2019 text in which Dowling wrote, "I've been on phone with (Randazzo) last night and all day. ... I'm so ready to be done with this HB6!!!"

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

Company: FIRSTENERGY CORP; PUBLIC UTILITIES COMMISSION; THE SUPREME COURT OF OHIO

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Judicial Cases & Rulings (1JU36); Legal (1LE33); Social Issues (1SO05))

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

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

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**NewsRoom**

# SEC Chair Atkins Proposed Further Securities Litigation and Disclosure Reform

**K** [dandodiary.com/2026/02/articles/securities-laws/sec-chair-atkins-proposed-further-securities-litigation-and-disclosure-reform](https://www.dandodiary.com/2026/02/articles/securities-laws/sec-chair-atkins-proposed-further-securities-litigation-and-disclosure-reform)

Kevin LaCroix

February 19, 2026

It is no secret that SEC Chair Paul Atkins has ideas about how U.S. securities laws could be reformed to “revitalize” America’s capital markets. Among other things, [late last year Atkins proposed a number of revisions](#) to the current U.S. public company disclosure regime. Now, in a speech earlier this week, Atkins floated several additional proposed reforms, among other things referring to the possibility of loser-pays bylaws for shareholder suits and of a “safe harbor” for public company disclosures concerning widely publicized events. As discussed below, Atkins’s recent ideas have a long and relevant history. The text of Atkins’s February 17, 2026, speech can be found [here](#).

The occasion for Atkins’s speech was the Texas A&M’s School of Law’s Corporate Law Symposium, held at the Federal Reserve Bank of Dallas.

Atkins opened his remarks with a nod to the recent Texas corporate law reforms within the context of competition between the states for a greater share of corporate registrations. Among other things, he noted that “Texas has begun to build something that could offer an interesting alternative to Delaware, through a framework designed to attract companies with shareholders who are eager to get back to basics, with less politicization, abusive litigation, and overall drama.”

Atkins next went on to discuss what more Texas might do to “strengthen its position,” and then raised some ideas for “reforming the SEC’s disclosure regime.”

In the context of what other reforms Texas might consider, Atkins expressly raised the possibility that another reform measure Texas might consider is instituting a reform requiring the loser in shareholder litigation to pay the winning party’s attorneys’ fees. He noted that while the standard U.S. model is for each party to bear its own costs, other parties, such as England follow a “loser pays” model. These other jurisdictions’ approach, Atkins suggested, “could serve as examples for Texas to follow.”

Atkins then referred to the SEC’s recently [revised policy stance](#) on mandatory arbitration bylaws. He noted that while the SEC has for its part made it clear that it no longer has a policy against these kinds of provisions for IPO companies, some

jurisdictions – Delaware, for example – do not permit companies to adopt these kinds of bylaws. What, Atkins asked rhetorically, would Texas do?

Atkins's question pretty obviously signals his belief that Texas might want to consider affirmatively allowing corporations organized under its laws to adopt mandatory arbitration bylaws.

Atkins then went on to suggest some further public company disclosure reforms that the SEC might consider. Atkins proposed several ideas to simplify requirements in order to shorten and modernize public company disclosures. Among other things, Atkins's proposals included suggested reforms to executive compensation disclosures; Regulation S-K requirements; and risk factor disclosure. Atkins's proposed reforms are quite detailed and I do not propose to review them all here. Readers interested in Atkins's more detailed proposals will want to refer to John Jenkins's February 18, 2026 post about Atkins's speech on the *TheCorporateCounsel.net* blog ([here](#)).

There is one feature Atkins's suggested disclosure reforms that I find interesting and that I think is worth discussing here, and that is his proposal for a "safe harbor" for public company disclosures concerning widely publicized events.

The SEC, Atkins said, could "adopt a rule stating that failure to disclose impacts from publicized events that are reasonably likely to affect most companies will not constitute material omissions for purposes of some or all of the federal securities laws' anti-fraud rules."

A safe harbor provision of this type would have the virtue of shortening already too-lengthy risk factor disclosures, as it would "incentivize companies to include fewer generic risk factors by shielding them from liability for events related to those generic risks." After all, Atkins said, "if companies are not compelled to catalogue nearly every conceivable contingency to guard against hindsight litigation, then they can focus on risks that are more distinctive to their business."

### *Discussion*

Corporate and securities litigation observers will want to read and consider Atkins's various proposals here, as many of them at least potentially could have a significant impact on D&O claims.

For starters, Atkins pretty much encouraged Texas to consider, as part of its jurisdictional competition for company incorporations, to adopt a provision (in contrast to Delaware) expressly allowing Texas companies to adopt mandatory arbitration bylaws. Were Texas to take this step, it certainly could have an impact on the number of companies that might consider adopting these kinds of provisions and could contribute to an increase in the number of companies with these kinds of bylaws.

Atkins's remarks encouraging Texas to consider allowing companies to adopt "loser pays" fee-shifting provisions is also interesting. Long-time readers know that the idea of allowing companies to adopt fee-shifting by laws has a long history.

There was, as many readers will recall, quite the dust-up in Delaware a few years ago after the Delaware Supreme Court issued a ruling [upholding the facial validity of a fee-shifting by law](#) in effect requiring a "loser pays" model in shareholder litigation. The Delaware legislature, responsive to concerns among members of the Delaware bar that allowing fee-shifting could undermine lucrative shareholder litigation in Delaware's courts, [quickly passed a provision](#) prohibiting fee-shifting bylaws and putting a quick end to the kerfuffle over these kinds of provisions.

In the interim, other legislatures have entertained the idea of allowing companies in their jurisdiction to adopt fee-shifting provisions; as discussed here, a few years ago Nevada's legislature [considered allowing companies to adopt fee-shifting provisions](#) at least in some contexts. The proposed Nevada legislation [apparently died in Committee](#).

Atkins's remarks aimed to suggest that Texas should now allow these kinds of "fee-shifting" provisions. I don't think I am going out on a limb here to suggest that at some point we might see a proposal of this kind out of Texas. Don't hold your breath, though. Texas's legislature [only meets every other year](#), and the next session of the Texas legislature will not meet until January 2027. (However, the Texas governor does have the power to call the legislature for [a "special session"](#) between the biannual meetings.) The more interesting question is whether other states might follow if Texas were to adopt a fee-shifting provision.

Atkins's proposal for a safe harbor for reporting companies with respect to widely publicized events is, at least at the theoretical level, interesting to me. I have long worried about [what I have called](#) "event-driven" litigation. (No one else cares, but I do think it is noteworthy that [I actually coined the expression "event-driven](#)

[litigation.](#)"). The perspective that event driven litigation is a problem has been significantly amplified by Bloomberg columnist Matt Levine, who has famously advanced the proposition that "Everything Everywhere is Securities Fraud" ([here](#)). The idea that event driven litigation itself represents a problem has in fact been actively debated (about which refer, for example, [here](#)).

Atkins's proposal in his recent remarks lacks details on exactly what the safe harbor might look like, how it would work, and what it would protect, but at least at the theoretical level the "safe harbor" could provide public companies with some protection against event-driven litigation, and for that reason alone his proposal is interesting. It remains to be seen whether the SEC will in fact put out a concrete proposal to provide substance to Atkins's theoretical proposition, but if Atkins's suggestion does lead anywhere, this could be a very interesting.

The one thing that is clear is that it seems likely that Atkins will continue to propose and possibly advance ideas that could at least potentially have a significant impact on corporate and securities litigation. Stay tuned.

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## Securities

### Manage Newsletters

## **JPMorgan Says Trump 'Fraudulently' Included Dimon in Lawsuit**

Feb. 19, 2026, 9:40 AM PST

### **Summary by Bloomberg AI**

AI Generated



- JPMorgan Chase & Co. said President Donald Trump "fraudulently" named the bank's chief executive officer, Jamie Dimon, as a defendant in his lawsuit to file the case in Florida state court.
- The bank sought to move the case to federal court in Miami and said it would eventually seek to transfer it to New York, stating that Florida's unfair trade practices law didn't apply to its CEO.
- JPMorgan said it would seek to dismiss Trump's "threadbare" lawsuit, calling his claim of being blacklisted "unclear" and deficient, and stating that the claim was not plausible under the federal regulatory scheme.

JPMorgan Chase & Co. said President Donald Trump "fraudulently" named the bank's chief executive officer, Jamie Dimon, as a defendant in his lawsuit over closure of his accounts in order to file the case in Florida state court.

In a Thursday court filing, the bank sought to move the case to federal court in Miami and said it would eventually seek to transfer it to New York. JPMorgan said Trump's allegation that Dimon directed the bank to put Trump and his businesses on a "blacklist" was not permitted under the Florida statute cited by the president.

The bank said Florida's unfair trade practices law didn't apply to its CEO because he was "closely and comprehensively regulated by the federal banking agencies." According to JPMorgan, Dimon was "fraudulently joined" in Trump's suit purely to avoid federal court jurisdiction.

Trump [sued the bank and Dimon](#) in January, seeking at least \$5 billion for allegedly "debanking" him and his companies for political reasons. JPMorgan said in its Thursday filing that it would seek to dismiss Trump's "threadbare" lawsuit.

The bank said Trump's claim of being blacklisted was "unclear" and deficient.

"They do not explain what this 'blacklist' entails, when it was created, to whom it was supposedly circulated, or any other detail describing it," JPMorgan's lawyers said. "Nor is it plausible that JPMorgan could create such a list consistent with the complex federal regulatory scheme to which it is subject."

A spokesman for Trump's legal team said in a statement: "By their own admission, JPMorgan Chase, at the direction of CEO Jamie Dimon, unlawfully debanked and blacklisted President Trump, his family, and several of his businesses, causing overwhelming financial and reputational harm. The defendants committed these tortious acts only because of the president's America First policies, which have saved our nation. President Trump is standing up for all those wrongly debanked by JPMorgan Chase and their cohorts, and will see this case to a just, and proper conclusion."

--With assistance from Erik Larson and **Anthony Aarons**.

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## Securities

# Trump-Linked World Liberty Targets Real Estate as Crypto Slides

Feb. 18, 2026, 11:55 AM PST

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World Liberty Financial, the crypto project listing President Donald Trump as “co-founder emeritus,” is planning to tokenize loan revenue interests in a Trump resort in the Maldives that’s in development.

The project and its partners plan to tokenize revenue interests from loans related to the Trump International Hotel & Resort as part of a broader strategy to design and distribute World Liberty-branded tokenized real-world asset offerings, the company said. The announcement was made at World Liberty Forum, a conference held at Trump’s Mar-a-Lago resort and residence in Palm Beach, Florida, on Wednesday. The forum’s speakers include Goldman Sachs Chief Executive Officer David Solomon, Coinbase Global Inc. CEO Brian Armstrong, as well as Eric Trump and Donald Trump Jr.

Tokenization is the process of representing assets like bonds, stocks, art or even ownership revenue from hotel projects as digital tokens. Anyone who owns the token owns the asset or the revenue streams. Ownership can be moved easily and almost instantly by simply moving it from one crypto wallet to another. It allows assets to be broken down into smaller parts, potentially widening the pool of ownership and easing the ability to trade.

The Maldives project - announced in November - is the latest step in a broader push by the family into crypto — one that now spans meme coins, NFTs, a stablecoin and a Bitcoin mining operation that have generated both immense paper profits and controversy for the Trumps. The expansion has kept going even as some of the ventures have lost money for a cohort of ill-timed investors.

Read more: [Trump Family’s \\$6.8 Billion Fortune Is Now One-Fifth Crypto](#)

In recent months the market has turned. World Liberty’s WLFI token has lost more than half its value since becoming tradable last year. Bitcoin peaked in October before falling roughly 50% — and the broader industry is bracing for a prolonged downturn. The Trumps are adding new products into a market that has already erased substantial gains.

Earlier this year, the Wall Street Journal reported that an Abu Dhabi royal signed a secret deal with the Trump family to buy a 49% stake in World Liberty for \$500 million four days before Trump's inauguration last year. A World Liberty Financial spokesman has said that neither President Trump nor Steve Witkoff, his Middle East emissary, had any involvement in the transaction and have had no involvement in World Liberty Financial since taking office. An Abu Dhabi fund also used World Liberty's USD1 stablecoin to buy a stake in crypto exchange Binance.

