

Robbins Geller nabs \$10 million in Waste Management securities fraud suit | Secondary Sources | National

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2026 SECDBRF 0787

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By Conor O'Brien, Esq.

(February 20, 2026) - A federal judge has awarded [Robbins Geller Rudman & Dowd LLP](#) \$9 million in attorney fees, which is 30% of a settlement that resolved securities fraud allegations against Waste Management and three executives, plus nearly \$1 million in litigation expenses.

[In re Waste Management Securities Litigation, No. 22-cv-4838, 2026 WL 440646 \(S.D.N.Y. Feb. 17, 2026\)](#).

U.S. District Judge Lorna G. Schofield of the Southern District of New York issued an order Feb. 17 awarding more than the 25% "baseline" for attorney fees in similar cases. She said as lead counsel for the class of WM investors, Robbins Geller spent "significant time and labor" addressing the case's complexities, which included the defendants' "persistent opposition and assertions of privilege over critical communications between the company and the U.S. Department of Justice concerning antitrust review."

The class-action lawsuit alleged in part that the defendants made misrepresentations leading up to WM's 2020 acquisition of Advanced Disposal Services Inc. and concealed that the Justice Department's approval of the deal would require significant divestments.

The case, which shareholders filed in 2022, survived a motion to dismiss in March 2024. The defendants dismissed their appeal of the ruling as part of the settlement, which Judge Schofield approved in December.

By Conor O'Brien, Esq.

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Article: Investor class certified in suit over Waste Management acquisition [2025 SECDBRF 1255](#)

Date: April 2, 2025

A New York federal judge has certified a class of Waste Management Inc. investors in a securities fraud lawsuit involving the company's \$4.6 billion acquisition of Advanced Disposal Services Inc. in 2020.

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Guidance on guidance claims featured in securities litigation

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Virginia Milstead, Mark Foster

February 19, 2026

People with briefcases come out of a boardroom, in Berlin, Germany, July 29, 2020. REUTERS/Axel Schmidt/File Photo [Purchase Licensing Rights, opens new tab](#)

February 19, 2026 - When a public company's stock price declines significantly, securities class action litigation may follow. One common trigger for such lawsuits is a company missing or lowering its financial guidance. Recent studies show that guidance claims are on the rise, with at least one in four securities claims predicated, in part, on allegations related to a shortfall of prior expectations.

Given the frequency of these claims, it is useful for public companies to be aware of the types of claims that may be asserted and to consider, in consultation with their advisors, general practices that may help address litigation risk associated with so-called guidance claims. This article is intended to provide a high-level overview of the legal landscape and does not prescribe any particular approach or establish a standard of care.

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Background on financial guidance

Many public companies choose to issue some form of financial guidance, which may include revenue or earnings-per-share (EPS) projections for upcoming periods. Some companies also provide operational targets or key performance metrics relevant to their business or industry.

While securities laws do not require companies to provide guidance, some companies elect to do so to communicate management's expectations regarding future performance. Because guidance is inherently forward-looking, actual results may differ from projections for a variety of reasons.

Legal principles governing guidance claims

Securities litigation often involves allegations made with the benefit of hindsight. Guidance statements, by their nature, are subject to later scrutiny. Courts evaluating these claims apply a well-established legal framework.

To prevail on a guidance claim, plaintiffs generally must show that the guidance was false or misleading when issued. This typically requires a showing that the guidance was not genuinely believed, lacked a reasonable basis, or was issued despite knowledge of undisclosed facts that seriously undermined its accuracy.

Courts have recognized that demonstrating a lack of genuine belief is a high bar, as beliefs are subjective and difficult to disprove without contemporaneous evidence. Plaintiffs may also attempt to show that there was no reasonable basis for the guidance or that management disregarded contrary undisclosed facts or trends.

The Private Securities Litigation Reform Act (PSLRA) provides a "Safe Harbor" for forward-looking statements, including financial guidance. Under the Safe Harbor, forward-looking statements are generally not actionable if they are identified as such and accompanied by meaningful cautionary statements specifying important factors that could cause actual results to differ materially.

Additionally, claims based on forward-looking statements are barred unless plaintiffs can show that the speaker had actual knowledge that the statement was false. There are certain exceptions in which the Safe Harbor does not apply, such as when forward looking statements are included in a registration statement for an initial public offering. In addition to the Safe Harbor, the judicially created "bespeaks caution doctrine" is another that protects companies from fraud liability when their forward-looking statements are accompanied by sufficient, specific cautionary language.

The doctrine is premised on the idea that investors cannot reasonably rely on overly optimistic forecasts if they are provided with sufficient cautionary language. The bespeaks caution doctrine can be useful with respect to statements that do not fully meet all of the Safe Harbor's requirements.

These legal standards can present significant challenges for plaintiffs. However, the persistence of guidance-based claims reflects the complexities involved in applying these standards in practice.

What guidance claims look like

Guidance claims often arise after a company misses or lowers previously issued guidance, sometimes due to unforeseen developments. The underlying causes may include operational challenges, competitive pressures, product-related issues, regulatory actions, merger-integration difficulties, supply-chain disruptions,

macroeconomic factors, or other unexpected events. Plaintiffs' lawyers may allege, with the benefit of hindsight, that executives knew or should have known about these issues at the time guidance was issued.

To support their claims, plaintiffs may seek statements from former employees or other sources, sometimes presented as "confidential witnesses," whose perspectives may be negative or inconsistent with public statements. These accounts are often presented in litigation as conflicting with the company's prior disclosures.

General considerations for mitigating guidance claim risk

There is no single approach or process that is required or appropriate for all companies or industries when preparing or issuing guidance. Companies may, in consultation with their advisors, consider whether to adopt practices that are tailored to their specific circumstances, business, and risk profile.

Courts have, in some cases, considered the existence of a robust process for preparing guidance as a relevant factor in evaluating claims, but there is no prescribed or universally applicable process.

Some companies may find it useful to document the methodologies, assumptions, and rationale underlying their guidance, and to clearly distinguish between different scenarios or versions of guidance (such as internal targets versus public guidance). Marking drafts and tracking the individuals involved in the process may also be considered, depending on the company's practices and needs.

Guidance is ultimately a matter of judgment, even when based on rigorous analysis. Courts have recognized that framing guidance and related commentary as opinions — using language such as "we believe," "we expect," or "we anticipate" — can underscore the subjective and forward-looking nature of such statements. Identifying key assumptions and risks within the forward-looking context may also be considered as part of a company's disclosure practices.

Consistent use of forward-looking language and clear identification of risk factors may help maximize the protections of the Safe Harbor. Companies may also consider, in consultation with counsel, how to approach unscripted communications, such as responses to analyst questions, to avoid unvetted or overly optimistic statements.

Reporting missed guidance or downward revisions

Developments leading to a guidance miss or revision may occur late in a reporting period and may not be known until after the period closes. In such cases, companies often address the issue in connection with the next regularly scheduled earnings release. Courts have generally held that there is no legal duty to update guidance, though there may be circumstances where a company determines, based on its specific facts and in consultation with counsel, that an update is appropriate.

When announcing a guidance miss, some companies choose to disclose the reasons for the miss and reference previously disclosed risks. Companies may also consider, in consultation with their advisors, how to communicate about missed guidance, including whether to avoid language that could be misconstrued as an admission of wrongdoing.

Conclusion

Guidance-based securities claims are frequently asserted, but prevailing on such claims can be challenging for plaintiffs under the applicable legal standards. While no process can eliminate the risk of litigation following a guidance miss, companies may, in consultation with their advisors, consider practices that are appropriate for their circumstances.

This article is intended for general informational purposes only and does not constitute legal advice or a recommendation as to any particular approach. Companies facing questions about guidance or related disclosures should consult with experienced counsel to address their specific situation.

The opinions expressed in this article are those of the authors and do not necessarily reflect the views of Skadden or its clients.

Virginia Milstead is a regular contributing columnist on securities law and litigation for Reuters Legal News and Westlaw Today.

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The Brief – Top News of the Day From Bloomberg Law

Argument Preview

Blue Bell Trial Is Landmark Test for Corporate Liability (1)

Feb. 20, 2026, 7:00 AM PST; Updated: Feb. 22, 2026, 2:44 PM PST

A Delaware trial over the potential liability of corporate leaders in a fatal listeria outbreak will be the first to test the limits of oversight claims, creating a new dimension in the DExit debate.

Marchand v. Barnhill already produced a landmark 2019 Delaware Supreme Court ruling that made it easier for oversight claims to survive a motion to dismiss. Now the Delaware Chancery Court will hear a five-day trial starting Tuesday. The lawsuit stems from an outbreak a decade ago that killed three consumers of Blue Bell Creameries ice cream.

It could give the Chancery Court an edge over its competitors in Nevada and Texas—“assuming the decision is company- and board-friendly,” said Mayer Brown LLP partner Frank Favia. If a post-trial opinion is shareholder-friendly “and makes directors’ and corporations’ jobs more difficult, it could have the opposite effect.”

The oversight claims against Blue Bell are named for the 1996 *In re Caremark Int’l Inc. Derivative Litig.* ruling, which established that directors must make a good faith effort to implement and oversee systems to monitor company operations. But directors are only liable for sustained or systematic failures in oversight.

The *Caremark* ruling “set the bar for liability so high—utter and complete failure” that no one expected a board “would get caught in the trap,” said Charles Elson, a retired University of Delaware law professor. “Then *Marchand* appeared.”

Elson serves on Blue Bell’s board and a special litigation committee that investigated the outbreak. He declined to discuss the case’s specifics.

The Case So Far

If the Blue Bell trial does lead to liability for its board and officers, that likely reflects “a storm-of-the-century scenario” based on “absolutely horrendous conduct,” said Ann Lipton, a law professor at the University of Colorado Boulder.

A shareholder argues Blue Bell's officers breached their fiduciary duties by failing to conduct safe operations and disregarding the contamination risk, while the board breached their duties by not implementing an oversight system for food safety and regulatory compliance. The company contends the plaintiff can't prove their claims.

The outbreak resulted in federal criminal charges against ex-CEO Paul Kruse, who pleaded guilty to a misdemeanor and paid a fine. The shareholder claims were initially dismissed by the Chancery Court, revived by the Delaware justices, and then stalled while the board's special litigation committee investigated and decided to pursue the claims itself.

The original plaintiff, Jack Marchand, died in 2022, and his estate now leads the litigation. In 2024, the special litigation committee returned the case to Marchand's estate to advance. Last year, Blue Bell argued a \$60 million settlement in 2020 in a separate outbreak-related lawsuit had released it from claims pending in *Marchand*. Vice Chancellor Nathan A. Cook rejected that effort in a Dec. 10 opinion.

The committee's involvement "really alters the adversarial posture of the case," Favia said.

Directors typically defend against stockholders' derivative claims. That dynamic shifted in *Marchand* because the company "realigned as the plaintiff" after the committee's investigation, before handing the case back to Marchand's estate. "That strengthens the plaintiff's position and complicates the defense for the directors and just amplifies the potential significance of any post-trial ruling for Delaware corporate law," Favia said.

What's at Stake

Since the 2019 *Marchand* decision reviving the case, the Chancery Court has denied dismissals of oversight lawsuits claiming that Cencora Inc. directors turned a blind eye to suspiciously large opioid shipments; that Meta Platforms Inc.'s leaders improperly shielded CEO Mark Zuckerberg in the Cambridge Analytica data scandal fallout; that sexual harassment was actionable in liability claims against an ousted McDonald's Corp. executive; and that sexual misconduct formed the basis for a breach of fiduciary duty in a lawsuit claiming eXp World Holdings Inc.'s founder helped conceal rapes and sexual assaults allegedly committed by its top real estate agents.

The Cencora case settled for \$111 million, while Meta's settled for \$190 million. The court ultimately dismissed the McDonald's case because the board tried to mitigate its toxic workplace culture.

Settlements have taught companies that oversight liability can be an expensive concern, but a post-trial opinion in the Blue Bell case could "transform *Caremark* from an almost entirely theoretical source of liability into a doctrine with some concrete, litigated precedent and guidance," Favia said.

A trial could address "what evidence is sufficient to prove that directors acted in bad faith," he said. "Things like the absence of board-level monitoring systems; directors' responses, or lack thereof, to red flags; the causal connection between oversight failures and corporate harm—and it could provide important clarification on the scope of" what the Delaware Supreme Court called "mission critical compliance."

DExit Context

The trial comes as the Delaware Supreme Court weighs the constitutionality of legislation curtailing investor access to internal company documents—a direct response to rising numbers of oversight claims, which require detailed information about what board members knew, and some high-profile corporate exits from the state that's home to two-thirds of the Fortune 500.

Given the political pressure, *Marchand* could allow the court to show how corporations must comply under *Caremark* but also let it “set the standard at such an extreme level that it has no real bite,” Lipton said.

Texas statutes include an automatic assumption that directors act in good faith, whereas in Delaware that's a question for courts to interpret, said Baker Botts LLP partner Samantha Hale Crispin. Plaintiffs must show fraud, intentional misconduct by directors, or a knowing violation of the law.

“A director obviously still needs to do the right thing,” she said. But when directors can say, “I was really, really trying to do the right thing,” and they worked to avoid a knowing violation of the law, she said, “they'll feel really good about acting on boards that are Texas corporations because they'll have that layer of protection, whereas in Delaware you don't have that statutory presumption.”

The case is *Marchand v. Barnhill*, Del. Ch., No. 2017-0586, trial 2/24/26 .

—With assistance from *Bloomberg Law Automation*.

(Updates story published Feb. 20 to reflect trial date is now Tuesday Feb. 24 in paragraph two)

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Delaware judge denies Blue Bell directors' attempt to use settlement to dodge derivative suit

2025 CORPGDBRF 4583 • By Pamela Park

Westlaw Corporate Governance Daily Briefing • December 11, 2025

(December 11, 2025) - Directors of ice cream manufacturer Blue Bell Creameries USA Inc. must face a derivative shareholder lawsuit over a deadly 2015 listeria outbreak after a Delaware judge ruled that a settlement in a related case does not bar the action.

[*Marchand v. Barnhill et al.*, No. 2017-0586, 2025 WL 3540294 \(Del. Ch. Dec. 10, 2025\).](#)

Vice Chancellor Nathan A. Cook of the Delaware Chancery Court denied the directors' motion for judgment on the pleadings, ruling that despite a "compelling textual basis" for their argument, questions of fact and estoppel prevent dismissal.

The Dec. 10 decision turned on the defendants' five-year delay in raising the defense and the fact that a special litigation committee with sole authority over the claims never approved the settlement.

'A seemingly straightforward explanation'

The dispute stems from a 2015 listeria outbreak at Blue Bell's manufacturing facilities. The outbreak killed three people and led to a massive product recall and operational shutdown.

Plaintiffs filed two parallel derivative actions in 2017. Shareholder Jack L. Marchand II filed one case on behalf of Blue Bell. The other, known as the *Wenske* action, was filed by limited partners in Blue Bell's operating subsidiary, Blue Bell Creameries LP.

The Chancery Court dismissed Marchand's suit in 2018 for failure to plead demand futility, but the Delaware Supreme Court reinstated the case in 2019. [*Marchand v. Barnhill*, 212 A.3d 805 \(Del. 2019\).](#)

The parties settled the *Wenske* action in July 2020 with court approval. The settlement, which Blue Bell funded, contained a broad release of all claims "based upon, arising out of, or ... related to" the listeria incident against the defendants, which included Blue Bell and its directors.

Nearly five years later, the defendants in the *Marchand* case moved for judgment on the pleadings, arguing that the *Wenske* release unambiguously barred the shareholders' claims.

'A compelling textual basis'

Vice Chancellor Cook determined that although the defendants' interpretation of the release language was textually sound, it could not be enforced at the pleading stage due to the case's unique history.

The judge noted that after the Delaware Supreme Court revived the *Marchand* suit in 2019, Blue Bell's board formed a special litigation committee, vesting it with "full authority" to control the litigation.

The SLC was actively investigating the claims when the parties reached a settlement in the *Wenske* case, but it did not participate in or approve that settlement, Vice Chancellor Cook's opinion said.

"The SLC's non-participation suggests it is at least reasonably conceivable that the directors who executed the *Wenske* settlement on [Blue Bell's] behalf ... lacked authority to release plaintiff's claims here," he wrote.

The judge also said the defendants' five-year silence on the release defense, which occurred while the SLC expended time and resources investigating the case, raised issues of estoppel that prevent dismissal.

Robert J. Kriner Jr., Scott M. Tucker and Benjamin P. Hodges of [Chimicles Schwartz Kriner & Donaldson-Smith LLP](#) represent Roseann Marchand, administrator of the estate of Jack L. Marchand II.

Rolin P. Bissell and James M. Yoch Jr. of [Young Conaway Stargatt & Taylor LLP](#), and Lewis H. Lazarus and Albert J. Carroll of [Morris James LLP](#) represent the director defendants.

By Pamela Park

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Securities

Musk's Twitter Trial Gets Jurors Who Can Set Aside Feelings

Feb. 19, 2026, 5:19 PM PST

Nine jurors, claiming they can be fair and impartial to Elon Musk and his controversial purchase of Twitter in 2022, were seated in San Francisco federal court Thursday, whittled down from a pool of 93.

Judge Charles R Breyer spent over five hours on jury selection Thursday in the investor class action trial set to begin with opening statements March 2.

The trial involves claims from Twitter investors who say Musk violated securities law by publicly waffling over his decision to purchase the company and driving down its stock price. It's expected to last about three weeks and may include live testimony from Musk, who later renamed the company X Corp., as well as former Twitter CEO Parag Agrawal.

Breyer, a veteran trial judge for the US District Court for the Northern District of California, told attorneys for Musk and the investors that it would be almost impossible to impanel a jury that had no views at all about Musk.

"He's like the president of the United States, I could search the entire country," Breyer said. "As a public figure he will excite strong views, and for him in particular, people have strong views."

"The question is, and courts are very clear about this, is whether they can set them aside," Breyer said.

Among those selected for the jury were a salesperson, a mechanical engineer, and a university IT worker.

'Becoming Desensitized'

Many of the prospective jurors expressed negative views about Musk or his companies and political allies in a questionnaire ahead of the selection process, Breyer said. He continually reminded them that they can only serve if they have a genuine belief that they could set aside those views and decide the case on the facts presented at trial.

Breyer quickly eliminated nearly 40 prospective jurors who raised their hands when asked if they could not set aside their biases. The judge and the attorneys continued to shave down the numbers over multiple rounds of questioning throughout the day.

One man, who was dismissed, said in his questionnaire that he disliked class action lawsuits and said under questioning that he felt as though the investors were “coming back to get more” out of Musk.

Another woman who was eliminated said that she believed Musk is a “brilliant scientist” and that he had done a lot to help humanity. Under questioning from the investors’ attorney, Aaron Arnzen of Bottini & Bottini Inc., the woman said she would be nervous if she were the attorney for the investors and she was selected for the jury.

One prospective juror stated that he could be impartial in a civil trial, but that if this were a criminal trial he would have a “moral obligation” to convict Musk and send him to prison. The juror was later dismissed.

Musk’s attorney Stephen Broome of Quinn Emanuel Urquhart & Sullivan LLP objected to a number of prospective jurors who claimed they could set aside their negative views on Musk.

“We have so many people in the venire who hate him so much that we’re becoming desensitized,” Broome said. In any other case where a prospective juror said in a questionnaire that they hated the defendant, “there would be no question” that they would be tossed out, Broome said.

Breyer said a challenge will come down to whether a juror can genuinely put aside their feelings. The judge dismissed a juror who claimed impartiality but stated in his questionnaire that he disagrees “with the existence of billionaires,” as well as a woman who said she could be fair but stated in her questionnaire that she hated how Musk fired content moderators after taking over Twitter.

Investors filed the class action in October 2022, alleging that Musk’s flip-flopping position on whether he’d complete the acquisition of Twitter was meant to artificially drive down the stock price and increase his leverage in negotiations.

After becoming the company’s largest shareholder at the start of 2022, Musk announced in April his intentions to purchase the entire company, offering \$54.20 per share, amounting to \$44 billion. He soon backed out of the transaction, sparking additional lawsuits, before ultimately concluding the acquisition in October.

Musk, the CEO of Tesla Inc. and SpaceX, is no stranger to investor lawsuits involving his sometimes erratic public statements. He was sued in the same San Francisco federal court in 2018 over a tweet claiming that he had “funding secured” to take Tesla private at \$420 per share, triggering fluctuations in the stock price.

He defeated the case in 2023 after a three-week trial when a jury cleared him of claims that he’d defrauded investors through the tweets.

Cotchett Pitre & McCarthy LLP also represent the investors.

The case is Pampena v. Musk, N.D. Cal., No. 3:22-cv-05937, 2/19/26 .

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Sealed hearing held over Musk bid to narrow investors' claims

DJ [dailyjournal.com/articles/389888-sealed-hearing-held-over-musk-bid-to-narrow-investors-claims](https://www.dailyjournal.com/articles/389888-sealed-hearing-held-over-musk-bid-to-narrow-investors-claims)

Senior U.S. District Judge Charles R. Breyer

Parties in the securities lawsuit against Elon Musk over his tweets during the acquisition of Twitter held a last-minute hearing under seal Friday to discuss a supplemental brief filed by the defense in an attempt to get Senior U.S. District Judge Charles R. Breyer to change his stance on plaintiffs' theory that Musk carried out a scheme to lower Twitter's stock price.

The hearing, which took place over Zoom, lasted 51 minutes, according to court records, and included a portion that wasn't under seal. During that portion of the hearing, the parties explained their respective views of how damages would be calculated if Musk were found liable.

Breyer had previously indicated he would allow plaintiffs to present the theory at trial. Musk's counsel, Quinn Emanuel Urquhart & Sullivan LLP, submitted a motion in limine to prevent plaintiffs from presenting the theory, arguing that it was identical to their primary claim -- that Musk made false statements about his takeover attempt, which tanked the company's stock price.

The plaintiff Twitter stockholders claim Musk falsely stated that the acquisition was on hold due to the prevalence of fake accounts on the platform, causing its stock price to tank. *Giuseppe Pampena v. Elon R. Musk*, 3:22-cv-05937 (N.D. Cal., filed Oct. 10, 2022).

At a pretrial conference Tuesday, Breyer rejected that argument, saying a statement made in an effort to tank the stock price could be evidence of a scheme even if it's true, rendering the theories distinct.

The defense then said that the theory wasn't adequately pleaded, and Breyer seemed more open to that argument.

Quinn Emanuel partner Ellyde R. Thompson filed a supplemental brief to the motion on Wednesday.

At jury selection Thursday, the sides agreed to a last-minute hearing to discuss the motion, which a minute entry says was initially slated to be open to the public before the court reversed course.

Court reporter Ruth Levine Ekhaus declined to say what transpired in the closed portion of the hearing but said that the measure was taken because of "some things that needed to be discussed under seal."

Email and phone requests to the court clerk received no response by press time.

In her brief, Thompson argued that even if Breyer disagreed with her stance that the scheme theory can't be proven independently of the false statements claim, it was never outlined in the first amended complaint.

"The securities laws are clear that making a true statement that is not misleading cannot give rise to liability under Section 10(b), whether framed as a Rule 10b-5(b) misrepresentations and omissions claim or a Rules 10b-5(a) and (c) claim. And the 'scheme' liability claim could not pass the pleading stage--much less proceed to trial--because the Federal Rules of Civil Procedure require all fraud claims, including scheme liability claims, to be pled with particularity," Thompson wrote in the brief.

Thompson argued the theory was an attempt by the plaintiffs to get conduct the court had ruled out of the false statements claim back into the lawsuit. He said that plaintiffs couldn't merely cry "scheme" but had to show exactly what went into the scheme under Rule 9(b)'s requirements for fraud claims.

"At the pretrial conference, the Court appeared inclined to allow a scheme claim to be presented to the jury that would encompass everything that happened from the beginning of the class period until the end," Thompson wrote. "The Court suggested that you cannot 'parse' the Plaintiffs' scheme claim to identify specific conduct alleged as the basis for the claim. But that is precisely what the Federal Rules of Civil Procedure require."

Should Breyer allow the theory to go forward, Thompson requested that he reopen discovery to allow the defendants to establish whether plaintiffs relied on the alleged scheme in making the decisions that led to their financial loss.

Musk's lawyers also requested the judge separately listen to class certification arguments on the scheme claim.

"Notably, Plaintiffs never asserted that they were pursuing a 'scheme theory' or that the members of the class relied on any statements or conduct outside of the three alleged misrepresentations. The word 'scheme' appears nowhere in the briefing or the Court's order certifying the class," Thompson wrote.

A representative for Quinn Emanuel declined to comment on the hearing.

Plaintiffs were represented by Bottini & Bottini Inc. and Cotchett, Pitre & McCarthy, LLP.

The trial is scheduled to begin on March 2.

#389888

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Securities

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ChargePoint Defeats Investors' Lawsuit Over Supply Chain Issues

Feb. 23, 2026, 8:01 AM PST

Summary by Bloomberg AI

AI Generated



- Investors alleged ChargePoint misleadingly reported revenue and concealed supply chain constraints, but failed to plausibly plead falsity or a scheme to defraud.
- Judge Noël Wise dismissed the suit, saying the investors didn't specifically describe the supply constraints or their impact on ChargePoint's revenue.
- The investors have two weeks to replead, after Wise said their complaint contradicted itself and relied on pre-class period issues without explanation.

ChargePoint Holdings Inc. and former top executives overcame allegations they left investors in the dark about supply chain holdups while touting the electric-vehicle charging company's financial success.

Investors leading the case didn't identify what supply chain issues contradicted ChargePoint's statements, failing to plausibly plead falsity or a scheme to defraud by the company or three executives, Judge Noël Wise said while dismissing the suit.

While alleging ChargePoint faced supply chain problems when the Covid-19 pandemic began, the investors didn't "specifically describe the supply constraints, articulate what products were affected, explain the impact of constraints in those product lines on ChargePoint's revenue, nor address whether these supply constraints continued into the Class Period," the US District Court for the Northern District of California judge said.

The investors, attempting to allege ChargePoint and executives participated in a scheme to deceive investors, pleaded an adverse impact from ChargePoint outsourcing to Mexico and India. But it wasn't "clear what was deceptive or manipulative" about outsourcing or how it would've differed from normal business decisions, Wise said.

The most recent edition of their complaint contradicted itself, claiming ChargePoint hid supply chain issues that inhibited its ability to meet demands, but also that executives utilized improper sales and accounting to push product to customers, her Feb. 20 order said. "These practices necessarily show that ChargePoint had product, and arguably too much product, to meet the demands of its customers," Wise said.

And the investors heavily relied on pre-class period issues without explaining how that related to the time period when misstatements were supposedly made, she said. They have two weeks to replead, Wise said.

Campbell, California-based ChargePoint's fourth quarter and fiscal 2026 results will be made public on March 4, the company said in press statement last week.

Biggest Drop

The proposed class includes those who acquired the company's securities from Dec. 7, 2021, through Nov. 16, 2023. That day, ChargePoint announced preliminary quarterly results with a \$42 million non-cash impairment charge and that CEO Pasquale Romano and chief financial officer Rex Jackson were being replaced.

The next day, Nov. 17, ChargePoint's share price fell more than 35%—then its biggest single-day drop since its 2019 market debut, according to Bloomberg data. In September 2023, ChargePoint had disclosed a \$28 million inventory impairment charge it incurred to address a supply-chain issue. ChargePoint's stock price fell nearly 11% the next day.

Investors alleged ChargePoint misleadingly reported revenue, engaged in hidden and unsustainable sales practices, and concealed severe supply chain constraints in a fraudulent scheme. These 2023 disclosures and disappointing financial results exposed that "improper revenue recognition, changed sales practices, and inventory valuation were unsustainable and could only conceal poor revenues and declines in product demand for so long," investors said.

Hagens Berman Sobol Shapiro LLP is lead counsel for the investors. Sidley Austin LLP represents ChargePoint, Romano, Jackson, and former chief commercial and revenue officer Michael Hughes. Neither law firm nor ChargePoint immediately responded to emails seeking comment.

The case is Khan v. ChargePoint Holdings, Inc. , N.D. Cal., No. 5:23-cv-06172, 2/20/26 .

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iRhythm Executives Accused of Concealing Heart Monitor Issues

Feb. 23, 2026, 8:40 AM PST

Summary by Bloomberg AI

AI Generated



- Several iRhythm Technologies Inc. executives allegedly concealed flaws with its heart monitor, the Zio AT, despite receiving thousands of complaints and warnings from the US Food and Drug Administration.
- The Zio AT was marketed as capable of providing near real-time monitoring, but its transmission was "routinely, substantially, and materially delayed" and stopped sending data without notifying physicians or patients when it reached transmission limits.
- The company's executives and directors allegedly breached their duties to share accurate information about the company's financial health and the suit seeks damages for breach of fiduciary duty, unjust enrichment, and insider trading.

Several iRhythm Technologies Inc. executives allegedly concealed flaws with its heart monitor that left the medical device company exposed to massive liability and degraded its reputation.

iRhythm officers concealed issues with the Zio AT despite receiving thousands of complaints dating back to 2019, warnings from the US Food and Drug Administration, and knowledge that two patients died while wearing the device, according to a shareholder derivative complaint filed in Delaware Chancery Court.

The Zio AT was a "key driver of the Company's growth narrative and valuation in the public markets" as iRhythm made representations about the "transformative" technology. The company's stock price rose as those claims were made, from roughly \$48 in September 2021 to just under \$160 in September 2022, according to the complaint.

Although the Zio AT was marketed as capable of providing near real-time monitoring, the device's transmission was "routinely, substantially, and materially delayed," the suit says. When iRhythm's Zio AT reached transmission limits that weren't properly disclosed to consumers, the device stopped sending data without notifying physicians or patients, the suit says.

iRhythm's stock price dropped from its peak in September 2022 to just over \$64 in August 2024. The company is also facing a proposed securities class action and has suffered damage to its reputation with business partners, regulators, and shareholders, the suit says.

The company's executives and directors allegedly breached their duties to share accurate information about the company's financial health and act in furtherance of iRhythm's best interests. Several of the defendants also allegedly sold most of their shares while iRhythm's stock price was inflated by the misrepresentations, according to the complaint.

The suit seeks damages and asserts claims for breach of fiduciary duty, unjust enrichment, and insider trading.

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

Schubert Jonckheer & Kolbe LLP and P. Bradford deLeeuw of Wilmington, Del., represent the shareholder.

The case is Gallant v. Blackford , Del. Ch., No. 2026-0250, complaint filed 2/20/26 .

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Venture firm invests \$465M in Navan amid IPO investigations

 [phocuswire.com/navan-investments-law-firm-investigations-ipo](https://www.phocuswire.com/navan-investments-law-firm-investigations-ipo)

Abby Crotty

February 20, 2026

A16z Capital Management acquired approximately 27.2 million shares of [Navan](#) with an [investment of \\$464.5 million](#), according to a [U.S. Securities and Exchange Commission \(SEC\) Form 13F filing](#).

A16z was co-founded by veteran investor Marc Andreessen and Ben Horowitz. Horowitz currently serves on Navan's [board of directors](#).

Napean Trading & Investment, based in Singapore, also disclosed its [acquisition of roughly 5.8 million shares](#) with a transaction value of \$100.3 million in a separate SEC filing last week.

The news comes as Navan faces a number of investor investigations concerning its initial public offering (IPO) disclosures.

In recent weeks, several plaintiff-side law firms have issued press releases saying they are investigating potential federal securities law violations. Pennsylvania-based firm [Edelson Lechtzin LLP](#) issued a release stating that it was looking into the violations "resulting from allegations of providing potentially misleading business information to the investing public." [Robbins Geller Rudman & Dowd LLP](#), a San Diego-based firm, issued a similar release on February 13.

Navan declined to comment on the investigations.

Navan [filed its IPO on October 30, 2025](#), selling nearly 37 million shares at \$25 per share. The law firms' investigations allege that on December 15, in its [first quarterly earnings report since the IPO](#), Navan revealed a GAAP operating loss of \$79 million, up from \$19 million in the same quarter the previous year. GAAP operating margin was also 41%, compared to 13% the year prior. In that same earnings report, Navan announced the [departure of its CFO Amy Butte](#), effective January 9, 2026.

Following that news, Navan's stock price fell approximately 12% to close at \$12.90 per share on December 16, 2025, and as of publication is trading at \$10.03.

The Law Offices of Howard G. Smith, another Pennsylvania-based firm, explicitly outlined alleged federal law violations.

"The Law Offices of Howard G. Smith believes that, in the Prospectus to the Company's IPO, the Company misled investors regarding its financial condition. More specifically, the Law Offices of Howard G. Smith believes that the Company misled investors by knowing, but failing to inform investors, that the Company would miss guidance," a [statement on the firm's website](#) reads.

Each law firm encouraged those with information to assist the investigation and Navan investors who suffered a loss to reach out.

Post-IPO noise is not uncommon. After going public in September 2025 and releasing Q3 financial results, payments app [Klarna faced similar investigations](#) into profitability declines, "potential securities claims" and potentially "misleading statements" made by senior executives.

Travel companies that have gone public, including [Sonder](#), [Airbnb](#) and [Vacasa](#), have also faced investigations from plaintiff-side law firms.

Last week, Navan confirmed that Aurélien Nolf, VP and head of financial planning and analysis and investor relations at Lyft, will [take over as CFO](#), effective March 2.

Anne Giviskos, SVP of strategic finance and chief accounting officer for Navan, was named interim CFO following Butte's departure.

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Corcept Investor Sues Over High Cortisol Drug's FDA Rejection

Feb. 23, 2026, 11:13 AM PST

Summary by Bloomberg AI

AI Generated



- Corcept Therapeutics Inc. is facing a proposed class action that claims the company overhyped its Cushing's syndrome drug's application to investors before announcing regulators declined to approve it.
- The company misrepresented that its new drug application for relacorilant was backed by "powerful evidence," when in reality the US Food and Drug Administration had raised concerns about the adequacy of the clinical evidence.
- The pension fund is seeking damages for alleged 1934 Securities Exchange Act violations by Corcept and its top executives, including CEO Joseph K. Belanoff, on behalf of those who got Corcept stock from Oct. 31, 2024, through Dec. 30, 2025.

Corcept Therapeutics Inc. overhyped its Cushing's syndrome drug's application to investors before announcing regulators declined to approve it, a proposed class action said.

The pharmaceutical company misrepresented that its new drug application for relacorilant, which aimed to treat high blood pressure in patients with hypercortisolism, was backed by "powerful evidence," a pension fund told the US District Court for the Northern District of California.

In reality, the US Food and Drug Administration "had repeatedly raised concerns about the adequacy of the clinical evidence supporting the NDA and, as a result, there was a known material risk that Corcept's relacorilant NDA would not be approved," said its complaint.

Hypercortisolism, or Cushing's syndrome, is when the body makes too much of hormone cortisol, which can lead to other complications such as high blood pressure—hypertension.

Corcept received an FDA letter saying it wasn't approving the application without further evidence of relacorilant's effectiveness in treating hypertension secondary to hypercortisolism, the company said Dec. 31. Its share price plummeted more than 50% to close at \$34.80 that day—it's sharpest one-day drop since 2014, according to Bloomberg data.



The proposed class includes those who got Corcept stock from Oct. 31, 2024, through Dec. 30, 2025. The pension fund seeks damages for alleged 1934 Securities Exchange Act violations by Corcept, CEO Joseph K. Belanoff, and other top executives.