World Liberty issues the USD1 stablecoin, which has a market value of about \$5 billion. The project has also rolled out WLFI Markets, a new lending-and-borrowing marketplace where token holders can use their coins as collateral. A mobile app is expected later this year, along with a debit card that would let users spend its stablecoin and earn loyalty points.

Trump International Hotel & Resort, Maldives, is being developed by Dar Global, created in collaboration with The Trump Organization, and is scheduled for completion in 2030. The resort will feature about 100 ultra-luxury beach and overwater villas. Investors in the token should get both a fixed yield and loan revenue streams, World Liberty said. The token will be offered to verified accredited investors in a private placement.

The resort's loan revenues are being tokenized in partnership with Dar Global and Securitize Inc., the platform BlackRock Inc. uses for its on-chain money-market fund. Tokenized stocks launched broadly last year as well. Dar Global is the London-listed unit of a Saudi Arabian developer.

Read more: Trump Firm Expands in Saudi Arabia With \$1 Billion Project

Real estate has been slower to move on-chain than other assets. Secondary market liquidity is thin, regulatory clarity is limited, and some investors have lost money to outright fraud. So far, just 57 properties worth a combined \$356 million have been tokenized globally, according to tracker rwa.xyz.

In October, World Liberty co-founder Zach Witkoff said he wants to make the Trump family's real-estate portfolio available as tokens on blockchain to give access to a wider pool of investors. Zack Witkoff is a son of Steve Witkoff. The Trump family's real-estate business includes golf courses and luxury hotels around the world.

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Dave Liedtka

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Securities

# Trump Family Crypto Bash Convenes Wall Street New Believers (1)

Feb. 19, 2026, 6:17 AM PST

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Wall Street executives and government officials gathered in Mar-a-Lago's gilded ballroom for a conference hosted by the Trump family's cryptocurrency platform — underscoring how digital assets have become both a policy priority and personal profit center in President Donald Trump's second term.

Goldman Sachs Group Inc. Chief Executive Officer **David Solomon** was at Wednesday's day-long event, completing a conversion from crypto skeptic to Bitcoin holder. He was joined by pardoned felon and billionaire Binance co-founder **Changpeng Zhao**, along with the heads of the New York Stock Exchange and Nasdaq and current and former financial regulators.

The gathering, hosted by the Trumps' World Liberty Financial, captured a sea change in attitudes toward crypto from Capitol Hill to the boardrooms of America's biggest banks.



David Solomon and Changpeng Zhao were among the attendees at a conference hosted by the Trump family's cryptocurrency platform.

Photographers: Paul Yeung, Krisztian Bocsi/Bloomberg

That shift is providing a boost to the first family's own wealth. During Trump's first year back in office, his family's fortune has grown by more than \$1 billion from new crypto ventures, according to the Bloomberg Billionaires Index — a sum more than three times the value of Mar-a-Lago itself.

World Liberty Financial, co-founded by **Donald Trump Jr.** and **Eric Trump** alongside sons of White House special envoy Steve Witkoff, is a key pillar of that new, rapidly accumulating wealth. The company's 500-person gathering brought together a cross-section of the crypto industry, the regulators who oversee it, and the Trump sons who've bet big on it.

Read More: Trump Family's \$6.8 Billion Fortune Is Now One-Fifth Crypto

### Bank Shift

Wall Street executives lambasted crypto for years, most notably in 2022 when the famously cavalier JPMorgan Chase & Co. CEO Jamie Dimon likened the asset class to "pet rocks."

At the time, the comment drew a laugh from Solomon, who was flying on his private jet when the headlines hit. He remarked on how Dimon could get away with such a flippant comment, according to a person familiar with the matter. Solomon has shared Dimon's skepticism of the product, but has been more measured in making a similar point publicly — calling crypto a speculative investment without a real use case.

But Solomon appeared to take virtual currencies more seriously at Mar-a-Lago on Wednesday: the longtime skeptic revealed he owned a small amount of Bitcoin.

The posture could be good for business. Wall Street firms are positioning themselves to benefit from a revival in crypto listings after a dry spell under the Biden administration's harsher regulatory climate. Even in the face of a bruising downturn in crypto asset prices, the more favorable approach under Trump has smoothed the path to public markets for those companies.

There are also valuable clients to consider: The Witkoff family works with Goldman.

"I'm here because **Alex Witkoff** called me," Solomon said at the World Liberty conference. "When great clients of the firm call and ask me to do something, I work on my schedule."



Wall Street executives and government officials convened for a conference hosted by the Trump family's cryptocurrency platform — an event that underscored how protecting virtual assets has become both policy priority and personal profit center in the era of President Donald Trump.

Photographer: Muyao Shen/Bloomberg

When World Liberty was seeking prominent names for its speaker list, Nasdaq Inc. CEO **Adena Friedman** and NYSE Group President **Lynn Martin** answered its call. Both exchanges list companies backed by Trump's family, and Eric Trump and Donald Trump Jr. have visited them for bell-ringing ceremonies over the past year.

Although Trump's eldest sons have framed World Liberty as a challenge to traditional finance — Donald Trump Jr. has likened the banking system to a "Ponzi scheme" — the conference featured other Wall Street veterans, including hedge-fund managers **Marc Lasry**, Daniel Loeb and **Philippe Laffont**.

**Jenny Johnson**, the CEO of asset manager Franklin Templeton, called Bitcoin a "distraction" from the disruption of the blockchain technology underpinning virtual assets in 2022. When it was her turn to speak at Mar-a-Lago, she said she envisioned crypto companies and finance's old guard working together.

"To me, I'm always trying to understand how this is evolving and particularly at the crossroads of TradFi and DeFi," Johnson said, using abbreviations for "traditional finance" and "decentralized finance," a crypto shorthand.

"The great irony is this whole world has gone full circle," Eric Trump said Wednesday. "There's people in this room that were probably on the opposite side of us, that were canceling bank accounts for us, that were kicking us out of their big banks for no reason other than the fact that my father was wearing a hat that said, 'Make America Great Again.'"



Eric Trump and Donald Trump Jr. outside of the Nasdaq MarketSite in New York in August.

Photographer: Adam Gray/Bloomberg

### Regulatory Relationships

Faced with questions about the potential for conflicts of interest in their new investments — including World Liberty Financial — the Trump brothers have repeatedly emphasized that they are private businessmen. Nonetheless, the World Liberty gathering showed the company's ability to draw on relationships in the highest reaches of American government, including those who police crypto assets.

Government officials were all but inescapable around the resort, including Small Business Administration head Kelly Loeffler, and **Michael Selig**, chairman of the Commodity Futures Trading Commission, which helps regulate the crypto industry.

**Caroline Pham**, who preceded Selig as acting chair of the CFTC, also mingled in the crowd, having recently accepted a job offer at digital asset firm MoonPay.

Asked about government officials' participation in the event, Anna Kelly, a spokesperson for the White House, said that President Trump has "no conflicts of interest."

"The President has no involvement in business deals that would implicate his constitutional responsibilities," White House counsel David Warrington said in a statement. "President Trump performs his constitutional duties in an ethically sound manner and to suggest so otherwise is either ill-informed or malicious."

Any appearance of overlap between the Trump administration and the family's business ventures didn't concern Minjae Kang, a conference attendee who traveled to Florida from Toronto to be there. Kang said he decided to invest in World Liberty Financial's virtual tokens because President Trump believes in them.

"I believe in the Trumps and Trump's power to control the world," he said, citing the president's tariff policy. "When he wants, he can do it."

### Formidable Backers

The sunshine over the resort and the festive mood — complete with a raw bar, Trump-branded wine and buckets of chocolate coins emblazoned with the World Liberty logo — stood in contrast to the broader market reality for everyday investors. Bitcoin has shed nearly half of its value since hitting a record in October, bludgeoning companies in the industry.



The gathering, hosted by the Trumps' World Liberty Financial, captured a sea change in attitudes toward crypto from Capitol Hill to the boardrooms of America's biggest banks.

Photographer: Muyao Shen/Bloomberg

World Liberty Financial has nonetheless pressed ahead with an expansion that's moved faster than almost anyone in the industry anticipated. Its USD1 stablecoin — a type of virtual asset designed to hold the value of a US dollar — now has more than \$5 billion in circulation, according to data provider CoinMarketCap, making it one of the largest stablecoins globally.

The company has applied for a bank charter and announced a new lending platform. It's also touting a Trump-branded Maldives hotel that will allow investors to buy virtual tokens related to the project's development.

Even before it had any products, World Liberty Financial was able to draw in formidable backers. In January 2025, days before Trump's inauguration, an investment vehicle linked to **Sheikh Tahnoon bin Zayed Al Nahyan** — Abu Dhabi's national security adviser and one of the most powerful figures in the Gulf — purchased a 49% stake in the company for \$500 million, the Wall Street Journal reported, and a spokesman for the company later confirmed.

The report fueled outcry from Democratic lawmakers, some of whom called for a probe of the deal by the Treasury Department.

In an interview, Trump Jr. said that World Liberty was being unfairly targeted, and that other financiers routinely accept similar investments.

"Because it's us, 'Oh, it's a problem,'" he said.

World Liberty has ties to other foreign companies, too. Its flagship stablecoin was developed with help from Binance, the world's largest crypto exchange, Bloomberg News previously reported. Binance's Zhao pleaded guilty in 2023 to federal charges over failing to run an appropriate anti-money laundering program for the platform. He stepped down from the firm and was sentenced to four months in prison. President Trump pardoned Zhao last year.

At Wednesday's event, Zhao hobnobbed with the other high-profile guests, and posted on social media that he "learned a lot" from the CFTC chairman's speech there.

"Who would have thought a year ago that this could have even happened?" Trump Jr. said of the conference. He added that attendees urged him to host the event annually, and found it preferable to the yearly World Economic Forum meeting in Davos, Switzerland.

"It's like Davos without the bureaucracy, without the nonsense," he said.

(Updates with additional details from conference in 24th paragraph, details on World Liberty projects in 26th paragraph.)

--With assistance from **Sridhar Natarajan** and **Todd Gillespie**.

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# US charges 3 companies, 15 people with cryptocurrency fraud

 [reuters.com/legal/us-charges-18-people-companies-cryptocurrency-fraud-2024-10-09](https://www.reuters.com/legal/us-charges-18-people-companies-cryptocurrency-fraud-2024-10-09)

Nate Raymond

October 9, 2024

Tokens representing cryptocurrencies bitcoin and ether plunge into water in this illustration taken May 17, 2022. REUTERS/Dado Ruvic//File Photo [Purchase Licensing Rights, opens new tab](#)

BOSTON, Oct 9 (Reuters) - Three cryptocurrency companies and 15 people have been charged with engaging in widespread fraud and market manipulation following an investigation in which the FBI for the first time directed the creation of a new digital token to help authorities ferret out crime.

Federal prosecutors in Boston charged the firms Gotbit, ZM Quant, CLS Global and the leaders and employees of those and other companies in a takedown that has led to four arrests, agreements by five people to plead guilty and the seizure of over \$25 million worth of cryptocurrency.

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Acting U.S. Attorney Joshua Levy said the defendants engaged in sham trades to artificially inflate the trading volume of various cryptocurrency tokens before selling them off, "leaving innocent investors holding the bag."

"This is a case where new age technology, crypto, meets an old school fraud, in this case a 'pump and dump' scheme, which is as old as the stock markets," Levy told reporters.

As part of the investigation, the FBI directed the creation of a cryptocurrency company, NexFundAI, which had a token on the Ethereum blockchain that prosecutors said ZM Quant, CLS Global and another company, MyTrade, agreed to help manipulate.

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Authorities said that token was traded but that they carefully monitored to minimize the risk retail investors might buy it before disabling trading. The U.S. Securities and Exchange Commission filed related civil cases as well.

Prosecutors said that Saitama, the largest of the companies involved, at one point had a market value of \$7.5 billion, after its leadership began manipulating trading of its tokens and secretly sold them.

Its chief executive, [Manpreet Kohli, opens new tab](#), was arrested on Monday in the United Kingdom. Five other current or former employees were also charged, and three have pleaded guilty.

Others [charged, opens new tab](#) were Aleksei Andriunin, CEO of Gotbit, a cryptocurrency "market maker" who lived in Russia and Portugal. He was arrested in Portugal on Tuesday. Two of his company's employees in Russia were also charged.

Prosecutors said that from 2018 to 2024, Gotbit engaged in "wash trading," a form of sham trading, and market manipulation on behalf of several cryptocurrency clients to help artificially inflate trading volume for their tokens.

Also charged were four other individuals who worked at cryptocurrency "market makers" that prosecutors said advertised market manipulation services to clients.

They are Liu Zhou, the founder of market maker MyTrade, who according to court papers has agreed to plead guilty; Riqui Liu of the United Kingdom and Hong Kong and Baijun Ou of Hong Kong, who both worked at ZM Quant; and Andrey Zhorzhes of the United Arab Emirates, an employee of CLS Global.

They could not be immediately reached for comment.

Others charged were Michael Thompson of Virginia, who worked at a cryptocurrency company called VZZN founded by a former Saitama employee, and Bradley Beatty of Florida, who prosecutors said fraudulently promoted his crypto company, Lillian Finance.

Reporting by Nate Raymond in Boston; Editing by Leslie Adler, David Gregorio and Richard Chang

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

Nate Raymond reports on the federal judiciary and litigation. He can be reached at [nate.raymond@thomsonreuters.com](mailto:nate.raymond@thomsonreuters.com).

# Used-car retailer Carvana shares tumble as vehicle reconditioning costs climb

 [reuters.com/business/online-used-car-retailer-carvana-shares-tumble-vehicle-reconditioning-costs-](https://www.reuters.com/business/online-used-car-retailer-carvana-shares-tumble-vehicle-reconditioning-costs-2026-02-19)  
2026-02-19

Johann Cherian, Nathan Gomes

February 19, 2026

Item 1 of 2 Carvana logo is seen in this illustration taken June 27, 2022.

REUTERS/Dado Ruvic/Illustration

**[1/2]**Carvana logo is seen in this illustration taken June 27, 2022. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights](#)  , [opens new tab](#)

Feb 19 (Reuters) - [Carvana's \(CVNA.N\)](#)  , [opens new tab](#) shares fell about 8% on Thursday as rising expenses to recondition vehicles and depreciation dented the online used-car retailer's fourth-quarter profit.

Persistent inflation and tariff-related price hikes of new cars in the U.S. have forced some buyers to either defer new-vehicle purchases, [downsize to lower trims](#) or opt for used vehicles.

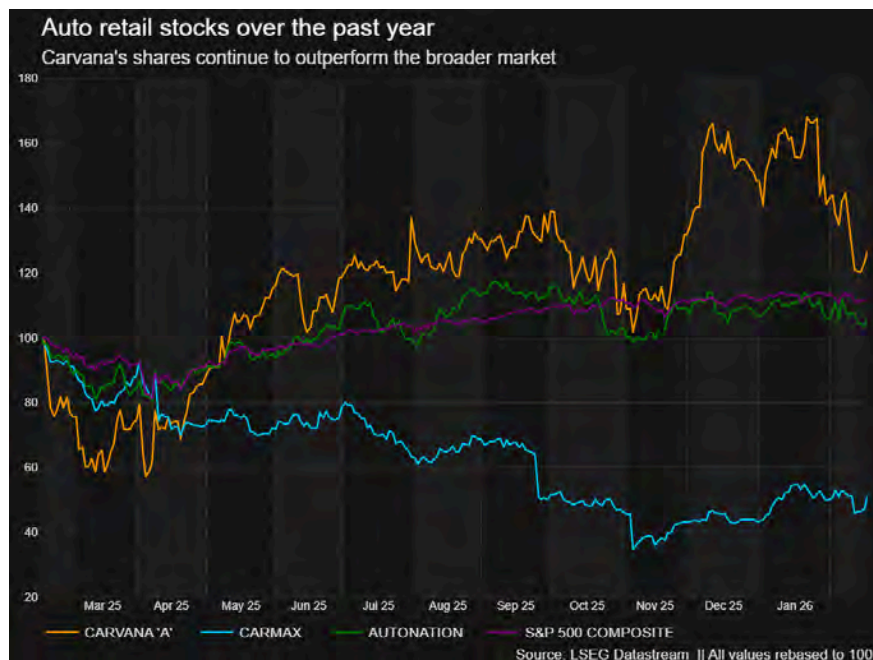
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While used-car sales have sustained, auto retailers are having to contend with the trickle-down effects of tariffs and inflation, which have driven up reconditioning costs and depreciation.

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At least four brokerages, including J.P. Morgan and RBC Capital Markets, cut their price targets on the stock after the results were announced post market hours on Wednesday.

Carvana said costs were squeezed by bigger-than-expected expenses tied to the inspection, repair and detailing of vehicles across several production sites during the quarter. Higher retail depreciation rates added further pressure on a per-unit basis, the company added.



Carvana's shares continue have largely outperformed the broader market over the past 12 months

The disappointing results come just months after the retailer, known for its towering vehicle vending machines, capped 2025 by joining Wall Street's benchmark S&P 500 index, having earlier shrugged off allegations from short sellers.

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Stephens analyst Jeff Lick called the share drop a potential opportunity for investors, adding that even modest disappointments could trigger sharp reactions in premium-valued stocks such as Carvana.

The stock has long been a favorite among retail investors, fueling several [meme stock rallies](#)  [, opens new tab](#) in recent years that have repeatedly wrong-footed hedge funds holding bearish positions in the company.

On Wednesday, the company rejected fresh allegations from short seller Gotham City Research that it overstated its 2023–2024 earnings by more than \$1 billion.

Short positions in Carvana remain elevated but have dropped slightly since the start of the year, with about 14.84 million shares sold short, representing roughly 10.7% of the company's free float as of February 17, according to data analytics firm Ortex.



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## Funko To Pay \$5.4M To Settle Del. Stockholder Suit

By Jarek Rutz

Law360 (February 19, 2026, 2:16 PM EST) -- Toy company Funko Inc. and a class of its public stockholders have agreed to a \$5.4 million settlement to resolve Delaware Chancery Court litigation accusing the company's private equity sponsors and top executives of exploiting its Up-C structure to siphon value from Class A shareholders.

**The proposed deal**, filed Wednesday, would settle all claims in the case, pending court approval, and in addition to the cash payment, the agreement provides for broad mutual releases.

"This stipulation is intended to fully, finally and forever release, resolve, remise, compromise, settle and discharge both the released plaintiff's claims and the released defendants' claims with prejudice," the parties said in the settlement filing.

Funko, headquartered in Everett, Washington, went public in 2017 using an umbrella partnership C corporation, or Up-C, structure. Under that framework, the company's operating assets remained in a limited liability company, Funko Acquisition Holdings LLC, while a newly formed corporation, Funko Inc., became the publicly traded parent. Public investors held Class A shares in the corporation while pre-initial public offering owners retained economic interests in the operating entity and voting rights through Class B shares.

In January 2021, a Class A stockholder sent a books and records demand, investigating what he described as a "double dip." The theory was that pre-IPO owners, including former CEO Brian Mariotti, Acon Investments and Fundamental Capital, received tax distributions directly from the operating LLC while the board did not pass along excess cash received by Funko Inc. to Class A stockholders. According to the complaint, when those pre-IPO owners exchanged their LLC units for Class A shares, they effectively benefited twice from the same distributions.

The litigation formally began in January 2022, with the filing of a class action complaint asserting breach of fiduciary duty claims against alleged controlling stockholders, directors and officers. The defendants moved to dismiss, but in December 2023, the Chancery denied the motions. Erik Lynch later replaced the original plaintiff and continued the case.

In May 2022, Funko completed a \$74 million recapitalization transaction. The company used the funds to repurchase 4,251,701 LLC units and implemented a reverse unit split, ultimately canceling approximately 1,034,000 units held by pre-IPO owners. Shortly thereafter, Acon exchanged 12,520,559 LLC units for Class A shares and sold them to The Chernin Group for \$21 per share, generating roughly \$263 million. The defendants said the recapitalization neutralized any alleged harm and no Class A stockholders were damaged.

After discovery, including the production of more than 26,000 documents, the parties engaged in mediation with Phillips ADR Enterprises mediator David M. Murphy. At an Oct. 21, 2025, session, Murphy recommended a \$5.4 million resolution of the remaining claims, subject to additional information about tax distributions received since May 2022.

Under the settlement, defendants will pay the \$5.4 million into an escrow account within 30 days of court approval of a scheduling order and receipt of wiring instructions. The fund, plus any interest, will be used to cover notice and administration costs, any court-approved attorney fees and expenses and then distributed pro rata to eligible Class A stockholders who held shares between Nov. 2, 2017, and Oct. 21, 2025.

Plaintiff's counsel intends to seek a fee award of up to 17.5% of the settlement amount, or roughly \$945,000, plus up to \$120,000 in litigation expenses, subject to court approval. Separately, the parties agreed that Funko or its insurers will pay \$3 million to resolve a previously denied interim fee application tied to the 2022 recapitalization.

The settlement is subject to approval by the Court of Chancery, which must certify a non-opt-out class and determine that the deal is fair, reasonable and adequate. The defendants continue to deny any wrongdoing, fault or liability and the stipulation states that nothing in the agreement constitutes an admission of liability.

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

Erik Lynch is represented by Joel Friedlander, Jeffrey M. Gorris and Christopher M. Foulds of Friedlander & Gorris PA, Randall J. Baron of Robbins Geller Rudman & Dowd LLP, Gladriel Shobe and Jarrod Shobe of Shobe & Shobe LLP and D. Seamus Kaskela of Kaskela Law LLC.

Funko Inc. and the individual defendants are represented by Kevin M. McDonough and Thomas J. Giblin of Latham & Warkins LLP and Raymond J. DiCamillo and John M. O'Toole of Richards Layton & Finger PA.

Acon Investments is represented by Michael K. Ross and Thomas E. Shakow of Aegis Law Group LLP and Jarrett W. Horowitz and Louis F. Masi of Connolly Gallagher LLP.

Fundamental Capital LLC is represented by Carla M. Wirtschafter, Brian M. Rostocki and Justin M. Forcier of Reed Smith LLP.

The case is Erik Lynch v. Brian Mariotti et al., case number 2022-0051, in the Delaware Chancery Court.

--Editing by Stephen Berg.



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## Investor Settlement Value Hit 3-Decade High In '25, Report Says

By **Jessica Corso**

Law360 (February 19, 2026, 12:01 AM EST) -- Public-company shareholders saw fewer cases settle last year, but many won more money than ever from the lawsuits that did settle, according to a report released Thursday by Cornerstone Research.

Securities class action settlements dropped by 16% year-over-year while the median settlement amount rose by 20%, driven by settlements in lawsuits against newly public companies or those offering new shares with claims brought strictly under the Securities Act of 1933, or '33 Act, according to the report.

"The median settlement amount reached the highest level since 1997, due in part to larger '33 Act only settlements," Cornerstone vice president and report co-author Laarni Bulan said in a statement shared with Law360.

While lawsuits claiming only '33 Act violations accounted for just 12% of all settlements in 2025, their median settlement amount more than tripled compared to 2024 to reach a nearly three-decade high of \$32.5 million last year.

Cornerstone Research began tracking securities class action lawsuits following the passage of the Private Securities Litigation Reform Act of 1995.

Another reason for the rising median settlement amounts may be the falling number of settlements related to special purpose acquisition companies, with Cornerstone reporting that only nine such cases settled last year compared to 17 the year prior. The research firm said that such cases typically settle for smaller amounts than non-SPAC cases.

Although the median settlement amount rose in 2025, the overall settlement amount shrank compared to 2024 when 88 cases settled for a total of \$3.8 billion. In 2025, 74 securities class actions settled for a total of \$3 billion, according to Cornerstone's report.

That may have been due to smaller settlement amounts in so-called mega cases, those that settle for \$100 million or more.

Though there were eight mega-settlements in 2025 compared to seven in 2024, the average settlement amount for those 2025 cases was \$200 million. That's a decrease of 33% compared to the year prior, when the average was \$298 million, according to Cornerstone.

Between 2016 and 2024, mega-settlement dollars accounted for 65% of all settlement amounts compared to just 53% last year, the data shows.

The report also found a drop-off in the amount of money recovered by investors in healthcare and financial services companies last year compared to years prior.

Those sectors had traditionally been the drivers of a large portion of total settlement dollars, but last year cases against those industries settled for a 10-year low, according to Cornerstone.

Over the past five years, the communication services and information technology sectors led the way in terms of settlement amounts, according to Thursday's report.