The lawsuit, filed Feb. 20, arrived after the US Court of Appeals for the Federal Circuit sided against Corcept in a patent dispute involving Teva Pharmaceuticals Industries Ltd., finding Teva's generic version of another Corcept drug didn't infringe two patents over dosing methods.

"We are disappointed in the Court's ruling," Belanoff said in a Feb. 19 statement about the patent dispute.

"The patents we asserted in this case cover methods of safely treating patients with Cushing's syndrome that physicians rely on every day. We will vigorously defend our rights and are currently considering the best way to pursue judicial review of this decision."

Its stock price fell 14% that day.

Corcept is expected to report financial results and a "corporate update" tomorrow, Feb. 24. The company didn't immediately respond to an email seeking comment.

Bernstein Litowitz Berger & Grossmann LLP represents the pension fund, Allegheny County Employees' Retirement System, in the suit at issue here.

The case is Allegheny Cnty. Emps. Ret. Sys. v. Corcept Therapeutics Inc. , N.D. Cal., No. 3:26-cv-01525, complaint filed 2/20/26 .

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Securities

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Kennedy Wilson Shareholder Sues to Block \$1.65 Billion Buyout

Feb. 20, 2026, 2:20 PM PST

Summary by Bloomberg AI

AI Generated



- A consortium's acquisition of Kennedy-Wilson Holdings Inc. for \$1.65 billion would violate Delaware law if it's supported by a bare majority of the real estate investment firm's unaffiliated stockholders, an investor alleges.
- The investor, Bruce Taylor, says the vote on the buyout should be blocked until the parties to the merger agree to condition it "on the approval of two-thirds of the Company's disinterested stockholders," and make "appropriate corresponding disclosures."
- Taylor seeks declaratory and injunctive relief on his claims for violation of Section 203 and breach of fiduciary duty in a class action complaint filed in Delaware's Chancery Court.

A consortium's acquisition of Kennedy-Wilson Holdings Inc. for \$1.65 billion would violate Delaware law if it's supported by a bare majority of the real estate investment firm's unaffiliated stockholders, an investor alleges.

The vote on the buyout should be blocked until the parties to the merger agree to condition it "on the approval of two-thirds of the Company's disinterested stockholders," Bruce Taylor says. The parties to the merger should also make "appropriate corresponding disclosures," he says in a class action complaint filed Friday in Delaware's Chancery Court.

Kennedy Wilson's CEO, William McMorrow, other senior executives, and Fairfax Financial Holdings Ltd. are leading the consortium, according to a Feb. 17 press release jointly issued by the two companies. McMorrow has been board chairman and CEO of Kennedy Wilson since 1988, according to Taylor's complaint.

McMorrow, who owned about 8.3% of Kennedy Wilson's stock, and Toronto-based Fairfax, which already owned more than 15% of the stock, formed the consortium in November, Taylor says.

That “agreement, arrangement, or understanding” imputed Fairfax’s voting power to McMorrow under Section 203 of the Delaware General Corporation Law, making him an interested shareholder, Taylor says. Because the board didn’t pre-approve the formation of the buyer group, “Section 203 provides that any merger of the Company is void unless it is approved by two-thirds of the Company’s disinterested stockholders,” he says.

The proposed class consists of hundreds or thousands of members, the complaint estimates.

Taylor seeks declaratory and injunctive relief on his claims for violation of Section 203 and breach of fiduciary duty.

Kennedy Wilson didn’t immediately respond to an email seeking comment on behalf of itself, the other entities named as defendants, and the individual defendants. Fairfax, which isn’t a defendant, didn’t immediately respond to a phone call seeking comment on behalf of itself and the entities named as defendants.

Labaton Keller Sucharow LLP, Friedman Oster & Tejtell PLLC, Equity Litigation Group LLP, and Richard Maniskas, who practices in Berwyn, Pa., represent Taylor and the proposed class.

The case is Taylor v. Kennedy-Wilson Holdings, Inc. , Del. Ch., No. 2026-0241, complaint 2/20/26 .

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Securities

Binance's US Affiliates Get HEX Coin Manipulation Claims Tossed

Feb. 19, 2026, 9:43 AM PST

Binance.US and an affiliated cryptocurrency website are off the hook, for now, in a proposed class action alleging they suppressed the ranking of a digital asset that could hurt their business.

The companies were back in the US District Court for the District of Arizona after they failed to get US Supreme Court review of their jurisdictional arguments for dismissal. District court judge Susan M. Brnovich agreed with their new argument that the HEX token holder leading the suit, Ryan Cox, failed to state a claim.

Brnovich gave Cox a chance to refile his suit, which targets two entities associated with the Binance global crypto exchange. Binance, previously Binance Capital Management Co., is now named Digital Anchor Holdings Ltd., according to the complaint.

Cox sued Binance.US, formally known as BAM Trading Services Inc., which is Binance's US affiliate; and CoinMarketCap OpCo LLC. owned by Digital Anchor, which allegedly operates a website that ranks cryptocurrencies by their market capitalization.

Cox alleged CoinMarketCap's ranking website improperly ranked HEX 201st among cryptocurrencies, rather than within the top 20. That constituted commodity price manipulation, suppressing HEX prices and elevating the value of digital coins offered by Binance and other companies, he said.

Cox failed to adequately allege violations of federal and state laws, Brnovich said in her ruling Tuesday. His Commodity Exchange Act claims came up short on technical aspects of his token trades as he alleged them, including whether HEX is a commodity pool and whether his transactions were futures contracts, according to the opinion.

The crux of his claim under the Arizona Consumer Fraud Act is that Binance.US "directed consumers to CMC, which misrepresented HEX's market cap and its associated ranking, thereby causing Plaintiff to sell HEX at a loss on a third-party cryptocurrency exchange," Brnovich said. "Plaintiff's allegations are too attenuated to support an ACFA claim."

And Cox can't proceed with his monopolization claims under the Sherman Act because he didn't show how Binance.US monopolized the market or how CoinMarketCap maintained monopoly power through anticompetitive conduct, the judge said.

Counsel for Cox includes Kolodin Law Group PLLC and Matthew Schmidt, who practices in Tiburon, Calif.

Carlton Fields PA and NCP Law PLLC represent CoinMarketCap. Hahn Loeser & Parks LLP and Snell & Wilmer LLP represent Binance.US.

The case is Cox v. CoinMarketCap OpCo, LLC , 2026 BL 50989, D. Ariz., No. 3:21-cv-08197, 2/17/26 .

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Securities

This Week in Chancery Court: Blue Bell Trial, Pioneer CEO Emails

Feb. 23, 2026, 2:00 AM PST

A first-of-its kind trial for corporate oversight claims is scheduled this week in the Delaware Chancery Court, in a case that stretches back to a fatal 2015 listeria outbreak in Blue Bell Creameries ice cream.

Here's a look at what else is happening this week in Delaware courts:

Tuesday: Marchand v. Barnhill, Del. Ch., No. 2017-0586, trial 2/24/26.

At issue: A shareholder argues Blue Bell's officers breached their fiduciary duties by failing to conduct safe operations and disregarding the contamination risk, while the board breached their duties by not implementing an oversight system for food safety and regulatory compliance. The company contends those claims can't be proven. The shareholder claims were initially dismissed by the Chancery Court in 2018 and revived by the Delaware Supreme Court in 2019. The case stalled while a special litigation committee of Blue Bell's board investigated, decided to pursue the claims itself, then returned the case to the plaintiff to advance. The original plaintiff, Jack Marchand, died in 2022, and his estate now leads the litigation. Last year, Blue Bell argued a \$60 million settlement in 2020 in a separate outbreak-related lawsuit had released it from the claims pending, but Vice Chancellor Nathan A. Cook rejected that effort.

Court action: Five-day trial in Wilmington.

Blue Bell Trial Is Landmark Test for Corporate Oversight Claims

Wednesday: Operating Eng'rs Constr. Indus. and Miscellaneous Pension Fund v. Pioneer Nat. Res. Co., Del., No. 368, 2025, oral arguments 2/25/26.

At issue: The Chancery Court rejected a pension fund's demand to access texts and emails from Pioneer Natural Resources Co.'s ex-CEO related to the Texas-based energy exploration and production company's sale to ExxonMobil Corp. The pension fund has appealed to the Delaware Supreme Court, arguing the trial court abused its discretion in requiring the fund to specify the "key information" that former Pioneer CEO Scott Sheffield allegedly withheld from the company's board. Pioneer says the fund's lawsuit is the sort of "protracted books-and-records litigation" Delaware lawmakers sought to curtail with recently enacted limits on records access lawsuits. ExxonMobil wasn't named as a defendant in the litigation.

Court action: Oral arguments in Dover.

Exxon, Pioneer CEOs' Emails, Texts May Be Withheld, Judge Says

Wednesday: DSM HoldCo, Inc. v. Demoulas, Del. Ch., No. 2025-1020, post-trial arguments 2/25/26.

At issue: After a three-day trial in December, Vice Chancellor J. Travis Laster now hears closing arguments in lawsuit stemming from a bitter feud over control of the iconic New England supermarket chain Market Basket. Former CEO Arthur T. Demoulas testified at trial that he realized his three sisters wanted to oust him from the family's 90-store grocery chain when the board demanded he provide operating budgets and rejected his children as potential successors. The sisters aren't on the board but own 60% of the shares in the \$8 billion-a-year retailer. The board sued Demoulas in September, alleging he refused to keep them informed about key decisions and sought to stir up a work stoppage over his ouster; Demoulas counter-sued in October, seeking reinstatement.

Court action: Post-trial arguments in Wilmington.

Grocery Chain CEO Claims Ouster Followed Dispute Over Budget (1)

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Former Meta vice president says growth trumped user safety

DJ [dailyjournal.com/articles/389832-former-meta-vice-president-says-growth-trumped-user-safety](https://www.dailyjournal.com/articles/389832-former-meta-vice-president-says-growth-trumped-user-safety)

A former Meta Platforms vice president testified Thursday that, in his experience, the company's leadership - including CEO Mark Zuckerberg - consistently favored growth and advertising revenue over user safety, a dynamic he said contributed to his departure after 11 years.

"Keeping people safe in honoring those commitments was not important to Mark or the company," Brian Boland told Los Angeles jurors, saying Meta's internal safety efforts were "small and siloed" compared with what he characterized as a culture centered on growth and expansion.

Under direct examination from Lanier Law Firm founder Mark Lanier, Boland said he joined the company, then Facebook, in 2009 and served in many senior roles tied to advertising, product marketing and platform partnerships. He said he resigned in 2020, forfeiting millions in unvested stock, after raising concerns with Zuckerberg and receiving an email he described as "something to the gist that 'I hope there are things you're still proud of.'"

In a blog post he published, which was read to the jury, Boland wrote: "I quit Facebook in 2020 because I was deeply concerned that Mark Zuckerberg and Meta's leadership were not serious about addressing the harm created on their platform."

Testifying the day before, Zuckerberg rejected the suggestion that Meta prioritizes profits over safety, telling jurors it is "very important" to him to build products that create "value in people's lives" and that the company's guiding principle is delivering a "positive experience."

Zuckerberg was also asked about Boland during his testimony Wednesday, telling jurors he knew him as a former Meta employee who expressed "some strong political opinions."

The bellwether trial centers on claims by 20-year-old woman identified as Kaley that Instagram's design exposed her to addictive and harmful features as a minor. She claims this exposure disrupted her development and substantially contributed

to her depression, thoughts of suicide and other mental health struggles.

On cross-examination from Covington & Burling LLP partner Phyllis A. Jones, an attorney for Meta, Boland acknowledged that the harm he referenced in his blog post and internal discussions concerned the broader impact of Meta's algorithms, not teen mental health specifically.

Jones also elicited testimony that Boland primarily worked on the Facebook side of the company - which is not at issue in Kaley's case - did not oversee Instagram day-to-day and had not previously framed his concerns around the plaintiff's specific circumstances.

Kaley's case is the first of three scheduled for trial this year before Los Angeles County Superior Court Judge Carolyn B. Kuhl. It is part of a broader coordinated proceeding in which thousands of families allege major social media platforms were defectively designed to maximize youth engagement at the expense of safety. This includes alleged defective features such as autoplay, infinite scroll and algorithm-driven recommendations. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

Google, represented by Wilson Sonsini Goodrich & Rosati LLP, is also named as a defendant in Kaley's case. Cristos Goodrow, a YouTube engineering executive, is expected to testify next Monday.

Under direct examination, Boland told jurors that Meta's advertising-driven business model depended on keeping users on its platforms as long as possible, creating more opportunities to show ads and generate revenue.

He described internal metrics such as "lifetime value" and "average revenue per user" as key measures of success, and said engineers and product teams were incentivized through compensation and stock awards tied to growth and engagement goals.

However, Zuckerberg testified that engagement and time-spent metrics are used largely as a proxy for user value, not as an end goal of maximizing scrolling. He rejected the suggestion that Meta was "just tuning the algorithm to keep people scrolling as much and as long as possible," calling that framing an oversimplified and inaccurate "mischaracterization."

Boland testified that Meta's early "move fast and break things" slogan encouraged launching products before safeguards were in place, and that user safety was not a central consideration in the product-development process.

Zuckerberg testified the slogan was meant as a software-development philosophy - encouraging quick product development and continuous testing - rather than a directive to ignore user safety. He said Meta moved away from the phrase over a decade ago.

Boland said he never saw Zuckerberg call a companywide "lockdown," which he defined as an internal mandate used to prioritize urgent initiatives, to address user safety or teen harms, even as leadership issued similar directives to compete with rivals or shift to mobile interfaces.

He said it was a directive declared by Zuckerberg, who set a running countdown clock outside his office to track certain deadlines.

"Mark decides what happens at the company," Boland said.

Boland also pointed to internal discussions about attracting younger users, saying executives viewed teens as critical to long-term retention and competitive advantage. In his view, Meta's algorithms were "relentless" in pursuing engagement objectives, while efforts to understand and mitigate potential harms remained secondary to growth goals.

#389832

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Judge Tosses Lead Plaintiffs' Attorney From Social Media Trial After He Did BBC Interview

At a Friday hearing to discuss contempt proceedings, attorney Matthew Bergman told Los Angeles Superior Court Judge Carolyn Kuhl, 'Clearly, in a case about tech accountability, the fact that I was not accountable on tech issues in this court is resonant, is humbling and I am deeply sorry.'

February 20, 2026 at 06:38 PM By  **Amanda Bronstad**

What You Need to Know

- Los Angeles Superior Court Judge Carolyn Kuhl set a contempt hearing for March 23, after the conclusion of the trial, the first-ever pinning the mental health problems of a teenager on social media.
- Matthew Bergman apologized to the court, defense counsel and his colleagues on the plaintiffs' team. He said he was "embarrassed" and "ashamed."
- Bergman served on the plaintiffs' steering committee and filed the case brought by the plaintiff in the trial, referring to as Kaley, or K.G.M.



Los Angeles Superior Court Judge Carolyn Kuhl.Courtesy photo.051-2010

The judge in the social media addiction trial in Los Angeles struck one of the lead lawyers from the plaintiffs' steering committee after he gave an interview on camera this week with the BBC and took a selfie from inside the courthouse.

"What I need to emphasize to you is that what you're doing is causing an inconvenience and a disruption in this case, and that is the problem," Los Angeles Superior Court Judge Carolyn Kuhl told Matthew Bergman, founding partner of the Social Media Victims Law Center in Seattle, at a special hearing on Friday to discuss contempt proceedings. "The problem is I'm trying to focus on your plaintiff's case, and, instead, I have to focus on this distraction so that we just have basic rules being carried out."

Kuhl set a contempt hearing for March 23, after the conclusion of the trial, the first-ever pinning the mental health problems of a teenager on social media.

Bergman apologized to the court, defense counsel and his colleagues on the plaintiffs' team. He said he was "embarrassed" and "ashamed."

"I hope by March I will be able to provide the court with a thorough and introspective and self-revelatory explanation for how this situation arose and provide an opportunity to learn from this experience," Bergman said. "Clearly, in a case about tech accountability, the fact that I was not accountable on tech issues in this court is resonant, is humbling and I am deeply sorry."

The trial, which is part of a consolidated proceeding in California state courts before Kuhl, [opened on Feb. 9](#) against Meta Platforms Inc. and [YouTube](#), owned by Google.

After the hearing, outside the courthouse, Bergman told reporters he had a "lapse from my obligations" on Wednesday, when Meta CEO Mark Zuckerberg [testified in court](#) and dozens of members of the public stood in line for designated seats in the packed courtroom. It was "emotionally overwhelming to me," he said.

He explained that he did a Zoom interview from inside the courthouse and should have known better that it violated the rules.

"Wednesday was a very intense day," he told reporters.

The plaintiff, Kaley, sometimes referred to as K.G.M., alleged she became addicted to YouTube and Instagram, developing depression and body dysmorphia. Bergman's firm filed K.G.M.'s case, along with the majority of the lawsuits in the consolidated proceedings before Kuhl, but he hasn't played an active role in the trial itself.

Kuhl, on Friday, reiterated the rules in California and Los Angeles Superior Court, which prohibits all recording or videotaping from inside the courthouse.

"Most importantly, I have let myself down and not conformed to the standards of conduct I held myself out for 30 years," Bergman told the judge. He said he'd never faced this kind of situation before and was "trying to gain perspective on how this occurred, trying to replay the tape, if you would."

"And the thought my conduct has added to the court's burden and imperiled these proceedings is something I'm deeply ashamed for," he said, "and I hope that this can be a learning experience for me, and I hope that this will be an opportunity to reflect deeper on how this situation arose and become a better lawyer and person in the future."

He added, "I am profoundly embarrassed, I am deeply sorry, and I would accept the court's sanction as appropriate."

He said one of his firm colleagues, Laura Marquez-Garrett, still serves on the plaintiffs' steering committee.

"Your colleagues have to stand here and answer for these things when the defense counsel raised questions," the judge remarked. "I feel most bad for colleagues on plaintiffs' side."

The judge has imposed strict rules in the trial, [ordering juror names remain anonymous](#) to everyone except the lead lawyers in the case, and insisting that journalists gather on the opposite side of the courthouse during breaks to avoid interacting with jurors.

After the lunch break on Wednesday, before jurors returned, Kuhl warned anyone wearing AI glasses recording the proceedings to delete the material and remove them immediately or face contempt proceedings. Although she didn't specify who the target of her remarks was, a team of people from Meta showed up in court that day [wearing Ray Ban-Meta AI glasses](#), which have a camera.

"So many of us on the defense side, on the plaintiffs' side, myself, have overcome, really, obstacles here that were unexpected," Kuhl told Bergman on Friday. "I'm not talking about anything you caused at this moment, but there have been many obstacles to keeping this case going forward."

She added, "We should not have had this distraction, and we do not need this distraction."

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California Brief

LA Judge Demotes Key Social Media Case Lawyer for Tech Missteps

Feb. 20, 2026, 4:03 PM PST

A prominent plaintiff's attorney in the social media addiction trial unfolding in Los Angeles lost his leadership role Friday after twice breaking the court's rules on technology use in the building.

Judge Carolyn B. Kuhl removed Social Media Victims Law Center founder Matthew Bergman from the plaintiffs' steering committee following reports that he conducted a Zoom interview with the BBC from the first floor of the courthouse, where recording is prohibited. The interview was Wednesday, the day Meta Platforms Inc. CEO Mark Zuckerberg took the witness stand during a landmark trial over social media addiction.

Bergman said the day was "so emotionally overcoming" that he "lost sight of my obligation as an officer of this court."

Bergman and his Seattle-based team are counsel of record for the plaintiff, identified in court filings by her initials K.G.M., whose case against Meta's Instagram and Google's YouTube is on trial in California Superior Court, Los Angeles County. Another attorney from the law center, Laura Marquez-Garrett, remains on the team directing hundreds of lawsuits in LA state court against the two companies, as well as TikTok Inc. and Snap Inc., which reached a confidential settlement before trial in K.G.M.s case.

Bergman's behavior is another disruption in a case that has already experienced delays, Kuhl said. The attorney was already facing a citation for taking a picture on his phone in the courtroom, with a contempt hearing related to the photo set for March 23. Courthouse flooding and a Meta attorney's head injury stalled the trial earlier.

"The things you're doing are threatening to impede your clients' pursuit of their claims," Kuhl said.

20-year-old K.G.M., who was a minor when her lawsuit was filed, alleges her years of addiction to Instagram and YouTube caused her anxiety, depression, and body dysmorphia. The social media companies deny wrongdoing and say they've imposed robust safety measures for young users. They could face billions of dollars in liabilities and have to overhaul their platforms if juries side against them in early "bellwether" trials.

The thought of snagging proceedings “is something for which I am deeply ashamed, and I hope that this can be a learning experience for me and I hope that this will be an opportunity for me to reflect deeper on how this situation arose, and become a better lawyer and a better person in the future” Bergman said to Kuhl in California Superior Court, Los Angeles County Friday, accepting the sanction.

“In a case about tech accountability, the fact that I was not accountable on tech issues in this court is resonant, it is humbling, and I am deeply sorry,” Bergman said.

The case is Social Media Cases JCCP, Cal. Super. Ct., No. 5255, 2/20/26 .

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Social Media Companies Face Legal Reckoning Over Mental Health Harms to Children

Experts see the reckoning as reminiscent of cases against tobacco and opioid markets, and the plaintiffs hope that social media platforms will see similar outcomes as cigarette makers and drug companies, pharmacies and distributors.

February 20, 2026 at 12:30 PM By **Barbara Ortutay**



Credit: insta_photos/Adobe Stock

For years, social media companies have disputed allegations that they harm children's mental health through deliberate design choices that addict kids to their platforms and fail to protect them from sexual predators and dangerous content. Now, these tech giants are getting a chance to make their case in courtrooms around the country, including before a jury for the first time.

Some of the biggest players from Meta to TikTok are facing federal and state trials that seek to hold them responsible for harming children's mental health. The lawsuits have come from school districts, local, state and the federal government as well as thousands of families.

Two trials are now underway in Los Angeles and in New Mexico, with more to come. The courtroom showdowns are the culmination of years of scrutiny of the platforms over child safety, and whether deliberate design choices make them addictive and serve up content that leads to depression, eating disorders or suicide.

Experts see the reckoning as reminiscent of cases against tobacco and opioid markets, and the plaintiffs hope that social media platforms will see similar outcomes as cigarette makers and drug companies, pharmacies and distributors.

The outcomes could challenge the companies' First Amendment shield and Section 230 of the 1996 Communications Decency Act, which protects tech companies from liability for material posted on their platforms. They could also be costly in the form of legal fees and settlements. And they could force the companies to change how they operate, potentially losing users and advertising dollars.

Here's a look at the major social media harms cases in the United States.

The Los Angeles case centers on addiction

Jurors in a landmark social media case that seeks to hold tech companies responsible for harms to children got their first glimpse into what will be a lengthy trial characterized by dueling narratives from the plaintiffs and the two remaining defendants, Meta and YouTube.

At the core of the Los Angeles case is a 20-year-old identified only by the initials "KGM," whose case could determine how thousands of similar lawsuits will play out. KGM and the cases of two other plaintiffs have been selected to be bellwether trials — essentially test cases for both sides to see how their arguments play out before a jury.

"This is a monumental inflection point in social media," said Matthew Bergman of the Seattle-based Social Media Victims Law Center, which represents more than 1,000 plaintiffs in lawsuits against social media companies. "When we started doing this four years ago no one said we'd ever get to trial. And here we are trying our case in front of a fair and impartial jury."

On Wednesday Meta CEO Mark Zuckerberg testified, mostly sticking to past talking points, including a lengthy back-and-forth about age verification where he said "'I don't see why this is so complicated,'" reiterating that the company's policy restricts users under the age of 13 and that it works to detect users who have lied about their ages to bypass restrictions.

At one point, the plaintiff's attorney, Mark Lanier, asked Zuckerberg if people tend to use something more if it's addictive.

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

New Mexico goes after Meta over sexual exploitation

A team led by New Mexico Attorney General Raúl Torrez, who sued Meta in 2023, built their case by posing as children on social media, then documenting sexual solicitations they received as well as Meta's response.

Torrez wants Meta to implement more effective age verification and do more to remove bad actors from its platform.

He also is seeking changes to algorithms that can serve up harmful material, and has criticized the end-to-end encryption that can prevent the monitoring of communications with children for safety. Meta has noted that encrypted messaging is encouraged in general as a privacy and security measure by some state and federal authorities.

The trial kicked off in early February. In his opening statement, prosecuting attorney Donald Migliori said Meta has misrepresented the safety of its platforms, choosing to engineer its algorithms to keep young people online while knowing that children are at risk of sexual exploitation.

"Meta clearly knew that youth safety was not its corporate priority ... that youth safety was less important than growth and engagement," Migliori told the jury.

Meta attorney Kevin Huff pushed back on those assertions in his opening statement, highlighting an array of efforts by the company to weed out harmful content from its platforms while warning users that some dangerous content still gets past its safety net.

School districts head to trial

A trial scheduled for this summer pits school districts against social media companies before U.S. District Judge Yvonne Gonzalez Rogers in Oakland, California. Called a multidistrict litigation, it names six public school districts from around the country as the bellwethers.

Jayne Conroy, a lawyer on plaintiffs' trial team, was also an attorney for plaintiffs seeking to hold pharmaceutical companies responsible for the opioid epidemic. She said the cornerstone of both cases is the same: addiction.

"With the social media case, we're focused primarily on children and their developing brains and how addiction is such a threat to their well-being and ... the harms that are caused to children — how much they're watching and what kind of targeting is being done," she said.

The medical science, she added, "is not really all that different, surprisingly, from an opioid or a heroin addiction. We are all talking about the dopamine reaction."

Both the social media and the opioid cases claim negligence on the part of the defendants.

“What we were able to prove in the opioid cases is the manufacturers, the distributors, the pharmacies, they knew about the risks, they downplayed them, they oversupplied, and people died,” Conroy said. “Here, it is very much the same thing. These companies knew about the risks, they have disregarded the risks, they doubled down to get profits from advertisers over the safety of kids. And kids were harmed and kids died.”

Resolution could take years amid dueling narratives

Social media companies have disputed that their products are addictive. During questioning Wednesday by the plaintiff’s lawyer during the Los Angeles trial, Zuckerberg said he still agrees with a previous statement he made that the existing body of scientific work has not proven that social media causes mental health harms.

Some researchers do indeed question whether addiction is the appropriate term to describe heavy use of social media. Social media addiction is not recognized as an official disorder in the Diagnostic and Statistical Manual of Mental Disorders, the authority within the psychiatric community.

But the companies face increasing pushback on the issue of social media's effects on children's mental health, not only among academics but also parents, schools and lawmakers.

“While Meta has doubled down in this area to address mounting concerns by rolling out safety features, several recent reports suggest that the company continues to aggressively prioritize teens as a user base and doesn’t always adhere to its own rules,” said Emarketer analyst Minda Smiley.

With appeals and any settlement discussions, the cases against social media companies could take years to resolve. And unlike in Europe and Australia, tech regulation in the U.S. is moving at a glacial pace.

“Parents, education, and other stakeholders are increasingly hoping lawmakers will do more,” Smiley said. “While there is momentum at the state and federal level, Big Tech lobbying, enforcement challenges, and lawmaker disagreements over how to best regulate social media have slowed meaningful progress.”

—

AP Technology Writer Kaitlyn Huamani contributed to this story.

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California Brief

How a Social Media Addiction Trial Threatens Big Tech: QuickTake

Feb. 19, 2026, 2:51 PM PST

Two of the world's largest social media platforms are facing a jury trial over allegations that they intentionally designed their products to be addictive to young people — drawing comparisons to Big Tobacco's reckoning with consumer addiction three decades ago.

The trial in Los Angeles, the first of its kind, centers on a 20-year-old woman who says her nonstop use for more than a decade of sites including Meta Platforms Inc.'s Instagram and Google's YouTube caused her to suffer anxiety, depression and body dysmorphia. The companies are exposed to potentially billions of dollars in damages and the possibility that they could be forced to overhaul core features of their platforms.

Thousands of similar cases brought against the two companies as well as Snap Inc. and TikTok Inc. parent ByteDance Ltd. are pending in court. The Los Angeles trial is the first of several planned for this year.

What are the cases?

The Los Angeles trial is over a complaint brought by a woman from Chico, California, who's identified in filings as K.G.M. rather than her full name because she was still a minor when she sued. TikTok and Snap aren't party to the Los Angeles trial because they reached confidential settlements with K.G.M.

More than 3,000 cases brought by children, adolescents and young adults — sometimes via their parents, siblings or other family members — based on claims of psychological distress, physical impairment and death have been filed across the US. Dozens of state attorneys general are also suing the companies. Additionally, public school districts have brought more than 1,200 complaints on behalf of students. The first trial among the school cases is scheduled to be held in Oakland, California in June.

The plaintiffs say that Meta, Google, TikTok and Snap design their services to hook children, an audience that academic and medical studies show is particularly vulnerable to addiction because their bodies and minds are still developing.

Who is testifying?

Instagram boss **Adam Mosseri** testified on Feb. 11. Meta Chief Executive Officer Mark Zuckerberg did so on Feb. 18, saying it's "very difficult" to enforce the company's policy to keep children under 13 off the photo-sharing app because many lie about their age when they open accounts. Zuckerberg also countered criticism that Meta's platforms target young people to boost revenue by arguing that teens account for just 1% of the company's revenue.

Jurors will also hear from dueling expert witnesses in child psychology and related research fields. K.G.M.'s lawyer said he plans to call his client as a witness toward the end of the trial, and possibly her mother and sister, too.



Instagram CEO Adam Mosseri, center, leaves the Los Angeles County Superior Court after testifying in a social media trial in Los Angeles on Feb. 9.

Photographer: Apu Gomes/AFP/Getty Images

What's the legal foundation?

The claims filed by individual users focus on product liability, similar to those that drove decades of litigation over cigarettes, asbestos, faulty medical devices and harmful prescription drugs, with mixed success. Rather than targeting the content that social media users see, the suits attack the platforms' design and functionality, alleging that they are engineered to keep users constantly engaged.

The cases filed by the school districts claim the companies have created a "public nuisance" by distracting children and undermining their education and have caused a youth mental health crisis.

How does the alleged addiction happen?

Many of the lawsuits allege that the social media giants, borrowing behavioral techniques from the gambling and cigarette industries, design endless, algorithm-generated feeds to induce young users into a so-called flow state. In that state, users react to incessant notifications that manipulate dopamine levels, encourage repetitive account checking and reward round-the-clock use.

Addictive use of social media results in an array of psychological disorders, and in extreme cases self-harm and suicide, according to the lawsuits. Such addictive use delivers the most valuable prize: troves of data about young users' preferences, habits and behaviors that are used to target them with ads.

How are internal records at the companies being used against them?

In 2021, **Frances Haugen**, a former product manager-turned-whistleblower at Facebook, revealed internal documents showing that Meta had long known that its platforms had ill effects on young people, especially girls struggling with their body image. Lawyers are also planning to show internal chats and emails from employees discussing the alleged addictive qualities of Meta's products.



Frances Haugen speaks during a Senate hearing in Washington in 2021.

Photographer: Matt McClain/The Washington Post/Bloomberg

Records disclosed by ByteDance in response to lawsuits suggest that the company knew young people were more susceptible to being lured into trying dangerous and even deadly stunts they view on TikTok because their ability to judge risk isn't fully formed. Product research at ByteDance concluded that the No. 1 reason identified by teens for participating in the challenges is "getting views/likes/comments," followed by "impressing others online."

What do the companies say?

They maintain that their products were not built to hook kids, and that they have settings and safeguards in place to protect young users. A lawyer for Meta argued at the start of K.G.M.'s trial that social media actually helps young people connect with friends and family. He also told jurors that K.G.M.'s medical records show that her psychological distress has other roots, including family turmoil, verbal and physical abuse and bullying at school.

In the past, the first line of defense for social media companies has been 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. But both judges overseeing the current wave of lawsuits ruled that Section 230 doesn't protect the companies from negligence claims.

What consequences could social media companies face?

The personal injury suits seek monetary compensation for the youths' financial losses, including the costs of mental health treatment, as well as for pain and suffering. They also seek punitive damages against the companies to deter future misconduct, which will require demonstrating at trial that the companies showed willful and reckless disregard for user safety. If the companies lose the first trial — and continue to lose in other trials this year — pressure could mount for them to pursue settlements reaching tens or hundreds of billions of dollars, according to Bloomberg Intelligence.

The suits filed by the school districts seek to recover past and future costs tied to the alleged harms of social media, including funding to hire additional mental health counselors and security guards and additional training for teachers to help them identify and respond to students suffering distress.

The school districts are also demanding that the companies make adjustments to the platforms, including installing parental controls and tweaking algorithms that are designed to maximize user engagement. Similarly, the state attorneys general suing the companies are requesting court orders directing the platforms to dismantle what AGs describe as “addictive” design features that exploit children's brain development for profit.

“Social-media companies likely can neither avoid paying hundreds of millions of dollars — and potentially far more — nor dodge changing practices,” Bloomberg Intelligence said.

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Beasley Allen Fights DQ Order: ‘You Need to Hit Pause for Now’

U.S. Magistrate Judge Rukhsanah Singh has set a Feb. 24 hearing on whether to disqualify Beasley Allen, one of the lead plaintiffs’ firms, from the talc multidistrict litigation against Johnson & Johnson.

February 19, 2026 at 07:30 PM By  **Amanda Bronstad**

What You Need to Know

- U.S. Magistrate Judge Rukhsanah Singh ordered supplemental briefs after a New Jersey appeals court ruled that Beasley Allen should be disqualified.
- Johnson & Johnson has asked Singh to replace Beasley Allen, whose principal Leigh O’Dell is co-lead counsel in the talc multidistrict litigation, with attorney R. Allen Smith.
- Beasley Allen has asked Atlantic County Superior Court Judge John Porto to temporarily stay its disqualification to give time for a petition before the New Jersey Supreme Court.



Beasley Allen Office Sign. Courtesy photo.

A federal judge in New Jersey plans to hear arguments next week on whether to disqualify Beasley Allen, one of the lead plaintiffs' firms, from the talcum powder multidistrict litigation against Johnson & Johnson.

In a Feb. 9 order, U.S. Magistrate Judge Rukhsanah Singh, of the District of New Jersey, ordered supplemental briefing after a New Jersey appeals court found that [Beasley Allen should be disqualified](#) from talc lawsuits because principal Andy Birchfield had partnered with a former Johnson & Johnson attorney to negotiate a proposed \$19 billion settlement. Beasley Allen, which claims to represent 435 women in New Jersey state courts, and 5,500 in the multidistrict litigation, has argued to hold off the disqualification to give time to appeal the New Jersey Appellate Division's Feb. 6 order to the New Jersey Supreme Court.

"My view is, judge, you need to hit pause for now—just briefly," Jeffrey Pollock, of Pollock Law in Trenton, New Jersey, told Law.com for Birchfield and Beasley Allen. "The reason being is let's assume that the appellate division agrees with me, and the Supreme Court agrees with me that Beasley Allen is not out. You rearrange all the deck chairs in the MDL because we're out, then have to do it all over again."

Johnson & Johnson, however, has suggested replacing Beasley Allen, whose principal Leigh O'Dell serves as co-lead counsel in the multidistrict litigation, with R. Allen Smith, of The Smith Law Firm, who obtained the first-ever talc verdict in 2013.