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# PayPal 'Too Optimistic' With 2027 Forecast, Investors Say

By **Sydney Price**

Law360 (February 18, 2026, 9:39 PM EST) -- PayPal was hit with a shareholder's proposed class action accusing it and its executives of damaging investors by walking back positive guidance and a strong growth trajectory for its branded checkout segment earlier this month.

According to the suit investor Aaron B. Goodman filed on Tuesday, PayPal told investors that it was confident about growth acceleration in its branded checkout segment, which allows consumers to pay online merchants using its PayPal or Venmo platforms, without any reasonable basis for its optimistic targets.

For several months, PayPal dismissed concerns of competition in the payments sector, touted significant "market leadership" in Germany, and repeatedly affirmed PayPal was "laser-focused" on execution, the complaint claims.

But the suit alleges PayPal's lofty goals for the segment "required both an unrealistically stable consumer landscape and strong execution with clear direction from PayPal and its management."

The suit's proposed class period begins Feb. 25, 2025, the day PayPal executives said during the company's investor day that PayPal is "raising the bar on branded checkout," and that it has an "end-to-end plan to accelerate growth."

For the next several months, PayPal updated investors that it was seeing progress on its goals. In July 2025, for example, PayPal announced that it delivered its sixth-consecutive quarter of profitable growth "despite the macro uncertainty," driven in part by branded experiences.

The suit alleges that the truth emerged earlier this month when PayPal posted its fourth-quarter and full-year 2025 financial results, telling investors that "execution has not been where it needs to be, particularly in branded checkout."

PayPal withdrew its 2027 financial targets and announced projections that suggested a slowdown against the previous targets, the suit states.

"While part of this can be attributed to macro factors and a K-shaped economy, it's also clear that we need to do more to win with key merchants, particularly during high-volume shopping periods," the company told investors, according to the complaint.

On the same day, PayPal announced the departure of its CEO James Alexander Chriss. Chriss, along with interim CEO Jamie S. Miller and executive vice presidents Diego Scotti and Frank Keller, are also defendants in the shareholder suit.

"In retrospect, it arguably appears Defendant Chriss needed these growth initiatives and, in particular, the growth of Branded Checkout to meet expectations in order to maintain his position at the Company," the complaint states.

Following the announcements, shares of PayPal declined \$10.63, or about 20%, to close \$41.70 each on Feb. 3, 2026, according to the complaint.

The suit accuses PayPal and the individual defendants of acting with scienter, or actual knowledge of

wrongdoing or reckless disregard, and violating the Exchange Act.

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

Goodman is represented by Adam M. Apton of Levi & Korsinsky LLP.

Counsel information for PayPal and the individual defendants was not immediately available on Wednesday.

The case is Goodman v. PayPal Holdings Inc. et al., case number 3:26-cv-01381, in the U.S. District Court for the Northern District of California.

--Editing by Emily Kokoll.

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## 4th Circ. Rejects Under Armour's Coverage Rehearing Request

By **Katryna Perera**

Law360 (February 18, 2026, 10:01 PM EST) -- The Fourth Circuit on Wednesday rejected Under Armour's request to reconsider a recent ruling that capped its coverage for a securities class action, government investigations and derivative matters at \$100 million.

The appeals court **issued an order** stating no judge requested a poll on the sportswear company's petition for a rehearing en banc.

Under Armour **asked** for a full court rehearing earlier this month, saying a Fourth Circuit panel overlooked the significance of an endorsement that settled a dispute over when certain claims were made.

According to Under Armour, the panel rendered meaningless the endorsement that was added to its 2019 policy, which deemed claims stemming from the government investigations to have been made during the 2017-2018 policy period.

A three-judge panel **concluded** in January that government investigations into Under Armour's accounting practices are "logically or causally related" to a securities class action over the sportswear company's public statements about its financial condition, and thus constitute a single claim under its 2016-2017 tower of directors and officers policies.

Because the claims are related, the panel held Under Armour's coverage is capped at \$100 million and that the company cannot tap into an additional \$100 million under its 2017-2018 tower of D&O coverage.

According to court filings, Under Armour shareholder Brian Breece filed the securities action against the company and its executives in February 2017. The U.S. Securities and Exchange Commission began looking into the company later that year, and in 2019, the U.S. Department of Justice opened an investigation into the company's sales practices.

The company's insurers covered the securities action and certain derivative demands under the 2016-2017 policy period, but denied Under Armour's request for coverage under the 2017-2018 policy for the government investigations and subsequent derivative matters, according to court filings.

Under Armour's primary carrier, Endurance American Insurance Co., filed the present action in September 2022, with the excess carriers, including AIG unit National Union Fire Insurance Co. and Hartford unit Navigators Insurance Co., joining later.

Endurance and Under Armour eventually resolved their dispute, but the excess carriers **maintained** that the securities action, government investigations and subsequent derivative matters all constituted one claim under the 2016-2017 policy.

U.S. District Judge Richard D. Bennett sided with Under Armour in March 2024, finding the legal claims and investigations were separate claims that implicated coverage under both towers.

Judges A. Marvin Quattlebaum Jr., Toby J. Heytens and Nicole G. Berner sat on the panel for the Fourth Circuit.

Under Armour is represented by Michael T. Sharkey, Jonathan G. Hardin and Molly A. Olds of Perkins Coie LLP.

The insurers are represented by attorneys from Wiley Rein LLP, DLA Piper, Werner Ahari Mangel LLP, Azrael Franz Schwab Lipowitz & Solter LLC, Kaufman Borgeest & Ryan LLP, Walker Murphy & Nelson LLP, Ropers Majeski PC, Kennedys CMK, Bailey Cavalieri LLC and Peabody & Arnold LLP.

The case is Navigators Insurance Co. et al. v. Under Armour Inc., case number 25-1068, in the U.S. Court of Appeals for the Fourth Circuit.

--Additional reporting by Hope Patti. Editing by Lakshna Mehta.

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# Levi & Korsinsky To Lead Novo Nordisk Investor Class Action

By **Carla Baranauckas**

Law360 (February 18, 2026, 4:08 PM EST) -- Levi & Korsinsky LLP has been appointed lead counsel in a proposed securities class action accusing Novo Nordisk A/S of misleading investors about its 2025 revenue outlook, after a New Jersey federal judge approved the firm's selection by the investor with the largest financial stake in the case.

U.S. Magistrate Judge J. Brendan Day signed off Tuesday on the firm's appointment after naming investor Ahmed Hashim as lead plaintiff. Hashim bought 25,000 Novo shares and claims more than \$326,000 in losses tied to the alleged corrective disclosure.

"Hashim has the 'largest financial interest' in the suit," Judge Day wrote in his order. "He purchased the most shares during the class period, expended the most money and suffered the most economic harm."

Three investors — IAM Motor City Pension Fund, Roman Ivanov and Hashim — sought appointment as lead plaintiff. After reviewing their trading records, Judge Day concluded that Hashim's financial interest far exceeded the others, with the pension fund alleging roughly \$52,000 in losses and Ivanov about \$140,000.

The court also found that Hashim made a prima facie showing of typicality and adequacy under Rule 23 of the Federal Rules of Civil Procedure, noting there was "no information before the court that gives cause for concern that Hashim has interests antagonistic or uncommon to the class." Because neither competing movant challenged his adequacy, the statutory presumption in his favor remained intact.

Judge Day further approved Hashim's choice of Levi & Korsinsky as lead counsel, citing the firm's extensive securities litigation experience and finding that the retainer agreement appeared to be the product of "meaningful arms-length bargaining." The court noted it has previously appointed the firm in similar Private Securities Litigation Reform Act cases.

The proposed class action, **filed** in August 2025 by Eric Barta, alleged that Novo Nordisk A/S and management-board executives Maziar Mike Doustdar, Lars Fruergaard Jørgensen, Karsten Munk Knudsen and David S. Moore artificially inflated the company's stock earlier in 2025 by overstating the market potential for its semaglutide drugs Ozempic and Wegovy and Novo's ability to capture patients moving off compounded GLP-1 alternatives.

Barta claimed Novo played down the continued availability of compounded versions and overstated its growth prospects, only to cut its sales and profit outlook in late July, triggering a 21.83% drop, from \$69 to \$53.94 per share. Barta sought to represent investors who bought Novo stock between May 7 and July 28, alleging securities violations and seeking damages, interest and fees.

Hashim has 45 days to file an amended complaint, after which Novo and the individual defendants will have 45 days to respond.

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

Ahmed Hashim and Eric Barta are represented by Adam M. Apton, Gregory M. Potrepka and Shannon L. Hopkins of Levi & Korsinsky LLP.

IAM Motor City Pension Fund is represented by Esther Eva Berezofsky of Motley Rice New Jersey LLC.

Novo Nordisk A/S, Maziar Mike Doustdar, Lars Fruergaard Jørgensen, Karsten Munk Knudsen and David S. Moore are represented by Audra Jan Soloway, Andrew G. Gordon and Daniel S. Sinnreich of Paul Weiss Rifkind Wharton & Garrison LLP and Samuel Isaac Portnoy of FBT Gibbons LLP.

The case is Barta v. Novo Nordisk A/S et al., case number 3:25-cv-14045, in U.S. District Court for the District of New Jersey.

--Additional reporting by George Woolston. Editing by Linda Voorhis.

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## Mylan Investors Ink \$60M Deal In Quality Control Suit

By **Matthew Santoni**

Law360 (February 19, 2026, 11:31 AM EST) -- Investors in the former Mylan NV have reached a \$60 million settlement with the company over claims the drugmaker manipulated quality control measures at a West Virginia facility and lied to shareholders, the investors told a federal court.

According to a Wednesday brief seeking preliminary approval, the investors, led by the Public Employees' Retirement System of Mississippi, reached the settlement with Mylan — now known as Viatrix Inc. — and several executives following a December mediation session.

"Considering the foregoing risks as well as the time and expense of continued litigation, the \$60 million settlement provides a favorable result for the settlement class and represents a meaningful percentage of the settlement class's potential recoverable damages, as estimated by lead plaintiff's damages expert," said the investors' brief.

The investors asked the Western Pennsylvania federal court for preliminary approval of the deal and certification of the settlement class so they could begin notifying hundreds or thousands of potential class members.

Investors had filed suit against the drugmaker in late 2020, claiming that company stock plummeted 50% after allegations surfaced that Mylan had manipulated quality controls at its former facility in West Virginia, which company executives and spokespeople allegedly misled investors about.

U.S. District Judge Nicholas Ranjan trimmed most of the suit in 2023, paring it down to a single actionable claim: a statement a Mylan spokesperson made in a 2019 news article that "at any point in time," any allegations of employees bypassing the quality control systems that were in place in Mylan's plants were untrue.

The investors noted the court's cuts in their brief Wednesday and recognized the potential for further narrowing that made settlement now a better option.

"Lead plaintiff faced risks that the court might narrow or eliminate the 'scheme' claim, including on the ground that the alleged scheme was not communicated to the market," the brief said. "Further, lead plaintiff would also face challenges in proving the falsity of the January 2019 alleged misstatement and in proving scienter — i.e., that defendants knowingly or recklessly deceived investors."

In July, Judge Ranjan **denied** Mylan's motion for judgment on the pleadings.

The lead counsel from Bernstein Litowitz Berger & Grossmann LLP and Kessler Topaz Meltzer & Check LLP would apply for no more than 25% of the settlement fund in fees, the brief said.

The investors are represented by Katherine M. Sinderson and Salvatore J. Graziano of Bernstein Litowitz Berger & Grossmann LLP, and Andrew L. Zivitz, David A. Bocian, Nathaniel C. Simon, and Jennifer L. Joost of Kessler Topaz Meltzer & Check LLP.

Mylan and its executives are represented by Gregory L. Watts, Sheryl Shapiro Bassin and Evan L. Seite of Wilson Sonsini Goodrich & Rosati PC.

-- Additional reporting by Katryna Perera and Sydney Price.

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## NY Judge Trims Umbilical Cord Blood Co. Investor Suit

By **Katryna Perera**

Law360 (February 18, 2026, 8:22 PM EST) -- A New York federal judge has trimmed a securities class action accusing Global Cord Blood Corp. and others of orchestrating and trying to cover up a scheme in which hundreds of millions of dollars were transferred from Global Cord's cash reserves to its former parent company's founder and other businesses.