"In fact, in the majority of the Beasley Allen cases that have proceeded to trial since the inception of the litigation, Allen Smith served as lead trial counsel, devising the trial strategy, taking the examinations of nearly all experts, and handling nearly all openings and closings," Johnson & Johnson attorney Kristen Fournier, of Kirkland & Ellis in New York, wrote in a Thursday letter to Singh. "As such, the disqualification of Beasley Allen should not cause significant disruption to Beasley Allen's clients (or this MDL) as one of their current attorneys, with significant trial experience and access to expert resources, can continue to represent them."

A Johnson & Johnson representative declined to comment.

Attached to its letter was a Feb. 15 certification by Smith, filed in Atlantic County Superior Court, where 2,700 talc cases are pending, in which he stated he was lead trial counsel in 11 of the 16 talc trials that Beasley Allen had handled.

"There is no need to 'secure substitute counsel' to replace Beasley Allen, nor is there any risk that denial of a stay of Beasley Allen's disqualification will 'irreparably prejudice' the talc clients," he wrote. "I, through SLF [Smith Law Firm] will continue to represent the talc clients without disruption or prejudice."

Smith also filed a motion on Thursday on behalf of one of their purported joint clients, Aletha Wilson, who was diagnosed with uterine cancer in 2009, supporting Johnson & Johnson.

Smith did not respond to a request for an interview.

Singh set a Feb. 24 hearing on the matter.

‘Real and Potentially Irreversible’ Disruption in Talc Leadership

At issue is Birchfield’s relationship with James Conlan, a former attorney at Faegre Drinker Biddle & Reath who founded Legacy Liability Solutions LLC in 2022. Birchfield and Conlan partnered on attempting to negotiate a global talc settlement, though Johnson & Johnson refused those efforts.

In 2024, Atlantic County Superior Court Judge John Porto, after three days of evidentiary testimony, also overseen by Singh, found Beasley Allen should not be disqualified because Conlan, who was no longer a practicing attorney, never shared confidential information with Birchfield and was not associated with or employed by the firm.

But the appeals court concluded that New Jersey’s Rules of Professional Conduct 5.3, which outlines the rules for nonlawyers “employed or retained by or associated with a lawyer,” does not define what it means for a lawyer to be “associated” with a nonlawyer. Having found an association, the panel concluded Beasley Allen’s relationship with Conlan violated New Jersey’s Rules of Professional Conduct.

The reversal comes as the first talc trial in New Jersey state courts is set for April 13. The talc multidistrict litigation, which also focuses on ovarian cancer claims, is planning for its first bellwether trial later this year.

O’Dell and Birchfield have led ovarian cancer trial teams against Johnson & Johnson over the past year. Birchfield and Dan Robinson, of Robinson Calcagnie, in Newport Beach, California, [won a \\$40 million verdict](#) on Dec. 12 in Los Angeles Superior Court, in the first bellwether trial among the California state court talc cases against Johnson & Johnson. On Feb. 13, O’Dell won a [\\$250,000 verdict](#) in a talc trial in the Philadelphia Court of Common Pleas.

The potential disruption to the existing talc cases would be “real and potentially irreversible,” Pollock wrote in a Thursday motion, noting that Beasley Allen represents three of the six bellwether plaintiffs teed up for trials in the multidistrict litigation, which involves 67,000 talc cases.

“Disqualifying nationally selected MDL co-lead counsel based on a single state appellate court’s unprecedented expansion of an ethics rule would disrupt coordinated leadership, impair settlement negotiations, and prejudice litigants who have relied on their chosen counsel for the better part of a decade,” Pollock wrote in a Thursday motion.

As to the multidistrict litigation, Johnson & Johnson, pushing for disqualification, cited a joint venture agreement between Montgomery, Alabama’s Beasley Allen and the Smith Law Firm, based in Ridgeland, Mississippi, that would alleviate much of the disruption caused by the disqualification order. The firms share 11,000 talc clients.

Both [Beasley Allen](#) and the Smith Law Firm have sued one another over the joint venture agreement, which came up [during a 2025 hearing](#) on whether to dismiss the third talc bankruptcy filed by a Johnson & Johnson subsidiary. U.S. Bankruptcy Judge Christopher Lopez, of the Southern District of Texas, [dismissed that Chapter 11 case](#), citing “significant voting and solicitation irregularities” as to the proposed \$10 billion bankruptcy plan.

“Smith is in massive litigation because, as Johnson & Johnson alleges, he owes over \$240 million to litigation funders,” Pollock said. Smith entered into an agreement with Johnson & Johnson during the third talc bankruptcy in which it would provide votes in favor of the Chapter 11 plan in exchange for money put aside to pay back litigation funders, he said.

“This is all going to be front and center: the fact that Smith has no team in New Jersey, no team at all in the MDL, and he’s got massive litigation, and lastly, the critical question I would ask is, why is Johnson & Johnson pushing Mr. Smith?” Pollock said. “And the reason is simple: they believe they can control Smith and get a settlement Johnson & Johnson likes.”

Pollock also questioned applying a New Jersey ethics decision to thousands of plaintiffs who don’t live in New Jersey.

“No one in the country has ever adopted a rule the New Jersey Appellate Division just adopted,” he said. “There are no New Jersey plaintiffs in the New Jersey MDL. All the people are from other jurisdictions, and all jurisdictions that don’t follow the rule the appellate division just adopted.”

On Feb. 9, Porto, on remand, ordered Beasley Allen disqualified. But Beasley Allen, the next day, sought a temporary stay of that order while petitioning the New Jersey Supreme Court. Johnson & Johnson opposed the move, insisting in a Monday brief that the district court doesn’t have jurisdiction.

Beasley Allen’s conduct “violated the integrity of our legal system as a whole,” wrote former New Jersey Supreme Court Justice Peter Verniero, of Newark, New Jersey’s Sills Cummis & Gross,

joined by Fournier; Jessica Brennan, of Barnes & Thornburg in Morristown, New Jersey; and Steve Brody of O'Melveny & Myers in Washington, D.C.

"By disqualifying the firm, the Appellate Division repaired some of that harm and restored this case to a proper ethical footing," he wrote. "The public confidence in the integrity of the bar would, once again, be shaken if this court were to allow Beasley Allen to participate in these coordinated proceedings."

Porto scheduled arguments for Friday.

"We'll want a final ruling on the merits," Pollock said. "I'm confident we'll prevail."

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'A Huge Victory for the Victims': Palisades Fire Judge Refuses to Extinguish Claims Against Los Angeles and California

On Thursday, Los Angeles Superior Court Judge Samantha Jessner refused to toss inverse condemnation and public nuisance claims against the city of Los Angeles and state of California over the 2025 Palisades wildfire.

February 20, 2026 at 02:02 PM By  **Amanda Bronstad**

What You Need to Know

- The Palisades fire killed 12 people and destroyed more than 6,000 structures in Pacific Palisades and parts of Malibu.
- The demurrers sought to dismiss inverse condemnation and public nuisance claims in a 185-page master complaint against the city of Los Angeles and the state of California.
- On Oct. 15, a federal grand jury indicted a former Pacific Palisades resident, Jonathan Rinderknecht, with starting a fire in Topanga State Park on Jan. 1, 2025, that, left smoldering, reignited as the Palisades fire.



Palisades wildfires in January. Credit: Pierce/Adobe Stock

A Los Angeles judge dealt a major setback to the city of Los Angeles and the state of California by refusing to dismiss lawsuits brought over a 2025 wildfire sparked by an alleged arsonist.

In a Thursday order, Los Angeles Superior Court Judge Samantha Jessner found that governmental immunities did not absolve the city of Los Angeles from accusations that it failed to design an adequate water supply system to tackle the Palisades fire, which killed 12 people and destroyed more than 6,000 structures in Pacific Palisades and parts of Malibu. The judge also refused to dismiss the state of California, which allegedly failed to put out smoldering embers in Topanga State Park, where the Palisades fire erupted.

The order largely adopted the findings of two tentative rulings the judge issued on Feb. 10, when she heard oral arguments.

“Today’s ruling marks a huge victory for the victims of the Palisades Fire,” Alexander “Trey” Robertson, of Robertson & Associates in Los Angeles, said in an emailed statement. “The court overruled the claims of immunity by the city and state, which allows our case to move forward into the discovery phase. The lies, gaslighting and cover-up by both the city and state will be further exposed through the discovery process.”

Daniel Levin, a partner at Munger, Tolles & Olson in Los Angeles, who represents the city of Los Angeles, did not respond to a request for an interview, nor did the California Attorney General’s Office, which is handling the case for the state of California.

The ruling addressed the first substantive motions in the Palisades fire litigation. The demurrers sought to dismiss inverse condemnation and public nuisance claims in a 185-page master complaint against the city of Los Angeles and the state of California.

City: 'Contradict A Hundred Years of Precedent'

The Palisades fire is [one of several wildfires](#) that erupted on Jan. 7 of last year; another major one, the Eaton fire, killed 19 people and destroyed nearly 10,000 structures near Pasadena, California. Lawsuits have been filed against Edison International, whose Southern California Edison tower is alleged to have caused the Eaton fire.

On Oct. 15, a federal grand jury [indicted a former Pacific Palisades resident](#), Jonathan Rinderknecht, with starting a fire in Topanga State Park on Jan. 1, 2025, that, left smoldering, reignited as the Palisades fire amid record winds hit the Los Angeles region seven days later.

Rinderknecht pleaded not guilty.

The region where the Palisades fire occurred is served by the city’s Los Angeles Department of Water & Power. Roughly 10,000 individual and business property owners, including [many judges](#)

[and lawyers](#), have sued for property and other damages. This week, the city of Malibu joined the suit, and, earlier this month, the city of Los Angeles filed an indemnity suit against the state of California.

Jessner, on Thursday, refused to dismiss claims against the city of Los Angeles.

“We alleged the city’s water system for Pacific Palisades, as designed and maintained, had an inherent risk of complete failure during a high-water demand event like a fire,” Robertson told Law.com. “And she agreed with us on that.”

Pled as an inverse condemnation claim, the master complaint alleged that the city failed to provide enough water, having emptied a 117-million-gallon reservoir for repairs, with fire hydrants running dry as the Palisades fire burned.

“Government immunities only bar tort claims like negligence,” Robertson said. “They don’t apply to inverse condemnation because inverse is not a tort.”



Daniel Levin of Munger, Tolles & Olson. Courtesy photo

The city of Los Angeles, in its demurrer, said permitting the inverse condemnation claim would “contradict a hundred years of precedent barring fire claims against water utilities.”

“While the court is aware of the important policy considerations raised by defendants and relating to municipal liability vis-à-vis fires, the court will reserve consideration of policy issues until an evidentiary and factual record has been developed to aid the court in more thoroughly analyzing these issues,” Jessner ruled. “At this stage, the pleadings are sufficient.”

Jessner also allowed claims of public nuisance arising from the city’s failure to maintain wooden utility poles or to clear brush.

As to the state, the master complaint cites poor brush clearing in the area where the fire started, and in some vacant lots, and a failure to put out the fire that sparked in the burn scar area. Jessner allowed the burn scar claims to go forward but dismissed those tied to the unimproved lots.

Such a “dangerous condition claim,” Robertson said, is authorized by California Government Code as an exception to governmental immunity from liability.

“Our case against the state of California is that the California State Parks allowed a dangerous condition of public property to exist after the Jan. 1 Lachman fire was supposedly put out by the fire department,” Robertson said, referring to the fire allegedly set by Rinderknecht. “And we now have extensive evidence that fire was allowed to smolder, and there were red-hot embers that witnesses saw, and smoke coming from the ground, days afterward.”

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Berkshire-owned PacifiCorp pays \$575 million to settle US government's wildfire claims

 [reuters.com/legal/litigation/berkshire-owned-pacificorp-pays-575-million-settle-us-governments-wildfire-2026-02-20](https://www.reuters.com/legal/litigation/berkshire-owned-pacificorp-pays-575-million-settle-us-governments-wildfire-2026-02-20)

Jonathan Stempel

February 20, 2026

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

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

- US says PacifiCorp's electrical lines caused six wildfires
- PacifiCorp denies liability, says settlement adds certainty
- Utility faces billions of dollars of private claims

Feb 20 (Reuters) - PacifiCorp, a utility owned by Berkshire Hathaway ([BRKa.N](#))  , [opens new tab](#), agreed to pay \$575 million to resolve U.S. government damage claims related to six wildfires in Oregon and California that burned nearly 290,000 acres of federal land, the U.S. Department of Justice said on Friday. The settlement resolves claims that PacifiCorp acted negligently in allowing its electrical lines to start the fires.

Five of the fires - Archie Creek, Echo Mountain Complex, Slater, South Obenchain and 242 - began during Labor Day weekend in September 2020, burning approximately 250,000 acres of federal land. The sixth fire, McKinney, began in July 2022 and burned 39,000 acres of federal land.

PacifiCorp denied liability in agreeing to settle. The Portland, Oregon-based utility has agreed to pay more than \$2.2 billion to wildfire claimants, including Friday's settlement.

Ryan Flynn, president of the utility's Pacific Power unit, said the settlement reflects "our ongoing commitment to resolve all reasonable claims" related to Oregon and California wildfires, while "providing certainty for customers and progress toward a financially healthy utility."

The Justice Department had [sued](#) PacifiCorp in December 2024 to recoup wildfire losses and, according to the utility, sought more than \$900 million.

PACIFICORP FACES LIQUIDITY STRAINS

Wildfire litigation, primarily from homeowners and businesses, has strained PacifiCorp's liquidity and credit ratings.

The utility said in November it faced \$55 billion of claims from fires that burned more than 2,000 structures and 500,000 acres in Oregon and northern California.

On February 17, PacifiCorp [agreed to sell](#) many of its assets in Washington state to Portland General Electric ([POR.N](#))  [, opens new tab](#) for \$1.9 billion to bolster liquidity.

The Justice Department said the \$575 million payment will help cover firefighting costs and allow the Forest Service and Bureau of Land Management to restore some burned land.

It "strikes a balance by addressing the government's significant fire-suppression costs and loss of natural resources without preventing PacifiCorp from offering electricity at fair prices," Principal Deputy Assistant Attorney General Adam Gustafson said in a statement.

UTILITY SEEKS TO UNDO WILDFIRE CLASS ACTION

About \$52 billion of PacifiCorp's potential wildfire liability comes from private litigation by Oregon homeowners and businesses that say the utility's failure to shut off power lines during a windstorm caused four of the September 2020 fires in that state.

On February 4, PacifiCorp urged the Oregon Court of Appeals to decertify a class action for those fires and prevent victims from recovering damages for emotional distress. The court has yet to rule.

"PacifiCorp's playbook is to avoid accountability at all costs until their hand is forced--as it was here," Nick Rosinia, a lawyer for the fire victims, said in an email. "We see the same in their litigation strategy against individual Oregonians."

Berkshire, based in Omaha, Nebraska, bought PacifiCorp for \$5.1 billion in 2006.

The utility's immediate parent is Berkshire Hathaway Energy, whose former chief Greg Abel succeeded Warren Buffett as Berkshire's chief executive on January 1. Buffett remains Berkshire's chairman.

California Brief

LA Fire Victims Can Pursue City Utility Claims, Judge Rules (2)

Feb. 19, 2026, 4:19 PM PST

The water and power utility that serves the city of Los Angeles must face hundreds of lawsuits faulting its response to the massive 2025 wildfire that leveled one of the city's premier seaside neighborhoods and caused tens of billions of dollars in damage.

In a significant victory for fire victims, Los Angeles Superior Court Judge Samantha Jessner concluded in a written ruling Thursday that a unique California law allows property and business owners to pursue claims that the Los Angeles Department of Water and Power failed to supply enough water to fight the blaze that consumed the Pacific Palisades area.

Over strong objections from lawyers for the nation's largest public utility, Jessner finalized a tentative ruling she issued last week concluding victims have a legal basis to move forward with allegations a city reservoir drained for repairs left fire hydrants with inadequate water pressure and helped the wind-whipped blaze get out of control.

How lawsuits play out over the Palisades Fire — and a separate blaze that decimated inland neighborhoods in the Pasadena area — loom large as the second-largest US metropolis tries to recover from the twin disasters. Together, the Palisades and Eaton fires that both started on Jan. 7, 2025, killed more than 30 people, charred almost 40,000 acres and destroyed more than 16,000 structures.

"Today's ruling by the judge marks a huge victory for the victims of the Palisades Fire," one of their lead attorneys, Alexander "Trey" Robertson, said in a statement.

LADWP and the Los Angeles City attorney's office did not immediately respond to requests for comment.

Read More: LA Fire Victims Are Suing Utilities. What's at Stake?: QuickTake

Jessner's ruling adds another twist to the tangled saga of who's responsible for the Palisades Fire becoming the third-most destructive wildfire in US history. It resulted in at least 12 deaths, almost 7,000 structures destroyed and more than 23,000 acres of land scorched. Some of the multimillion-dollar homes incinerated were owned by Hollywood celebrities such as **Mel Gibson**, **Jeff Bridges** and **John Goodman**.

LADWP's legal exposure is different in a key respect from the hundreds of lawsuits aimed at holding Edison International liable for the Eaton Fire in that utility's service area. Edison can seek reimbursement for most of its legal losses from the state, but LADWP isn't covered by the California Wildfire Fund, which was recently expanded to \$39 billion.

After Jessner's ruling, Edison shares briefly pared gains before recovering in New York trading.

California law sets a low bar for utilities to be held responsible for fire damage. The legal doctrine of inverse condemnation entitles home and business owners to compensation if a fire ignited by electrical lines damages their property — even if the utility wasn't negligent.

Lack of Water

Whether that law applies to claims that a utility failed to supply enough water for firefighters was hotly debated in court filings and at a Feb. 10 hearing before Jessner.

Victims contend deferred maintenance on the 117-million gallon Santa Ynez Reservoir left the upscale neighborhood with no defense against a fire that stretched across an area larger than Manhattan. Their lawyers said the empty reservoir triggers the condemnation law because it "presented an inherent risk that materialized and damaged private property."

LADWP pointed to the absence of a contract with firefighting agencies as evidence the utility had no responsibility for the lack of water and argued that it can't be held liable.

Victims also claimed in suits that some of the city utility's power lines toppled during high winds — hours after the Palisades Fire initially broke out — and caused secondary ignitions that hastened the spread of the blaze.

LADWP has maintained there is no evidence proving that its equipment was the source of the fire.

Jessner allowed the secondary ignition claim to proceed.

Criminal Case

Meanwhile, federal prosecutors are pursuing arson charges against a man who allegedly ignited a brush-filled area near the fire's origin point early on the morning of New Year's Day 2025.

While that blaze, dubbed the Lachman Fire, was quickly contained by firefighters, prosecutors said it continued to burn underground for nearly a week until heavy winds caused it to resurface and become the Palisades Fire. The arson suspect faces as long as 45 years in prison if convicted.

LADWP this month filed a cross-complaint against the state of California in an attempt to spread blame for any civil liability to the state's parks department, which oversees the land where the fire started.

In Thursday's ruling, Jessner said fire victims can move ahead with claims that park administrators created a "dangerous condition" by allowing the Lachman Fire to remain unextinguished. But the judge threw out claims tied to overgrown brush on state park land.

The case is Grigsby v. City of Los Angeles, 25STCV00832, California Superior Court, (Los Angeles County).

(Updates with comment by lawyer for fire victims in fifth paragraph.)

--With assistance from **Michelle Ma**.

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Damages

Miami Judge Rules Tesla Must Pay in \$243M Autopilot Verdict

"Tesla has been denying any responsibility for this crash since the day it happened, through litigation, through trial and even after we got the verdict," said plaintiff's attorney Adam Boumel, co-founder of Poses Boumel. "We've been steadfast in our belief that they bear significant responsibility for how they developed and marketed autopilot."

February 20, 2026 at 12:09 PM By **Annie Mayne**



Tesla Supercharger station. Credit: sheilaf2002/Adobe Stock

Tesla can't evade paying out its portion of the \$243 million verdict stemming from a fatal crash involving the company's Autopilot technology, a Miami federal judge ruled.

In a Thursday [ruling](#) docketed Friday, U.S. District Judge for the Southern District of Florida Beth Bloom held that the evidence in the case "more than supports" the verdict and that Tesla's post-trial arguments were nearly identical to those it has been levying since the suit was filed in 2021.

"The grounds for relief that Tesla relies upon are virtually the same as those Tesla put forth previously during the course of trial and in their briefings on summary judgment—arguments that were already considered and rejected," Bloom's order reads. "Furthermore, Tesla does not present



Beth Bloom, U.S. District Judge for the Southern District of Florida. Courtesy photo

blame in the 2019 Key Largo crash that killed 22-year-old Nabel Benavides Leon and injured her boyfriend, Dillon Angulo.

Jurors found Tesla was one-third to blame for the wreck. But Adam Boumel, co-founder of Poses Boumel and attorney for the plaintiff, said the Austin, Texas, headquartered company has been trying to pass the buck from day one.

"Tesla has been denying any responsibility for this crash since the day it happened, through litigation, through trial and even after we got the verdict," he said. "We've been steadfast in our belief that they bear significant responsibility for how they developed and marketed autopilot. They knew people would get hurt. That is what they were doing. And they continued to do it anyway."

Boumel and his new law partner, Todd Poses, told the DBR in a Friday phone interview that they are prepared if Tesla decides to appeal the ruling to the U.S. Court of Appeals for the Eleventh Circuit and teased a new appellate counsel who plans to soon file her notice of appearance.

"We already have appellate counsel who we consider to be among the very best among us in the United States. She'll be entering a notice of appearance very shortly," Poses said, adding that their team has reviewed the entire trial transcript and feels "extremely confident that Judge Bloom, and we, got it right."

Poses and Boumel tried the case with Doug Eaton of Eaton Wolk.

additional arguments or controlling law that persuades this Court to alter its earlier decisions or the jury verdict."

The nine-figure verdict was handed down by Miami jurors in July after a three-week trial, in which Tesla was accused of lying, withholding data and misdirecting police to try to skirt

The historic verdict came after Tesla declined a \$60 million pre-trial settlement. The auto giant [brought in](#) appellate attorneys from Gibson Dunn, including partners Miguel A. Estrada, Theodore J. Boutrous, Thomas H. Dupree Jr., and Julian W. Poon, as well as former U.S. Solicitor General Paul D. Clement of Clement & Murphy.

When reached by phone Friday morning, Estrada declined to be interviewed.

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US judge upholds \$243 million verdict against Tesla over fatal Autopilot crash

 [reuters.com/world/us-judge-upholds-243-million-verdict-against-tesla-over-fatal-autopilot-crash-2026-02-20](https://www.reuters.com/world/us-judge-upholds-243-million-verdict-against-tesla-over-fatal-autopilot-crash-2026-02-20)

Jonathan Stempel

February 20, 2026

Tesla logo is seen in this illustration taken July 23, 2025. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

- Judge says evidence at trial supported verdict
- Autopilot-equipped Model S crashed into victims
- Tesla not available for comment, expected to appeal

Feb 20 (Reuters) - A federal judge rejected Tesla's [\(TSLA.O\), opens new tab](#) request to overturn a \$243 million jury verdict over the 2019 crash of an Autopilot-equipped Model S, which killed a 22-year-old woman and severely injured her boyfriend.

In a decision made public on Friday, U.S. District Judge Beth Bloom in Miami said the evidence at trial "more than supports" the August 2025 [verdict](#), and Tesla raised no new arguments to set the verdict aside.

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Tesla, led by Elon Musk, is expected to appeal. Neither Tesla nor its lawyers immediately responded to requests for comment.

The case arose from an April 25, 2019, incident in Key Largo, Florida, in which George McGee drove his 2019 Model S through an intersection at about 62 mph (100 kph) while he bent to look for his phone, which he had dropped.

McGee crashed into Naibel Benavides Leon and Dillon Angulo's SUV, which was parked on a shoulder and which they stood beside. Benavides was killed.

Jurors found Tesla 33% responsible for the crash. They awarded compensatory damages of \$19.5 million to Benavides' estate and \$23.1 million to Angulo, plus \$200 million of punitive damages to be split between them. McGee previously settled with the plaintiffs.

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The verdict was the first from a federal jury concerning a fatal accident involving Autopilot.

TESLA BLAMED DRIVER FOR STRIKING VICTIMS

In seeking a reversal, Tesla said McGee deserved sole blame, his Model S wasn't defective, and the verdict defied common sense.

Tesla said automakers "do not insure the world against harms caused by reckless drivers," and punitive damages should be zero because it did not exhibit "reckless disregard for human life" under Florida law.

Adam Boumel, a lawyer for Benavides' estate and Angulo, said his clients were pleased with the decision.

"From day one, Tesla has refused to accept responsibility," Boumel said in an email. "Autopilot was defective, and Tesla put it on American roads before it was ready and before it was safe."

Tesla has faced many lawsuits over its vehicles' self-driving capabilities, but they had been resolved or dismissed without going to trial.

Musk, the world's richest person, has long touted Tesla as a leader in autonomous driving for private vehicles and robotaxis.

Reporting by Jonathan Stempel in New York Editing by Rod Nickel and Deepa Babington

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US Supreme Court to hear Exxon and Suncor bid to toss Boulder's climate suit

 [reuters.com/world/us-supreme-court-hear-exxon-suncor-bid-toss-boulders-climate-suit-2026-02-23](https://www.reuters.com/world/us-supreme-court-hear-exxon-suncor-bid-toss-boulders-climate-suit-2026-02-23)

John Kruzel

February 23, 2026

Item 1 of 2 ExxonMobil logo is seen in this illustration taken, October 6, 2023.
REUTERS/Dado Ruvic/Illustration/File Photo

[1/2]ExxonMobil logo is seen in this illustration taken, October 6, 2023.

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

- Boulder accuses oil companies of fueling climate change
- It is one of many such lawsuits by US jurisdictions
- Boulder seeking monetary damages from Exxon and Suncor

WASHINGTON, Feb 23 (Reuters) - The [U.S. Supreme Court](#) agreed on Monday to hear a bid by ExxonMobil ([XOM.N](#))  , [opens new tab](#) and Suncor Energy ([SU.TO](#))

 , [opens new tab](#) to scuttle a lawsuit brought by officials in Boulder, Colorado that seeks to hold the oil companies liable for helping to fuel climate change. The justices took up an appeal by the companies of a lower court's ruling that let the litigation move forward. The suit alleging state law violations by the companies seeks unspecified monetary damages for costs incurred by Boulder associated with mitigating the impact of climate change.

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The Boulder litigation is one of dozens of climate-related lawsuits filed by U.S. jurisdictions against companies that extract, produce, distribute or sell fossil fuels.

The burning of fossil fuels releases greenhouse gases such as carbon dioxide into the atmosphere, causing more of the sun's heat to be trapped, which leads to a rise in the average global temperature over time.

The Boulder government officials in their 2018 lawsuit accused the U.S.-based Exxon and Canada-based Suncor of misleading the public about the role that their products played in exacerbating climate change while profiting from unchecked fossil fuel sales. The companies deny wrongdoing.

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The plaintiffs have said the oil companies should cover past and future costs incurred by the city and county governments for steps taken to mitigate the effects of climate change, citing infrastructure repairs, environmental damage, emergency management and harms to public health.

The companies urged lower courts to dismiss the case, arguing among other things that Boulder's lawsuit would illegally interfere with the federal regulation of greenhouse gas emissions under the Clean Air Act.

The Colorado Supreme Court in May 2025 [denied](#) their request, prompting the appeal to the U.S. Supreme Court.

President [Donald Trump](#)'s administration backed the appeal by the oil companies.

The Supreme Court previously [turned away](#) a similar bid by Sunoco [\(SUN.N\)](#)  , [opens new tab](#) and other oil companies to throw out a climate-related lawsuit by Honolulu after Hawaii's top court allowed it to proceed.

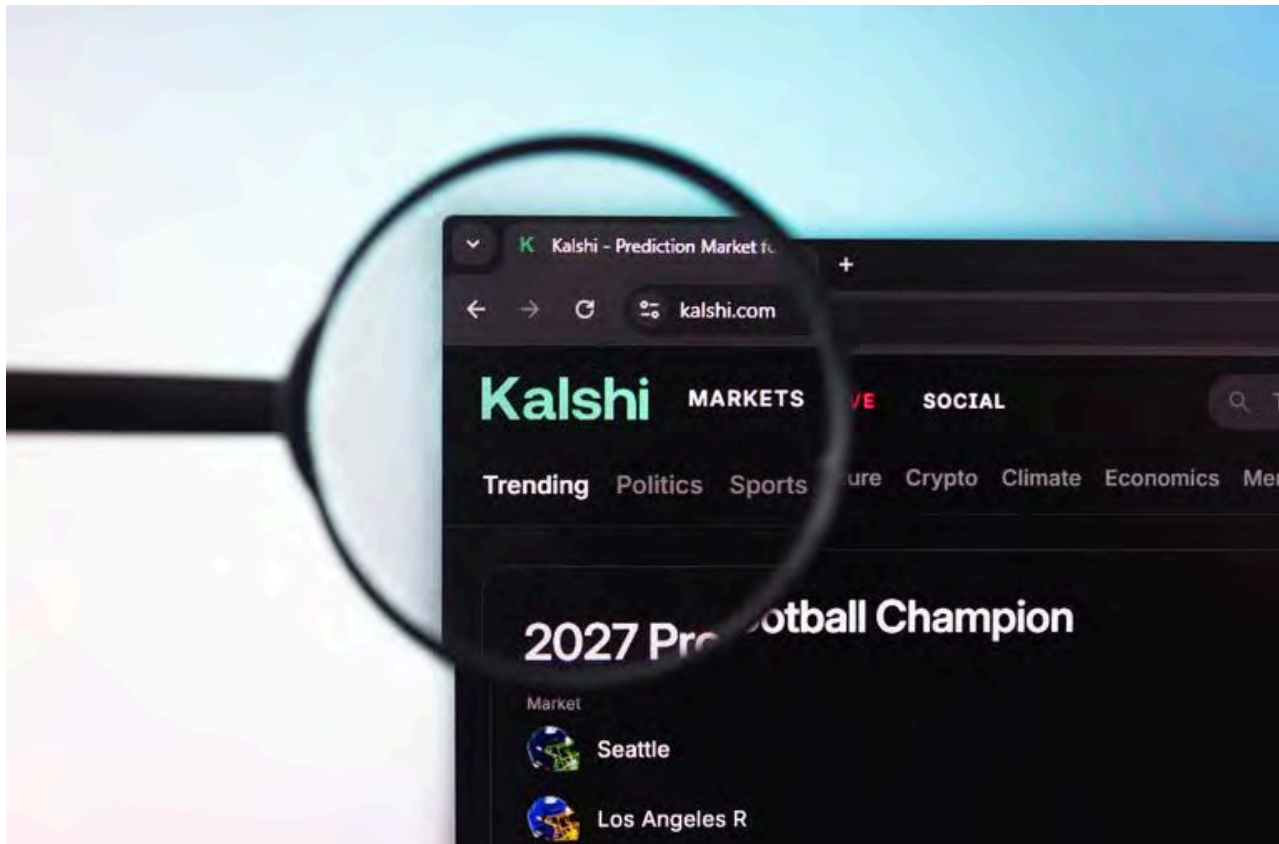
That lawsuit seeks to hold the companies liable for their alleged role in contributing to extreme weather affecting the region, as well as a significant rise in the average sea level along the Honolulu Pacific coastline, a development linked to flooding, erosion and beach loss.

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People Are Betting Big on Supreme Court Decisions. What Could Go Wrong?

Prediction market platforms Polymarket and Kalshi have received millions in wagers on the outcome of the tariff cases at the Supreme Court. Should the justices be worried?

February 19, 2026 at 05:59 PM By  **Jimmy Hoover**



Credit: Rafael Henrique/Adobe Stock

A controversial new form of legal forecasting has reached the U.S. Supreme Court in the form of online “prediction markets” that allow anonymous users to place bets on the outcome of pending cases.

Since September, the two largest prediction markets in the United States—Polymarket and Kalshi—have received nearly \$10 million in wagers, dubbed “event contracts,” on the outcome of the consolidated cases about whether President Donald Trump’s tariffs should stand.

The explosion of prediction markets since 2024 has alarmed state regulators and gambling addiction groups, with Americans now spending billions of dollars each year betting on the outcomes of not just sports, but high-profile matters of U.S. and international policy.

It has also raised concerns over insider trading, with one account's suspiciously timed bet on the ouster of Venezuelan leader Nicolas Maduro resulting in a \$400,000 payout.

The Trump administration has proven an ally to the new firms.

The U.S. Commodity Futures Trading Commission recently shelved a proposed ban on political event contracts like the Supreme Court tariffs case. And just this week the CFTC filed a brief in the U.S. Court of Appeals for the Ninth Circuit seeking to box out states from regulating what the agency considers an industry under its "exclusive jurisdiction."

That legal fight is still playing out and could soon reach the Supreme Court itself.

Defenders of these new platforms, which allow people to gamble on political and legal outcomes through the convenience of a mobile app, say they provide a new form of market-driven predictive intelligence to the major policy questions of the day, including Supreme Court decisions.

"My view is that these are socially positive," said Koleman Strumpf, a political economist at Wake Forest University.

Strumpf said businesses, consumers and policymakers can benefit from knowing the odds of the outcome of the Supreme Court's tariffs decision.

"The implied probability of this thing is something that would be very helpful to a business person," Strumpf told the *National Law Journal*. "Similarly, for a consumer."

"Yes, I guess I could read a bunch of *New York Times*, *Wall Street Journal*, etc. articles," he said. "I doubt I could say from reading all those articles that I could come up with a very good probability distribution. So to me... these markets are most socially important for not the people trading in the markets. It's for the people who can go look at the markets and learn from what a bunch of other smart people are telling them implicitly about how likely something is to happen."

To be sure, Polymarket insists its markets reflect sounder analysis than legal "pundits," claiming its "real-time odds on SCOTUS predictions... are often faster and more accurate than experts."

The platform itself has consistently been wrong in predicting the day of the as-yet unannounced Supreme Court decision. This week it touted a "February 20 Supreme Court opinion hearing on Trump's tariffs," despite the court's policy of keeping its opinion announcements secret ahead of time.

But the idea of prediction markets as authoritative legal sources is catching on, at least at some media outlets.

“Trump Tariffs Allowed To Stand For Now, But Polymarket Traders Predict Only 25% Chance Of SCOTUS Approval” read a recent headline on Yahoo! Finance.

“Kalshi and Polymarket odds have slipped since oral arguments in November,” Fox News stated in another article.

“Kalshi’s betting odds gave him only a 26 percent chance of victory in the case,” reported Newsweek.

Others have questioned the reliability of those forecasts.

In a 2025 article, Yale professor Jeffrey Sonnenfeld, former Trump official Anthony Scaramucci and Steven Tian wrote that the trading volume for most prediction markets is thin, volatile and subject to severe market manipulation. In other words, a well-timed position, even of modest value, can significantly influence the price of a “yes” or “no” contract and, by extension, the public narrative of the event’s likelihood.

Prediction market odds, the authors concluded, “should not be cited by media as credible, reliable indicators.”

Betting on political outcomes is nearly as old as the nation itself, but modern prediction markets were largely fashioned by economics professors in the 1980s as a market-driven alternative to public polling in political races. In academic circles is largely where the markets remained until 2024, when new commercial platforms offered people easy-to-use mobile apps allowing them to gamble on the outcome of Donald Trump versus Joe Biden, soon followed by Trump versus Kamala Harris.

With the help of favorable court rulings, a friendly Trump administration and major media partnerships, the platforms are quickly taking their place in the nation’s data infrastructure.

Some experts have begun sounding the alarm, citing the Supreme Court market as a prime example of the potential corrosive influence of these modern “event contracts.”

For one, insider trading is a “very big risk” created by prediction markets, said Nizan Geslevich Packin, a law professor at the Zicklin School of Business at Baruch College.

“It is a financial product, arguably, somewhere between derivatives and gambling,” explained Packin in an interview. “But we don’t have the same rules that we have for securities regulation and securities law. We don’t have any seminal cases or precedent that we can work with.”

When it comes to legalized betting on pending Supreme Court cases, that creates perverse incentives and institutional risk for a judicial body that depends upon public trust, experts say.

“The moment that a Supreme Court outcome becomes tradeable, non-public institutional information acquires monetary value,” Packin said. “It really is just the incentive creation is what concerns me here. The judiciary is uniquely vulnerable.”

Packin cited the infamous leak of its then-pending *Dobbs* abortion ruling in 2022 as an example of confidentiality breaches at the famously tight-lipped court, where the justices' deliberations, save for oral arguments, happen entirely out of public view.

An investigation of the leak determined that 82 court employees, plus the nine justices, had access to copies of Justice Samuel Alito Jr.'s draft opinion in the case. Of course, the true number of individuals aware of the underlying result ahead of time is unknown.

The court marshal recommended restricting that number going forward, but the justices each still hire four law clerks each term to help them prepare their rulings.

Strumpf, of Wake Forest, downplayed the risk of insider trading on prediction markets for pending Supreme Court cases, pointing to the steep career risk involved in such a move, particularly for law clerks required to maintain strict confidentiality about the court's deliberations.

“Presumably if you get caught, that's it,” he said. “Your legal career is done. And these Supreme Court clerks are high flyers. They are people who are either going to go to some prestigious law firm or they want to become judges themselves. Making \$50,000 or \$100,000 with a 5 percent chance of your career being over, to me it doesn't seem worth it.”

In recent days, a new market has opened for more betting on the Supreme Court.

The latest pool seeks to allow average Americans to capitalize on a longtime Washington parlor game: predicting a high court retirement. “Will Samuel Alito announce his retirement by...” reads one of the latest Polymarket gambles.

Meanwhile, the legal battle over prediction markets wages on, with various states seeking to shut down the platforms for running afoul of their gambling laws.

Just this week, Nevada sued Kalshi in state district court for operating a supposed unlicensed gaming platform, saying the prediction market's event contracts are “wagers” subject to state regulatory control. “Kalshi has not undergone Nevada's rigorous licensing process for its wagering activities,” the state wrote in its complaint.

As litigation continues, some experts predict the U.S. Supreme Court may have to settle the regulatory uncertainty of online prediction markets.

For Polymarket and Kalshi users, that's perhaps another betting opportunity.

Epstein estate agrees to \$35 million settlement in victim class action

 [reuters.com/world/us/epstein-estate-agrees-35-million-settlement-victim-class-action-2026-02-20](https://www.reuters.com/world/us/epstein-estate-agrees-35-million-settlement-victim-class-action-2026-02-20)

Jan Wolfe

February 20, 2026

Jeffrey Epstein is seen in this image released by the Department of Justice in Washington, D.C., U.S., on December 19, 2025 as part of a new trove of documents from its investigations into the... [Purchase Licensing Rights, opens new tab](#) Read more

Feb 19 (Reuters) - Jeffrey Epstein's estate has agreed to pay as much as \$35 million to resolve a class action lawsuit that accused two of the disgraced financier's advisers of aiding and abetting his sex trafficking of young women and teenage girls, according to a court filing on Thursday.

Boies Schiller Flexner, a law firm representing Epstein victims, announced the settlement in a [brief](#)  [, opens new tab](#) filed in federal court in Manhattan.

Sign up [here](#).

The deal, if approved by a judge, would bring an end to a 2024 lawsuit filed against Epstein's former personal lawyer Darren Indyke and former accountant Richard Kahn, who are co-executors of Epstein's estate.

Epstein's estate previously set up a restitution fund that paid out \$121 million to victims. The estate also paid out \$49 million in additional settlements to victims.

Neither Indyke nor Kahn "made any admission or concession of misconduct" as part of the settlement made public on Thursday, their lawyer Daniel H. Weiner said in an emailed statement.

"Because they did nothing wrong, the co-executors were prepared to fight the claims against them through to trial, but agreed to mediate and settle this lawsuit in order to achieve finality as to any potential claims against the Epstein Estate," Weiner said.

Weiner said the settlement would provide "a confidential avenue for financial relief" for Epstein victims who have not already resolved claims against the estate.

Epstein died in a New York jail in August 2019. His death was ruled a suicide.

In the 2024 lawsuit, lawyers at Boies Schiller Flexner said Indyke and Kahn helped Epstein create a complex web of corporations and bank accounts that let him hide his abuses and pay victims and recruiters, while leaving them "richly compensated" for their work.

The Boies law firm previously helped obtain \$365 million of settlements with JPMorgan Chase and Deutsche Bank after accusing them of missing red flags about Epstein, once a lucrative client.

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Netflix Consumers File Lawsuit Seeking to Block \$82.7B Warner Bros. Merger

Former Big Law associates representing several consumers filed a lawsuit in California federal court seeking to prevent Netflix Inc. from acquiring Warner Bros. Discovery's entertainment and HBO assets. A Netflix spokesperson derided the action as a "lawyer-driven lawsuit" that is part of a "cottage industry for mergers" and promised a vigorous defense.

February 19, 2026 at 03:42 PM By  **Sulaiman Abdur-Rahman**



Netflix's headquarters in Los Gatos, California. Photo by Jason Doiy/ALM

Consumers have filed an antitrust lawsuit in California federal court seeking to prevent Netflix Inc. from acquiring Warner Bros. Discovery's entertainment and HBO Max video streaming assets as Paramount Skydance continues to pursue a hostile bid for WBD.

The plaintiffs—three longtime Netflix subscribers—filed their complaint Tuesday in the U.S. District Court for the Eastern District of California alleging Netflix's proposed \$82.7 billion acquisition of WBD's film, television and HBO properties would harm competition and consumers in violation of Section 7 of the Clayton Act.

“Plaintiffs are customers in the [subscription video on demand market] who reasonably anticipate injury brought about by decreased competition in the market resulting from the Merger,” counsel for the plaintiffs wrote in the complaint. “That suffices to establish their standing to seek an antimerger injunction.”

The plaintiffs are represented by Pak Heinz, a Washington, D.C.-based litigation boutique founded by former Kellogg, Hansen, Todd, Figel & Frederick associate Albert Pak and former Latham & Watkins associate Noah Heinz.

“Plaintiffs are threatened with loss or damage in the form of potentially higher subscription prices, lower subscription quality, or lower quality new content made available via their subscriptions; the potential elimination of competitor SVOD alternatives to Netflix, as well as irreparable harm for which damages will be inadequate to compensate plaintiffs,” according to the [allegations in the complaint](#).

Litigators at Bathaee Dunne [made similar claims](#) in an antitrust class action filed Dec. 8, 2025, in the U.S. District Court for the Northern District of California on behalf of HBO Max subscribers.

“Lawyer-driven lawsuits like these are a cottage industry for mergers and we will contest vigorously,” a Netflix spokesperson said Thursday in a statement provided to Law.com via email.

Members of Congress [grilled Netflix co-CEO Ted Sarandos](#) in a U.S. Senate panel hearing Feb. 3, voicing concerns over the steaming giant’s proposed acquisition of WBD’s flagship assets.

Skadden, Arps, Slate, Meagher & Flom represents Netflix as the Los Gatos, California-based company seeks to acquire the film, television and HBO properties of New York-based WBD.

While Netflix faces legal action from consumer plaintiffs and scrutiny from Congress, Paramount [remains committed](#) to its \$108 billion tender offer for WBD.

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California Brief

Google's Vast Copyright Licenses Could Complicate AI Class Suit

Feb. 20, 2026, 5:34 PM PST

Google LLC's broad copyright licenses for the content that flows over its many platforms could complicate class certification for authors and artists suing the tech giant for using their works to train its generative AI models.

Judge Eumi K. Lee at a hearing Friday in San Jose, Calif., federal court grappled with whether it would be practical, or even possible, to group the claims of potentially thousands of authors and visual artists into a set of different classes.

The hearing put on center stage Google's vast trove of existing licenses for content across its platforms, ranging from Google search to YouTube to the Google Books project.

Lee appeared startled by the broad sweep of Google's universal content license, which its attorney David Kramer of Wilson Sonsini Goodrich & Rosati said would cover all kinds of content that users upload to platforms like YouTube, Google Photos, and Blogger and can ultimately be used to train its AI algorithms.

"Anything which is uploaded is licensed?" Lee said. "That sets me on my heels a little."

But Kramer said that universal license is only one of "millions and millions of licenses covering billions upon billions of works" that would make adjudicating on a class basis impossible.

The case presents a unique problem not faced in two similar class action cases in the same district court against Meta Platforms Inc. and Anthropic PBC, where book authors alleged copyright infringement over the use of their works to train AI models. The two judges overseeing those cases agreed to certify classes against the companies, but those companies were largely building their training datasets from scratch and weren't employing the same licensing defenses, Kramer said.

Lee said that if Google's content licenses are so broad, perhaps they would become a common class issue. She also suggested that if the licensing issues become too complicated, she could consider a narrower, issue-specific class certification.

The Google case involves consolidated lawsuits from journalists and a group of artists, including cartoonists and designers, who alleged Google used their copyrighted works to train its generative AI models without permission or compensation. The groups filed a motion for class certification last October.

The case is one of dozens of disputes in which artists and content owners are accusing AI companies, including OpenAI Inc., of illegally snatching up troves of data without permission. Anthropic reached a \$1.5 billion settlement with authors last year, which may guide the cost of resolving similar AI copyright disputes.

Joseph Saveri Law Firm LLP and Stranch Jennings & Garvey PLLC represent the plaintiffs.

The case is In re Google Generative AI Copyright Litigation, N.D. Cal., No. 5:23-cv-03440, 2/20/26 .

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Healthcare Tech Firm Hit With Class Action for Allegedly Stealing Genetic Data to Train AI Models

A healthcare technology firm was hit last week with a novel class action that accuses it of illegally mining Illinois residents' genetic testing data to train its artificial intelligence algorithms.

February 20, 2026 at 10:13 AM By  **Kat Black**



Credit: ryzhi/Adobe Stock

A healthcare technology firm was hit last week with a novel [class action](#) that accuses it of illegally mining Illinois residents' genetic testing data to train its artificial intelligence algorithms.

The plaintiffs sued Tempus AI Inc., which is based in Chicago, on Feb. 13 in the U.S. District Court for the Northern District of Illinois. The case has been assigned to District Judge April M. Perry.

"Tempus is aware of the lawsuit filed regarding Ambry Genetics," said a Tempus spokesperson in an email.

"Protecting patient privacy and maintaining data security are of the utmost importance in everything we do, and all of our businesses, including Ambry, are built on a foundation of rigorous

HIPAA compliance and the highest standards of data stewardship."

Defense counsel has not yet appeared for Tempus.

Founded in 2015 by CEO Eric Lefkowsky, Tempus is "a technology company advancing precision medicine [an approach to medicine that integrates genetic data in diagnostics, prevention and treatment of disease] through the practical application of artificial intelligence in healthcare," according to its website. On Feb. 3, Tempus [announced](#) it had acquired genetic testing company Ambry Genetics for \$375 million in cash and \$225 million in shares.

In Oct. 2025, Tempus AI [reported](#) on its website that, through its acquisition of Ambry Genetics, it had "expanded [its] oncology dataset to include approximately 3 million genomic sequences from patients undergoing hereditary cancer testing."

"As part of this acquisition, Tempus AI, without the written consent or knowledge of any Ambry Genetics customer, compelled Ambry Genetics to disclose its massive trove of genetic data, including plaintiffs' genetic data," the complaint said.

Tempus allegedly shared this data with third-party customers—including biopharma giants such as AstraZeneca, GlaxoSmithKline, Bristol Myers Squibb, Pfizer, Novartis, Merck, AbbVie and Eli Lilly—shortly after the acquisition was completed, disclosing Ambry customers' data without their permission to more than 70 companies in 2025, according to the complaint.

The plaintiffs alleged that Tempus's public statements about the data at issue—which claimed it was "de-identified" prior to disclosure—are "contradictory and unconvincing" given the "inherently identifiable" nature of genetic information, which "cannot be de-identified because it is a biomarker unique to each individual," the complaint said.

The plaintiffs in the class action—Jennifer Nash and a minor child, E.S.—are represented by counsel from Girard Sharp, including partner Adam Polk, associate Kyle Quackenbush and associate Fatima Ladha, who did not immediately respond to phone calls and emails seeking comment.

The complaint, which alleges violation of the Illinois Genetic Information Privacy Act, mirrors recent high-profile data-scraping litigation against tech heavyweights—including [OpenAI](#), [Nvidia](#), [Meta Platforms Inc.](#), [Anthropic PBC](#), TikTok parent [ByteDance](#), Google parent [Alphabet](#) and more—that claims the platforms illegally downloaded and duplicated video content on YouTube and copyrighted books to create datasets used in AI model training.

GIPA, enacted in 1998 and amended in 2008, aims to protect job candidates from potential discrimination by barring employers from requesting or collecting genetic information or testing

results. Like Illinois' Biometric Information Privacy Act, which prevents companies from collecting biometric data such as retinal scans, fingerprints and voiceprints from consumers without their consent and continues to power an ever-rising tide of data privacy litigation throughout the country, GIPA accords a private right of action: Under GIPA, plaintiffs may pursue \$2,500 in damages per negligent violations of the statute and \$15,000 in damages per every "intentional" or "reckless" violation of the statute.

The Tempus spokesperson said that though the firm cannot comment on pending litigation, "we are committed to vigorously defending against this frivolous lawsuit, and our focus remains unwavering: to use de-identified data to advance research and deliver life-saving diagnostic insights to help patients live longer and healthier lives."

The plaintiffs are seeking injunctive relief and statutory damages.

This action was surfaced by [Law.com Radar](#), which delivers real-time alerting on new litigation across more than 2,900 state and federal courts. Click here to get started and be first to act on opportunities in your region, practice area or client sector.

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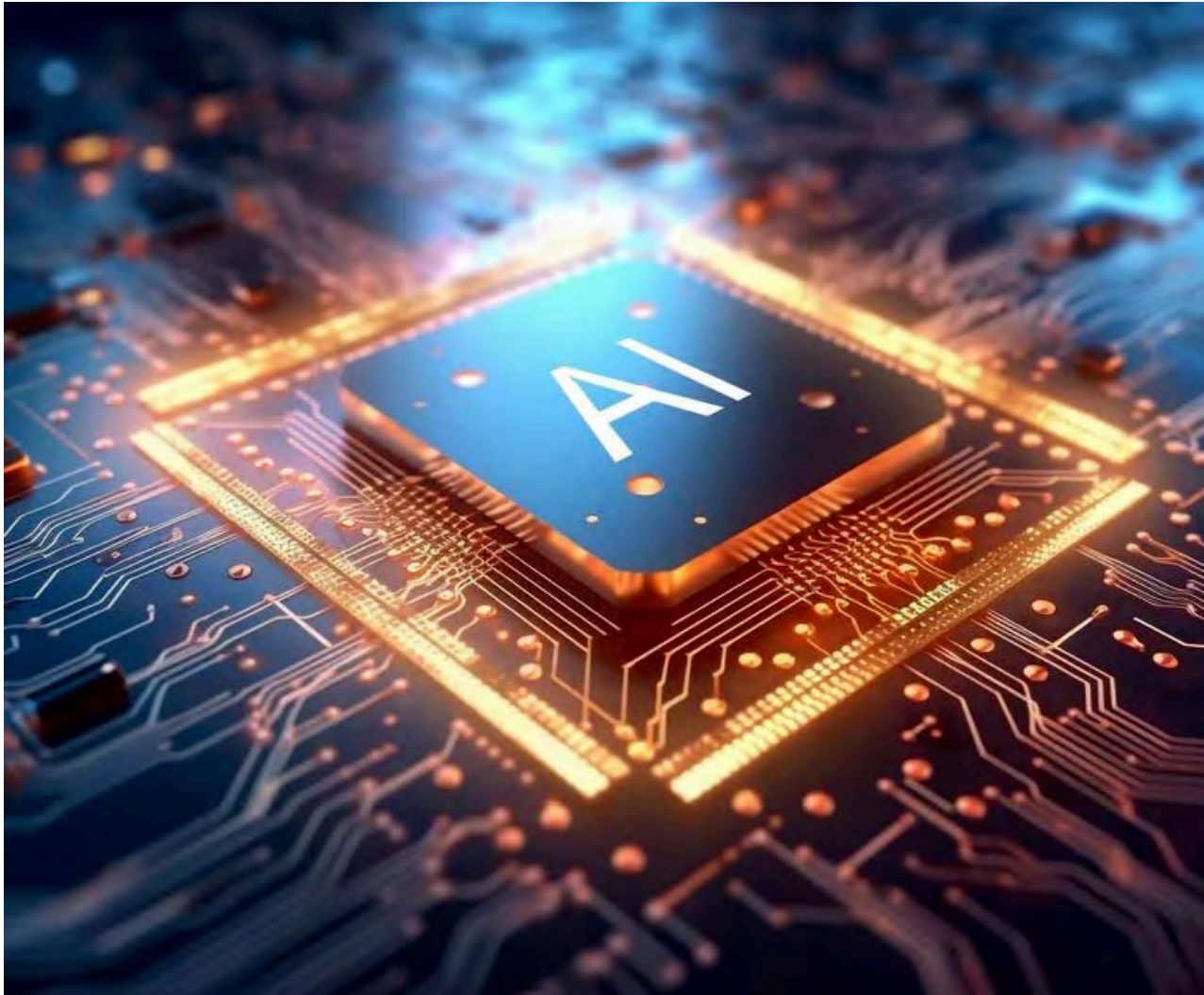
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‘No End in Sight’: 5th Circuit Expresses Concern Over AI Hallucinations in Briefs

The U.S. Court of Appeals for the Fifth Circuit ordered Heather Hersh of FCRA Attorneys to pay \$2,500, saying she failed to check her brief for accuracy and was not forthcoming when the court pressed for an explanation for the mistakes.

February 19, 2026 at 04:49 PM By  **Avalon Zoppo**



Generative AI. Credit: Nataliia / Adobe Stock

A U.S. Court of Appeals for the Fifth Circuit panel on Wednesday expressed dismay over lawyers submitting briefs that include citations and quotes hallucinated by artificial intelligence tools, lamenting that the growing problem “has no end in sight.”

The three-judge panel's concerns came in a sanctions order against an attorney who, the judges concluded, used AI in writing a reply brief that had fabricated quotes attributed to real cases.

The Fifth Circuit ordered Heather Hersh of FCRA Attorneys to pay \$2,500, saying she failed to check her brief for accuracy and was not forthcoming when the court pressed for an explanation for the mistakes.

"[T]he court finds that Hersh used artificial generative intelligence to draft a substantial portion—if not all—of her reply brief and failed to check the brief for accuracy," Chief Judge Jennifer Walker Elrod [wrote](#) for the court. "Had Hersh accepted responsibility and been more forthcoming, it is likely that the court 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 was joined in the opinion by Judges Jerry Smith and Cory Wilson.

Hersh did not immediately return a request for comment Thursday.

The Fifth Circuit said the underlying appeal dealt with a different sanctions award against Jaffer & Associates attorney Shawn Jaffer, who represented an alleged identity theft victim in a Fair Credit Reporting Act lawsuit against credit reporting company Experian and lender Bridgecrest Credit Co. (The Fifth Circuit in a footnote said Jaffer & Associates may have changed its name to FCRA Attorneys since the start of the appeal).

The U.S. District Court for the Southern District of Texas found Jaffer insufficiently investigated the claims before filing suit and required him and his firm to pay more than \$30,000 in attorneys' fees to the defendants, but the Fifth Circuit vacated that decision.

In the course of the appeal, Hersh, a member of Jaffer & Associates, submitted a reply brief that contained fabricated quotations from a number of cases, according to the Fifth Circuit. The Fifth Circuit entered an [order to show cause](#) asking Hersh to explain the inaccuracies.

Elrod wrote that Hersh's response "was disappointing."

Hersh [told the court](#) she "relied on publicly available versions of the cases" and that "certain paraphrased summaries did not match the reporter text," according to the Fifth Circuit. When asked for additional explanation, Hersh [admitted to using AI](#), but only to "help organize and structure [her] arguments and to break up overly long paragraphs," the court added.

Hersh said she used several legal databases, including the generative AI products vLex and Thomas Reuter's CoCounsel, the Fifth Circuit stated.

"Hersh did not point this court to a single one of those summaries," Elrod wrote. "We have put tremendous effort into attempting to find where these summaries could be located and have been unable to find them. To the extent Hersh is referring to a case summary generated by AI as a 'paraphrased summar[y],' her response is evasive, misleading and sanctionable."

The Fifth Circuit noted that courts across the country are dealing with AI-hallucinated quotes in briefs.

Elrod cited a database that tracks court orders related to AI- hallucinated content created by French lawyer and data scientist Damien Charlotin. Charlotin had identified 239 cases of hallucination by lawyers in the United States as of Wednesday, the Fifth Circuit stated.

“The hallucination problem has no end in sight, as AI’s tendency to fabricate results arises from the training and structures of AI programs,” Elrod wrote.

“It is a problem that is getting worse—not better,” she added. “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.”

The Fifth Circuit declined to adopt a proposed circuit rule last year that would have required attorneys to disclose if they used AI in crafting a brief. Public commenters had told the court that existing rules already create a duty to review filings, making a special, AI-specific rule unnecessary.

Elrod, in Wednesday’s order, said the court has inherent authority to issue sanctions as well as authority under Rule 46 of the Federal Rules of Appellate Procedure to discipline attorneys for “conduct unbecoming of a member of the bar.”

The Fifth Circuit issued the order in *Fletcher v. Experian Information Solutions*, No. 25-20086.

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Securities

Insight

Spread of AI Hallucinations Drives Need for Sanctions Reporting

Feb. 20, 2026, 1:30 AM PST

The growing prevalence of artificial intelligence hallucinations in filings by lawyers is driving a nationwide crisis of denied justice that underscores the need for mandatory reporting of AI related sanctions.

What initially appeared to be isolated or unwitting errors in fact have imposed substantial and systemic costs on the judiciary. Filings containing fabricated authorities consume scarce judicial resources, delay the resolution of meritorious cases, and undermine confidence in the integrity of the adjudicative process.

Publicly reported cases involving AI-generated hallucinations now exceed 550 nationwide, according to informal public tracking. But the true number is unknown and likely much higher.

These incidents span district courts and courts of appeals and cut across an expanding range of practice areas. Despite the scope and persistence of the problem, there remains no centralized, judiciary-wide mechanism for tracking sanctions or remedial measures imposed in response to AI misuse.

Amending the law to require mandatory reporting of AI-related sanctions would provide clarity, support judicial administration, and promote accountability, without intruding on judicial independence.

Dearth of Data

The absence of coordinated data collection has left courts without the information necessary to respond in a consistent or effective manner. The result is a fragmented and uneven judicial response that has thus far failed to meaningfully deter or arrest the trend.

That gap matters for judicial administration, court resources, and public confidence in the integrity of the legal profession and federal judiciary.

Congress should address it directly by requiring mandatory reporting of AI-related sanctions and fee awards by the Administrative Office of the US Courts.

Early AI hallucination cases were treated as curiosities and anomalies. A lawyer submits a brief citing non-existent authority, the court issues a sharply worded order and sanctions, and the episode circulates briefly on legal social media before fading away from the public view.

That approach no longer works.

With the instances in the hundreds, courts are now spending meaningful time and resources identifying fabricated authorities, issuing show-cause orders, conducting hearings, and drafting sanctions opinions. Clerks are fielding follow-up motions, and offending lawyers are now appealing their sanctions, further burdening court resources.

Judges are responding with standing orders, disclosure requirements, and individualized enforcement mechanisms. All of this consumes judicial resources that are already under strain.

The federal judiciary currently lacks any standardized data showing how often AI misuse leads to sanctions, the nature of the misuse, and any trends across courts or practice areas. The information exists only in scattered opinions, local orders, and anecdotal reporting.

This lack of transparency is not inevitable. Congress has already recognized, in another context, that sanctions data is important enough to warrant mandatory reporting.

Bankruptcy Model

The director of the Administrative Office of the Courts is required to collect and annually publish statistics on sanctions imposed and damages awarded under Federal Rules of Bankruptcy Procedure 9011 against debtor's counsel. That reporting requirement has existed for years. It has not interfered with judicial independence, expanded sanctioning authority, or chilled legitimate advocacy. It has simply provided visibility into how sanctions are being used.

The logic applies with equal, if not greater, force to AI-related misconduct across the federal judiciary. Anecdotally and in informal databases, the problem has been tracked, but the true numbers are not clear. Absent a centralized and reliable database collection, we cannot assess how broadly this issue is straining our courts.

Given that AI-hallucinated filings could span all civil practice areas, the proper statutory vehicle for reform is the US code (28 U.S.C. § 476) which governs the enhancement of judicial information collection and dissemination. This section already requires the director of the Administrative Office to publish standardized, public reports on judicial activity, using uniform categorization standards established under the US code dealing with public access to case information (28 U.S.C. § 481).

An amendment to include AI-related sanctions reporting would be structurally coherent and institutionally familiar. It would not regulate AI use, mandate sanctions, or alter substantive law. It would simply require the judiciary to report, in aggregate form, on sanctions that judges have already imposed. The absence of centralized and reliable reporting obscures trends that matter.

Are AI hallucination cases concentrated in certain jurisdictions or practice areas? Are judicial standing orders mandating AI disclosures actually deterring such AI-hallucinated filings? Do larger sanctions deter offenders, or should bar referrals and disbarment become the operative deterrent? Should courts experiment with new judicial rules on AI, like the Hyperlink Rule, to compel attorneys' compliance with accurate cite-checking?

Without data, neither Congress nor the judiciary can answer these questions in a meaningful way.

Better Rulemaking

Mandatory reporting would also support better rulemaking. Judicial councils and committees cannot calibrate standing orders, disclosure requirements, or training initiatives without knowing the scope of the problem they are trying to address.

A reporting requirement is the narrowest possible intervention. It does not expand judicial power, mandate enforcement, or stigmatize proper AI use. It simply brings visibility to misconduct that courts have already determined warrants sanction.

AI is now a permanent feature of legal practice. And so are the risks associated with its misuse. Congress has already acknowledged, in the bankruptcy context, that sanctions data is worth tracking. Extending that logic to AI-related sanctions across the federal judiciary is both modest and overdue.

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Illinois lawmakers move to limit investor influence as law firms, private equity edge closer

 [reuters.com/legal/government/illinois-lawmakers-move-limit-investor-influence-law-firms-private-equity-edge-2026-02-19](https://www.reuters.com/legal/government/illinois-lawmakers-move-limit-investor-influence-law-firms-private-equity-edge-2026-02-19)

David Thomas, Mike Scarcella

February 19, 2026

The flag of the U.S. state Illinois is seen in this illustration taken, August 21, 2024.

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

- Illinois bills take aim at MSOs
- Tom Goldstein sold SCOTUSblog to fund defense
- JPMorgan turns to Noel Francisco in Trump debanking case

WASHINGTON, Feb 19 (Reuters) - (Billable Hours is Reuters' weekly report on lawyers and money. Please send tips or suggestions to

D.Thomas@thomsonreuters.com)  , [opens new tab](#)

Legislation introduced in Illinois this month would sharply curb private-equity involvement with law firms, erecting new state-level guardrails just as investors and lawyers nationwide are increasingly exploring back-office partnerships and taking advantage of loosened regulations on law firm ownership in Arizona.

Sign up [here](#).

Investors and other non-lawyers are broadly prohibited from owning direct stakes in U.S. law firms. One partial workaround that's recently gained attention is the management services organization, or MSO: a separate company that runs a law firm's business functions such as technology, HR and operations, collecting service fees without receiving a share of its profits.

The matching [Illinois House](#)  , [opens new tab](#) and [Senate bills](#)  , [opens new tab](#), introduced on February 6, would bar private equity groups, hedge funds and MSOs they control from interfering with "the professional judgment" of lawyers; from owning or determining the content of client records; from hiring or firing attorneys or staff based on competency or proficiency; or from setting those proficiency parameters.

The bills would also prohibit outside investors from charging any fee "directly or indirectly" tied to a firm's fees, revenue or profits and from imposing non-compete agreements and non-disparagement agreements on lawyers and staff.

They would also limit Illinois lawyers' ability to share fees with out-of-state "alternative business structures" like those allowed in Arizona unless the Illinois attorney is licensed where the ABS is approved, and the fees are for work performed in that state.

Violations could carry steep consequences: attorney discipline, statutory damages of \$10,000 per violation, or treble actual damages, plus fees and injunctive relief.

The bills' sponsors, State Sen. Michael Hastings and Rep. Jennifer Gong-Gershowitz, are both attorneys, Democrats and committee chairs of their chambers' judiciary committees. They told Reuters they worry that investor incentives and capital expectations could lead law firms to favor certain clients or distort the resources they devote to representing them.

"I have a grave concern as to the adequate representation of the client," Hastings said.

The proposed legislation comes after McDermott, Will & Schulte, a Chicago-founded law firm with 1,750 lawyers, acknowledged [last year](#) that it was exploring MSO arrangements. The firm did not immediately respond to a request for comment. Litigation financier Burford Capital [told Reuters in August](#) that it has held discussions with firms about potential MSO partnerships.

Arizona, meanwhile, has licensed more than 125 entities to provide legal services through its alternative business structure program, making it the most permissive jurisdiction for non-lawyer ownership of legal service providers and a key testing ground for non-lawyer or investor-backed law firms. Last year, KPMG under Arizona's program became the first of the Big Four accounting firms to launch an affiliated law firm.

Some legal ethics practitioners argue the Illinois bills may test constitutional boundaries. Holland & Knight partners Trisha Rich and Joshua Porte, who have advised on MSO deals, said in a client alert that the legislation may intrude on the Illinois Supreme Court's exclusive authority over attorney regulation.

Austin Maloney, a Hunton Andrews Kurth partner who advises MSO investors, said the proposal is "somewhere between a nothing-burger and problematic," pointing particularly to the language barring "indirect" ties between law firm and MSO fees. Because every vendor relationship ultimately depends on firm revenue, "everything is indirectly tied," he said.

Both bills sit in early committee stages, and Hastings has said he is open to refining the legislation based on feedback he receives. Gong-Gershowitz said passing this bill is "one of my top priorities because I definitely think it is one of the most consequential."

GOLDSTEIN SOLD SCOTUSBLOG TO HELP PAY FOR DEFENSE IN CRIMINAL TAX PROSECUTION

Tom Goldstein sold the popular U.S. Supreme Court news website he founded to help fund his defense against tax charges tied to his side career as a high-stakes poker player, Goldstein's lawyer told jurors as trial in the criminal case was reaching its conclusion on Wednesday.

Goldstein had testified at the trial in Greenbelt, Maryland, that running the SCOTUSblog site costs millions of dollars. He sold the site last year to help pay for his defense, his lawyer Jonathan Kravis of law firm Munger Tolles told the jury.

The sale price was not disclosed. Goldstein has pleaded not guilty to tax and mortgage fraud charges, with jury deliberations set to begin on Thursday.

Munger did not immediately respond to a request for comment about its billing rates for Goldstein. Dispatch Media Inc. last year acquired SCOTUSblog, which was originally founded in 2002. The company did not immediately respond to a request for comment.

JPMorgan, Dimon tap Jones Day in Trump de-banking lawsuit

JPMorgan Chase and its chief executive Jamie Dimon have turned to Jones Day's Noel Francisco, who served as U.S. solicitor general during President Donald Trump's first term, to help defend them in a \$5 billion lawsuit accusing them of illegally closing Trump's accounts with the bank.

Francisco, who leads Jones Day's Washington office, first appeared in the case [on Thursday in a filing that argued](#) Trump improperly included Dimon as a defendant in the case in order to have it heard in state court.

Francisco represented the Trump administration at the U.S. Supreme Court from 2017 to 2020 as the Senate-confirmed solicitor general.

He is defending JPMorgan and Dimon with others from Jones Day, which represented Trump's 2016 election campaign and became a key source of legal talent in Trump's first administration. Several former Jones Day lawyers [hold key](#)

[posts](#) in the current Trump administration, including Brett Shumate, who [leads](#) the Justice Department's civil division.

Francisco did not immediately respond to a request for comment. JPMorgan has denied Trump's claims that he was illegally blacklisted.

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Reporting by David Thomas and Mike Scarcella

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Analysis | **Environmental Social and Governance**

Judge Tosses Texas Ban on ESG Investing, Casting Doubt on Similar Laws in Other GOP-Led States

"If you're reading the tea leaves, it's a meaningful leaf," said Elizabeth Goldberg, a partner at Morgan, Lewis & Bockius.

February 20, 2026 at 10:07 AM By **Brendan Pierson**



Credit: Martina/Adobe Stock

A federal court ruling this month striking down a Texas law aimed at curbing so-called environmental, social and governance investing could be an early sign that Republican-led states' anti-ESG efforts will face significant legal challenges.

Texas passed the law in 2021, becoming one of the first states to take aim at ESG. The law bars state assets, like pension funds, from being invested with financial institutions that "boycott" fossil fuel companies. It defined boycotting as undertaking any action "without an ordinary business purpose" that would limit investment in fossil fuel companies, and empowered the state comptroller to maintain a blacklist of companies that ran afoul of the no-boycott rule.

U.S. District Judge Alan Albright of the Western District of Texas, an appointee of Republican President Donald Trump, [ruled the law unconstitutional](#) for two reasons: that it impermissibly restricted constitutionally protected speech, such as advocacy against fossil fuels, and that it was too vague for financial institutions to know exactly what kind of conduct would be noncompliant.

The Texas ruling follows a 2024 ruling by an Oklahoma state court striking down a similar anti-boycott law there. Simpson Thacher & Bartlett attorneys wrote in [a recent client alert](#) that at least 11 Republican-led states have similar no-boycott laws.

“The successful arguments in these cases could lead to similar action in other states,” they said.

“Financial institutions and asset managers operating nationally should monitor developments closely, as the patchwork of state anti-ESG laws remains fluid and the prospect of appeal from this decision is high,” ArentFox Schiff attorneys wrote in [a client alert](#).

Elizabeth Goldberg, a co-leader of Morgan, Lewis & Bockius’ ESG and sustainability advisory practice, agreed that the ruling could be the beginning of a trend against anti-ESG laws.

“If you’re reading the tea leaves, it’s a meaningful leaf,” she said.

At the same time, Goldberg noted that no-boycott laws like Texas’s were only one of several kinds of anti-ESG laws that have been passed in more than 20 states. Some include prohibitions of any ESG considerations in investing, or of any ESG-based “discrimination.”

A Missouri law, which is currently enjoined by a court, required financial institutions to disclose and get consent for any ESG considerations. While most anti-ESG laws apply to management of state funds, the Missouri law applied to any institution doing business with investors in the state.