U.S. District Judge P. Kevin Castel issued an **opinion and order** Tuesday partially granting and denying five different dismissal motions brought by the various defendants in the case — Global Cord CEO Ting Zheng, its Chief Financial Officer Albert Chen, Directors Mark Da-Jian Chen and Jennifer Weng, Global Cord parent company Golden Meditech Holdings Ltd. and its CEO Yuen Kam, and Cellenkos Inc.

The suit accuses the defendants of engaging in a yearslong scheme to illegally transfer hundreds of millions of dollars from Global Cord's cash reserves to Kam and Meditech, and that, to hide the transfers, the defendants announced a sham acquisition of Cellenkos, a small medical-research startup. Global Cord processes and stores umbilical cord blood for expectant parents in China for potential use in medical treatments, according to the order.

The Cellenkos deal never went through, according to the order, but it was supposed to include \$664 million in cash consideration "for an allegedly worthless product technology."

The order stated that from 2015 through 2022, hundreds of millions of dollars in cash were transferred to Kam and Meditech through Meditech's various subsidiaries. The transfers were revealed to the public when a majority shareholder of Global Cord initiated litigation in the Cayman Islands to block the Cellenkos acquisition, according to the order.

On Tuesday, Judge Castel found that the suit does not allege with particularity that Weng or Mark Chen furthered the fraudulent scheme or that they had a motive to commit deceptive or manipulative acts. The judge also dismissed the control person liability claims against Mark Chen, Weng and Meditech.

Judge Castel also dismissed the suit's scheme liability claim against Cellenkos, finding that the startup was more of an aider or abettor in the scheme than a primary violator.

However, the judge declined to toss the scheme liability claim against Meditech, finding the suit adequately alleges the company's role in the scheme and its motive.

"Plaintiffs adequately allege that Meditech had the motive and opportunity to defraud in order to continue to conceal that hundreds of millions of dollars had been transferred to it by Global Cord through its subsidiaries," the order stated.

Finally, Judge Castel concluded that the court can exercise personal jurisdiction over Kam, Meditech, Mark Chen, Albert Chen and Zheng.

For Kam, the judge noted that he signed two of Global Cord's filings with the U.S. Securities and Exchange Commission, which the judge said qualifies as "aimed conduct expressly to the United States," that is related to the suit's scheme liability claim.

The judge also found that the court has personal jurisdiction over Meditech based on the company's alter ego relationship with non-party GM Precision Medicine (BVI) Ltd., which was supposed to receive 12.4 million ordinary shares of Global Cord and \$664 million in cash consideration as part of the scheme.

As for Mark Chen, the order stated that the director was physically present in the United States with the goal of advancing an alleged sham acquisition of Cellenkos in order to hide the fraudulent transfer of funds from Global Cord to Kam and Meditech.

"Drawing every reasonable inference in favor of the plaintiffs as non-movants, they have plausibly alleged that by being physically present in the United States for the purpose of advancing the Cellenkos transaction at a shareholder meeting, Mark Chen expressly aimed suit-related conduct to the United States, sufficient to make out a prima facie case for the exercise of personal jurisdiction over him," the order states.

Judge Castel also rejected Zheng and Albert Chen's arguments that the exercise of personal jurisdiction would be "unreasonable."

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

The plaintiffs are represented by Robert V. Prongay, Garth Spencer, Christopher Fallon and Gregory B. Linkh of Glancy Prongay Wolke & Rotter LLP.

Mark Da-Jian Chen and Jennifer J. Weng are represented by David Hille, Ladan F. Stewart, Robert Tiedemann and Susan Grace of White & Case LLP.

Ting Zheng and Albert Chen are represented by Nidhi "Nina" Yadava and Jacob Miller of Jones Day.

Yuen Kam is represented by Michael D. Birnbaum of Morrison Foerster LLP.

Meditech is represented by Jay Y. Mandel, Steven W. Perlstein and Robin J. Baik of Kobre & Kim LLP.

Cellenkos is represented by Michael J. Biles and John T. Goodwin of King & Spalding LLP, and Stephanie Resnick of Fox Rothschild LLP.

The case is In re: Global Cord Blood Corporation Securities Litigation, case number 1:24-cv-03071, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.



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## Securities Group Of The Year: Labaton Keller

By **Emilie Ruscoe**

Law360 (February 18, 2026, 4:03 PM EST) -- Labaton Keller Sucharow LLP was named one of the **2025 Law360 Securities Groups of the Year** after it finalized a \$200 million shareholder settlement with Uber, along with settlements on behalf of investors in Walmart, Discovery Inc. and Olaplex Holdings Inc., capping a year of victories that was also marked by tragedy when its chairman Christopher Keller died of cancer at age 54.



The recent accomplishments of Labaton Keller's securities group include **finalizing a \$200 million settlement** with ride-hailing giant Uber. The deal ended investor claims that, in the run-up to Uber's 2019 secondary public offering, its leadership touted its efforts to reform its culture, workplace practices and reputation, allegedly concealing certain risks it faced in the form of government probes, slowing growth and sexual assault allegations against members of its workforce.

Labaton Keller general counsel and partner **Michael P. Canty** described the Uber case as an outstanding settlement and hard-fought victory, crediting his fellow partner and **2025 Law360 Securities MVP** Alfred L. Fatale III for the team's success.

Labaton Keller has said the outcome it secured in the Uber case resulted in part from developing a detailed record, based in part on internal documents and whistleblower testimony, that supported an inference that the company's executives knew or should have known that the company was mischaracterizing the risks to its business from revelations about its culture.

Canty told Law360 that Labaton Keller's successes reflect its "outstanding" management team, which includes managing partner Jonathan Gardner and Eric Belfi — the firm's successor as chairman — and their approach to litigation management.

According to Canty, that approach begins with strong client relationships.

"We have clients that trust us, so that when they know there's been a failure of the markets and they've been defrauded, they know they're going to get best-in-class service from Labaton if they decide to use us to bring the case on behalf of the class," Canty said.

Another key aspect of the firm's case management is its commitment to developing cases thoroughly through investigation on the front end, Canty said, touting the work of Labaton Keller's Chief Investigative Officer Amy Greenbaum and her team.

Beyond those early factors, Canty said, the firm's achievements reflect its persistence and its leadership's long view of the future, both of which have guided its work building on Christopher Keller's legacy in the months since his **death** in April.

"One thing about our leadership is that we are very collaborative, and we see [a] kind of long, long-range vision on where the markets are going, and where the firm should go, so that we were able to make that transition," Canty told Law360.

He called Keller "irreplaceable," echoing comments his colleagues made when the firm announced his death from cancer.

"Chris was a leader in the legal profession and an exceptional advocate," Gardner said at the time. "He was principled, creative and fearless — a trailblazing lawyer who cared deeply about his clients and colleagues. His contributions to the pursuit of justice will be felt for generations."

Keller, who became **chairman** in 2019 and **name partner** in January 2024, led Labaton Keller through part of the period the securities group is recognized for, including in October 2024, when its securities attorneys helped investors in Discovery Inc. finalize a **\$125 million deal** ending claims over the company's merger with AT&T.

Days after the Discovery settlement, Labaton Keller saw another success in Delaware's Court of Chancery when it was among the firms that helped investors and executives of retailer Walmart reach a **\$123 million deal** to end derivative claims over the company's opioid prescription oversight practices.

Other Labaton Keller victories include finalizing a **\$126.3 million settlement** with bankrupt oil and gas company Alta Mesa Resources Inc. in May over shareholder claims stemming from the valuations of a 2017 merger. The firm also helped investors in August reach, and later finalize, a **\$47.5 settlement** with hair care brand Olaplex Holdings Inc. over allegations that the company failed to disclose European regulatory changes with implications for its formulations.

Other recent securities successes involving Labaton Keller's team include the **\$45 million settlement** in May of investor claims in Chancery court against Clayton Dubilier & Rice LLC over its \$5.8 billion deal to acquire Cornerstone Building Brands and take the company private, and the **\$60 million settlement** in California federal court in November 2024 of investor claims that software company Okta downplayed the effects of a 2022 cyberattack.

Canty told Law360 that such successes are "embedded in the DNA of the firm."

"We really put all of our efforts into making sure that we protect the interests of shareholders," he said.

--Additional reporting by Bonnie Eslinger, Daniela Porat, Sarah Jarvis, Emma Cueto, Sam Reisman, Anna Sanders, Jeff Montgomery, Sydney Price and Katryna Perera. Editing by Adam LoBelia.



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# Coinbase Ruling Outlines Litigation Committee Conflict Risks

By **Joel Fleming** (February 18, 2026, 4:07 PM EST)

The special litigation committee, or SLC, is a powerful tool in the derivative defendant's arsenal. Even a conflicted board can take control of the litigation asset by appointing a subset of directors to an SLC, which is charged with investigating and making a recommendation on whether to proceed with the claim, settle it or terminate the action.

Under Delaware law, the court applies the two-step framework of the Delaware Supreme Court's 1981 decision in *Zapata Corp. v. Maldonado* to evaluate an SLC's recommendation to terminate or settle.

First, the court asks whether the SLC has carried its burden of proving independence, good faith and a reasonable investigation. Second, if the court finds that the SLC has carried its burden, the court may use its own business judgment to determine whether the claim should nonetheless go forward.



Joel Fleming

Between 2003 and 2021, there was not a single written opinion by the Delaware Court of Chancery granting an SLC's motion to dismiss. But SLCs are now routinely being formed, including in some of the strongest derivative cases, and they are regularly moving to terminate.[1]

In reviewing those motions, the Court of Chancery has largely focused on Step 1 and has generally proved deferential to SLCs' recommendations. The Court of Chancery had not rejected an SLC's motion to terminate or settle since 2015.

That changed last month.

In *Grabski v. Andreessen*, or *Coinbase*, Chancellor Kathaleen St. J. McCormick on Jan. 30 **denied** an SLC's motion to terminate a derivative action alleging insider trading claims — also known as Brophy claims, named after the Court of Chancery's 1949 decision in *Brophy v. Cities Services Co.* — against members of the Coinbase Global Inc. board, including Marc Andreessen, the prominent venture capitalist and principal of Andreessen Horowitz LLC.

The Court of Chancery found that there were material factual disputes regarding the independence of one of the SLC's two members, Gokul Rajaram, who had made at least 50 co-investments with Andreessen Horowitz in the last six years.

The court's opinion also raised concerns about the independence of the SLC's counsel, Wilson Sonsini Goodrich & Rosati PC. Because the court found that there were material disputes about Rajaram's independence, it did not expressly decide the plaintiff's challenges to Wilson Sonsini's independence, but did offer the pointed observation that it should be "undoubtedly uncontroversial" that Wilson Sonsini's decision to continue "advising Andreessen Horowitz on multiple transactions while advising the SLC on its investigation into Andreessen Horowitz's sizeable trades was suboptimal."

It is no secret that lawyers who represent stockholder plaintiffs are often skeptical of SLCs. But, when SLCs work well, everyone — stockholders, defendants and the court alike — can benefit from their work.

The Court of Chancery's decision in *Coinbase* is an opportunity for everyone to learn how to improve

that process and maximize those benefits. Below, I offer a plaintiff-side practitioner's perspective on some of the key takeaways.

## **Background**

Coinbase **went public** in the spring of 2021 through a direct listing. In connection with the direct listing, Andreessen Horowitz sold over \$118 million worth of stock. In total, Coinbase directors and officers and affiliated entities sold approximately \$2.9 billion of stock.

One month later, Coinbase announced disappointing earnings and a capital raise, and the stock price plummeted. The plaintiff alleged that Andreessen and the other directors breached their fiduciary duties by selling on the basis of material, nonpublic information.

After the court denied the defendants' motion to dismiss pursuant to Court of Chancery Rule 23.1, Coinbase formed a two-member SLC. The SLC interviewed seven potential law firms before retaining Wilson Sonsini.

The SLC and its counsel conducted a 10-month investigation. At the conclusion of the investigation, the SLC and its counsel issued a comprehensive 332-page report, concluding that the claims lacked merit, and moved to terminate the litigation.

After several more months of Zapata discovery, Chancellor McCormick denied the SLC's motion under the first step, which meant that she did not need to reach the merits of the SLC's recommendation. The plaintiff will now take back control of the case.

## **Key Issues**

### ***Affiliate Versus Individual Distinction***

The SLC argued that Rajaram's ties to Andreessen Horowitz were irrelevant because the complaint named Marc Andreessen — the person — as a defendant, not Andreessen Horowitz the fund.