Another, more recent kind of anti-ESG law targets proxy advisory firms. Texas, for example, last year passed a law requiring disclosure when a proxy adviser relies on ESG considerations for a proxy vote concerning a Texas-incorporated company.

Goldberg said that, while the specifics of anti-ESG laws differ, some of the same legal arguments used against the no-boycott law could apply more broadly.

“This idea that it’s unconstitutional to sort of regulate choice could have legs,” she said.

Latham & Watkins attorneys said in [a client note](#) that the issues in the Texas case could even overlap with those in a pending challenge to Democratic-led California’s climate disclosure laws.

How financial institutions should react to this shifting legal landscape depends on their risk tolerance and how ESG fits into their business model, Goldberg said. So far, she said, asset

managers' reactions to anti-ESG laws have been mixed, with some continuing their business unchanged and others "in the middle, kind of not aggressively changing but also not remaining completely static."

"Even in this challenging environment, there's no rule that explicitly prohibits ESG investing or prohibits ESG considerations in proxy voting," she said.

Some institutions, she said, may decide that they do not need to market their services to states with anti-ESG laws and can continue with their current business model. On the other hand, she said, "if part of your core business is wanting state asset investments [in anti-ESG states], you're going to have to navigate this landscape."

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Analysis | Law Firm Management

What It Means to Be a ‘Junior Partner’ at a Major Plaintiffs Firm

Napoli Shkolnik founding partner Hunter Shkolnik and newly minted junior partner Patrick Lanciotti discuss the thinking and goals behind the recently created role at the plaintiff-side mass tort, product liability and personal injury firm.

February 23, 2026 at 07:30 AM By  Ross Todd



Napoli Shkolnik founding partner Hunter Shkolnik, left, and junior partner Patrick Lanciotti, right. Courtesy photos

Long-term, succession planning can be an existential question for law firms of all sizes and stripes.

With the future in mind, the founding partners of **Napoli Shkolnik**, a plaintiff-side mass tort, product liability and personal injury firm with nearly 70 lawyers, recently unveiled a new “junior partner” tier. The firm promoted four senior associates into the new role, which is designed to prepare lawyers for management, budgeting and ultimately ownership—without requiring an immediate contribution of capital. Think of it as the plaintiffs bar equivalent of Big Law’s non-equity tier.

Litigation Daily sat down last week with **Hunter Shkolnik**, one of the firm's founding partners, and **Patrick Lanciotti**, one of the firm's inaugural class of four junior partners elevated last year, to discuss the role, what it entails and where it might depart from the Big Law model.

Shkolnik says the motivation behind creating the new position was straightforward: succession and sustainability.

"What we realized is that in order for our firm not just to be here today and to grow on what we can do, we need the next generation of lawyers to step up and start assuming responsibility of leadership," Shkolnik said. "It's the natural progression, and it helps us ensure that we have a legacy to follow us, and [that] something we built as big as this continues into the future."

Shkolnik said the firm has expanded well beyond its personal injury roots, even if that work remains foundational. Indeed, **Stephen Maloney**, another member of the inaugural class of junior partners at the firm, focuses on personal injury trial work and, like Shkolnik, started his career in the defense bar. "I was with a big firm trying cases and I made the switch," Shkolnik said. "You get that feeling in you—that 'I can do this.' And Steve has really proven, in the PI area, that he can. He is just really knocking it out of the park."

But on top of more traditional injury matters, the firm now handles mass torts, environmental litigation and aviation cases—a breadth of practice that creates management demands beyond what a model where associates just do the work that's in front of them. Shkolnik said that there was a need for junior partners across all the firm's departments.

The new tier sits below the firm's senior partners, which include the three founders—**Paul Napoli**, **Marie Napoli** and Shkolnik — and a group of 14 more senior partners. Junior partners, by contrast, are not asked to contribute capital and don't receive equity in the firm.

Shkolnik said he would not expect someone in this first junior partner class to be in a financial position to make a capital contribution or to take the risk associated with having compensation tied to equity. Instead, the role is designed as a training ground for the business side of plaintiffs' litigation—something Shkolnik said many junior lawyers only think about in the abstract until given some responsibility.

"Each case, each litigation, is a business," he said. "Part of becoming a partner and part of a firm like this growing is getting younger lawyers to understand that this is a whole business."

"It's easy to say, 'I want to go hire a million-dollar expert for this case and a \$5 million-expert for that case.' ... But you have to understand: Is the case worth it?"

Shkolnik framed the junior partner role as a way to smooth what can otherwise be a jarring transition as lawyers get up-to-speed on managing case timelines and budgets. “Even the most successful firms have troughs, valleys and peaks,” he said. Shkolnik recounted that when he was younger and had just made equity partner at a prior firm, he thought big settlements were coming in all the time. He didn’t fully understand how significant the troughs could be. He said he soon found out the hard way, with the firm making no partner distributions “for quite some time.”

“It was a fast learning experience,” he said. “By doing it this way, as opposed to the way I did it—going from lower to ‘boom’ up on top—you understand what’s going on in the business better.”

Management, Not Just More Work

For Lanciotti, who has focused on representing plaintiffs in environmental contamination cases, the title reflects responsibilities he was already beginning to shoulder as a senior associate—but formalizes and elevates them.

“I think it’s been kind of a natural progression in my career as a lawyer,” said Lanciotti, who practiced at a predecessor firm as a 1L summer intern, and has progressed from associate to senior associate and now to junior partner at Napoli Shkolnik.

The key distinction, he said, is management. He said he now spends a more significant amount of his time making sure that junior associates, paralegals and the staff are all working in sync. That means overseeing cases he may not personally litigate day to day to ensure they move along efficiently and effectively for clients.

“I’m not just responsible for my own paralegal,” he said. “But now, [I’m] managing other people’s paralegals or managing additional associates.”

It also means understanding case budgets—an area Lanciotti said is new for him.

“I’m having a little bit more of a role in figuring out how much some of these litigations actually cost,” he said. “Putting dollars and cents to it.”

That includes coordinating with accounting, tracking expert expenses and avoiding end-of-case surprises.

Shkolnik said that shift—from individual contributor to manager—is exactly the point firm leaders are trying to drive home.

“It’s slowly growing into management,” he said. “Now you oversee other people, not just what you’re litigating, but what others are doing, and you’re giving them the guidance.”

“That’s how we all grow.”

Beyond operational responsibility, Lanciotti said the new role has had a personal impact.

“It’s definitely a confidence boost—knowing that Paul, Hunter and Marie have the confidence in me to take on additional leadership obligations.”

He described the promotion as “turning a new page” and said it has already changed how he sees himself professionally.

“I definitely feel a bit different ... definitely more confident in my abilities,” he said.

Shkolnik added that titles still matter—especially externally.

“You get more respect from the other side, from the court, from the people you’re interacting with,” he said. “It carries a lot more gravitas.”

Not Just the Big Law Model

Although the junior partner role may resemble Big Law’s non-equity partner tier, Shkolnik emphasized that the comparison only goes so far.

“We don’t do it like the big corporate firms,” he said. “It’s not seven years up or out.”

Advancement, he said, depends less on tenure and more on initiative.

“There’s got to be a real entrepreneurial drive,” Shkolnik said. “You earn the right to buy it is the best way to put it.”

That entrepreneurial emphasis, he argued, is one of the key distinctions between plaintiff-side firms and defense-side Big Law.

“I’ve had young associates bringing in a personal injury case who have made more than I’ve made in the year,” he said. “It’s because it’s the hustle of bringing in the case.”

“At the big firms, they don’t really have that,” he added.

A Broader Growth Strategy

The first group of junior partners spans practices and geographies, including **Silvino Díaz** and **Verónica Vázquez**, lawyers both based in Puerto Rico—a point Shkolnik said was intentional.

“It’s important for the employees here to realize they, too, are going to grow the same way as we have our people in the mainland growing,” said Shkolnik, a founding board member of Trial Lawyers of Puerto Rico. “It’s a respect level.”

For the firm, he said, the junior partner tier is more about infrastructure than titles—a way to professionalize management in a firm that has grown quickly and across multiple practice areas. The goal, he said, is continuity.

“We need the next generation of lawyers to step up,” he said. “And this is how we do it.”

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NewsRoom

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February 23, 2026

Section: News

Defense moves to get case dismissed
Docs used to 'refresh' ex-ethics chief's recall

Patrick Williams

February 23, 2026

Former FirstEnergy executive

Eileen Mikkelsen testified for the prosecution Feb. 18. She said that

in 2018, when she was FirstEnergy's vice president of rates and regulatory affairs, there appeared to be a looming "disequilibrium" between what FirstEnergy's "level of expenses were to serve our customers

versus the revenue we were

collecting from our customers."

The criminal trial of two former FirstEnergy executives resumed Feb. 17 — after Presidents Day — with the defendants moving to dismiss the case and a former leader at the Akron-based utility testifying for the state.

The motion to dismiss the case, an Ohio Supreme Court ruling on media coverage of the trial and a USA TODAY Network reporter's coverage of defense costs all occurred outside of the jury's sight.

Throughout the week, in the presence of the jury, attorneys continued questioning state witnesses about their interactions with the defendants, former FirstEnergy CEO Chuck Jones and ex-FirstEnergy Senior Vice President Michael Dowling. The two men are accused of bribing Sam Randazzo with more than \$4.3 million before Randazzo became Public Utilities Commission of Ohio chair and pushed for regulations and legislation that benefited FirstEnergy.

Here are eight things that happened related to the trial last week:

1. State responds to defendants' motion to toss case

In a filing posted to the case docket on Feb. 18, prosecutors responded to the defendants' motion to dismiss their case.

Defense attorneys wrote in a filing published to the docket Feb. 17 that the prosecution did not disclose information about witness interviews before the trial. The motion referenced discussions the prosecution had with former FirstEnergy executive Ebony Yeboah-Amankwah, who was on the witness stand Feb. 12, Feb. 13 and Feb. 17, as well as two other unnamed witnesses.

The prosecution said in its response that the defense had the opportunity at trial "to confront and effectively cross-examine" Yeboah-Amankwah's testimony and that the court unsealed the witness's previous grand jury testimony.

"Simply put, there is nothing left to give," the prosecution wrote in their response.

Additionally, the prosecution wrote, "The State does not need to inform a defendant of every word a potential witness has ever uttered."

2. Prosecution presents

HB 6-related image

featuring Dowling, Randazzo

Assistant Ohio Attorney General Matthew Meyer on Feb. 20 showed the jury edited images featuring the defendants and Randazzo.

State witness Tyron Pine, a former lobbyist for FirstEnergy, testified that Boich Companies executive Matt Evans created doctored images, including one with the faces of Evans, Pine, Dowling and Randazzo appearing to replace those of four presidents on Mount Rushmore with the caption, "HB 6 F*** ANYBODY WHO AINT US."

The image referenced House Bill 6. Randazzo helped write the bill, which included a \$1.3 billion nuclear bailout that benefited two northern Ohio nuclear plants affiliated with FirstEnergy and became more of a focus in witness questioning last week.

Meyer asked Pine why the meme referenced "us" — the four individuals. Pine said he didn't know.

3. Execs took issue with imbalance between revenue, expenses

Former FirstEnergy executive Eileen Mikkelsen testified for the prosecution Feb. 18. She said that in 2018, when she was FirstEnergy's vice president of rates and regulatory affairs, there appeared to be a looming "disequilibrium" between what FirstEnergy's "level of expenses were to serve our customers versus the revenue we were collecting from our customers."

FirstEnergy executives foresaw the company taking a financial hit if it had to file a new distribution rate case by 2024, Mikkelsen said.

"So, absent action between 2018 and 2024, all else equal, we would be subject to a rate reduction," Mikkelsen said.

In 2019 text messages introduced as exhibits, Dowling referred to the expected "disequilibrium" as "the 2024 issue." It also came to be known as the "Ohio hole," Steve Grimes, an attorney for Dowling, said while questioning Mikkelsen.

Randazzo closed that "hole" by eliminating the requirement that FirstEnergy file for a rate case in 2024.

FirstEnergy executive Jason Lisowski testified Feb. 11 that in 2019, Jones reassured members of the investment community that the 2024 rate case didn't pose a risk to the company's finances.

Lisowski, vice president, controller and chief accounting officer at FirstEnergy, said he was "surprised" because the ultimate decision rested with PUCO.

4. Witnesses granted immunity say they didn't think they did anything wrong

Two former FirstEnergy witnesses who were granted immunity to testify in the case said last week that they didn't feel they had done anything wrong.

Meyer asked state witness Yeboah-Amankwah on Feb. 17 why she had previously refused to answer questions and "insisted on immunity" if she didn't think she did anything wrong.

"I was offered it, and, so, I took it," she said of the immunity offer. Yeboah-Amankwah was chief ethics officer at FirstEnergy during discussion around and payment of the roughly \$4.3 million payment in late 2018 and early 2019. She was "separated" from FirstEnergy in 2020, according to a company filing with the U.S. Securities and Exchange Commission.

Mikkelsen, who remained in the role of vice president of rates and regulatory affairs until her separation in 2021, was also granted immunity to testify in the case.

"While I don't believe I committed any crime, when the opportunity presented itself to avoid any risk associated with this proceeding, it seemed prudent to me to accept that opportunity," Mikkelsen said Feb. 18 in response to questioning from Grimes.

**5. Grand jury transcripts
used to 'refresh' former
ethics chief's memory**

Both the prosecution and the defense used unsealed grand jury transcripts to "refresh" Yeboah-Amankwah's recollection of events.

Carole Rendon, an attorney for Jones, asked Yeboah-Amankwah on Feb. 17 whether she remembered the defendants' interest in a Columbus attorney named Jason Rafeld taking the PUCO chair position — as opposed to Randazzo — in December 2018 after Mike DeWine was elected Ohio governor.

Rendon had said in her opening statement Feb. 3 that the defendants wanted Rafeld, who had served as a PUCO chief of staff, to be chair.

Responding to Rendon's question on Feb. 17, Yeboah-Amankwah said she did not remember.

When Rendon then presented the witness with the grand jury transcript to "refresh her recollection" and posed the question again, Yeboah-Amankwah said, "I do recall at some point having that understanding."

Later on Feb. 17, Meyer asked Yeboah-Amankwah whether any "alarm bells" went off in her mind when, in 2019, DeWine nominated Randazzo to be PUCO chair. The appointment required Ohio Senate confirmation before Randazzo could officially be named chair. Randazzo was on FirstEnergy's payroll at the time.

Yeboah-Amankwah said no.

Then, Meyer requested that she refer to the transcript to "refresh" her memory and asked her whether she was concerned that she had been involved in a payment to Randazzo shortly before he was nominated to the PUCO.

"When I learned that he was applying to be on the PUCO, it did concern me that he was the one that administered that payment to IEU," Yeboah-Amankwah said.

IEU, the Industrial Energy Users of Ohio trade group, never received the payment, which is central to the state's case.

6. Judge grants immunity

**for former FirstEnergy
lobbyist**

Summit County Common Pleas Court Judge Susan Baker Ross on Feb. 20 granted immunity protection for Pine to testify for the state.

Pine and other former FirstEnergy lobbyists were also granted immunity to testify before the PUCO last year about House Bill 6.

Pine took the witness stand around 3 p.m. Feb. 20. His testimony will resume this week.

**7. Ohio Supreme Court
rules against media
restrictions in trial**

The judge in the case went too far in restricting what news organizations could record and publish about the trial, the Ohio Supreme Court ruled on Feb. 17.

The Ohio Supreme Court, in a unanimous decision, ruled that Baker Ross couldn't restrict what media outlets reported about jurors and witnesses without allowing news organizations to object in a hearing.

On Jan. 28, The Akron Beacon Journal, The Cincinnati Enquirer and The Columbus Dispatch filed a complaint at the Ohio Supreme Court challenging those media restrictions. Ross had asked the Ohio Supreme Court to dismiss the case. But on Feb. 17, the Ohio Supreme Court sided with the newspapers.

"We are gratified that the Ohio Supreme Court moved so swiftly on this matter," said attorney Jack Greiner, who represented the newspapers along with attorneys Melissa Watt and Griffin Reyelts. "Its decision will ensure not only that this trial proceeds in a transparent fashion, but it also provides valuable guidance for future trials."

8. FirstEnergy likely paying legal fees for ex-executives on trial

Inside the Summit County courtroom, roughly 20 attorneys from prestigious law firms flank Jones and Dowling as they stand trial.

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

Like most of corporate America, 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 and Dowling.

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.

Former FirstEnergy executive

Eileen Mikkelsen testified for the prosecution Feb. 18. She said that

in 2018, when she was FirstEnergy's vice president of rates and regulatory affairs, there appeared to be a looming "disequilibrium" between what FirstEnergy's "level of expenses were to serve our customers

versus the revenue we were

collecting from our customers."

---- Index References ----

Company: FIRSTENERGY CORP; UNITED STATES, GOVERNMENT OF; PUBLIC UTILITIES COMMISSION; THE SUPREME COURT OF OHIO; CINCINNATI ENQUIRER, INC.

News Subject: (Government (1GO80); Judicial Cases & Rulings (1JU36); Legal (1LE33); Lobby & Pressure Groups (1LO18); Regulatory Affairs (1RE51))

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

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

Language: EN

Other Indexing: (USA TODAY Network; Ohio Senate; IEU; Summit County Common Pleas Court; FirstEnergy; U.S. Securities and Exchange Commission; Public Utilities Commission; Ohio Supreme Court; The Cincinnati Enquirer)

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February 21, 2026

Infamous Mount Rushmore meme surfaces in FirstEnergy bribery trial

Adam Ferrise; cleveland.com

AKRON, Ohio — An infamous text reared its head Friday for the first time during testimony in the bribery trial of two FirstEnergy executives.

The text featured a meme with the faces of former CEO Chuck Jones and company lobbyist Michael Dowling photoshopped on a picture of Mount Rushmore. Also included is the face of Sam Randazzo-the man prosecutors say the duo bribed with \$4.3 million.

It included the wording "HB 6" and "F*** ANYBODY WHO AIN'T US."

The meme was sent the day that House Bill 6 passed into law in 2019, giving FirstEnergy a \$1.3 billion bailout of two nuclear power plants and a provision that guaranteed FirstEnergy millions more. Prosecutors say the bribe by Jones and Dowling led to Randazzo, then chairman of the Public Utilities Commission of Ohio, successfully pushing for the bill's passage.

A fourth face imposed on the historic landmark was former FirstEnergy lobbyist Ty Pine, whose testimony gave prosecutors their first shot at showing the jury how FirstEnergy officials celebrated the passage of the corruption-marred HB 6.

"I would characterize the whole text as attempts to be funny, poorly I might add," Pine said. "Looking back today, it's embarrassing. It shouldn't have happened."

Pine's testimony marked a shift in the prosecution's case to HB 6. Testimony over the past three weeks mostly focused on the \$4.3 million payment to Randazzo and other steps he took to secure rulings at PUCO that gave millions to FirstEnergy.

Pine's testimony came after Summit County Common Pleas Judge Susan Baker Ross granted him immunity from prosecution. Pine told the judge he would invoke his Fifth Amendment right against self-incrimination without the deal, as he did during an earlier PUCO investigation.

The meme, which made waves when it was released years ago, was sent July 23, 2019, from Boich Companies executive Matt Evans, to Jones, Dowling and Pine. Pine said during his testimony he didn't know why his face was included. Jones, who later sent the meme to Randazzo, said the meme was "pretty f-----g cool."

The text string went on to feature Evans sending a photo of Jones' face superimposed on a photo of Darth Vader and on another photo of what appeared to be a religious statue. He also sent photos of Pine's face on a baby and one of Pine's face on a person wearing a diaper and a sombrero.

When Dowling said to stop, Evans sent a photo with Dowling's face over that of actor Sacha Baron Cohen, who was wearing a skimpy swimsuit while portraying his character Borat.

Jones replied: "You're killing me. I'm trying to prep for an earnings call and that last image will be in my head for a month."

FirstEnergy, as part of an FBI investigation into the legislation, admitted to bribing Randazzo and Larry Householder, the former Ohio House Speaker who is serving a 20-year federal prison sentence for accepting \$60 million in FirstEnergy bribes to push for passage of HB 6.

Federal prosecutors have accused Jones and Dowling of bribing Randazzo and Householder. A trial date in the federal case has not yet been set.

---- Index References ----

Company: FIRSTENERGY CORP

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

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

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

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February 20, 2026

Section: News

Texts come into focus at trial
Jones, Dowling messages show open line to DeWine

Bryce Buyakie

February 20, 2026

In the lead-up to July 23, 2019, when lawmakers approved HB 6, Dowling spoke to Husted, who wanted to extend the bailout.

Jurors viewed text messages and emails on Feb. 19 showing that high-ranking elected Ohio officials worked behind the scenes to pass the \$1.3 billion nuclear bailout — House Bill 6 — and appoint Sam Randazzo as Public Utilities Commission of Ohio chair.

Former FirstEnergy CEO Chuck Jones and former senior vice president Michael Dowling are accused of paying Randazzo a \$4.3 million bribe before his appointment to lead PUCO. Randazzo died in 2024 and also faced charges in the case.

The messages, often between Jones and Dowling, were exchanged in 2018 and 2019. They showed an open line of communication with Gov. Mike DeWine, former GOP Ohio House Speaker Larry Householder and former Lt. Gov. Jon Husted, now a U.S. senator.

Householder is serving a 20-year prison sentence in a federal case for accepting \$60 million from FirstEnergy to help pass HB 6. He also faces state charges in Cuyahoga County.

This evidence comes 11 days into the jury trial and after a former FirstEnergy executive testified that, as PUCO chair, Randazzo helped the Akron-based utility company dodge a \$150 million revenue pitfall and pushed for a beneficial provision be added in HB6.

Defense attorneys have argued that the payment to Randazzo was not a bribe. Instead, they say it was part of a settlement agreement. Randazzo, they argued, often fought FirstEnergy over issues that would have benefited the company.

Messages show behind-the-scenes intrigue

In multiple exchanges, Jones and Dowling referred to having communicated with DeWine, Husted or Householder.

In texts to Randazzo, Jones said he told DeWine that Randazzo had "integrity, work ethic, creativity, thick skin, circumspection in public statements." Jones added, "You fit all of those."

In another message, Dowling said DeWine and Husted performed "battlefield triage" to get Randazzo elected as PUCO chair.

Although both Dowling and Jones had supported another candidate for PUCO chair, going so far as to "undermine" Randazzo, they came to view Randazzo as the "best option," messages show.

In the lead-up to July 23, 2019, when lawmakers approved HB 6, Dowling spoke to Husted, who wanted to extend the bailout.

**Former executive talks
revenue solutions**

Eileen Mikkelsen, former FirstEnergy vice president of rates and regulatory affairs, testified over two days during the trial, describing how FirstEnergy estimated a shortfall if the company had to file a new distribution rate case in 2024. This likely would have resulted in lower rates and lost revenue, she testified.

FirstEnergy executives sought answers to the estimated revenue pitfall, including spending changes, legislative efforts and regulatory tweaks. These could have involved a broad range of options, including lobbying, tree trimming, substation repairs and a new base electricity rate.

Prosecutors say Randazzo ended a rate review after receiving the alleged \$4.3 million bribe, which was framed as a settlement in a consulting contract. As a result of the rate review, regulators could have reduced FirstEnergy's revenue if FirstEnergy were found to be earning excessive profits.

Randazzo later discussed adding a decoupling provision in HB 6, which allowed FirstEnergy to generate about \$978 million annually, Mikkelsen testified. Decoupling allowed FirstEnergy to

charge customers a flat rate based on 2018 energy consumption, which saw increased usage and higher rates.

Defense attorneys highlighted emails and texts showing Randazzo had opposed but eventually approved the decoupling provision.

Bryce Buyakie is an Akron-based reporter who covers the courts and public safety for the Beacon Journal. He can be reached by email at bbuyakie@gannett.com or on X [@bryce_buyakie](https://twitter.com/bryce_buyakie).

In the lead-up to July 23, 2019, when lawmakers approved HB 6, Dowling spoke to Husted, who wanted to extend the bailout.

---- Index References ----

Company: PUBLIC UTILITIES COMMISSION

News Subject: (Crime (1CR87); Fraud (1FR30); Government (1GO80); Legislation (1LE97); Regulatory Affairs (1RE51); Social Issues (1SO05))

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

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February 20, 2026

Section: A

Current, former employees turn on former CEO at trial Chuck Jones once led the regional utility giant with 6 million customers. Now his former empl...

Adam Ferrise - aferrise@cleveland.com

Current, former employees turn on former CEO at trial Chuck Jones once led the regional utility giant with 6 million customers. Now his former employees are testifying against him.

Current and former FirstEnergy employees in recent days have turned on their former boss, the man who once led the regional utility giant with some six million customers in six states.

One current and three former FirstEnergy executives testified within feet of former CEO Chuck Jones and ex-top lobbyist Michael Dowling, who face charges of bribing former state utility regulator Sam Randazzo with \$4.3 million.

Some who testified for the prosecution, were visibly uncomfortable. Eileen Mikkelsen, who testified Wednesday and Thursday, said outside the presence of the jury that Jones, during a lunch break, approached her.

"He apologized to me for putting me through this," Mikkelsen told Summit County Judge Susan Baker Ross.

Baker Ross acknowledged the awkward position for witnesses like Mikkelsen testifying in the high-profile trial.

"I've noticed witnesses, just based on the way they testified, all kind of had a close relationship as corporate executives who worked together a lot," Baker Ross said.

Of the nine witnesses who have testified so far, more than half have been former employees who worked under Jones, the Fortune 500 company's CEO from 2016 until his firing in 2020 amid several probes stemming from the passage of House Bill 6. The 2019 law gave a \$1.3 billion ratepayer bailout to two aging nuclear power plants.

The company itself, after firing Jones, admitted to bribing Randazzo and former Ohio House speaker Larry Householder. Householder is serving a 20-year federal prison sentence for accepting \$60 million in bribes from FirstEnergy to ensure HB 6's passage. Randazzo was charged by both federal and state prosecutors, and died by suicide in April 2024.

Jones and Dowling face 11 charges in the trial centering on accusations they bribed Randazzo shortly before he was appointed PUCO chairman, a position with heavy influence on FirstEnergy's finances. Randazzo then took official actions worth millions to FirstEnergy.

Two of the witnesses testified after being granted immunity from prosecution - Mikkelsen and former FirstEnergy chief ethics officer Ebony Yeboah-Amankwah.

The FirstEnergy witnesses testified about internal confusion about the \$4.3 million.

Yeboah-Amankwah said Jones ultimately signed off on the payment, even though some in the company had reservations about paying it.

Mikkelsen and Yeboah-Amankwah both testified about the effects of Randazzo's actions at PUCO.

Randazzo successfully pushed for HB 6 to include a provision that allowed FirstEnergy to make annual income at inflated rates and killed a PUCO review that would have ended with FirstEnergy making far less revenue.

Mikkelsen's testimony included that when Dowling learned of the PUCO review, he was worried the company would face a \$150 million loss. She also testified that the HB 6 provision for which Randazzo pushed gave a \$79 million bump to FirstEnergy in just the first two years, including nearly eliminating a \$50 million shortfall in 2019.

Yeboah-Amankwah, who broke down in tears at one point during her three days on the witness stand, testified that Jones cashed in some \$18 million in company stock in the wake of the decisions.

The company's current top accountant, Jason Lisowski, testified about Jones' "surprising" amount of confidence when he told groups of spooked investors that the PUCO review would never happen.

"In every one of those conversations he was very convinced and very comfortable that there was no risk," Lisowski said.

Another employee, former company attorney Mark Hayden, told the jury that he raised red flags for years about FirstEnergy's consulting payments to Randazzo, who was simultaneously working for clients opposing FirstEnergy.

He called the contract with Randazzo "b-----t" in an email and testified that it seemed Randazzo was "paid to do nothing."

More FirstEnergy employees are expected to testify in the trial. Prosecutors plan to call former senior vice president Dennis Chack, according to a ruling this week by Baker Ross.

The ruling sheds light on what prosecutors hope to elicit from witnesses like Chack about accusations involving their former boss.

The judge will allow prosecutors to pursue testimony that Jones asked Chack to lie about payments involving George and later admitted to Chack that he had lied about "revenue streams and payments."

Baker Ross said she would rule during trial on prosecutors' push to have Chack tell the jury that Jones was "cunning" and Dowling "tried to throw him under the bus," along with testimony about "Dowling's motive to please Jones."

---- Index References ----

Company: FIRSTENERGY CORP; OHIO HOUSE APPRAISERS, INC; FORTUNE 500, INC

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

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February 18, 2026

Section: mct-noindex news

Prosecutors deny misconduct in FirstEnergy trial

Adam Ferrise cleveland.com

By Adam Ferrise • cleveland.com

AKRON, Ohio - Prosecutors on Wednesday sharply pushed back against claims of misconduct in the FirstEnergy bribery trial, telling a Summit County judge that defense attorneys for two former executives distorted facts about a key witness.

Assistant Ohio Attorney General Drew Wood said in a Wednesday filing that Summit County Common Pleas Judge Susan Baker Ross should deny the defense's request to dismiss criminal charges against former FirstEnergy CEO Chuck Jones and former top lobbyist Michael Dowling or, alternatively, to issue an adverse jury instruction.

Prosecutors argue they fully complied with their legal obligations and disclosed all evidence related to former FirstEnergy ethics chief Ebony Yeboah-Amankwah, whose three-day testimony triggered the defense motion.

"The State did nothing wrong in this case," Wood wrote.

Defense attorneys had accused prosecutors of withholding evidence by failing to disclose conversations they held with Yeboah-Amankwah prior to her testimony before a grand jury and in the lead-up to. They argued the supposed omission violated defendants' constitutional rights and irreparably tainted the trial.

The state disputes that claim, saying Jones and Dowling received Yeboah-Amankwah's sworn civil deposition testimony months before trial and that it was materially consistent with her courtroom testimony. Prosecutors also noted they successfully moved to unseal her grand jury testimony during trial, after the court reviewed it and found no exculpatory evidence requiring disclosure.

"Simply put, there is nothing left to give," the filing states.

Prosecutors further argue that the Brady rule - which requires them to disclose anything exculpatory or favorable to the defense - did not factor in here. According to prosecutors, the rule does not require them to record or turn over notes from witness preparation meetings, which they say are standard trial practice and protected as work product. They said Yeboah-Amankwah did not provide any new or inconsistent statements during those meetings that would have triggered additional disclosure obligations.

Jones and Dowling face 11 felony counts, including bribery, conspiracy and racketeering, in one of three criminal cases tied to the House Bill 6 corruption scandal. Prosecutors allege the former executives bribed state officials to secure favorable legislation and regulatory decisions benefiting FirstEnergy.

Yeboah-Amankwah testified that Jones approved a \$4.3 million payment prosecutors say was a bribe tied to the appointment of Sam Randazzo as chair of the Public Utilities Commission of Ohio. She also testified that Jones later made millions selling company stock after regulatory decisions boosted FirstEnergy's share price.

The defense has denied the allegations and maintains the payments were lawful business transactions.

Judge Baker Ross has not yet ruled on the defense motion. The trial, now in its third week, continues.

---- Index References ----

Company: FIRSTENERGY CORP

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

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Cleveland Plain Dealer

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February 21, 2026

Section: A

Husted had nine calls with former exec accused of bribery Court records also show the U.S. senator spoke with Michael Dowling for 51 minutes total ...

Adam Ferrise - aferrise@cleveland.com

Husted had nine calls with former exec accused of bribery Court records also show the U.S. senator spoke with Michael Dowling for 51 minutes total in late 2018 and early 2019.

U.S. Sen. Jon Husted talked with a FirstEnergy executive nine times around the time prosecutors say the executive and his boss paid a \$4.3 million bribe to the man Husted and Ohio Gov. Mike DeWine chose to lead the state's energy regulatory body, trial testimony showed Friday in Akron.

Husted's calls came in late 2018 and early 2019, months after he was elected Ohio's lieutenant governor on DeWine's Republican ticket. That was around the time the two landed on appointing Sam Randazzo as the chairman of the Public Utilities Commission of Ohio.

Husted spoke for a total of 51 minutes with FirstEnergy's then-top lobbyist, Michael Dowling, in the calls made from Nov. 19, 2018, through Jan. 24, 2019. Randazzo was appointed to the commission in February 2019 and began work in April of that year.

The phone records were displayed and read into the record in the trial of Dowling and former FirstEnergy CEO Chuck Jones. They are accused of bribing Randazzo in exchange for favorable rulings worth millions to FirstEnergy.

Jones and Dowling are also accused of helping pass the corruption-marred House Bill 6 that gave a \$1.3 billion ratepayer bailout of two nuclear power plants.

FirstEnergy's manager of information and compliance, Jim Vardon, read the phone records aloud to the jury. No recordings of the calls exist, and the nature of the discussions remains a mystery - at least to the jury.

Husted, who has not been accused of any wrongdoing, was listed as a potential defense witness in the trial.

The phone calls happened before and after a Dec. 18, 2018 dinner at the Columbus Athletic Club with DeWine, Husted, Jones and Dowling. During the meeting, Jones and Dowling learned that DeWine and Husted intended to pick Randazzo over Jones' and Dowling's pick for PUCO chair, Jason Rafeld.

Jones and Dowling left the meeting and made the short drive to Randazzo's condo, where prosecutors say they hatched a plan to bribe Randazzo.

Defense attorneys, however, said the duo met with Randazzo to finish paying out a settlement stemming from a 2015 agreement with his clients at IEU-Ohio, a group of industrial and commercial businesses.

Jones and Dowling have argued that the settlement was legitimate, that they wanted to pay out IEU-Ohio because of a particularly good financial year in 2018 and that they expected the money to go to Randazzo's clients, not that Randazzo would keep the money.

After one call with Husted the day after the dinner, Dowling texted Jones saying he had talked with "JH," who told him they were looking for other candidates instead of Randazzo and reiterated Rafeld was Jones' and Dowling's candidate.

"I said for whatever reason if he's not your guy, no problem," Dowling's text said. "You guys get to decide who's best for your team, not us. We're just happy you consider our thoughts. JH said Randazzo isn't out of the running. He reiterated his support and desire to help us."

After an eight-minute call on Jan. 9, 2019, Dowling sent Jones a similar text, summarizing his conversation with "JH." Dowling described the conversation as "JH" asking Dowling for his and FirstEnergy's thoughts on several potential PUCO candidates, including Randazzo, Rafeld and Asim Haque, who was PUCO chairman at the time.

Other names included two former state lawmakers - Jim Hughes and Jimmy Stewart - and current PUCO commissioner Dennis Deters.

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

Company: FIRSTENERGY CORP

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

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

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

Language: EN

Other Indexing: (Court; U.S.; Public Utilities Commission of Ohio; FirstEnergy) (Jon Husted; Michael Dowling)

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February 20, 2026

JON HUSTED TRIAL TRACKER: Even More Ties Revealed Between Husted and FirstEnergy

COLUMBUS, Ohio, Feb. 20 -- The Ohio Democratic Party posted the following news:

* * *

JON HUSTED TRIAL TRACKER: Even More Ties Revealed Between Husted and FirstEnergy

*

Husted and the Husted-DeWine administration mentioned 24 times yesterday

Text messages between Husted and indicted FirstEnergy executives at center of trial

Columbus, Ohio -Just days after new reporting revealed that Jon Husted held secret, unreported meetings with indicted FirstEnergy executives, Husted once again took center stage in the ongoing criminal corruption trial. Husted and the Husted-DeWine administration were mentioned 24 times yesterday -breaking the record set just the other week and further strengthening his deep ties to the largest corruption scandal in Ohio history.

Text messages between Husted and indicted FirstEnergy executives are now at the center of the trial, underscoring how key his role was in the scheme that delivered a billion dollar bailout to utilities while sticking Ohio families with higher energy bills.

Ohio Democratic Party Senior Communications Advisor Tony Wen released the following statement:

"Just days after reports revealed Jon Husted held secret meetings around HB 6, text messages between Husted and indicted executives surfaced in court -and his name was mentioned 24 times at trial. Ohioans deserve answers about why Husted remains at the center of the largest corruption scandal in Ohio history. What else is Jon Husted hiding?"

Read more about Jon Husted's role in Ohio's largest corruption scandal:

* New reporting reveals Jon Husted held secret meetings with indicted FirstEnergy executives, including with the "mastermind of Ohio's largest public corruption scheme two days before scandal-ridden bribery legislation was introduced."

* Neil Clark, a FirstEnergy lobbyist and co-defendant with former House Speaker Larry Householder, referred to Husted as FirstEnergy's " golden boy."

* Text messages between Husted and FirstEnergy Executives reveal that the trio were in constant communication "before, during and after his campaign."

* Indicted FirstEnergy CEO Chuck Jones said Husted was a " good friend of FirstEnergy " who was " highly engaged " and " fighting to the end " in support of the massive bail out.

* Just weeks after Husted and DeWine were elected in 2018, they had dinner with Jones and Dowling at the Athletic Club of Columbus.

* Public records show that FirstEnergy funneled \$1 million in dark money to a nonprofit backing Husted in 2017 -part of the same corrupt scheme that led to federal indictments.

Original text here: <https://ohiodems.org/jon-husted-trial-tracker-even-more-ties-revealed-between-husted-and-firstenergy/> MSTRUCK-9520468 MSTRUCK

---- Index References ----

Company: FIRSTENERGY CORP

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

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

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

Language: EN

Other Indexing: (Ohio Democratic Party; FirstEnergy) (JON HUSTED)

Word Count: 404

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2026 WLNR 5454595

JD Supra

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February 23, 2026

Court Decision Provides Guidance on Preserving Privilege in Cyber Incident Response

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The U.S. Court of Appeals for the Sixth Circuit's (Sixth Circuit) decision in *In re FirstEnergy Corporation* provides important guidance on how companies can preserve attorney–client privilege and the attorney work product doctrine during internal investigations – guidance that translates directly to cybersecurity incident response investigations. The Sixth Circuit confirmed that internal investigations led by outside counsel, where legal advice is rendered and such investigation is undertaken because of real or reasonably anticipated legal exposure, remain protected under attorney-client privilege and attorney work product doctrine, as applicable, even when the findings later inform business or operational decisions.

For companies facing increasingly frequent and complex cyber incidents with subsequent class action lawsuits, the Sixth Circuit decision offers a clear message: engage outside counsel early, ensure such counsel leads any cybersecurity investigation in partnership with forensic and technical experts, and carefully manage information sharing in consultation with outside counsel. Companies that plan for these issues before an incident occurs are better positioned to respond to class action lawsuits stemming from a cybersecurity incident – both technically and legally.

FirstEnergy Investigation and Resulting Litigation

In July 2020, the U.S. Department of Justice (DOJ) filed a criminal complaint against Larry Householder, then Speaker of the Ohio House of Representatives, alleging a bribery scheme involving FirstEnergy Corp. ("FirstEnergy"), a U.S. electric utility, to secure favorable legislation. DOJ subpoenas followed, the complaint became public, and FirstEnergy's stock price declined sharply. Anticipating substantial legal exposure from the alleged bribery scheme, FirstEnergy enlisted outside counsel for its board and the company itself to conduct an independent investigation, respond to subpoenas, and advise on potential legal liability.

The DOJ investigation then triggered shareholder securities litigation against FirstEnergy. In one such case, plaintiffs sought production of documents related to the internal investigations by outside counsel. A special master and the district court ordered production, concluding that the internal investigations were not privileged or protected work product because they allegedly served business purposes, and their findings were shared in part with third parties. FirstEnergy sought and was granted mandamus relief of the district court's decision by the Sixth Circuit.

Sixth Circuit's Decision

The Sixth Circuit held that FirstEnergy's internal investigation materials were protected by both the attorney–client privilege and the attorney work product doctrine. The court reaffirmed that the communications during the investigations, including outside counsels' analyses about what acts occurred, whether those acts were illegal, and what criminal and civil consequences might ensue, all pertained to legal advice and are thus clearly attorney-client communications. The Sixth Circuit determined that the relevant inquiry is why the investigation was undertaken – namely, to assess legal exposure and obtain legal advice – not whether the resulting advice later informed business decisions. The court emphasized that companies routinely seek legal advice precisely so they can decide how to act as a business, and that dual use does not destroy attorney-client privilege.

Additionally, the court held that the materials created via the investigation were protected attorney work product because they were created as a result of actual or reasonably anticipated litigation and/or regulatory action. The court added that even where documents serve both legal and business purposes, they qualify under the attorney work product doctrine if the prospect of litigation or regulatory action is a driving force behind their creation.

The Sixth Circuit determined that FirstEnergy's limited disclosures to third parties, such as auditors, did not waive the attorney-client privilege or attorney work product doctrine. The majority of the information disclosed in the case was non-privileged information, which never waives the privilege. As to the privileged information disclosed, such information was more about the conclusions of the investigation rather than the substance of the attorney's advice, and thus the privilege was not waived according to the Sixth Circuit. As to the attorney work product protection,

such protection is waived only by disclosure to an adversary of the company or someone likely to become one. In this case, the court noted that the auditor was forbidden by its ethical rules from disclosing any confidential client information without specific consent of the client and thus could never be an adversary of FirstEnergy.

Key Lessons for Cybersecurity Incident Response Investigations

The FirstEnergy decision reinforces several critical best practices for engaging with outside counsel during cybersecurity incident investigations.

Engage Outside Counsel Immediately – and Ideally Before an Incident Occurs

The timing of outside counsel's engagement was central to the Sixth Circuit's analysis. FirstEnergy retained outside counsel as soon as the DOJ complaint was unsealed and subpoenas were issued, signaling that the company viewed the matter as a legal event requiring legal expertise. Serious cybersecurity incidents often present comparable legal exposure from the outset, particularly where customer data, network integrity, or critical services are affected. Companies should engage outside counsel immediately upon identifying a significant cyber event – and, ideally, establish those relationships well in advance. Early engagement helps ensure that investigative materials and cybersecurity related reports procured prior to the incident (e.g., vulnerability assessments, penetration tests, tabletop exercises, etc.) are created in a legally protected framework and are defensible if disclosure is later sought during litigation.

Counsel Must Meaningfully Direct the Investigation

The FirstEnergy decision makes clear that attorney-client privilege is not preserved by nominal or passive legal involvement. Outside counsel in that case did not simply receive reports; they defined the investigative scope, examined records, met regularly with leadership, assessed potential liability, and provided legal advice based on investigative findings. In the cybersecurity context, this means outside counsel should engage outside forensic and technical advisors and work in partnership with them to direct a cybersecurity incident investigation. Outside counsel should help define investigative questions, oversee the forensic firm's work, review reports and underlying data, and translate technical findings into legal analysis regarding notification obligations, regulatory exposure, contractual risk, and litigation strategy.

If the incident investigation is run independently by IT or security teams and/or external experts and, for example, outside counsel is brought in only to review a completed forensic report, a court may conclude the investigation was business-led rather than legally driven—significantly weakening the validity of attorney-client privilege and attorney work product doctrine claims.

Be Cautious When Sharing Information with Third Parties Who May Later Become Adversaries

The Sixth Circuit's treatment of disclosures to auditors is particularly instructive for cybersecurity incidents, which often involve communications with insurers, vendors, customers, partners, and regulators.

FirstEnergy confirms that sharing factual summaries or high-level conclusions with third parties does not automatically waive attorney-client privilege or attorney work product protection. However, the risk calculus changes when information is shared with parties who could later become adverse. Customers, vendors, insurers, or commercial partners may ultimately assert claims against the company arising from the same incident. Companies should therefore be deliberate in what they share, focusing on factual descriptions rather than counsel's legal analysis or strategic assessments. In any event, outside counsel should play a critical role in determining what can be disclosed, to whom, and in what form, to preserve attorney-client privilege and the attorney work product doctrine to the greatest extent possible.

[View source.]

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Consumer Protection (1CO43); Cybercrime & Viruses (1CY34); Data Privacy & Protection (1DA12); Government Litigation (1GO18); Judicial Cases & Rulings (1JU36); Legal (1LE33))

Industry: (Internet (1IN27); Internet Regulatory (1IN49); Internet Security (1IN07); Security Software (1SE53))

Language: EN

Other Indexing: (U.S. Court of Appeals for the Sixth Circuit; U.S. Department of Justice; Ohio House of Representatives; FirstEnergy Corporation) (United States)

Business Organizations; Electronic Discovery; Science, Computers, & Technology; Data Breach; Work-Product Doctrine; Corporate Counsel; Securities Litigation; Third-Party Risk

Word Count: 1189

NewsRoom

Atkins Calls for Leaner Corporate Risk Disclosures, Says Filings Have Become Litigation Shields

The U.S. Securities and Exchange Commission "could adopt a [safe harbor] 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 rule," SEC Chair Paul Atkins said.

February 19, 2026 at 06:46 PM By  **Dan Novak**



Paul Atkins, chair of the U.S. Securities and Exchange Commission. Photo: Diego M. Radzinski/ALM

U.S. Securities and Exchange Commission Chair Paul Atkins wants companies to reduce the amount of risk factors they list on public disclosures, saying the information is less about providing material information to investors than hedging against litigation risk.

Atkins, in a speech Tuesday at the Texas A&M School of Law, recalled that he supported extending risk factor disclosures in 10-K filings from annual to quarterly reports when he was an SEC commissioner in 2005. He said he expected companies to provide a short list of potential risks, but the disclosures have grown to become "on average one of the longest sections of the annual report."

If the primary purpose of including risk factors is to defend against litigation, the SEC should consider offering a safe harbor from liability, Atkins said.

“The commission 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 rule,” he added. “Such a safe harbor could incentivize companies to include fewer generic risk factors by shielding them from liability for events related to those generic risks.”

Former SEC attorney Ryan Adams said risk factors should be targeted and specific to the biggest risks that a company faces and include things that investors may not be aware of. But companies have taken to include broad and generic risk factors, such as risks to a company’s stock price related to the economy at-large or risks created from a possible terrorist attack, he added.

“Those could apply to any company in the world, so why are we including them?” said Adams, a partner at Morrison Foerster. “And the answer that I’ve always heard from my clients is we have to because if we don’t, we get sued for it. It’s hard to kind of reconcile what actually happens in reality versus what the rules are designed to do.”

Adams said companies have gotten in the practice of accounting for any sort of possibility—from artificial intelligence risks to geopolitical events—because of the potential for litigation. Atkins’ idea to provide a safe harbor is a novel approach to solve a problem for corporate filers, Adams added.

“This has been a pet peeve of mine as long as I’ve been practicing law,” Adams said. “It is 100% true that risk factor disclosure in the majority of 10-Ks and offering documents is far too long.”

Sullivan & Worcester partner Howard Berkenblit said risk factor disclosures tend to be “cheap insurance” against litigation so investors are on notice and can’t claim that they were misled or deceived. But risk factors are not solely a defense against litigation and can help investors, as companies are required to rank potential risk areas and include material information, he added.

“It’s a balance—not only about warning investors about the material risk, but making sure that it’s a complete disclosure as well,” Berkenblit said.

If companies get too generic with the risk factors, “then we try to take them out,” he added.

Berkenblit said companies may still want to disclose risk factors even if the SEC were to establish a safe harbor for nondisclosure.

“It’s well and good for the SEC to say this is safe harbor but, if companies are still going to get sued by plaintiffs lawyers or class actions, it’s going to take a while for companies to get

comfortable until it's tested and shown to work,” he said.

Page printed from: <https://www.law.com/nationallawjournal/2026/02/19/atkins-calls-for-leaner-corporate-risk-disclosures-says-filings-have-become-litigation-shields/print/>

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Securities

SEC Says Probe Involving AppLovin 'Still Active and Ongoing' (1)

Feb. 20, 2026, 11:19 AM PST

A Securities and Exchange Commission probe involving mobile advertising technology company AppLovin Corp. is "still active and ongoing," the regulator said Friday.

The regulator declined to share correspondence between staffers referencing AppLovin because it might "cause harm to the ongoing and active enforcement investigation," the agency said in a letter to Bloomberg News. Individuals and entities of interest to the investigation could "fabricate evidence, influence witness testimony and/or destroy or alter certain documents." The correspondence might also reveal cooperating witnesses, the SEC said.

Shares of AppLovin pared their gains Friday on the news. The stock was up 3.7% to \$427.25 as of 2:13 p.m. in New York.

Bloomberg reported in October that the SEC was probing AppLovin's data-collection practices, including whether the company violated platform partners' service agreements to push more targeted advertising to consumers. The agency was responding to a whistleblower complaint as well as multiple short-seller reports.

At the time of the October report, AppLovin said it regularly engages with regulators and discloses any material developments through appropriate public channels.

The latest remarks followed a Bloomberg request for SEC documents related to AppLovin. The agency declined to release any records. When Bloomberg appealed the SEC's decision, the regulator stated that an "investigation involving AppLovin is still active and ongoing" and the release of any records could interfere with the enforcement proceedings.

The SEC didn't specify the subject or scope of the investigation in its response. SEC probes don't always result in enforcement actions, but can lead to fines for companies or executives. The regulator hasn't accused AppLovin or its officials of wrongdoing.

AppLovin, based in Palo Alto, California, declined to comment.

Read More: AppLovin Probed by SEC Over Its Data-Collection Practices

AppLovin, which helps mobile app developers find users and sell advertising in their apps, has surged in value in recent years, driven by investor excitement about its AI-powered ad targeting technology. The company was added to the S&P 500 Index in September and in December its market value reached an all-time high of about \$248 billion.

Still, the stock has been rattled by several short-seller reports and investor skepticism over whether AppLovin can successfully expand into e-commerce advertising. There are also broader concerns about how AI could disrupt the advertising industry. Shares are down roughly 40% this year, bringing the company's market value to around \$139 billion as of Thursday's close.

After a failed bid to buy TikTok's operations outside of China last year, AppLovin is preparing to build its own social network, Bloomberg reported on Thursday. The transition, if successful, could give AppLovin access to more user data and control over the mobile advertising market, while placing it in direct competition with social media companies like Meta Platforms Inc., TikTok and Snap Inc.

Read More: AppLovin Plans Its Own Social Platform After Failed TikTok Bid

(Updates with shares in third paragraph.)

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Securities

Manage Newsletters

Matt Levine's Money Stuff: Worries About Blue Owl Liquidity

Feb. 23, 2026, 10:17 AM PST

Blue Owl

In 2018, David Einhorn's hedge fund, Greenlight Capital, was having a run of disappointing performance. Some investors wanted to take their money back, but they couldn't: During happier times, Greenlight had imposed pretty strict limits on withdrawals. The investors complained; one of them told the Wall Street Journal that Greenlight's "liquidity terms are onerous and out of the norm today," and that "investors would be more comfortable with those terms if the returns were better."

I argued that [this had it exactly backwards](#) :

Well but the returns aren't better! And the investors would no doubt be quite comfortable withdrawing their money if the liquidity terms were less onerous! The downside of strict liquidity terms, for a hedge fund manager, is that when your performance is bad your investors complain to the press about your liquidity terms. The upside is that they can't take their money out. ... If your investors are complaining to the press about how onerous your liquidity terms are, you made the right call on the liquidity terms. If they were less onerous, your investors would be gone.

That is: If you run an investing business, your main, existential job is to keep your clients' money. One way to do this is by having consistently great returns, so your clients always want you to invest as much of their money as possible. That feels great, and if you can do it more power to you, but it doesn't always work.

The other way to do it is structural: When times are good, you set up your investment vehicle in such a way that, if times get bad, you can keep the money. When times get bad, this approach doesn't *feel* good. It is not fun when your clients complain about you on the front page of the Wall Street Journal. But your existential job, as an investment manager, is not to feel good. It's to keep the money. And you can control your lockup terms more reliably than you can control your performance.

We have [talked a lot](#) over the [last few years](#) about the rise of private credit. One general point that I and others have made about private credit is that it has a [more robust funding model](#) than bank credit. Banks are in the business of maturity transformation: They borrow short-term from depositors, and lend long-term to borrowers. If the depositors get nervous, they can all [ask for their money back](#) , and the bank will have to sell assets at distressed prices and [could go bust](#) . Private credit firms are in the business of maturity *matching*: They raise long-term, locked-up money from investors, and lend it long-term to borrowers. They are less regulated than banks because they are less risky, as a matter of *funding*. They might make stupid loans! Nothing prevents that. But they are fundamentally not *runnable*: The investors' money is locked up, so they can't take it out in bad times, so the private credit funds can't be forced to sell their assets at the worst time.

There are caveats to that. For one thing, leverage [creeps in everywhere](#) . Private credit funds juice their returns by [borrowing money](#) from [banks](#) , so some systemic risk gets recycled back into the system.

For another thing, private credit really wants to get a lot of *retail* money (from individual investors and their [retirement accounts](#)), and there is a widespread though somewhat perplexing view that retail investors [require more liquidity](#) than institutional investors. "There's a focus on delivering vehicles which can provide enough liquidity for 401(k) access," a private credit lawyer [said recently](#) , even though the [whole point](#) of a 401(k) is that you're not supposed to need your money back for decades.

Anyway last week Blue Owl Capital Inc. did ... something ... with some of its retail private credit funds? Bloomberg's Olivia Fishlow, Ellen DiMauro, and Silas Brown reported on Thursday :

The New York-based private credit giant has faced increasing withdrawal requests from investors in recent months, fueled in part by concerns about its exposure to software companies amid the rapid rise of artificial intelligence.

This week, Blue Owl said it would no longer allow for redemptions from one of its retail-focused private credit funds, abandoning an earlier plan to reopen withdrawals later this quarter. Instead, the firm decided to start returning investors' cash.

Here is the announcement. Typically, Blue Owl Capital Corporation II – Blue Owl's retail-oriented non-traded business development company, usually called "OBDC II" – would do quarterly tender offers for up to 5% of the fund's shares, which is fine in normal times (most investors don't want their money back) but constricting in tough times (more do). Now, OBDC II is *not* doing its usual 5% tender; instead, it is returning about 30% of its capital to investors in one go. From the announcement:

At approximately 30% of net asset value, the first quarter return of capital distribution is expected to be six times the size of the 5% tender offer previously planned for the quarter. Going forward, the OBDC II Board intends to prioritize delivering liquidity ratably to all shareholders through quarterly return of capital distributions, which are intended to replace future quarterly tender offers and may be funded by earnings, repayments, other asset sale opportunities or strategic transactions.

So there is a sort of semantic dispute over whether it is actually limiting withdrawals:

"We're not halting redemptions, we're just changing the form, and if anything, we're accelerating redemptions," Craig Packer, Blue Owl's co-president said in a CNBC interview Friday morning.

What does it mean? Fishlow, DiMauro and Brown write:

For years, private credit funds trumpeted a key distinction from other corners of finance: insulation from liquidity mismatches.

Because investors typically commit capital for long, fixed periods, and the funds deploy that money into loans with similarly lengthy maturities, the risk of being forced to sell assets at cut-price rates to meet demands for liquidity is minimized. At least, that's the theory.

But recent strains within Blue Owl Capital Inc.'s business development companies suggest the industry may not be entirely shielded from that longstanding vulnerability.

In a sense, "we got a lot of redemption requests" *does* suggest that private credit is not entirely insulated from liquidity mismatches; it is not entirely run-proof. In another sense, "we got a lot of redemption requests *and we said no*" suggests that it *is* pretty run-proof. A run on the bank is not just "investors want their money back"; it's "investors want their money back and we have to give it to them."

Again, though, Blue Owl didn't quite say no; it *is* returning a lot of money to its investors. But it is doing so ratably, that is, it is giving back 30% of every investor's money, rather than fully cashing out investors who ask for their money back. Also it is not quite "being forced to sell assets at cut-price rates to meet demands for liquidity." It is not being forced, for one thing, but for another thing it's selling those assets at 99.7 cents on the dollar :

Blue Owl Capital Inc., facing a looming deadline to return cash in one of its private credit funds, found four buyers for a \$1.4 billion portfolio of loans to help pay out investors: Three of North America's biggest pension funds and its own insurance asset manager.

Chicago-based Kuvare, for which Blue Owl manages assets, along with the California Public Employees' Retirement System, Ontario Municipal Employees Retirement System and British Columbia Investment Management Corp. bought the debt, according to people with knowledge of the matter. Blue Owl said late Wednesday that it sold the loans at 99.7% of par value.

To the extent Blue Owl is selling its loans to itself (Kuvare), you might worry about those marks, but it is also selling them to big arm's-length outside counterparties. And you might worry that – as in a classic run – Blue Owl might be selling its best and most liquid loans first, though its announcement stresses that it is selling a representative sample. ("Each investment to be sold represents a partial amount of each Blue Owl BDC's exposure to the respective portfolio company," and "the largest industry represented is internet software and services at 13%, generally consistent with the industry composition of Blue Owl's overall direct lending strategy and reflecting continued confidence in the quality and valuations of these software investments.")

There are two bigger worries. One is that private credit's structural protections might not work as well as they're supposed to. Again, Blue Owl doesn't *have* to cash out OBDC II investors, but it *will*, sort of. It is doing that, presumably, for investor-relations and public-relations and reputational reasons: It's a bad *look* to keep disgruntled investor's money, even if you're technically allowed to. The question is how constraining those reasons are. In 2018, David Einhorn could just grit his teeth and ignore his investors' complaining, but in 2007, famously, Bear Stearns & Co. spent billions of dollars of its own money bailing out some hedge funds that it managed. It was not actually required to do that – the hedge fund's liabilities were not technically Bear's problem – but it worried that letting the hedge funds go would signal weakness to the market and lead to further problems. (Bailing them out also led to further problems, and things did not end well for Bear.) Bear's hedge funds were not vulnerable to runs in theory, but they were in practice, and maybe private credit's retail funds are too. "Is this private credit's 2007 moment," asks Bloomberg's Markets Daily newsletter .

The other worry is that private credit is in the middle of a giant push to manage trillions of dollars of retail money, and this is not exactly helpful for that effort. Logically or not, retail investors do want liquidity, and very public liquidity hiccups are bad for business. "The timing is especially awkward because Wall Street is rushing to bring private assets to the masses," adds Markets Daily. "Trying to convince 401(k) retirement plans to add such funds gets tougher when investors are blocked from exiting." Ideally the sequence is (1) have a run of good performance, (2) sell tons to retail, (3) wait a respectable time and (4) *then* have bad performance and redemption requests. If you run into trouble before you can sell out to retail, it doesn't work. "Blue Owl's shares have now plunged almost 60% in the past 13 months, even as the firm's revenue continued to climb in that period": A year ago, private credit was a huge growth story; now that story has been called into question.

Meanwhile here's a fun little opportunistic trade :

Activist investor Boaz Weinstein is offering to buy shares in Blue Owl Capital Inc.'s business development companies after a challenging week for the lender and broader fears about bubbling risks in the \$1.8 trillion private credit market.

Saba Capital Management, led by Weinstein, and Cox Capital Partners launched the tender with an offer price that's expected to be at a 20% to 35% discount to the most recent estimated net asset value and dividend reinvestment price.

"The Purchasers' tender offers would provide a liquidity solution to retail investors in the wake of a significant industry-wide increase in BDC redemption requests, multiple quarters of net outflows and a rise in redemption gate provisions," says their press release.

Private credit firms are not, in February 2026, going to go around selling their *loans* at 65 cents on the dollar. For one thing, "continued confidence in the quality and valuations" of the loans, etc., but for another thing, that would be a terrible mark that would lead to problems all over their businesses. But some *retail investors* in private credit funds might want to sell their *fund shares* at 65 cents on the dollar, if they are sufficiently worried or need cash now. And if Boaz Weinstein thinks the loans are worth more than that, Blue Owl can't really stop him from buying up the fund shares.

Disclosure: Through a financial adviser, I have a small amount of money in a Blue Owl fund, though I am not sure which one.

AI disruption shadow trading

Sure :

Shares of cybersecurity software companies tumbled Friday after Anthropic PBC introduced a new security feature into its Claude AI model.

CrowdStrike Holdings was among the biggest decliners, falling 8%, while Cloudflare Inc. slumped 8.1%. Meanwhile, Zscaler dropped 5.5%, SailPoint shed 9.4%, and Okta Inc. declined 9.2%. The Global X Cybersecurity ETF fell 4.9% and closed at its lowest since November 2023.

Anthropic said the new tool “scans codebases for security vulnerabilities and suggests targeted software patches for human review.” The firm said the update is available in a limited research preview for now.

We talked a couple of weeks ago about the general form of this trade . The big artificial intelligence labs frequently introduce new tools like this. Each new tool arguably *might* make some whole industry – enterprise software, tax planning, here cybersecurity – obsolete. Markets are on edge about this stuff, so the stocks of the relevant industry predictably drop when the tool is introduced. It’s a new one every week. “AI Anxiety Has Found Its Way to Real-Estate Brokers,” the Wall Street Journal reports today, sure.

I wrote about this as a potential business model for the AI labs: Short the industry you are about to disrupt, release your disruptive tool, and make a quick profit. There are arguably some problems with that model, though it does feel like the sort of thing an evil AI might come up with.

A reader emailed another, closely related idea, though: “If I worked at Anthropic and I ‘suspected’ this would happen and so I bought short-dated puts before the announcement, would that be insider trading or just gambling?” I think the answer is that it would be what we sometimes call “shadow trading,” using inside information about one company (here, Anthropic) to make profitable trades on other (negatively) correlated companies. Shadow trading is, uh, probably illegal, though there are fewer cases than there are about traditional insider trading, and this is not legal advice. I suppose if everyone at the AI labs started buying puts on the industries they disrupted, the US Securities and Exchange Commission might start to take notice, though with the current SEC I’m not sure that’s true.

Elsewhere in the AI disruption trade

Here’s a similar story from a couple of weeks ago :

Logistics stocks plunged on [Feb. 12] as the group became the latest victim of the artificial intelligence “scare trade.” At the center of the selloff: a former karaoke company with a stock-market value of only \$6 million.

The little-known company is worth just a fraction of the value it knocked off of a constellation of others – all of which were dumped by investors fearful of even the faintest threat posed by AI. The company’s trumpeting of its logistics platform sent the Russell 3000 Trucking Index sliding 6.6%. CH Robinson Worldwide Inc. tumbled 15% – and at one point was down by a record 24% – while Landstar System Inc. fell 16%. ...

Algorhythm reported less than \$2 million in sales for the quarter that ended on Sept. 30, with a net loss totaling nearly \$3 million for the period. But its shares soared 30% to \$1.08 after its announcement, paring what had been a jump of as much as 82% earlier in the session.

“I would probably be more inclined to be skeptical that this particular company is gonna be the one to disrupt the industry,” Citigroup Inc.’s Ariel Rosa said of Algorhythm. “But the notion that someone will eventually come in and try to disrupt the industry seems like a decently high probability.”

First of all, Algorhythm is an incredible name for a karaoke-pivoting-to-AI company. Second, here is its announcement that “its SemiCab platform in live customer deployments is enabling its customers’ internal operations to scale freight volumes by 300% to 400% without a corresponding increase in operational headcount.”

Third, uh. What can you learn from this if you are a micro-cap company with an interest in pivoting to AI? What I argued a few weeks ago, and in the previous section, is that a good trade is (1) build a disruptive AI technology, (2) short the industry you plan to disrupt, (3) announce the disruptive AI technology and (4) profit. It is possible that the first step – actually building the disruptive technology – is the least important. Certainly it is the hardest. The market is jumpy! Maybe just announce the disruptive technology and see what happens. Not legal advice!

The tariffs are still illegal

There is really nothing to this! We have talked about it a few times before, basically when every lower court ruled that Donald Trump’s blanket emergency tariffs are illegal. They are illegal because the US Constitution, really clearly, right up front, says that only Congress, not the president, has the power to impose taxes, and tariffs are taxes. Did Congress impose Trump’s tariffs? Well, obviously not, but the argument was that Congress, decades ago, passed a law called IEEPA that gives the president the power to “regulate importation” in an emergency. The problems with that argument are that (1) “all of commerce” cannot possibly be an emergency and (2) the power to “regulate importation” is not the same as the power to impose tariffs.

As I said repeatedly, this is quite straightforward, but I did add that the US Supreme Court “has generally been more willing than lower courts to ignore precedent and declare that Trump can do whatever he wants.” But last week the Supreme Court, in a 6-3 decision, ruled that “the terms of IEEPA do not authorize tariffs”:

When Congress has delegated its tariff powers, it has done so in explicit terms, and subject to strict limits. Congress has consistently used words like “duty” in statutes delegating authority to impose tariffs. ...

The U. S. Code is replete with statutes granting the Executive the authority to “regulate” someone or something. Yet the Government cannot identify any statute in which the power to regulate includes the power to tax. The Government concedes, for example, that the Securities and Exchange Commission cannot tax the trading of securities, even though it is expressly authorized to “regulate the trading of . . . securities.”

Next up will be:

More and different tariffs: IEEPA does not authorize tariffs, but other statutes do, albeit with more process and at lower levels. President Trump has already announced 10% global tariffs, and also, later, 15% global tariffs.

Refund lawsuits. Tariff refunds are theoretically interesting because the importer who paid the tariff can sue to get its money back, but it’s not obvious that the economic incidence of the tariff is always on the

importer. If a foreign supplier cut prices to make its products more competitive in the US, or if the importer raised prices to consumers to pay for the tariffs, then the importer didn't "really" pay the tariff, but is nonetheless the party that can ask for a refund. In a dissenting opinion, Supreme Court Justice Brett Kavanaugh pointed out that "the United States may be required to refund billions of dollars to importers who paid the IEEPA tariffs, even though some importers may have already passed on costs to consumers or others." I don't know how big of a practical problem this is – in practice tariffs don't seem to have had that much effect on consumer prices, in part because everyone was uncertain about their permanence – but I suppose you might worry about it. If you bought stuff on Amazon and Amazon gets a refund, can you ask for your cut?

Sleep

I used to be a mergers and acquisitions lawyer, and then later I was an investment banker, so I have pulled my share of all-nighters. Now I see my kids and get to bed at a decent hour, and if you told me I had to work until 2 a.m. every day for a week, I would say "no thank you." I have chosen a more restful life, and I have a lot of sympathy for the young people who are currently investment banking analysts, who do have to work until 2 a.m. every day, and who think "this is dumb and bad and I would rather get some sleep."

But I also have a certain amount of sympathy for the more senior bankers who make them work all night. It is a client service business, there is a lot of money at stake, speed is often critical, and deal teams are often, for fairly good reasons, quite lean. There is a lot of inefficiency and face time and nonsense, but at some level working long hours probably is an important part of becoming a skilled investment banker and getting the work done.

I suspect that a lot of people who have worked in financial services share this sense of ambivalence: It does seem cruel and wasteful to work people that hard, but it is not *just* arbitrary cruelty; there is a reason for it. But you know who does not share that sense of ambivalence? Everybody else on Earth. In particular, if you selected a jury of 12 random New Yorkers and asked them "is it okay for an investment bank to make its junior employees work for days on end without sleep," the jury would probably say "no, what, that's monstrous, we will make them pay for that." Anyway :

Centerview Partners LLC settled a lawsuit by a former analyst who claimed the boutique investment bank wrongfully fired her for asking to be able to sleep more than eight hours a night.

Jury selection had been set to begin Monday morning in the case, which highlighted the grind culture of Wall Street, especially at junior levels. Centerview had taken the position that a need for a full night's sleep every night is incompatible with "the essential functions of the analyst role."

Kathryn Shiber sued Centerview in 2021, claiming she was fired just 10 weeks into a three-year analyst program, shortly after she informed the firm that she had mood and anxiety disorders requiring her to sleep at least eight hours a night on a consistent schedule. Shiber, who had been expected to take the stand during the weeklong trial, was seeking \$5 million in damages.

The Financial Times notes that “at a pre-trial hearing last week, a judge said details of Centerview’s revenues, profits and financial performance could be disclosed during the trial,” overruling the bank’s objection that “such disclosure could create a ‘David versus Goliath narrative.’” I just feel like, if you are the bank that makes your young employees work all night, you are not going to win that jury trial, and even \$5 million – presumably they settled for less – is a small price to pay to make it go away.

Things happen

Steve Cohen’s \$3.4 Billion Payday Tops Hedge Fund Ranks. The Fundraising Tactic AI Startups Are Using to Juice Valuations. Private equity logjam hits record as firms struggle to sell. The Exotic Makeover of the Once-Boring ETF Market. Kirkland Star Lawyer’s Antitrust Warning Sowed Seeds of His Own Exit. Latham Poaches Two Wachtell Partners, Latest Move in Legal M&A Talent Wars. DOJ Probes Netflix’s Power Over Filmmakers in Warner Deal Review. Paramount Says Regulatory Waiting Period for Warner Bid Ends. AMD to Backstop \$300 Million Crusoe Loan, Following Nvidia Playbook. Guardians pitcher Emmanuel Clase used coded language, rigged pitch in playoff game: Feds. More subtle Axe Body Spray.

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1. Bloomberg Intelligence analysts David Havens and Nicole Castelblanco wrote last week: “We expect higher redemption requests from private investors in 4Q25 and 1Q, though it’s crucial to recognize that BDCs have considerable latitude to limit outbound flows. Most set a policy to cap net asset value tender limits at 5% per quarter, though even then, boards can impose further restrictions. The word ‘restriction’ doesn’t read well in the media, though we see these policies as responsible from a credit perspective.”

2. That is: It’s probably illegal for an employee to do it. It seems less illegal for *Anthropic itself* to trade on its plans (insider trading is not about fairness, it’s about theft), though this is still not legal advice.

3. I mean not literally everybody else. I imagine that doctors have similarly ambivalent feelings about the hours in residency. There are a lot of sleep-deprived professions.

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Securities

Blue Owl Sold Loans to Pensions, Own Insurance Asset Manager (1)

Feb. 20, 2026, 3:38 PM PST

Blue Owl Capital Inc., facing a looming deadline to return cash in one of its private credit funds, found four buyers for a \$1.4 billion portfolio of loans to help pay out investors: Three of North America's biggest pension funds and its own insurance asset manager.

Chicago-based Kuvare, for which Blue Owl manages assets, along with the California Public Employees' Retirement System, Ontario Municipal Employees Retirement System and British Columbia Investment Management Corp. bought the debt, according to people with knowledge of the matter. Blue Owl said late Wednesday that it sold the loans at 99.7% of par value.

The sale of the loans was evenly spread across three funds and was part of a plan to return cash to investors in the firm's Blue Owl Capital Corp II, which was hit with a wave of redemptions last year. The initial plan to return capital, by merging the fund with one of the firm's publicly traded vehicles, was scrapped amid scrutiny around losses that some investors would take.