The court rejected this distinction, holding that "it was Andreessen Horowitz that made and benefited from the Challenged Trades, allegedly based on Andreessen's MNPI. The SLC provides no legal basis for ignoring that fact; logic demands that the court consider it."

While the court did not spell this out, the reasoning would seem to apply with equal force to SLC counsel: A law firm likely cannot insulate itself from independence concerns by drawing hypertechnical distinctions between an individual defendant and the entity through which that defendant acted.

### ***Concurrent and Past Representation of Investigation Targets***

During the retention process, Wilson Sonsini's conflicts check identified open matters involving entities affiliated with the defendants, including "providing general fund advice for Andreessen Horowitz." The firm disclosed this to the SLC, but, according to the court's opinion, "Wilson Sonsini did not view the open representations of Defendants' affiliates — even those affiliates involved in the Challenged Trades — as conflicts barring representation of the SLC." [2]

During the SLC's 10-month investigation, Wilson Sonsini went on to represent Andreessen Horowitz in at least 10 financing transactions raising over \$700 million. The court's opinion does not specify whether the firm provided updated conflict disclosures to the SLC about these new matters, but the court did note that the specific lawyers "advising the SLC did not receive incremental updates on the new financing transactions on which the firm advised Andreessen Horowitz," which seems to suggest that no one told the SLC either.

## **Practical Pointers for SLC Members**

There are a couple of key lessons for directors who have been asked to join an SLC.

***Try to consider your own conflicts objectively.***

In Coinbase, the court was careful to emphasize that "[n]o one — not Plaintiff and thus not the court — questions Rajaram's good faith. But the thick ties between him and the subject of the SLC's investigation are sufficient to raise material disputes regarding his independence."

As the court recognized, Rajaram testified that he felt independent and believed he could sue Andreessen Horowitz without hesitation if the facts justified it. There is every reason to believe that Rajaram meant what he said.

But, in the end, as the court wrote, "the question is not whether Rajaram believes that he is independent or even whether he stated so under oath." The inquiry is an objective one.

### ***Choose counsel carefully.***

As the Delaware Supreme Court observed in its 1997 decision in Kahn v. Tremont Corp., directors' choice of advisers is often one of the most important decisions they will make in conflict — or other complicated — scenarios: "Professional advisers have the ability to influence directors who are anxious to make the right decision but who are often in terra cognito." [3]

Unsurprisingly, courts scrutinize the process of adviser selection — and the conflicts of those advisers — closely.

In its July 2025 ruling **granting** an SLC's motion to terminate derivative claims against Blackstone Inc. and other defendants in *In re: Bumble Inc. Stockholder Derivative Litigation*, the Court of Chancery took "solace in the fact that" the SLC was advised by

Williams & Connolly [LLP,] ... a well-known firm with a strong tradition of independence and no transactional practice. I think that if there's anything that might raise a question in a Blackstone-involved company, it would be an eagerness to get a piece of that wonderful repeat player Blackstone M&A business. Williams & Connolly isn't in that game. [4]

Read together, the Bumble and Coinbase decisions suggest that SLCs would be well advised to prioritize litigation-only firms when compiling a list of potential counsel.

If an SLC does decide to retain a law firm with a significant transactional practice, SLC members should require the firm to provide a careful analysis of potential conflicts, and may also wish to seek a commitment that the firm will agree not to take work from any investigation targets or their affiliates for the duration of the litigation.

### **Practical Pointers for SLC Counsel**

Coinbase also offers useful insights for practitioners.

### ***Evaluate SLC member independence proactively.***

SLCs are unusual clients because one of the first things that SLC counsel must do is vet the SLC members themselves to determine whether they are sufficiently independent to serve. [5] When the vetting process fails, the entire investigation can be jeopardized.

In Coinbase, the extensive ties between Rajaram and Andreessen Horowitz — including 50 co-investments, hundreds of emails during the investigation and Andreessen's involvement in critical career milestones for Rajaram — were readily discoverable and should have prompted an early revision to the SLC's composition to avoid the risk of failing a Zapata review.

Unfortunately, this is not the first time that committee conflicts have caused an expensive SLC investigation to go to waste.

In 2020, for example, an SLC formed by the board of Expedia Group Inc. conducted a 10-month investigation and recommended that all claims should be dismissed. In the course of Zapata discovery in *In re: Expedia Group Stockholders Litigation*, however, the plaintiffs discovered that "during the course of the investigation, [an SLC member] had been performing services for Expedia

and also had been in ongoing discussions with Expedia about management-level positions with the company."

This fact was not disclosed in the SLC's report. Unsurprisingly, "[s]ettlement discussions ensued at that point," according to the Court of Chancery, which saved the SLC from what would likely have been a denial of its motion.[6]

### ***Treat affiliates as principals for conflict purposes.***

When a defendant's trades were executed through an affiliated entity, that entity should be treated as a party for purposes of the conflict analysis. Formal corporate separateness will not insulate SLC members or their counsel from independence challenges.

### ***Avoid concurrent representations of investigation targets.***

A law firm continuing to advise an investigation target on unrelated transactions during an SLC engagement may create an appearance of a conflict of interest that courts will find, at best, suboptimal. As the Court of Chancery **noted** in its May 2023 ruling in *In re: Facebook Inc. Derivative Litigation*, "mak[ing] a decision to sue a current client" is a highly fraught enterprise as "that is quite close to a nonconsentable conflict under Rule 1.7(b)(3)."[7]

The safer course for law firms is to decline SLC representations that would require the firm to investigate current clients or their affiliates.

### **Conclusion**

The Court of Chancery has long followed the so-called Delaware Way: a culture of civility and understatement. The court is typically reluctant to criticize lawyers, absent extreme facts such as those in *Chen v. Howard-Anderson*, known as the Occam Networks litigation, where the court in 2014 was sharply critical and ordered depositions of litigation counsel who had withheld important projections in discovery and falsely stated that none existed.[8]

But the court knows that lawyers are human. And in *Bandera Master Fund LP v. Boardwalk Pipeline Partners LP*, the Court of Chancery in September 2024 expressly rejected the idea that "no one should ever consider that an attorney at a big firm might engage in motivated reasoning or otherwise act improperly." To the contrary, the court recognized that "[b]ig firm lawyers are subject to the same pressures and cognitive biases as other humans, and perhaps especially so." [9]

Consistent with the Delaware Way, Chancellor McCormick's observation that Wilson Sonsini's approach in Coinbase "was suboptimal" is restrained. Similarly, the court went out of its way to acknowledge that no one questioned Rajaram's subjective good faith.

Yet the message is still unmistakable: The independence of SLC counsel matters just as much as the independence of committee members, and both are measured by an objective standard. SLC members must think carefully about conflicts when selecting counsel, and law firms seeking to advise SLCs should rigorously analyze their own conflicts, as well as those of their clients, before moving forward with the representation.

This type of early analysis of conflicts may require some additional cost and work up front. But the benefits of a more defensible SLC process are worth it.

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*Joel Fleming is a partner at Equity Litigation Group LLP.*

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[1] For a more extensive historical overview, see Joel Fleming, Mark Richardson, "Zapata Drift": A Proposal for Improving Trust in the Special Litigation Committee Process, 49 Del. J. Corp. L. 207,

215-227 (2025).

[2] Wilson Sonsini had previously represented Andreessen personally, including in connection with the Netscape IPO. Although the firm's conflict report reflected "no open matters" for Andreessen at the time of its retention by the SLC, historical relationships of this magnitude — particularly those involving landmark career moments for a defendant — may also result in heightened scrutiny by the court.

[3] *Kahn v. Tremont Corp.*, 694 A.2d 422, 429 (Del. 1997).

[4] *In re: Bumble Inc. S'holder Deriv. Litig.*, C.A. No. 2023-0130-JTL (Del. Ch. July 8, 2025) (Transcript) at 19.

[5] Coinbase relied heavily on the Court of Chancery's 2003 decision in *Oracle*. There, the court made clear that SLCs are supposed to investigate their own independence from the defendants as part of the process. *In re: Oracle Corp. Derivative Litig.*, 824 A.2d 917, 946 (Del. Ch. 2003) ("An inquiry into Ellison's connections with Stanford should have been conducted before the SLC was finally formed and, at the very least, should have been undertaken in connection with the Report.").

[6] *In re: Expedia Group S'holders Litig.*, C.A. No. 2019-0494 (Del. Ch. Jan. 19, 2022) (Transcript) at 35-36.

[7] *In re: Facebook Inc. Deriv. Litig.*, C.A. No. 2018-0307-JTL (Del. Ch. May 10, 2023) (Transcript) at 35. Counsel may also need to consider other, less-common sources of potential conflicts that may arise, such as those addressed by Rule 1.12(a) of the Delaware Lawyers' Rules of Professional Conduct, which proscribes a lawyer from "represent[ing] anyone in connection with a matter in which the lawyer participated personally and substantially as a judge or other adjudicative officer or law clerk to such a person." See, e.g., *In re: Trados Inc. S'holders Litig.*, 2016 WL 98715 (Del. Ch. Jan. 5, 2016).

[8] *Chen v. Howard-Anderson ("Occam Networks")*, C.A. No. 5878-VCL (Del. Ch. Sept. 4, 2014) (Transcript).

[9] *Bandera Master Fund LP v. Boardwalk Pipeline Partners LP*, 2024 WL 4115729, at \*22 (Del. Ch. Sept. 9, 2024), *aff'd in part, rev'd in part and remanded*, 2025 WL 3537343 (Del. Dec. 10, 2025), *clarified on denial of reargument*, 2026 WL 145878 (Del. Jan. 20, 2026).



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## Epstein Survivor Seeks Class Cert. In BofA 'Blind Eye' Suit

By **Emilie Ruscoe**

Law360 (February 18, 2026, 9:47 PM EST) -- A survivor of Jeffrey Epstein's sex-trafficking operation who is suing Bank of America for allegedly facilitating the disgraced financier's crimes seeks certification of a class of potentially over 1,000 victims of the enterprise and has asked the court to appoint two firms as lead counsel.

In a Tuesday filing in federal court in Manhattan, the Jane Doe plaintiff asked U.S. District Judge Jed S. Rakoff to certify her proposed class of all those who were sexually abused or trafficked by Epstein or his associates during times when Bank of America NA provided financial services to him, his co-conspirators and entities tied to him.

In support of her claims, the plaintiff referenced a July statement by the U.S. Department of Justice saying that over 1,000 people were harmed by Epstein. That approximate survivor count far surpasses the numerosity requirement for class actions in the Federal Rules of Civil Procedure, Doe said in her Tuesday motion.

"Numerosity is also clear from the unfortunate fact that, two weeks ago, the DOJ unintentionally released hundreds of victims' names through its release of documents pursuant to the Epstein Files Transparency Act," the plaintiff added.

Doe also sought lead counsel appointment for her legal team, which includes lawyers from Boies Schiller Flexner LLP and Edwards Henderson PLLC.

"Proposed class counsel have substantial experience handling class actions, complex litigation, banking matters, matters involving trafficking and abuse, and, more specifically, cases related to Epstein's sex-trafficking venture," she said, noting that collectively, her attorneys have represented over 250 survivors of the scheme in other matters since 2008.

In the latest version of the suit, which was filed in January, Doe claimed "Epstein's sex trafficking could not have happened at the scope, scale, and duration it did without the assistance and facilitation of powerful individuals and institutions, including [Bank of America] and its major client Leon Black."

Doe alleged that between 2003 and 2019, Bank of America facilitated financial transactions totaling over \$170 million "by, to, or on behalf of Epstein, his entities, agents, and co-conspirators."

Judge Rakoff denied Bank of America's bid to dismiss a claim that the bank had been a knowing beneficiary in a sex-trafficking venture in violation of the federal Trafficking Victims Protection Act.

The judge also said the bank couldn't escape a claim that it had obstructed enforcement of the Trafficking Victims Protection Act.

The same dismissal ruling tossed parallel claims against Bank of New York Mellon Corp.

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

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

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

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

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

--Additional reporting by Jon Hill, Gina Kim, Katryna Perera, Hailey Konnath, Elliot Weld and Stewart Bishop. Editing by Kristen Becker.