Read more: [Blue Owl Scraps Merger of Private Credit Funds After Selloff](#)

Blue Owl didn't identify the buyers of the loans, saying only that they included North American public pension funds and insurance firms.

Blue Owl acquired Kuvare Asset Management from Kuvare in a \$750 million deal in 2024, which Blue Owl used to form Blue Owl Insurance Solutions, according to a statement. At that time, Kuvare Asset Management had around \$20 billion in assets under management.

A representative for Blue Owl declined to comment, as did representatives for Calpers, Omers and BCI. Representatives for Kuvare didn't have immediate comment.

Bidder interest in the deal was so strong that Blue Owl co-founder **Craig Packer** on Thursday said that "they would have bought multiple amounts more."

Speaking on an earnings call, Packer also described the size and price of the sale as “an extremely strong statement,” even as investors dumped the firm’s stock on concerns about rising risks in private credit assets.

The transaction highlights the rising entanglement between private credit and the insurance industry.

Analysts at Barclays warned on Thursday that the deal could provide a template for future transactions where debt held in some of the only publicly visible funds — so-called business development companies — could be shifted into more opaque and more highly leveraged vehicles.

“If similar transactions are repeated frequently, it would deepen the ties between these two parts of the non-bank sector, which could make it more difficult to track the risk,” the analysts wrote.

Citing public disclosures, the analysts also said that some of the assets being sold are likely to make their way into Blue Owl-managed collateralized loan obligations, a popular investment vehicle for insurance companies because of their high ratings and beneficial capital treatment. Those would likely be purchased by Kuvare.

Unlike BDCs, which typically carry leverage of just 1x their equity, CLOs are usually leveraged 9 to 10 times, the Barclays analysts noted.

“It would add additional leverage to private credit assets,” they said.

Packer said on the earnings call that the buyers had “made an arm’s length economic decision and there’s nothing behind the scenes that would in any way undermine that conclusion.”

Read more: Credit Market’s Reality Check Follows Decade of Loose Lending

Alongside the 2024 deal for Kuvare Asset Management, Blue Owl said it also bought \$250 million of preferred shares in Kuvare UK Holdings and struck an asset management agreement with the insurer.

Packer on Friday dismissed concerns about the buyers in an interview on CNBC. “The fact that one of the four might be a part of our insurance business, how is it reasonable that that would undermine the other 75% of the sales?” he said.

(Updates with additional details and executive comments. An earlier version of the story corrected the description of the buyer.)

Securities

Blue Owl's Woes Expose Private Credit Risks for Retail Investors

Feb. 19, 2026, 2:01 PM PST

For years, private credit funds trumpeted a key distinction from other corners of finance: insulation from liquidity mismatches.

Because investors typically commit capital for long, fixed periods, and the funds deploy that money into loans with similarly lengthy maturities, the risk of being forced to sell assets at cut-price rates to meet demands for liquidity is minimized. At least, that's the theory.

But recent strains within Blue Owl Capital Inc.'s business development companies suggest the industry may not be entirely shielded from that longstanding vulnerability.

The New York-based private credit giant has faced increasing withdrawal requests from investors in recent months, fueled in part by concerns about its exposure to software companies amid the rapid rise of artificial intelligence.

This week, Blue Owl said it would no longer allow for redemptions from one of its retail-focused private credit funds, abandoning an earlier plan to reopen withdrawals later this quarter. Instead, the firm decided to start returning investors' cash.

"We aren't halting redemptions," **Craig Packer**, co-President of Blue Owl Capital Inc. said on an earnings call Thursday.

"We've been tendering for 5% of the shares of this fund for eight years. Instead of resuming 5% a quarter, we are in fact accelerating redemptions. And we're going to return to this investor group 30% of their capital at book value in the next 45 days."

Cashing Out

The developments underscore the risks facing retail investors as they move into the fast-expanding private credit market. While investors are typically permitted to redeem a portion of their holdings each quarter, those payouts can be restricted if withdrawal requests surpass preset caps.

BDCs from the largest managers across the market have been grappling with an exodus of cash, as withdrawal requests spiked. Investors in BDCs holding more than \$1 billion asked to pull a total of more than \$2.9 billion in the fourth quarter, up 200% from the prior period, according to a report from Robert A Stanger & Co., a boutique investment bank that tracks the industry closely.

Read More: Private Credit's Biggest BDCs Grappling With Investor Exodus

Blue Owl's fund, Blue Owl Capital Corp. II, is the last of its retail-focused vehicles with a finite lifespan, meaning that investors in the fund were long promised that they would see their capital returned.

Late last year, Blue Owl's first attempt to honor this pledge failed. It canceled an attempt to merge the fund with another publicly-traded BDC. The deal could have hit investors with losses of about 20% due to the trading price of the public vehicle.

After the merger plans fell through, Blue Owl went looking for another way to pay back its investors, and decided to sell private loans. On Wednesday, the firm said it had sold roughly \$1.4 billion in direct-lending investments across three vehicles — Blue Owl Capital Corp II, Blue Owl Capital Corporation, and Blue Owl Technology Income Corp. Buyers included North American public pension funds and insurance companies.

'Strong statement'

Packer maintained on the earnings call that the near-par value sale of the assets, which included 34% of the non-traded vehicles portfolio, was actually a sound look for the firm.

"I think that's strong for any asset class to clear that kind of size at that kind of price, at book value, an extremely strong statement," Packer said.

Others concurred — Stanger's Michael Covello said it was a "favorable outcome" given that investors would now receive a distribution of 30% of net assets in the first quarter, rather than being forced to take the implied discount of the terminated merger. Barclays called the move a strong step toward winding down the fund.

However, Democratic Senator Elizabeth Warren seized on the news to warn on private credit risks. She called for an increase in bank capital requirements for private credit exposures, greater data disclosure from the funds and a stress test for the market. "The Trump administration needs to wake up. Stop pushing these risky investments into Americans' retirement accounts," she said in a statement Thursday.

A representative for Blue Owl said the firm will continue to pursue its plan to return cash to investors in the coming quarters. "Contrary to what has been reported by some, we are not halting investor liquidity," the representative added.

Deals

Bain Capital Credit LP and UBS Group AG are lending a combined \$382 million to an Australian health-equipment manufacturer Aidacare Pty.

Ares Management Corp. is leading a private credit financing of about €1.4 billion for Scandinavian software business EG A/S

Synera Renewable Energy Co., a portfolio company of Stonepeak Partners, is seeking \$800 million of private credit for its offshore wind farm project in Taiwan, amid the push for green power supply expansion in the country

A group of private credit firms led by Blue Owl Capital Inc. are providing a \$1.4 billion loan to help buyout firm Hg finance the acquisition of OneStream Inc.

HPS Investment Partners led a roughly \$700 million private-credit deal for Elara Caring, a home health-care provider

Fundraising

The alternative investment firm Capza, which is ultimately owned by BNP Paribas, has raised almost €1.4 billion for a new private credit fund

Did You Miss?

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BDC Redemptions Over 5% May Overpromise Liquidity, Moody's Says

Private Markets' Data Black Holes Leave Watchdogs 'Flying Blind'

BDCs From Carlyle, Sixth Street Team Up on Venture to Issue CLOs

BOE Is Considering Outside Help for Private Markets Stress Data

--With assistance from **Rene Ismail**.

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Cooley Sued by Venture Fund Over \$76M Ethereum Wallet Loss

Investors say Cooley helped a crypto firm raise funds while concealing a \$76 million Ethereum liability that contributed to its collapse and bankruptcy.

February 18, 2026 at 05:00 PM By  **Michael A. Mora**



Cooley offices in Washington, D.C. Photo: Diego M. Radzinski/ALM

A venture capital fund sued Cooley in Oregon state court, alleging that the Silicon Valley law firm helped a cryptocurrency custody startup sell securities using offering materials that concealed a \$76 million Ethereum-related liability and other undisclosed risks, which later pushed the company into bankruptcy.

Seven Peaks Venture Fund II LP and SPV—Prime Core LLC filed the complaint Tuesday in Multnomah County Circuit Court, accusing Cooley of materially aiding Prime Core Technologies Inc.'s Series B financing round in 2022 by drafting and endorsing investor documents that omitted critical information about the firm's deteriorating financial condition.

Prime Core, through its subsidiary Prime Trust LLC, positioned itself as a key infrastructure provider for the crypto industry, offering custody, wallet and transaction services for digital assets. Investors were told the company provided reliable, compliance-focused infrastructure capable of backing stablecoins and processing transactions instantly.

But behind the scenes, the company allegedly lost access to a cold-storage crypto wallet containing Ethereum belonging to a customer. When the customer tried to withdraw the assets, Prime Trust failed to retrieve them and allegedly used company and client funds to purchase replacement Ethereum in transactions totaling roughly \$76 million between late 2021 and early 2022.

The company then concealed the loss by creating false internal accounting entries to make it appear as though the funds had been properly transferred, the complaint alleged. The undisclosed liability rendered Prime effectively insolvent and created a substantial financial obligation that was not reflected in the financial statements provided to investors.

Seven Peaks said it invested nearly \$5 million in Prime Core's Series B preferred stock in March 2022, relying in part on purchase agreements and legal opinions prepared by Cooley. The law firm's participation and reputation as a leading adviser to venture-backed technology and crypto companies helped lend credibility to the offering, the complaint said.

Cooley drafted the Series B preferred stock purchase agreement and provided legal opinions to investors, and without its participation, the securities sales would not have been completed, according to the complaint.

The lawsuit also alleged that Prime Trust failed to disclose regulatory violations, including operating without required money transmission licenses in multiple states, misstated its financial condition and improperly accounted for crypto assets.

Prime Core's financial condition continued to deteriorate after the financing round. Nevada regulators ordered Prime Trust to cease certain operations in June 2023, citing insolvency and an inability to honor customer withdrawals. The company was placed into receivership the following month and filed for Chapter 11 bankruptcy protection in August 2023.

The plaintiffs seek damages equal to their investment, plus interest and attorney fees, under Oregon securities law. They alleged that Cooley is jointly liable for materially aiding the sale of securities through misleading statements and omissions.

Christopher J. Kayser, a partner at [Larkins Vacura Kayser](https://www.law.com/therecorder/2026/02/18/cooley-sued-by-venture-fund-over-76m-ethereum-wallet-loss/print/) in Portland, Oregon, who represents Seven Peaks, did not respond to a request for comment. Neither did a representative for Cooley.

Securities

Manage Newsletters

Trump Family's Crypto Venture Says It Faced 'Coordinated Attack'

Feb. 23, 2026, 9:07 AM PST

Summary by Bloomberg AI

AI Generated



- World Liberty Financial said it defeated a "coordinated attack" against its flagship cryptocurrency product, USD1.
- The USD1 stablecoin briefly traded below \$1 on Monday before climbing back to par, according to crypto data tracker CoinGecko.
- World Liberty Financial stated that attackers hacked cofounder accounts, paid influencers to spread FUD, and opened massive shorts to profit from the manufactured chaos, but the attack was repelled by the company's engineering and security teams.

World Liberty Financial, the digital-asset venture backed by the Trump family, said that it defeated an unspecified "coordinated attack" against its flagship cryptocurrency product.

USD1, the dollar-pegged stablecoin issued by World Liberty, briefly traded below \$1 on Monday before climbing back to par, according to crypto data tracker CoinGecko. Stablecoins are typically designed to trade equal to the dollar to provide users with a stable medium of exchange and to serve as a store of value within the highly volatile crypto market.

The stablecoin, which has about \$5 billion market value, is the first product launched by the crypto project co-founded by Donald Trump Jr. and Eric Trump alongside sons of White House special envoy Steve Witkoff. The project lists President Donald Trump as "co-founder emeritus."

"A coordinated attack was launched against USD1 this morning," the project said on its official account on X. "Attackers hacked several WLFI cofounder accounts, paid influencers to spread FUD, and opened massive \$WLFI shorts to profit from the manufactured chaos."

The USD1 stablecoin first rose to prominence in May 2025, when an Abu Dhabi fund said it would use the token to buy a \$2 billion stake in crypto exchange Binance. 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.

USD1 is redeemable on a 1-to-1 basis for dollars and the reserve backing it – including short-term US government Treasuries and other cash equivalents – is held or maintained by BitGo Trust Co., according to the project's website. BitGo is the issuer of the stablecoin. BitGo declined to comment.

"World Liberty's elite engineering and security teams today successfully repelled a coordinated attack from multiple vectors," according to a statement from a World Liberty spokesperson on Monday. "Hackers and paid-disinformation campaigns attempted to undermine trust in WLFI, but our battle-tested infrastructure and systems operated exactly as they should. Today's attack is a further demonstration that USD1 was properly designed and can be relied upon under any conditions."

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Not unlike CFO Magazine's 3-year string of CFO Of The Year awards that were given to [drum roll...] Andy Fastow of Enron, Mark Swartz of Tyco and Scott Sullivan of Worldcom, (all of whom were later arrested after major fraud scandals came to light).



18





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No Verdict Thursday In Goldstein Case

By **Jared Foretek**

Law360 (February 19, 2026, 9:36 PM EST) -- The jury in SCOTUSblog founder Thomas Goldstein's tax evasion trial broke for the weekend on Thursday without reaching a verdict.

As has been the case throughout the six weeks the trial has run, the jury won't sit on Friday, meaning it will resume its deliberations Monday morning.

After 16 days of trial, the jury received instruction and got the case around 1 p.m. Thursday. At around 5 p.m., jurors signaled they'd be heading home.

The jury made just one request while deliberating, but it was a hefty one: It asked the court for transcripts of testimony from Goldstein himself, an employee at one of the lenders he allegedly lied to, and Robbins Geller Rudman & Dowd LLP partner Darren Robbins.

The jury also asked for exhibits tied to the IP addresses the government claims showed Goldstein was in Maryland when he submitted two loan applications and travel records. His attorneys have claimed that the records proved he was abroad at the time one of the applications was submitted.

U.S. District Judge Lydia Kay Griggsby ordered that the exhibit numbers be noted for the jury, but she denied the transcript request, citing concerns from Goldstein's defense team.

Maxwell Howell of MTA Title & Escrow LLC had testified that the closing for a loan Goldstein received took place in his Maryland office, but Goldstein said it took place at the Washington, D.C., home he and his wife had just purchased in 2021. Venue could be crucial to whether the jury convicts Goldstein on three counts of lying on loan forms, as he claims he was not in Maryland for all three instances.

Robbins, on the other hand, came up on the tax side of the case. He testified that Goldstein had worked with Robbins Geller on a U.S. Supreme Court case and had asked for his payment to be sent to two separate bank accounts. The government claims one was Goldstein's law firm account while the other was a personal account, and that the \$250,000 from Robbins Geller was never declared as legal fee revenue on Goldstein's taxes.

Goldstein faces 16 counts of tax evasion, aiding in the filing of false tax returns, failure to pay and lying on loan applications.

The government is represented by Sean Beaty, Emerson Gordon-Marvin and Hayter Whitman of the U.S. Department of Justice's Tax Division, and Kelly O. Hayes and Adeyemi Adenrele of the U.S. Attorney's Office for the District of Maryland.

Goldstein is represented by Stephany Reaves, Adeel Mohammadi, Jonathan I. Kravis and Sarah Weiner of Munger Tolles & Olson LLP.

The case is U.S. v. Goldstein, case number 8:25-cr-00006, in the U.S. District Court for the District of Maryland.

--Editing by Adam LoBelia.

'Hate' For Musk Quickly Narrows Jury Pool In Twitter Deal Trial

By **Bonnie Eslinger**

Law360 (February 19, 2026, 10:47 PM EST) -- A California federal judge quickly narrowed a pool of 92 prospective jurors Thursday in a class action brought by former Twitter investors against Elon Musk, excusing 38 potential jurors who said they couldn't be fair and impartial as Musk's attorney lamented there are "so many people who hate him so much."



Elon Musk, accused of attempting to drive down Twitter's stock price before he bought the company, elicited strong feelings from jury candidates on Thursday. (AP Photo/Evan Vucci, File)

The trial, which starts on March 2, is over investors' claims that the billionaire "schemed" to lower the social media platform's stock price in 2022, making "material misstatements" while he was in negotiations to buy it.

"I want to emphasize the fact that Mr. Musk has denied these allegations," U.S. District Judge Charles R. Breyer told the jury pool.

By day's end, the nine-member jury was seated.

The judge kicked off Thursday's jury selection process by excusing 40 percent of juror candidates after giving them a brief outline of the case and asking if anyone believed they "cannot serve as a fair and impartial juror in this case." Without further question, he excused all 34 prospective jurors who raised

their hand and then another four who immediately told the court that they had misunderstood the question but couldn't be fair.

The judge told the prospective jurors that in deciding whether Musk violated the Securities and Exchange Act in connection with his acquisition of Twitter, they'd have to look to the trial evidence only.

"It can't be based on your feelings about Mr. Musk, anything that you either like or dislike," Judge Breyer said.

After excusing the 38, Judge Breyer questioned some of the remaining jurors based on responses to a questionnaire the court gave them before showing up on Thursday. The judge frequently did not reveal what jurors specifically said, but asked whether they could be fair to Musk in light of their "strong views." Most said yes, with some saying after learning more about the parameters of the case they felt they could.

One male juror candidate told the judge that because it was not a criminal matter, he could be fair.

"I believe that in a criminal trial I would feel morally-obligated to convict, however, in a civil trial I could set those views aside," the man said, adding, "I believe it would be to the benefit of the human race for Mr. Musk to be sent to prison."

The stakes are lower in a civil case, the man said.

"I don't believe the loss of several hundreds of millions of dollars in civil trial will be even a drop in the bucket to his wealth," he said. "So it doesn't really matter."

The man did not make it onto the nine-member jury.

During Thursday's proceedings, lawyers for both sides pressed the jurors for additional answers.

Aaron Arnzen of Bottini & Bottini Inc., representing the investors, asked one prospective juror about his stated belief that Musk's purchase of Twitter was about free speech. He asked the man if that's why he supported Musk.

"I support Elon Musk as far as his purchase of Twitter, and the reason, I believe, why he purchased it," the jury candidate replied.

Arnzen also asked a woman why she said she supported Musk in the business world.

"He's a good person, and he put a lot of effort to support humanity," she said. "And he's brilliant as a scientist."

Neither made it onto the jury.

Outside the presence of the jury candidates, the lawyers argued for some prospective jurors to be booted for cause. The judge granted a request from the plaintiffs to exclude a man who said class actions are "frivolous."

A lawyer for Musk, Stephen Broome of Quinn Emanuel Urquhart & Sullivan LLP, expressed exasperation after the judge initially denied his request to exclude a man who said he'd been following the case in the news and heard about "market manipulation." When later asked if he could be fair about the case, the man said "he'd try."

Another lawyer for the plaintiffs, Mark Molumphy of Cotchett Pitre & McCarthy LLP, argued that Broome skipped his opportunity to delve further into the man's answer by not asking more questions.

Broome said that he was mirroring the judge's approach to questioning, in order to not "taint" the rest of the jury pool with the man's views.

Judge Breyer said Broome could have pressed the man on whether he would be fair, noting the majority of people who filled out the questionnaire had "a negative view" of Musk. The judge, however, subsequently excused the juror candidate.

The judge also granted a request from Broome to excuse a woman who said Musk had "no moral compass" and "used his wealth to buy votes."

Broome told the court that such statements in other cases would keep a person off a jury panel.

"I fear that what's happening here, is we have so many people [here] who hate him so much that we've become desensitized to how improper it would be to have somebody like this on the panel," Broome said.

The suit accuses Musk of attempting to **drive down** Twitter's stock price to back out of a promise to buy the social media company or to renegotiate a lower price. Musk first tried to back out of the promised \$44 billion purchase but later **agreed to close** the deal after the company sued him in Delaware.

In 2023, Judge Breyer ruled that the investors had plausibly alleged Musk violated securities laws with a series of tweets that said the deal was "temporarily on hold" pending details about data regarding the number of alleged fake Twitter accounts but that he was "still committed to acquisition." Musk also stated that fake and spam accounts make up at least 20% of Twitter's users, but investors said the statement misled the investing public to believe that Musk had received bot user data from Twitter, when in fact he had not.

In September 2024, the judge **certified a class** of investors who sold the publicly traded stock or call options, or purchased put options of Twitter, from May 13, 2022, through Oct. 4, 2022. And then in October of last year, Judge Breyer **denied** the parties' cross-motions for an early summary judgment win in the case.

During a pretrial conference on Tuesday, the judge told investors they can't bring up the Musk's **political beliefs** if they're outside the 2022 time period at issue.

The investors are represented by Joseph W. Cotchett, Mark C. Molumphy, Tyson C. Redenbarger, Gia Jung, Elle D. Lewis and Caroline A. Yuen of Cotchett Pitre & McCarthy LLP and Francis A. Bottini Jr. and Aaron P. Arnzen of Bottini & Bottini Inc.

Musk is represented by Alexander B. Spiro, Ellyde R. Thompson, Jesse A. Bernstein, Stephen A. Broome, Matthew Alex Bergjans, Phillip Jobe and Michael T. Lifrak of Quinn Emanuel Urquhart & Sullivan LLP.

X Corp. is represented by Eric Meckley, Ashlee N. Cherry and Christopher Boran of Morgan Lewis & Bockius LLP.

The case is Giuseppe Pampena v. Elon R. Musk, case number 3:22-cv-05937, in the U.S. District Court for the Northern District of California.

--Additional reporting by Jack Karp and Katryna Perera. Editing by Michael Watanabe.



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Tesla Moves To Claw Back \$7M, \$10M Interest In Fee Fight

By Jarek Rutz

Law360 (February 20, 2026, 6:48 PM EST) -- Tesla Inc. has asked the Delaware Chancery Court to force the lawyers who secured a massive derivative settlement over board pay to return more than \$7 million in allegedly withheld fees and pay over \$10 million in interest, arguing that they are defying a recent Delaware Supreme Court ruling that slashed their award.

In a **motion** filed Friday, Tesla, the nominal defendant in the long-running case, contends that plaintiffs' counsel have failed to fully comply with the high court's Jan. 30, 2026, decision reducing their fee from \$176.16 million to \$70,918,136. The company says the lawyers not only kept part of an overpayment but also refused to compensate Tesla for the use of more than \$105 million for over a year while the appeal was pending.

"To date, plaintiff's counsel — despite being Tesla fiduciaries — have refused to comply fully with the Supreme Court's ruling, as counsel has not fully repaid the balance of the award and has also refused to pay interest on Tesla's funds they held for more than a year," the motion said.

The dispute arises from the Supreme Court's decision modifying a January 2025 final judgment that had awarded \$176,160,000 in fees to McCarter & English LLP, Fields Kupka & Shukurov LLP and Bleichmar Fonti & Auld LLP. Tesla paid the full amount on Feb. 11, 2025, as required by the settlement agreement, while simultaneously appealing the award.

When the high court cut the fee to \$70,918,136, adopting Tesla's argument that the intrinsic value of returned options should be excluded from the corporate benefit calculation, Tesla calculated that it had overpaid plaintiffs' counsel by \$105,241,864. According to the motion, as of Friday, counsel still owed \$7,177,931.13 in principal and \$10,247,107.79 in unpaid interest, which continues to accrue.

The underlying derivative action, brought by the Police and Fire Retirement System of the City of Detroit in 2020, accused Tesla directors of awarding themselves "outrageous" compensation packages. In 2023, Tesla's board agreed to return more than \$730 million in stock, options and cash and to eliminate certain compensation going forward, producing what plaintiffs' counsel valued at roughly \$919 million in total benefits.

In January 2025, Chancellor Kathaleen St. J. McCormick approved the settlement and awarded \$176.16 million in attorney fees. Tesla appealed, arguing that the multiplier and benefit calculation were excessive. On Jan. 30, 2026, the Delaware Supreme Court agreed in part and reduced the award to \$70.9 million.

In its new motion, Tesla argues that under both the settlement agreement and "hornbook principles of equity," plaintiffs' counsel must repay the overpayment with interest from the date Tesla made the payment.

Citing Delaware precedent and restitution principles, the company says it is entitled to interest "as a matter of right and not of judicial discretion" because it was deprived of the use of its funds for more than a year. Tesla contends that post-judgment interest in this context serves to restore the parties to the position they would have occupied had the correct award been entered initially.

Tesla also takes aim at plaintiffs' counsel's position that the company owes them post-judgment interest on the reduced \$70.9 million award from Jan. 13, 2025, through Jan. 30, 2026. The lawyers

repaid Tesla \$98,063,932.87 earlier this month, netting out what they claim is \$7,177,931.13 in interest owed to them.

"This claim is ludicrous," Tesla said in the motion. "Tesla timely paid that entire amount — plus an additional ~\$105 million — to counsel in February 2025 as provided in the parties' settlement agreement and this court's judgment. Therefore, no interest could possibly be owed by Tesla."

Beyond breach of contract, Tesla argues that the lawyers' "self-help retention" of funds violates their fiduciary duties to the company in a derivative action. By withholding money belonging to Tesla, the motion says, counsel have placed their own financial interests above those of their client and principal.

Tesla asks the Chancery to enter an order compelling plaintiffs' counsel to return the remaining principal and pay legally required interest, enforcing the Supreme Court's ruling and, in Tesla's view, long-standing Delaware law.

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

The Detroit retirement system is represented by Andrew S. Dupre of Akerman LLP, Derrick Farrell, Javier Bleichmar, Joseph A. Fonti, Nancy A. Kulesa, George N. Bauer and Thayne Stoddard of Bleichmar Fonti & Auld LLP and William J. Fields, Christopher J. Kupka and Samir Shukurov of Fields Kupka & Shukurov LLP.

Elon Musk and the other Tesla parties are represented by Raymond J. DiCamillo, Kevin M. Gallagher and Kyle H. Lachmund of Richard Layton & Finger PA and Vanessa A. Lavelly of Cravath Swaine & Moore LLP.

Tesla is represented by John L. Reed and Ronald N. Brown of DLA Piper, Jason C. Jowers, Brett M. McCartney and Sarah T. Andrade of Bayard PA and Brian T. Frawley, Matthew A. Schwartz, Jeffrey B. Wall and Morgan L. Ratner of Sullivan & Cromwell LLP.

The case is Police and Fire Retirement System of the City of Detroit v. Elon Musk et al., case number 2020-0477, in the Court of Chancery of the State of Delaware.

--Editing by Rich Mills.



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Car Sensor Co. Can't Shed Investors' Post-IPO Margins Suit

By **Emilie Ruscoe**

Law360 (February 19, 2026, 8:34 PM EST) -- Chinese autonomous-vehicle sensor maker Hesai Group must face proposed class action claims that its investors were blindsided by a "massive" decline in gross margins the company reported on the heels of its February 2023 initial public offering.

In an opinion and order issued Wednesday in New York federal court, U.S. District Judge Colleen McMahon denied part of Hesai Group's dismissal bid. She found that at a minimum, Hesai Group investor King Ho Wong had plausibly alleged that the company's offering documents failed to disclose the company might see changes to its profitability tied to a shift in its product mix that was already happening when it went public.

That alleged material omission is "sufficient to withstand dismissal," Judge McMahon said, specifying that the surviving claim included the suit's assertion that Hesai Group had been obligated to disclose known trends or uncertainties and specific risk factors in its offering documents.

In the latest version of the suit, from November, the investor asserted that as Hesai Group prepared to go public, it had touted its "industry-leading gross margin of approximately 50% from 2020 onwards."

According to the investor, the profit margins the company cited in its offering documents were based almost entirely on sales of remote sensor products used in driverless cars or robotaxis.

The investor alleged that the profit margins the company described didn't reflect that the company was ramping up sales of different sensors for advanced driver-assistance systems, or ADAS, as opposed to driverless cars. Those sensors sold for less and had profit margins of less than 5%, the investor said.

In March 2023, when Hesai Group announced its result for the fourth quarter of its previous fiscal year, it disclosed that its gross margins for the quarter and the full year were lower than they'd been the year prior.

The company cited "the increased shipments of lower-margin ADAS LiDAR product" as a reason for the lower margins at the time, the investor said, describing the gross margin results as "shocking."

Following that announcement, trading prices for Hesai group shares fell over 10%, hurting shareholders, the investor claimed.

In Hesai Group's dismissal bid, which the company filed jointly with its co-defendant executives, underwriters and its U.S. representative, the company claimed its IPO disclosures had been adequate and "no investor should have been surprised that gross margin had decreased due to increased shipments of ADAS products."

"The offering documents disclosed that Hesai's shift toward the ADAS market caused an ongoing decrease in its gross margin that was expected to continue as shipments increased in 2023," the defendants said in their December dismissal bid.

While Judge McMahon allowed the failure-to-disclose claims to move forward, she trimmed other allegations in the suit.

The judge dismissed claims that the company concealed the risk that it could be named to the U.S. Defense Department's list of Chinese military companies.

Judge McMahon found that claim was time-barred, pointing out that although the company was eventually added to that list, that information was publicly accessible by July 2024. There's a one-year window for bringing such claims and the investor didn't assert that claim until November, the judge said.

Judge McMahon also said that the investor hadn't alleged he'd purchased Hesai Group shares in the IPO, so didn't have standing to bring a claim under a liability provision of the Securities Act.

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

Lead plaintiff King Ho Wong is represented by Phillip Kim, Joshua Baker and Jing Chen of the Rosen Law Firm PA.

Hesai Group, Cogency Global Inc. and Colleen A. DeVries are represented by Scott D. Musoff, Robert A. Fumerton and Michael C. Griffin of Skadden Arps Slate Meagher & Flom LLP.

The underwriter defendants are represented by Jonathan Rosenberg and Abby F. Rudzin of O'melveny & Myers LLP.

The case is King Ho Wong v. Hesai Group et al., case number 1:24-cv-00876, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Sydney Price. Editing by Bruce Goldman.

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Kennedy Wilson Investor Sues To Block \$1.65B Take-Private

By Jarek Rutz

Law360 (February 20, 2026, 1:55 PM EST) -- A Kennedy-Wilson Holdings Inc. stockholder has sued in the Delaware Chancery Court to block the company's \$1.65 billion take-private deal, arguing that the transaction violates Delaware's anti-takeover statute and cannot legally proceed without a supermajority vote of disinterested investors.

In a class action complaint filed Thursday, Bruce Taylor contends that the proposed \$10.90-per-share **merger announced this week** runs afoul of Section 203 of the Delaware General Corporation Law because the buyer group, led by chair and CEO William McMorow and Canadian insurer Fairfax Financial Holdings Ltd., allegedly became "interested stockholders" months before signing the deal.

"Section 203 prohibits mergers between corporations and statutorily defined 'interested stockholders' for three years after a stockholder becomes 'interested' unless (i) the company's board pre-approved the transaction by which the stockholder became 'interested' or (ii) the merger is approved by two-thirds of the disinterested stockholders," the complaint states.

The suit seeks to enjoin the stockholder vote unless the merger agreement is revised to require approval by two-thirds of Kennedy Wilson's unaffiliated shares, rather than the simple majority vote currently contemplated. Taylor alleges that the board failed to pre-approve the formation of the buyout consortium in November 2025, triggering Section 203's heightened voting requirement and rendering the current structure unlawful.

Kennedy Wilson, a Beverly Hills-based real estate investment manager with roughly \$31 billion in assets under management, agreed Monday to be acquired by Kona Bidco LLC and its affiliates, entities formed by a consortium that includes McMorow, certain other executives and Fairfax. The \$10.90 per-share cash price represents a 46% premium to the company's stock price on Nov. 4, 2025, the last trading day before the initial proposal became public, and a modest increase from the consortium's original \$10.25 offer.

Fairfax has committed up to \$1.65 billion in equity capital to fund the merger consideration, redeem certain preferred shares and cover transaction costs. After closing, expected in the second quarter of 2026, Fairfax would hold a majority of the economic interest in the private company, while McMorow and other executives would continue to lead operations.

According to the plaintiff, however, Fairfax already beneficially owned more than 15% of Kennedy Wilson's voting power, approximately 28% including warrants, well before the merger agreement was signed. The lawsuit points to a Nov. 4, 2025, joint bidding agreement between Fairfax and a McMorow-controlled entity, Management Holdco, in which they agreed to "work together in good faith to pursue the proposed transaction."

Under Section 203, a stockholder that owns 15% or more of a Delaware corporation's voting stock is deemed an "interested stockholder," and business combinations with such a stockholder are restricted for three years unless specific safeguards are met. The statute broadly defines ownership to include shares held by parties acting pursuant to an agreement, arrangement or understanding.

The plaintiff alleges that by entering into the joint bidding agreement, McMorow and other members of management became imputed owners of Fairfax's shares, thereby becoming interested stockholders themselves. Because there is no public disclosure that the board pre-approved the

consortium's formation before that agreement was reached, Taylor argues that only a two-thirds vote of unaffiliated stockholders can cleanse the transaction.

Instead, the merger agreement conditions closing on approval by a majority of the company's outstanding voting power, voting as a single class, and a majority of votes cast by unaffiliated holders, a lower threshold than Section 203 would require if triggered.

"The merger agreement therefore violates Section 203 by not requiring two-thirds approval of the merger by unaffiliated stockholders," the plaintiff alleges.

Taylor also asserts breach of fiduciary duty claims against McMorrow and other directors, contending they structured the deal to sidestep statutory protections. He seeks a declaration that the merger cannot close without the two-thirds vote and an injunction blocking the stockholder vote unless corrective disclosures are made.

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

Bruce Taylor is represented by John Vielandi, Ned Weinberger, Brendan W. Sullivan, Michael Wagner and Ryan C. Stieve of Labaton Keller Sucharow LLP, Jeremy Friedman and David Tejtrel of Friedman Oster & Tejtrel PLLC, Joel Fleming and Lauren Godles Milgroom of Equity Litigation Group LLP and Richard Maniskas of RM Law PC.

Counsel information for the defendants was not immediately available Friday.

The case is Bruce Taylor v. Kennedy-Wilson Holdings Inc. et al., case number 2026-0241, in the Delaware Chancery Court.

--Additional reporting by Charlie Innis. Editing by Alyssa Miller.

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ChargePoint Beats Shareholder Suit Over Supply Chain Issues

By **Katryna Perera**

Law360 (February 20, 2026, 9:03 PM EST) -- A California federal judge on Friday tossed, with leave to amend, a securities class action accusing ChargePoint Holdings and its top brass of misleading investors about the company's supply chain management, revenue growth and inventory value, finding the suit pleads contradictory facts and inactionable statements.

U.S. District Judge Noel Wise issued an **order** stating that the complaint fails to adequately plead falsity and deception by the individual defendants and the electric vehicle charging solutions company.

Judge Wise said there are three "foundational" issues with the complaint. First, plaintiff Farooq Khan has failed to specify what information the defendants allegedly hid from investors or what was false about the impression they created during the proposed class period.

According to the order, Khan claims there were "ongoing supply chain issues" during the class period, but he does not specify what they were.

The suit also does not specifically describe the alleged supply constraints, "articulate what products were affected, explain the impact of constraints in those product lines on ChargePoint's revenue, nor address whether these supply constraints continued into the class period," the order states.

According to the order, the suit also alleges that ChargePoint's decision to outsource manufacturing to Mexico and accounting services to India negatively impacted the company and was part of the defendants' deceptive scheme.

But Judge Wise noted on Friday that it is not clear what exactly was deceptive or manipulative about the outsourcing decisions, whether the decisions were hidden from investors or why this conduct was not part of the company's "normal course of business."

The second foundational issue with the suit is that it asserts contradictory facts, the judge said.