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## Binance.US, Crypto Data Site Beat Antitrust Suit Again

By **Emilie Ruscoe**

Law360 (February 18, 2026, 10:03 PM EST) -- Binance.US and a digital asset market data website have again beaten proposed class action claims they suppressed a cryptocurrency's value by misstating its ranking in violation of federal antitrust law and commodities regulation, though the investor who brought the suit has a chance to revise the claims.

In a Tuesday order in Arizona federal court, U.S. District Judge Susan M. Brnovich dismissed investor Ryan Cox's claims against ranking website CoinMarketCap OpCo. LLC and BAM Trading Services Inc., which does business as Binance.US and operates the Binance.US cryptocurrency exchange.

Judge Brnovich said Tuesday that Cox hadn't shown in his suit how his trades in HEX, the cryptocurrency at the heart of the suit, constituted participation in a commodity pool as required to state a claim under the federal Commodities Exchange Act.

"To start, the amended complaint only alleges that HEX is a commodity, not a commodity pool," the judge said, adding that she had "struggled to map" the definition of a commodity pool onto the cryptocurrency on the basis of the suit's explanation.

Without showing the digital asset is a commodity pool, the judge said, Cox hadn't shown he has a private right of action to bring claims under the Commodities Exchange Act.

Because the investor didn't show he had that standing, the judge said, she didn't need to analyze whether the investor adequately pled the claims he brought under the act for manipulation and strict liability.

The suit, which was most recently revised in July, accuses Binance.US and CoinMarketCap of colluding to assign an "artificially low ranking" to HEX, which Cox asserts is a direct competitor to Binance's token, BNB.

"Though HEX was the best performing cryptocurrency of 2020, CoinMarketCap.com locked HEX's ranking at #201 sometime that year and has refused to adjust it on the basis of HEX's performance as related to other cryptocurrencies ever since," the amended complaint states. This in turn "caused HEX to trade at lower prices than it would have had the ranking not been locked," it adds.

Judge Brnovich tossed an earlier version of the suit with prejudice in February 2023, but the Ninth Circuit **revived it** in August 2024. The case comes back to the district court after the U.S. Supreme Court **declined to hear** Binance.US' petition last July.

In her latest ruling, Judge Brnovich found that Cox's allegations were "too attenuated to support an [Arizona Consumer Fraud Act] claim" in part because Cox never traded HEX with, or through, the ranking website.

Judge Brnovich also tossed Cox's claims brought under monopolization provisions of the Sherman Act.

For one thing, she said, the complaint doesn't make clear how Binance.US allegedly monopolized the market for cryptocurrency ranking and information services.

And assuming the complaint showed that the ranking site had monopoly power, she said, Cox didn't show how the ranking site maintained that monopoly power through anticompetitive conduct.

"Plaintiff does not offer any tenable explanation as to how [CoinMarketCap's] ranking of HEX broadly precluded competitors from being able to rank or provide information about cryptocurrencies generally," Judge Brnovich said.

Judge Brnovich gave Cox 30 days to amend his claims.

An earlier version of the suit named Binance Capital Management Co. Ltd., which acquired CoinMarketCap in 2020. It also named Binance's former CEO Changpeng Zhao and former Chief Growth Officer Ted Lin and current Binance CEO Yi He. In reviving Cox's lawsuit against Binance.US and CoinMarketCap, the Ninth Circuit also tweaked the lower court's dismissal order against these other parties and said claims should be dismissed without prejudice.

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

Ryan Cox is represented by Alexander Kolodin of the Kolodin Law Group PLLC and Matthew W. Schmidt of Schmidt Law Corp.

Binance.US, which is also known as BAM Trading Services Inc., is represented by Michael J. Gleason and Jeffrey A. Brauer of Hahn Loeser & Parks LLP.

CoinMarketCap OpCo LLC is represented by Benjamin M. Stoll of Carlton Fields and Andrea S. Tazioli of NCP Law PLLC.

The case is Cox v. CoinMarketCap OpCo LLC et al., case number 3:21-cv-08197, in the U.S. District Court for the District of Arizona.

--Additional reporting by David Minsky and Sarah Jarvis. Editing by Kristen Becker.

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## 'Flawed' Ruling Let SEC Hide Breach Records, DC Circ. Told

By **Sarah Jarvis**

Law360 (February 18, 2026, 8:41 PM EST) -- The New Civil Liberties Alliance has told the D.C. Circuit that the U.S. Securities and Exchange Commission should have to turn over documents related to an internal information breach, arguing a lower court improperly allowed the agency to exempt documents from a Freedom of Information Act request.

In a **brief filed Tuesday**, the NCLA urged the appellate court to reverse a district court decision granting summary judgment to the SEC, arguing the lower court ignored the agency's contradictions in allowing it to keep records hidden.

"Affirming the district court's demonstrably flawed and legally erroneous ruling would be the final blow shattering any and all pretensions to government transparency and accountability," the NCLA argued. "This court, in the exercise of its duty to umpire the government's obligations under FOIA, should not be a player in this complete shutout."

NCLA President Mark Chenoweth said in a statement Wednesday that the SEC's "double standard here is breathtaking."

"Imagine what SEC's reaction would be to a company that had an internal control deficiency and then tried to whitewash its wrongdoing by hiring a favored vendor to help 'investigate' the problem but never disclose publicly what happened," Chenoweth said. "Something is rotten, and the DC Circuit should let FOIA help NCLA get to the bottom of it."

The SEC declined to comment Wednesday.

The NCLA — a group dedicated to rolling back administrative power — filed suit after attempting to obtain documents tied to a 2022 SEC **investigation** into an internal breach that allowed some of its enforcement staff to improperly access adjudicatory materials for cases being litigated in the agency's in-house court system.

In August, U.S. District Judge Carl Nichols **granted** the SEC's bid for summary judgment, ruling the attorney work-product doctrine is sufficient justification for the commission's decision to withhold 1,855 documents from the Freedom of Information Act request. The NCLA subsequently **asked** the D.C. Circuit to review the lower court's decision.

In its Tuesday brief, the NCLA said its FOIA request was for documents showing "how the 'control deficiency' occurred, who the culpable actors were, who the impacted parties were, and what has been done about it since."

The NCLA alleged the SEC hired favored vendors to investigate the matter, then revealed the "misconduct" occurred in more cases than initially reported and dismissed 42 open administrative proceedings impacted by what the agency called a "control deficiency."

The group also accused the SEC of ignoring or thwarting congressional oversight on the matter, adding the agency said it never checked to see if the control deficiency impacted any closed or settled cases.

The SEC has improperly withheld documents and evaded questions on whether it searched for certain

records in the NCLA's FOIA request, according to Tuesday's brief.

The NCLA argued the district court turned a blind eye to apparent contradictions in the SEC's declarations on the FOIA request and allowed the agency to withhold certain documents "under specious claims of deliberative process, work product, or personal privacy."

"None of these exemptions properly applied, and the agency's claims of foreseeable harm from release were unsupported by anything other than speculation and the agency's naked confession that the public might be outraged if it knew what government actors were responsible for the malfeasance that led to the dismissal of dozens of presumably meritorious SEC administrative proceedings," the NCLA alleged.

Peggy Little, senior litigation counsel with the NCLA, said in a statement Wednesday that the SEC has "defied disclosure" at every turn, "preferring to abandon 42 enforcement actions, dissemble to Congress, sidestep its [inspector general] reporting obligations, and game FOIA through delay and non-compliance."

"The circuit should call foul," Little said.

The NCLA is represented by Nathaniel Lindzen of the Law Office of Nathaniel Lindzen and Matthew Hardin of the Hardin Law Office.

The SEC is represented in-house by Mary A. Verdi.

The case is New Civil Liberties Alliance v. SEC, case number 25-5383, in the U.S. Court of Appeals for the District of Columbia Circuit.

--Additional reporting by Jessica Corso. Editing by Lakshna Mehta.

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# Robinhood Clears Fla. AG Probe Of Crypto Platform Marketing

By **Jon Hill**

Law360 (February 18, 2026, 10:08 PM EST) -- Robinhood Markets Inc. told investors on Wednesday that Florida's attorney general has closed an investigation into the marketing practices of its crypto trading arm, ending a probe that had scrutinized whether the company misled customers about trading costs.

In its latest 10-K securities filing, California-based Robinhood said it was notified in December of the investigation's closure. Florida Attorney General James Uthmeier had **launched the probe** in July, linking it to potential Florida consumer protection violations.

Robinhood Crypto has advertised its trading as the "lowest cost on average," but Uthmeier questioned whether this promotional claim — and other, similar representations — were deceptive, pointing to the platform's payment-for-order-flow business model.

There is evidence this model, in which outside market-makers pay to have customer trades routed to them, leads Robinhood Crypto to be more expensive than competing platforms that offer "all-in" trade pricing, Uthmeier said when the investigation was announced.

Robinhood said at the time that it was cooperating with the probe. It was one of multiple investigations that the digital brokerage has faced in recent years as state and national authorities have looked into its marketing, trade reporting, order handling and more.

In Wednesday's filing, Robinhood disclosed another one of those matters was also recently concluded without further public action — namely, a Financial Industry Regulatory Authority investigation into certain subsidiaries' best-execution compliance. Robinhood said it learned in December of the closure of this probe, which dated back to at least 2023.

--Editing by Alanna Weissman.

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# Social Media Cos. Can't Nix Experts In Schools' Health Trial

By **Bonnie Eslinger**

Law360 (February 18, 2026, 7:30 PM EST) -- The California federal judge overseeing multidistrict litigation claiming social media harms kids' mental health denied bids by Meta, TikTok, Google and SnapChat to block six experts' testimony on the alleged disruption and costs to school districts from a June bellwether trial over a Kentucky school district's claims.

U.S. District Judge Yvonne Gonzalez Rogers on Tuesday denied the request to exclude the plaintiffs experts, but in several instances she said the social media companies could use their cross-examination to address their concerns, saying some issues were about "weight, not admissibility."

For example, an expert in market research, Robert Klein, did a survey to measure the time middle school and high school teachers from the plaintiff districts say they've lost from teaching due to students' social media use.

The social media companies did not challenge Klein's qualifications but objected to his use of the term social media generally instead of asking questions specific to each social media platform. The judge said the surveys do name each defendant's platforms but then adds the words "e.g.," and "etc." The defendants argued that those added words invited the survey respondents to consider other social media platforms.

The judge said the companies "offer no reason why Klein's choice of phrasing" made the surveys unreliable as a matter of law, or why the jury couldn't evaluate the merits of their objections.

The social media companies' argument that the survey is not relevant can be addressed during cross-examination, the judge noted.

The defendants also objected to Klein asking survey respondents to recall how many minutes they spent dealing with social media years before is unreliable. The judge said retrospective surveys are acceptable.

Judge Gonzalez Rogers also rejected the defendants' argument that Klein's survey was not representative because only a fraction of the districts' teachers responded.

The judge also signed off on economist Bryce Ward, who was assigned to calculate the amount of money districts wasted at school while staff addressed issues caused by social media.

"Contrary to defendants' position, none of the school districts are barred under state law from recovering for their employees' lost and diverted time," she said.

She also rejected the companies' request to exclude the testimony of forensic accountant Jeffrey Meyers, tasked with calculating each school district's "out-of-pocket costs" attributable to the alleged improper actions of the social media companies.

"Meyers' opinions regarding the districts' costs due to student social media use are relevant to that theory and so are admissible," the judge said. "Defendants' objections go to weight, not admissibility."

The fourth expert the companies sought to chop was Sharon Hoover, a licensed psychologist and co-

director of the National Center for School Mental Health, who will testify on the impact of student social media use on school environments, student mental health and what's needed in a district plan to prevent and mitigate the negative impact of student social media use.

Again, the companies said Hoover's opinions were based on "social media" in general but not their specific platforms and were also based on third-party content "e.g. online threats, embarrassing photos, notifications" as causes of harm.

Plaintiffs are proceeding on their theory that the "defendants' negligent design of their platforms arguably results in disruption and costs to the school districts," Judge Gonzalez Rogers said. "Hoover's opinions speak directly to this theory."

The fifth expert spared is Douglas Leslie, the former Director of the Center for Applied Studies in Health Economics at the Penn State College of Medicine, since his opinion is directed at costing out Hoover's strategic plan.

The sixth expert, Brian Osborne, holds an EdD in administration, planning and social policy from the Harvard Graduate School of Education, and has 25 years of experience in public education, including as a teacher and superintendent of schools.

The defendants argued that Osborne should be excluded because his conclusions that social media negatively affects the mental health of youth and that the platforms are made to hold their attention, are outside his expertise as a former school administrator.

While Judge Gonzalez Rogers denied the request, she said some portions of Osborne's report "do stray from his expertise." For one, she said, the expert could not opine on issues of law.

"Osborne's report repeatedly describes education as a 'public right'," the judge noted. "It is not clear what he means but his claim appears to conflict with controlling precedent."

Osborne also states in his report that students "fear being recorded, mocked, or turned into a meme," but Judge Gonzalez Rogers said he is not a psychologist.

"Because he is not able to testify to those students' motivations, such statements could not be offered as testimony, she said.

The MDL includes claims by personal injury plaintiffs, school districts, attorneys general and Native American tribes, generally claiming that social media companies designed their platforms with addictive features to the detriment of minors' health and livelihoods, forcing schools and local governments to spend their limited resources combating the mental health crises the plaintiffs blame on the platforms.

During a **Feb. 11 hearing** on the MDL, Judge Gonzalez Rogers told the school district and defendants to file briefs on punitive damages, and she noted that if she allows the school district to pursue the punitive damages it seeks, **the first bellwether trial** will be bifurcated into two phases, with the first trial phase determining liability and the second, much shorter trial phase determining the amount of punitive damages owed.

The judge also said she plans to hold a trial starting Aug. 5 over claims brought under the Children's Online Privacy Protection Rule Act by a coalition of 29 state attorneys general against Meta Platforms Inc. On Tuesday, Meta filed a notice with the court stating it is withdrawing its demand for a jury trial.

In parallel state litigation, the first bellwether jury trial proceeding before Los Angeles County Superior Court Judge Carolyn B. Kuhl is in progress. The closely watched trial is expected to feature live courtroom testimony from **Meta CEO** Mark Zuckerberg and Instagram head Adam Mosseri.

Representatives for the defendants did not immediately respond Wednesday to requests for comment about the court's decision on the experts. The plaintiffs' counsel for the school districts provided a statement.

"Social media companies knowingly designed their platforms to addict students, disrupting

classrooms, straining school budgets, and diverting teachers and support staff from their educational mission. Today's ruling clears the way for school districts to present critical expert analysis detailing that far-reaching damage," the lawyers said in their joint statement.

The states are represented by Megan O'Neill of the California Department of Justice and Krista Batchelder of the Colorado Department of Law, among others.

The personal injury plaintiffs and school district plaintiffs are represented by Lexi J. Hazam of Lieff Cabraser Heimann & Bernstein LLP, Previn Warren of Motley Rice LLC, Michael M. Weinkowitz of Levin Sedran & Berman LLP and Melissa L. Yeates of Kessler Topaz Meltzer & Check LLP.

The Meta defendants are represented by James P. Rouhandeh and Antonio J. Perez-Marques of Davis Polk & Wardwell LLP, and Ashley M. Simonsen, Paul W. Schmidt and Phyllis A. Jones of Covington & Burling LLP.

The TikTok Inc. defendants are represented by Geoffrey M. Drake, TaCara D. Harris, David P. Mattern and Bailey J. Langner of King & Spalding LLP.

Google LLC and YouTube are represented by Joseph G. Petrosinelli, Ashley W. Hardin and J. Andrew Keyes of Williams & Connolly LLP.

Snap Inc. is represented by Allison Brown, Jessica Davidson and John J. Nolan of Kirkland & Ellis LLP, and Jonathan H. Blavin and Victoria A. Degtyareva of Munger Tolles & Olson LLP.

The federal bellwether case is Breathitt County School District by and through the Breathitt County Board of Education v. Meta Platforms Inc. et al., case number 4:23-cv-01804, and the MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, both in the U.S. District Court for the Northern District of California.

--Additional reporting by Dorothy Atkins, Hailey Konnath and Craig Clough. Editing by Kristen Becker.

## Zuckerberg Testifies That Social Media Doesn't Harm Teens

By **Craig Clough**

Law360 (February 18, 2026, 10:55 PM EST) -- Meta Platforms CEO Mark Zuckerberg took the stand Wednesday in a landmark California bellwether trial on claims his company and Google's YouTube harm children's mental health, saying the current scientific literature shows no causal link between social media and teens' mental health.



Meta Platforms CEO Mark Zuckerberg, seen Wednesday in Los Angeles, testified that he and his company considered multiple viewpoints when weighing whether to allow beauty filters on **Instagram**. His testimony came during a trial to determine whether social media harms children's mental health. (AP Photo/Ryan Sun)

Zuckerberg, Meta's founder and one of the world's wealthiest people, has testified before Congress about potential harms caused by his company's Facebook and Instagram platforms. But his appearance in a Los Angeles superior courtroom Wednesday marks the first time he's appeared before a jury considering the damage his company could be doing to young people.

Mark Lanier of The Lanier Firm, who represents plaintiff Kaley G.M. in the bellwether case, suggested numerous times that Zuckerberg had been untruthful when he testified before Congress about the possibility of social media harms. Lanier showed Zuckerberg internal Meta documents that he argued prove the company has known for years that kids are being harmed by Instagram.

Zuckerberg pushed back on that contention, saying that the various documents represent only a single

study, a single opinion, or competing opinions he sorted through when making decisions about minors' use of Instagram. A 2019 report by 18 mental health experts who urged Instagram not to allow beauty filters showed that the experts were "concerned" there might be an issue, but did not present data that would justify "restricting people's expression," Zuckerberg said.

Zuckerberg agreed that he'd testified before Congress that there is no causal link between young people using social media and worse mental health outcomes, and he said he still feels that way.

"That is my understanding of the summary of scientific literature," he said. "And organizations like the National Academy of Sciences have done very extensive work to look at all of the different studies out there, and this is my understanding of the conclusion that they've done."

His testimony came after the jury heard testimony from **Anna Lembke**, a professor of psychiatry and addiction medicine at the Stanford University's Addiction Medicine Dual Diagnosis Clinic, who said social media addiction is real and harmful to children.

Instagram CEO **Adam Mosseri** also testified previously and said that he does not believe social media addiction in a clinical sense is real.

While the trial is focused on a single plaintiff's claims, the outcome of the consolidated cases poses billions of dollars in risk for Meta and Google.

Zuckerberg, dressed in a dark suit, spent the entire day on the stand in the downtown Los Angeles courtroom, which was packed with media and spectators while dozens more waited outside hoping a seat would open up for them.

When questioning Zuckerberg about beauty filters on Instagram, which can alter a person's appearance in photos, Lanier pointed to a 2019 company email in which Zuckerberg said beauty filters could remain on the platform so long as they didn't actively promote cosmetic surgery.

Lanier asked Zuckerberg about the feedback the company received from 18 experts in 2019 who encouraged the company not to allow beauty filters, with some of them citing the risk of body dysmorphia.

"Y'all went to beauty filters and the 18 experts all came in to say that beauty filters as a feature cause harm to teenage girls," Lanier said. "Did you look at that?"

"I saw that feedback and discussed it when we were working through that set of decisions," Zuckerberg replied.

"And did you write off those 18 experts that were so preeminent in the field that y'all hired them to give their assessment?" Lanier asked.

Zuckerberg said he did not write them off, but instead temporarily banned beauty filters from Instagram while the company studied the issue before deciding to allow filters created by third parties as long as they did not advertise or mimic plastic surgery.

He added that the company also considered the opinions of the Instagram community and experts on "free expression" when crafting the policy.

Lanier asked if it's true he told company executives it would be "paternalistic" to ban the filters outright.

"I don't remember it specifically, but it sounds like something I would say, and it is what I feel," Zuckerberg said. "But I think oftentimes telling people that they can't express themselves in ways like that, it feels a little bit important to allow people to have that kind of expression if they want it."

"Even if 18 experts, 18 out of 18, say that it damages the mental health of teenage girls?" Lanier asked.

"That's why we took a bunch of the steps that we did," Zuckerberg said. "And there are also experts in the free expression of other things who disagree with the evaluation of those experts."

Consistent with many of his public appearances, Zuckerberg maintained a fairly even temperament on the stand and showed little emotion as Lanier questioned him in a boisterous, folksy manner he's exhibited

during much of the trial.

Lanier also asked Zuckerberg over the various coaching he gets about his public appearances, and showed him internal documents where he was encouraged not to be "cheesy" or "robotic" and to instead act "human."

When asked if he's received "extensive" media training, Zuckerberg got one of his few laughs from the audience when he said he has, adding, "I think I'm actually sort of well-known to be bad at this."

At one point, Lanier challenged Zuckerberg on a 2015 email where he told executives that a big goal for the year was "time spent increase by 12%" and a message from the year prior where he said time spent on the platform is "the most concerning" metric for the company.

When challenged with these messages, Zuckerberg said he previously focused on time spent on the platform but that the company no longer does. He also asserted that his testimony to Congress — during which he said he does not give his team goals to increase user time on Instagram — was true when he said it in 2021, but that in years past the company did have those specific goals.

After these assertions, Lanier pulled up the 2022 self-assessment of Instagram CEO Mosseri, which said his "primary" goal is to increase "time and sharing" on Instagram, "particularly with teens," and that he wanted to pass TikTok in the metric. He had also boasted in his assessment that time spent on the platform had increased.

Zuckerberg insisted that it is not a "goal" to increase time spent on the platform, but that it is a metric the company must sometimes use to compare itself to its competitors.

"Let's put your theory to the test," Lanier said as he pivoted the focus to an internal Meta document from 2022 shared among top company executives that listed certain "milestones" for the coming years, which included increasing the average daily time for a user on the site from 40 minutes up to 46 minutes in 2026.

"Do you think it's possible that the milestones are there because the goal is to get there?" Lanier said.

Zuckerberg answered that despite the language, it is not a company goal, just a metric they must sometimes measure, and the "goal" is to deliver a valuable product.

"I think about this is that if we do good work, then this is something that we would expect to see," Zuckerberg said.

Lanier also spent a significant amount of time challenging Zuckerberg's statement to Congress that Instagram doesn't allow kids under 13 on the platform. Lanier showed him an internal company document that suggested up to 30% of all children under 13 are on Instagram.

Zuckerberg acknowledged the company is aware kids under 13 are on the platform, but that it strives to keep them off and deletes those accounts when they are discovered. He also said the company has updated its policies several times to try and create a better age verification process.

Lanier finished his direct examination by unveiling a fairly dramatic exhibit — a roughly 40-foot long banner featuring hundreds of posts from Kaley's Instagram account. The banner required at least four attorneys to hold up and spanned nearly the entire width of the courtroom.

Lanier asked Zuckerberg if he'd analyzed Kaley's Instagram usage to find out if there "had been harm to her."

Zuckerberg said he has examined some aspects of her usage but not as much as the experts and team handling the trial.

Under questions from Paul W. Schmidt of Covington & Burling LLP, who represents Meta, Zuckerberg said many of the different opinions and studies the jury has seen is a result of the culture at Meta where expressing various opinions is encouraged. But he said he prefers this approach even though "it can be a little chaotic because you have all these people sharing different perspectives."

Zuckerberg also denied the company targets teens and says they represent about 1% of Instagram's

revenue.

He also insisted the "milestone" 2022 document does not represent the company having a goal to increase time spent on the platform by users, but a "gut check" among top executives to ask, "Is this tracking in the way that we want?"

Pretrial rulings by Superior Court Judge Carolyn B. Kuhl reduced the litigation to claims that the platforms' features are addictive, and not the actual third-party media posted to the platforms. The companies are facing failure-to-warn claims, alongside negligence and concealment allegations.

Kaley G.M. is now 20 years old, but alleges a social media addiction in her youth caused her to suffer mental health problems. TikTok and Snap were also named as defendants in her case and many others, but she recently settled with them, although the settlement did not resolve other consolidated personal injury cases in the Judicial Council Coordination Proceedings pending before Judge Kuhl.

An attorney for Google told jurors during **opening arguments** that Kaley isn't actually addicted to YouTube, noting that she uses the platform an average of 29 minutes a day.

A juror who was sick Tuesday and caused the trial to be **delayed** did not return Wednesday and was replaced by an alternate.

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, Andrew Stanner and Michael Imbroscio of Covington & Burling LLP.

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

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

--Editing by Michael Watanabe.