"On one hand the [second amended complaint] alleges serious supply chain limitations that defendants hid from investors. On the other hand, the SAC details defendants' improper sales and accounting practices related to pushing products to customers," the order states.

"There is a tension between plaintiffs' allegations of 'offload[ing] its excess inventory' and plaintiffs' theory that ChargePoint had supply chain constraints that led to an inability to complete and timely ship products," the order further states.

Finally, the order states that the suit is weakened by its reliance on conduct that occurred outside the class period of Dec. 7, 2021, to Nov. 16, 2023.

The judge pointed to one instance in which the complaint relies on allegations from Rachel Larrenaga, a former member of ChargePoint's legal team, to show that the company would "deeply discount sales to channel partners in order for channel partners to take such sales."

However, according to the order, Larrenaga left ChargePoint in June 2021, six months before the class period began.

According to the order, ChargePoint's customers include commercial and individual drivers and businesses, and most of its revenue comes from sales of charging systems for electric vehicles.

The suit claims that during the COVID-19 pandemic, ChargePoint experienced "acute supply shortage problems," that went on through 2023, but the defendants concealed these issues from investors.

At the same time, the suit alleges ChargePoint was "prop[ing] up" the impression of managing supply chain constraints, and "had so much extra inventory" of certain products that it "offloaded its excess inventory" to customers.

"Plaintiffs explain that during the class period, ChargePoint shipped products ahead of deadlines, sent products that had not been ordered to customers, and stored pallets of unwanted or returned products with resellers," the order states.

According to Khan, the supply chain issues came to light in September 2023, when ChargePoint reported a \$28 million "inventory impairment charge" that addressed "legacy supply chain-related costs and supply overruns on a particular [direct current] DC product."

On this news, the company's share price fell 77 cents, or 11%, from \$7.06 on Sept. 6, 2023, to \$6.29 on Sept. 7, 2023, the order states.

Khan claims that in the following days, the individual defendants began selling large amounts of their personally held ChargePoint stock.

The proposed class period ends on Nov. 16, 2023, when Khan says ChargePoint reported disappointing revenue results and announced that it would "take another non-cash impairment charge of \$42 million." The company's CEO and Chief Financial Officer were also replaced, according to the order.

On this news, Khan says the ChargePoint stock fell by \$1.11, or 35%, from \$3.13 on Nov. 16, 2023, to \$2.02 on Nov. 17, 2023.

The suit names as defendants ChargePoint's former CEO Pasquale Romano, its former Chief Financial Officer Rex S. Jackson and its former Chief Commercial and Revenue Officer Michael Hughes.

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

Khan is represented by Reed R. Kathrein, Lucas E. Gilmore and Raffi Melanson of Hagens Berman Sobol Shapiro LLP.

ChargePoint and the individual defendants are represented by Sara B. Brody, Jaime A. Bartlett, Matthew P. Henry and Chaddy Georges of Sidley Austin LLP.

The case is Khan v. ChargePoint Holdings Inc. et al., case number 5:23-cv-06172, in the U.S. District Court for the Northern District of California.

--Editing by Vaqas Asghar.



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Fidelity National Investors Get Initial OK For \$210M Deal

By **Emilie Ruscoe**

Law360 (February 19, 2026, 9:52 PM EST) -- Investors in fintech Fidelity National Information Services have gotten an initial green light for their \$210 million deal to settle allegations the company mischaracterized the business prospects of its multibillion-dollar acquisition of payment processor Worldpay.

In a Wednesday order in Florida federal court, U.S. District Judge Timothy J. Corrigan granted preliminary approval to the proposed settlement agreement, finding that based on his review of the deal, "the court will likely be able to approve the proposed Settlement as fair, reasonable, and adequate" and certify the class following a settlement hearing.

Co-lead plaintiffs the Nebraska Investment Council, North Carolina Retirement System and North Carolina Supplemental Retirement Plans sought approval of the deal in December, touting the agreement as "an excellent result" that merited preliminary approval.

"Although lead plaintiffs and lead counsel believe that the claims asserted are strong, they recognize the significant challenges and risks they would face moving forward, as well as the expense and length of continued litigation through summary judgment motions, trial, and likely appeals," the investors wrote in December.

Under "realistic scenarios" that could potentially play out in the case, the investors said, the settlement sum represents 2.6% to 11.7% of their estimated recoverable damages and is thus "in line with other court-approved securities settlements."

"Additionally, the \$210 million settlement is fifteen times greater than the median reported recovery in securities class actions in 2024, which was \$14 million," the investors said in their December motion.

If granted final approval, the deal would end claims over the \$48 billion Worldpay acquisition and an alleged subsequent "fraudulent scheme to prop up the value of Worldpay following the acquisition despite knowing it was an abject failure."

Though FIS said the acquisition would deliver synergies and additional revenues, the suit alleges, FIS ultimately lost customers and market share as it struggled to integrate Worldpay.

The suit references three alleged corrective disclosures of negative financial results tied to Worldpay that precipitated trading price declines for FIS shares.

The final trading price decline came in February 2023, when FIS said it would spin off Worldpay, taking a \$17.6 billion writedown on its value, the suit states.

The settlement agreement comes after the claims survived a dismissal bid, and per the agreement FIS continues to deny wrongdoing in connection with the claims.

The lead plaintiffs are represented by Michael P. Canty, James T. Christie and Nicholas D. Manningham of Labaton Keller Sucharow LLP and John A. Boudet of GrayRobinson PA.

FIS is represented by Hille R. Sheppard, John M. Skakun III, Caroline A. Wong, Takayuki Ono and Ian

M. Ross of Sidley Austin LLP and R. Eric Bilik of McGuireWoods LLP.

The case is In re: Fidelity National Information Services, Inc. Securities Litigation, case number 3:23-cv-00252, in the U.S. District Court for the Middle District of Florida.

--Additional reporting by Rae Ann Varona. Editing by Emily Kokoll.

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Bumble Allowed 'Massive' Data Breach, Class Action Claims

By **Zak Kostro**

Law360 (February 20, 2026, 11:23 PM EST) -- Dating app Bumble failed to protect users' personal information stored in the company's information network, making it vulnerable to a recent data breach by a cybercriminal operation known as ShinyHunters, a Texas woman alleged in a proposed class action.

In a **complaint** filed in Texas federal court Thursday, Tyra Omirin said she seeks to hold Bumble Inc. accountable for harms it caused her and other app users in the "massive and preventable cyberattack" that occurred on the company's data servers in or around January.

Bumble neglected the rights of Omirin and members of the proposed class "by intentionally, willfully, recklessly and/or negligently failing to take and implement adequate and reasonable measures to ensure that plaintiff's and class members' [personal information] was safeguarded," Omirin said.

According to the complaint, ShinyHunters executed a phishing attack on Bumble's data servers in which alleged cybercriminals accessed more than 30 gigabytes of files containing app users' personal information, including names, addresses, Social Security numbers and account numbers.

As a result, Omirin said, her and other Bumble users' personal information was obtained by an "undoubtedly nefarious third party seeking to profit off this disclosure by defrauding" Omirin and proposed class members or selling their personal information.

Omirin said she and the proposed class members have a "continuing interest in ensuring their information is and remains safe," and they're "entitled to injunctive and other equitable relief."

Due to the data breach, Omirin has spent time verifying its impact, exploring credit monitoring and identity theft insurance options, monitoring her personal and financial accounts and seeking legal counsel to advise on negating or reducing the breach's effects, according to the complaint.

"This time has been lost forever and cannot be recaptured," Omirin said.

Omirin said she entered into an agreement with and paid Bumble "under the reasonable but mistaken belief" that it would protect her personal information.

According to the complaint, Bumble Inc., a Texas stock corporation with principal offices in Austin, requires the app's users to provide financial and banking information, names, addresses, "sexual orientations, along with other information," as a prerequisite to providing its services.

In collecting such information, Bumble promised users it would implement adequate security measures to protect it, as evidenced by statements on the company's website, according to the complaint.

Since the data breach, ShinyHunters has released a sample of the stolen data on the dark web, according to the complaint. For a subset of Bumble users, the stolen data included their chat and dating history, in addition to names, birth dates, addresses, phone, Social Security and account numbers, Omirin alleged.

By releasing the sample, ShinyHunters "demonstrated ... that it intends to (and indeed, already has)

misuse that stolen data in a manner which will and has already caused harm to defendant's users," Omirin said. "These criminal activities have and will result in devastating financial and personal losses to plaintiff and class members."

Omirin alleged four counts — for negligence, breach of implied contract, breach of an implied covenant of good faith and fair dealing, and unjust enrichment — on behalf of the proposed nationwide class and a fifth count on behalf of a Texas subclass for violations of the state's Deceptive Trade Practices Act and its business and commerce code.

She seeks actual, statutory, nominal and consequential damages "as allowed by law in an amount to be determined," according to the complaint.

She also asked the court for equitable relief enjoining Bumble from engaging in "wrongful conduct" related to user data and from "refusing to issue prompt, complete and accurate disclosures to plaintiff and class members."

Wilshire Law Firm PLC partner Thiago M. Coelho, who is representing Omirin and the proposed class, declined to comment beyond the complaint Friday.

Cherry Johnson Siegmund James PC partner Craig D. Cherry and attorney Tanner Daniels, who also are representing the plaintiffs, didn't immediately respond to a request for comment Friday.

Representatives of Bumble Inc. didn't immediately respond to a request for comment Friday.

Omirin and the proposed class are represented by Craig D. Cherry and Tanner Daniels of Cherry Johnson Siegmund James and Thiago M. Coelho of Wilshire Law Firm PLC.

Counsel information for Bumble Inc. wasn't immediately available Friday.

The case is Tyra Omirin et al. v. Bumble Inc. et al., case number 1:26-cv-00398, in the U.S. District Court for the Western District of Texas.

--Editing by Dave Trumbore.



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Class Attys Allege Lead Counsel Is Hoarding \$75M Sutter Fees

By **Dorothy Atkins**

Law360 (February 20, 2026, 11:20 PM EST) -- Schneider Wallace Cottrell Kim LLP has urged a California federal magistrate judge to enforce the \$75.4 million fee award in Sutter Health's \$228.5 million deal resolving a decade-long antitrust fight, arguing lead counsel Constantine Cannon LLP "unilaterally" and "arbitrarily" cut SWCK's fees by nearly \$800,000 while boosting its own.

In a 10-page motion to enforce, plaintiffs' firm SWCK, which represents a class of insurance plan purchasers, argued on Thursday that its co-counsel at Constantine Cannon LLP, which served as lead counsel and controlled the settlement funds, unfairly reduced SWCK's attorney fees to represent only 60% of its share of the lodestar.

Constantine Cannon made that reduction even though the judge approved the \$75.4 million attorney fee amount based on a 93% combined lodestar of all counsel whose time was submitted in the fee request, SWCK argued.

This reduced SWCK's share of attorney fees from roughly \$2.2 million to \$1.4 million, a difference of nearly \$800,000, according to the motion.

"Constantine Cannon essentially awarded the difference to itself," the motion said.

The fee fight comes in the wake of Sutter Health's nine-figure settlement that was **reached last March**. The settlement was cut a day before the **start of a new trial**, after the Ninth Circuit concluded in June 2024 that the first **2022 jury trial** improperly left out **potentially game-changing evidence** from the case, which alleged more than \$400 million in damages.

The settlement, which the court approved in November, resolved claims by a certified class of 3 million insurance premium payors who alleged the hospital chain used its market power to illegally force insurers to agree to contract terms blocking plans that steered patients to lower-cost hospitals. Sutter also allegedly forced insurers to contract for services at its more expensive hospitals to gain access to the hospitals members needed, the purchasers claimed.

In approving the settlement, the judge **allowed** class counsel to recover \$75.4 million in attorney fees and more than \$28 million in litigation expenses.

But in the motion to enforce, SWCK argued the fee reduction is unsupported by any court order or co-counsel agreement, and it goes against Constantine Cannon's obligation as lead counsel to treat its co-counsel fairly and to avoid self-dealing.

SWCK argued the judge's two orders in 2019 and 2020 appointing Constantine Cannon as lead counsel are silent on the firm's role and whether it empowers the firm to determine the allocation of attorney fees after settlement or judgment.

The settlement agreement itself places the responsibility for the fee application on class counsel "as a whole," and the deal says nothing about Constantine Cannon having any authority to allocate fees, the motion said. The attorney fee request also doesn't mention how fees will be split among plaintiffs' firms, according to the motion.

SWCK added that the reduction is "especially unfair under the circumstances of this case," in which

SWCK helped to draft a declaration supporting the fee award request.

SWCK had also already voluntarily reduced its gross lodestar of roughly \$4.5 million by nearly 50% for the benefit of all co-counsel based on the firm's understanding that its contributions would be valued equally to those of all co-counsel, the motion said.

However, after the court approved the fee award last year, Constantine Cannon informed SWCK that it would award itself 94.8% of its lodestar — a 1.8% bonus above its proportionate share of the court-approved lodestar — while Constantine Cannon would only be awarded 60% of its lodestar, the motion said.

"Constantine Cannon's fee allocation as to [Schneider Wallace Cottrell Kim] was either entirely unlawful or an abuse of whatever discretion it was implicitly granted by being appointed lead class counsel," the motion said. "But the additional circumstances described ... make its allocation especially unfair and abusive."

SWCK argued the firm reasonably believed that it would receive a pro rata share, or 93% cut, of the lodestar, given the lack of any communication from lead counsel on the matter, even as the firm helped draft a declaration supporting the fee request, the motion said.

SWCK noted that it also attempted to negotiate the fee dispute amicably with Constantine Cannon, but the firm refused, the motion said.

"Had [Schneider Wallace Cottrell Kim] known that Constantine Cannon would treat it as an adversary, it would have justifiably submitted a higher lodestar and raised the allocation issue in connection with the attorney fee motion," the motion said. "It did not do so."

To date, SWCK has not yet been paid any attorney fees, because it requested that Constantine Cannon retain, for now, "what it arbitrarily determined to be [Schneider Wallace Cottrell Kim's] share of the attorneys' fees while this matter was in dispute," the motion said.

SWCK also noted in a footnote that it is not the only plaintiffs' firm whose share of the fee award has been reduced below or inflated above the 93% lodestar by Constantine Cannon.

Constantine Cannon paid other counsel less while some firms were paid more, but their portions of the fee award was "largely based" on a co-counsel agreement to which SWCK is not a party, the motion said.

Any response to SWCK's motion is due March 5 and replies are due March 12. A hearing on the motion is currently scheduled for April 2 at 9:30 a.m. in San Francisco before U.S. Magistrate Judge Laurel Beeler.

Constantine Cannon said in a statement on Saturday that has reviewed SWCK's motion and notes that of the eight other law firms that contributed to the case, SWCK is the only firm that complains of its fees.

"Moreover, Schneider Wallace's contribution was very limited, its attorneys conducted some document review very early in the case," the statement says. "[SWCK] had no involvement in the hundreds of depositions taken, multiple appeals to the Ninth Circuit, the four-week jury trial, the second trial or the settlement efforts all of which was led by [Constantine Cannon]."

Constantine Cannon added that the firm plans to file a response supporting its allocation of fees on March 5.

SWCK and counsel at Sutter didn't immediately respond to requests for comment Friday.

Plaintiffs' counsel who filed the motion to enforce are Jason H. Kim and Todd M. Schneider of Schneider Wallace Cottrell Kim LLP.

Plaintiffs' counsel who are the subject of the motion to enforce are Jean Kim and Lloyd Edward Constantine of Constantine Cannon LLP.

Sutter is represented by David C. Kiernan of Jones Day and Oliver Q. Dunlap of Bartko Pavia LLP.

The case is Sidibe et al. v. Sutter Health, case number 3:12-cv-04854, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger and Craig Clough. Editing by Janice Carter Brown.

Update: This story has been updated to include comment from Constantine Cannon.

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Epstein's Advisers Ink \$35M Deal With Sex Trafficking Victims

By **Katryna Perera**

Law360 (February 20, 2026, 8:44 PM EST) -- A class of victims of Jeffrey Epstein's sex trafficking scheme has asked a New York federal judge to grant the first OK in a settlement reached with Epstein's lawyer and accountant, who allegedly aided him in the scheme.

The class filed a **motion** for preliminary approval Thursday, saying it reached a deal with attorney Darren K. Indyke and accountant Richard D. Kahn. The motion says the settlement will include a \$35 million payout to victims if the court finds that there are more than 40 eligible class members, or a \$25 million payout if there are fewer than 40 eligible class members.

"This resolution represents a substantial recovery that falls well within the range of reasonable resolutions," the motion says. "The matter involved years of case investigation even before filing suit, including numerous pre-suit witness interviews and other fact investigation to analyze potential claims. Following the filing of the suit, this matter involved hard-fought litigation."

The motion also states that lead counsel from Boies Schiller Flexner LLP will seek an award of attorney fees of no more than 30% of the settlement fund plus litigation costs not to exceed \$1 million.

The suit, brought by an anonymous plaintiff suing as Jane Doe 3, claims Indyke and Kahn **helped facilitate** Epstein's vast sex trafficking enterprise. However, according to Thursday's motion, Jane Doe 3 settled and voluntarily dismissed her separately filed individual claims against Epstein's estate and the defendants in December, leaving class representative Allyson Ward as lead plaintiff.

The suit alleges Indyke and Kahn helped structure Epstein's bank accounts to give the billionaire financier and his associates access to huge amounts of cash to lure in young women and girls or pay off people who might report the crimes.

The settlement class will cover all women who were sexually abused or trafficked by Epstein between January 1995 and Aug. 10, 2019, who have not already resolved their claims against the Epstein estate.

Thursday's motion comes approximately two years after a New York federal judge held that one of the suit's plaintiffs **couldn't pursue her claims** due to a 2021 liability release she had signed as part of the Epstein Victims' Compensation Program.

Under the program, created after Epstein was found dead in his jail cell in August 2019, victims were able to recover funds.

In a statement to Law360 on Friday, Daniel Weiner of Hughes Hubbard & Reed LLP, counsel for Indyke, noted that neither his client nor Kahn has admitted to any wrongdoing.

"That is not surprising — not a single woman has ever accused either man of committing sexual abuse or witnessing sexual abuse, nor claimed at any time that she reported to them any allegation of Mr. Epstein's abuse," Weiner said. "Because they did nothing wrong, the co-executors were prepared to fight the claims against them through to trial, but agreed to mediate and settle this lawsuit in order to achieve finality as to any potential claims against the Epstein estate."

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

The proposed class is represented by David Boies, Sigrid McCawley, Andrew Villacastin, Alexander Law, Megan Nyman and Daniel J. Crispino of Boies Schiller Flexner LLP.

Indyke is represented by Daniel H. Weiner, Marc A. Weinstein and Fara Tabatabai of Hughes Hubbard & Reed LLP.

Kahn is represented by Daniel S. Ruzumna, Amy Vegari and Tara J. Norris of Patterson Belknap Webb & Tyler LLP.

The case is Danielle Bensky et al. v. Darren Indyke et al., case number 1:24-cv-01204, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Hailey Konnath. Editing by Drashti Mehta.

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Getty Wants 2nd Circ. To Rehear \$100M Investor Dispute

By **Jessica Corso**

Law360 (February 20, 2026, 5:14 PM EST) -- Getty Images is calling for a possible full Second Circuit review of a ruling requiring it to pay nearly \$100 million to investors who said they were blocked from purchasing shares in the company once it became public, arguing that the court's decision threatens to "upend securities law."

The media company called for a chance Thursday to overturn **a three-judge panel decision** issued by the Second Circuit last month in favor of hedge fund CRCM Institutional Master Fund and venture capital firm Alta Partners LLC.

The ruling runs counter to New York contract law as well as standard industry practices and either the panel or the full circuit court should rehear the case in order to correct the panel's errors, Getty said.

"If uncorrected, the decision will upend securities law," the company argued.

The case divided the panel, with U.S. Circuit Judge Denny Chin and U.S. Circuit Judge Amalya Kearsse upholding a lower court ruling that Getty pay CRCM and Alta \$50.9 million and \$36.9 million, respectively, plus interest. Getty says that brings the investors' total payout to more than \$97 million.

The majority found that the media firm breached an agreement to sell shares to the funds following its \$4.8 billion public offering in 2022 via a merger with special purpose acquisition vehicle CC Neuberger Principal Holdings II.

Alta and CRCM purchased warrants in CC Neuberger allowing them to purchase stock in the company at \$11.50 per share within 30 days of the SPAC completing a merger.

The investors said they tried to redeem those warrants in August 2022, a month after Getty went public through the de-SPAC transaction by filing a Form S-4.

However, the company blocked the redemption, saying Alta and CRCM would have to wait until September to purchase the shares, when a second registration statement became effective that would release 400 million new shares.

Between the date of the investors' failed attempt to redeem their warrants and the date after the second registration statement, known as an S-1, became effective, Getty's stock price fallen from around \$29 per share to \$8.49, "well below the \$11.50 warrant exercise price," according to the Second Circuit's description of the events that led to the lawsuits.

But Getty said Thursday that dissenting U.S. Circuit Judge Steven Menashi was right to argue that the company had "identified a question of material fact as to whether the prospectus was 'current' when Alta and CRCM sought to exercise the warrants," and that the case should therefore be sent back to the lower court for review.

The registration statement that the investors attempted to rely on to redeem their warrants wasn't current because it lacked material information about the merger that the company was required to file with the U.S. Securities and Exchange Commission, Getty said.

"So Getty Images properly registered the warrant shares for issuance on its Form S-1 — just like over 80% of similar issuers," the company told the court. "The panel's ruling vitiates issuers' standard practices."

The company also argued that the Second Circuit's calculation of damages ran afoul of New York law by valuing the company's shares at the price they sat when the investors wanted to redeem them.

Alta and CRCM could not have sold their stock for \$29 per share because, had they been allowed to exercise their warrants, the market would then have been flooded with 20.7 million more shares, Getty claims.

"Alta and CRCM wouldn't have made money, let alone \$100 million," the company said.

The court should "at minimum" seek the SEC's and the New York Court of Appeals' views, Getty argued.

Justin Sher of Sher Tremonte LLP, a lawyer for Alta, told Law360 in an email Friday that he thought it was "highly unlikely" that the Second Circuit would agree to rehear the case.

"Getty's contention that the decision will 'upend securities law' is incorrect," Sher said. "The district court's decision and the Second Circuit's affirmance were based, not on a unique application of securities law, but on the plain terms of Getty's own contract and its registration statements."

A lawyer for CRCM didn't immediately respond to a request for comment.

Getty is represented by Susan Saltzstein, Scott Musoff, Jeffrey Geier, Jeremy Patashnik, Shay Dvoretzky and Parker Rider-Longmaid of Skadden Arps Slate Meagher & Flom LLP.

Alta is represented by Justin Sher and Max Tanner of Sher Tremonte LLP.

CRCM is represented by William Savitt of Wachtell Lipton Rosen & Katz.

The case is CRCM Institutional Master Fund Ltd. v. Getty Images Holdings Inc., case number 23-7876, in the U.S. Court of Appeals for the Second Circuit.

--Editing by Kelly Duncan.

Update: This story has been updated with a comment from one of the parties.



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Social Media Cases Atty In Hot Water Over Courthouse Filming

By **Craig Clough**

Law360 (February 20, 2026, 9:59 PM EST) -- A Los Angeles judge on Friday ripped into an attorney for the plaintiff in a bellwether suit alleging Meta and Google's social media platforms harm childrens' mental health, stripping the attorney of his seat on the plaintiffs' steering committee for violating court rules by twice filming inside the courthouse.

Los Angeles Superior Court Judge Carolyn B. Kuhl issued an order Thursday for Matthew Bergman of the Social Media Victims Law Center to appear Friday afternoon for contempt proceedings after he allegedly violated court rules by conducting a video interview with the BBC from inside the downtown Los Angeles courthouse where the bellwether trial is taking place.

Filming inside the courthouses of the Los Angeles Superior Court system is generally prohibited absent a court order, and Judge Kuhl has not allowed any photos or video to be taken at **the trial**.

Bergman's law firm filed the original complaint of plaintiff Kaley G.M., whose case is being considered by a jury in a landmark bellwether trial currently underway in Judge Kuhl's courtroom. Although Bergman is an attorney of record for the bellwether plaintiff, he has not made any arguments in the trial or handled any witnesses.

"What I need to emphasize to you is that what you're doing is causing an inconvenience and a disruption in this case, and that is the problem," the judge told Bergman at the contempt hearing Friday. "I'm supposed to be focused on moving this case forward, the bellwether case in the case that you filed in this [consolidated] proceeding, and the things you're doing are threatening to impede your clients."

The judge's order Thursday noted that this was the second contempt proceeding underway against Bergman. A hearing had already been scheduled for March to address a photo he took of himself in the courthouse that Bergman had posted online, making the BBC interview the second violation of the court's rules against filming inside the courthouse.

Judge Kuhl wasted little time scolding Bergman as Friday's contempt hearing got underway, and after doing so, told him she was removing him from the steering committee.

Bergman did not deny the filming and apologized repeatedly during the hearing for the incidents.

"I already set a contempt hearing, as you know, for March 23 after the trial will be over, so that we don't have to take time out of the trial, and that's for taking a picture in the courtroom," Judge Kuhl told Bergman. "And we talked about that previously, and I told you [that] you could not film in the courtroom, in the courthouse. So after I counseled you about not taking photography, you video yourself inside the courthouse?"

The judge continued to lecture Bergman, telling him the rules of the courthouse do not allow filming, and that although he is an out-of-state attorney from Washington, he still must abide by California's rules.

"So what I'm going to propose to do is to remove you from the plaintiff's steering committee at this time, and we'll see what happens later," the judge said.

Bergman then issued a lengthy apology, saying, "I have let myself down and [did not] conform to the standards of conduct that I have held myself out to for 30 years. This is the first time I have faced this kind of a situation in 30 years."

The filming occurred Wednesday when Meta founder and CEO Mark Zuckerberg spent the entire day on the **witness stand**.

Zuckerberg is one of the world's wealthiest people and had never testified before a jury on claims that his company harm's users' mental health. Bergman said the day's events were so emotional for him and the families that he represents that "I lost sight of my obligation as an officer of the court. That was inexcusable."

Bergman also said he has "tremendous respect and admiration for this court, the amount of work that this court has undertaken to these cases, and the thought that my conduct has added to the court's burden ... is something that I'm deeply ashamed for, something of which I am deeply ashamed."

Although Bergman was removed from the steering committee, another lawyer from his firm is still a member of the committee. The judge told him she would keep the contempt hearing set for March 23, during which both incidents would be considered.

The bellwether trial was dark Friday and is scheduled to resume Monday.

The bellwether is the first of at least nine trials that are planned out of thousands of cases consolidated in Judge Kuhl's courtroom, with the hope that parties may reach a settlement in the rest of the cases based on the outcome of the bellwethers.

The social media companies behind TikTok, Snapchat, Google-owned YouTube and Meta-owned Instagram are accused of purposely inducing young people to compulsively use the platforms, which have addictive features, such as infinite scroll, autoplay, notifications and reward systems. While the trial is focused on a single plaintiff's claims, the outcome of the consolidated cases poses billions of dollars in risk for the companies.

TikTok and Snap recently settled with Kaley G.M., although the settlement did not resolve other consolidated personal injury cases in the Judicial Council Coordination Proceedings pending before Judge Kuhl.

Pretrial rulings by Judge 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.

Plaintiff Kaley G.M. is now 20 years old but alleges a social media addiction in her youth caused her to suffer mental health problems.

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 A. Jones, Paul W. Schmidt, Andrew Stanner and Michael X. Imbroscio of Covington & Burling LLP.

YouTube is represented by Luis Li, Ariel C. Green 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 Lakshna Mehta.



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Meta Judge's Antitrust Dismissal 'Usurped' Jury, 9th Circ. Told

By **Dorothy Atkins**

Law360 (February 20, 2026, 6:04 PM EST) -- Facebook users urged the Ninth Circuit to revive their proposed class action accusing Meta Platforms Inc. of monopolizing personal social networking markets by misrepresenting its privacy and data practices, arguing that a trial judge misapplied antitrust law and "improperly usurped the jury's role" in deciding factual disputes.

In a partially redacted 63-page opening brief Thursday, Facebook users Maximilian Klein, Sarah Grabert and Rachel Banks Kupcho argue that U.S. District Judge James Donato made a series of errors stemming from his improper decision to exclude their expert's opinion. The judge's initial error was then compounded, and led him to also wrongly deny their request for class certification and grant Meta summary judgment, the brief says.

The consumers argue that in doing so, the trial judge misapplied antitrust law, conflating the so-called but-for world, in which Meta would have truthfully disclosed its data and privacy practices absent its alleged anticompetitive conduct, with the actual world, in which Meta considered paying consumers for their data, but then ultimately did not.

"Specifically, Judge Donato held, as a matter of law, that evidence Meta merely contemplated paying — but did not ultimately pay — users for their data in the actual world compels the conclusion that Meta would not have paid users in the but-for world," the brief said. "That was error because 'the vagaries of the marketplace usually deny us sure knowledge of what the plaintiff's situation would have been in the absence of the defendant's antitrust violation.'"

The trip to the Ninth Circuit is the latest chapter in a putative class action the Facebook users filed in December 2020, alleging the social media giant monopolized the personal social networking service and the social media market by misrepresenting Facebook's data and privacy practices, thereby suppressing competition.

The consumers allege that had Meta been forthright about its allegedly lax data and privacy practices, competition from other social media platforms that value privacy and data would have forced Meta to either directly pay users for their data or provide them with other perks, such as discounts or coupons.

The complaint asserts multiple monopolization and attempted monopolization claims under Section 2 of the federal Sherman Antitrust Act, as well as a claim of unjust enrichment under California law.

After surviving past the pleading stage, the consumers asked the court to certify a class of those who used Facebook between 2016 and 2020. To support their request, they cited a report by their expert, Nicholas Economides, a professor at New York University, who opined that, absent Meta's deception, Meta would have compensated Facebook users roughly \$5 per month for the ability to collect and to use their data, with a high and low range of \$3.50 and \$6.25.

The professor supported his opinion in part by pointing to actual examples in analogous markets like the market-research context, in which companies such as Amazon, Google and even Meta pay users in exchange for the user providing their data, court documents show.

However, last year, Judge Donato **excluded** Economides' opinions, part of which have been redacted. The trial judge also denied **class certification** and granted Meta **summary judgment** for lack of

evidence of antitrust injury, finding Economides' evidence and theory were implausible and "not convincing."

In reaching his conclusion, Judge Donato stated that he was "**not buying**" the opinion because it was "completely inconsistent with [his] experience" and the experiences of his "friends" and "family members," according to court documents.

However, in their opening brief Thursday, the consumers argue that Judge Donato should not have excluded Economides' opinions, and in doing so, he misapplied antitrust law and "improperly usurped the jury's role in resolving genuine and material factual disputes about the underlying evidence upon which Economides relied."

The consumers took particular issue with Judge Donato's "threshold" finding that the consumers had to produce evidence of Meta paying Facebook users in the actual world to win their antitrust claims.

"If the district court were correct that a plaintiff must have evidence that the defendant engaged in conduct in the actual world (here, paying users for data) in order for reasonable jurors to find that the defendant would have engaged in that conduct in the but-for world, then a monopolist could always escape antitrust liability," the brief said.

The consumers added that such reasoning "defies logic" and "is not the law."

They also note that the judge never took issue with the consumers' class certification theory that the evidence at issue was common to the class, and instead, Judge Donato improperly rejected their certification bid based on the merits of the claims.

Meta's response brief is due March 23.

A Meta spokesperson said in a statement Friday that the court rightfully granted Meta's motion for summary judgment, and confirmed that the plaintiffs' claims are without merit.

"We look forward to putting this case behind us and continuing to focus on what we do best — delivering value to the people who use and love our products and competing in an extremely competitive market," the statement said.

Counsel for the consumers did not immediately respond to requests for comment Friday.

The consumers are represented by Sanford I. Weisburst, Kevin Y. Teruya, Adam B. Wolfson, and Brantley I. Pepperman of Quinn Emanuel Urquhart & Sullivan LLP, by Shana E. Scarlett of Hagens Berman Sobol Shapiro LLP.

Meta is represented by Sonal N. Mehta and David Z. Gringer of WilmerHale and by Aaron Martin Panner of Kellogg Hansen Todd Figel & Frederick PLLC.

The case is Maximilian Klein et al. v. Meta Platforms Inc., case number 25-6858, in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Rae Ann Varona, Craig Clough and Bryan Koenig. Editing by Drashti Mehta.



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NYC Pension Funds Sue AT&T Over Proxy Proposal Exclusion

By **Sarah Jarvis**

Law360 (February 19, 2026, 7:43 PM EST) -- Several New York City pension funds have sued AT&T over what they say is the illegal exclusion of their shareholder proposal requesting a corporate diversity report from the telecom giant's corporate ballot, following an indication that regulators would allow the exclusion.

In their 12-page **complaint**, filed Tuesday, the funds pushed back against AT&T's decision to omit their proposal under the so-called ordinary business exclusion — a provision allowing corporations to exclude proposals that relate to the company's ordinary business operations.

"It is the company's burden to prove that it has a valid basis to exclude a proposal from a shareholder who meets the eligibility criteria of the SEC rules," the pension funds said. "Because AT&T has not done so, AT&T's decision to exclude the funds' proposal is unlawful."

The pension funds include the New York City Employees' Retirement System, 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. Representatives of the pension funds and AT&T didn't immediately respond to requests for comment Thursday.

According to the suit, the funds' shareholder proposal calls on AT&T's board of directors to adopt a policy of publicly disclosing a report the company is required to submit annually to the U.S. Equal Employment Opportunity Commission, which includes a comprehensive breakdown of the company's workforce by race, ethnicity and gender.

The funds said AT&T agreed to voluntarily disclose this report following a similar proposal in 2020, noting that proposal was then withdrawn. The company went on to voluntarily disclose the report from 2021 to 2023, ending the practice without explanation in 2024, according to the complaint.

After the SEC **loosened its guidance** and gave public companies more leeway in excluding shareholder proposals from proxy ballots, AT&T secured a "no-action" letter from the agency in January, indicating staff would not object to the exclusion "based solely on AT&T's statement that it believed the proposal was excludable under Rule 14a-8," which covers shareholder proposals. The pension funds alleged that AT&T cited the ordinary business exclusion as the only basis for excluding the proposal.

According to the suit, the pension funds would historically have had an opportunity to respond to AT&T's letter before SEC staff issued its determination on excludability. But the SEC issued a statement in November indicating it would not substantively respond to the vast majority of no-action requests for the 2026 proxy season, according to the suit.

The pension funds argued that under SEC regulations, AT&T cannot exclude their proposal under the ordinary business exception or any other exception.

The funds alleged AT&T's decision to omit the proposal has caused them injury, which will be irreparable if the omission is permitted to proceed. Their suit includes one cause of action for violating the Securities Exchange Act and related SEC rule. They asked the court to declare that AT&T's omission violates the law and to block the company from soliciting shareholder proxies this year without including the diversity report proposal.

The funds are represented by Daniel R. Whitman and Elizabeth M. Slater of the New York City Law Department.

Counsel information for AT&T wasn't available Thursday.

The case is New York City Employees' Retirement System et al. v. AT&T Inc., case number 1:26-cv-01310, in the U.S. District Court for the Southern District of New York.

--Editing by Rich Mills.

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