Lawyers beat fee challenge in 'flushable wipes' class action

3/13/26 REUTERS LEGAL 17:27:22 • Copyright (c) 2026 Thomson Reuters • Mike Scarcella

REUTERS LEGAL • March 13, 2026

WASHINGTON, March 13 (Reuters) - A federal judge in New York agreed to grant $3.16 million in legal fees for lawyers who sued Kimberly#Clark (KMB.O) over the labeling of its "flushable" wipes, dismissing objections that the attorneys would earn more than the consumers they represented in the class action.

U.S. District Judge Pamela Chen in Brooklyn on Thursday approved the fees as part of a settlement in the case that netted class members $1 million, finding that the deal was fair, reasonable and adequate.

The 2nd U.S. Circuit Court of Appeals vacated the settlement and sent the fee dispute back to Chen for a second look last year, saying the judge needed to more fully consider the balance between the attorney fees and the damages the class received. The appeals court did not say how much the attorneys should get.

Chen in her new ruling said the fee "ratio in this case raises superficial concerns," but other factors support the settlement's overall fairness.

Kimberly-Clark and the lead plaintiffs lawyers did not immediately respond to requests for comment.

The lawsuit, filed in 2014, accused Kimberly#Clark of mislabeling wipes as "flushable" despite their potential to clog and damage plumbing. The company has denied wrongdoing and says its products perform as advertised.

Kimberly#Clark agreed in 2022 to pay up to $20 million to resolve the case. But by the claims deadline, consumers had sought only about $1 million, leaving roughly $19 million unclaimed and retained by the company.

Ted Frank, a conservative public interest lawyer and director of the non-profit Hamilton Lincoln Law Institute, challenged the settlement and the attorneys' fees, telling the lower court and 2nd Circuit that the fee award violates "intuitive notions of justice."

Frank on Friday said he plans to further appeal Chen's latest order.

"The court erred in thinking of this as an attorney fee dispute in isolation, rather than looking at the holistic problem of class counsel self-dealing at the expense of their clients," Frank said.

He said it is "fundamentally unfair for attorneys to negotiate full compensation for themselves at three times total class compensation while leaving the vast majority of the class with nothing."

Chen in her order said the fee reflects "extensive" work by the plaintiffs' lawyers over many years and that the nature of the case, involving a low#cost consumer product, meant "the potential recovery for class members was inherently and unavoidably limited."

The case is Kurtz v. Kimberly-Clark Corp et al, U.S. District Court, Eastern District of New York, No. 1:14-cv-01142-PKC-RML.

For plaintiffs: Samuel Rudman and Vincent Serra of Robbins Geller Rudman & Dowd LLP

For objector: Anna St. John of Hamilton Lincoln Law Institute

Read more:

US appeals court says law firm's size doesn't limit legal fees

As lawyer rates surge, US firm charges $4,000 an hour for top partners

Lawyers face objections to multimillion-dollar fees after no-cash settlement with Schwab

(Reporting by Mike Scarcella)

References

ROBBINS GELLER RUDMAN & DOWD LLP; KIMBERLY CLARK CORP

End of Document

Bloomberg Law

Manage Newsletters

PayPal Board Sued Over ‘Branded Checkout’ Segment’s Growth Miss

March 12, 2026, 10:28 AM PDT

Summary by Bloomberg AI AI Generated

- An investor alleges PayPal Holdings Inc.’s directors and top executives misled the public about the growth potential and macroeconomic risks associated with PayPal and Venmo brand payment services, harming the company.
- The investor says six current and former leaders cashed in while the company’s stock was artificially inflated, pulling in a combined $12.4 million.
- The investor brings claims including proxy misstatements, securities fraud, and breach of fiduciary duties, and seeks damages, restitution, and corporate governance reforms on behalf of the company.

PayPal Holdings Inc.’s directors and top executives misled the public about the growth potential and macroeconomic risks associated with PayPal and Venmo brand payment services, harming the company, an investor alleges.

Six of the current and former PayPal Holdings leaders cashed in while the company’s stock was artificially inflated, pulling in a combined $12.4 million, Alberto Goncalves says. He filed his derivative suit Wednesday in the US District Court for the Northern District of California.

The harm to the company includes its $1.9 billion overpayment when repurchasing its own stock, its need to defend itself in a parallel securities class action, and the prospect of a costly internal investigation, Goncalves says.

Starting in February 2025, the directors and officers “repeatedly emphasized the Company’s financial prospects for 2027 in addition to the growth trajectory for its Branded Checkout segment,” the investor says. They “consistently and explicitly underlined the Company’s ability to meet its expected financial goals for 2027,” including through the success of the “branded checkout” segment, he says.

But on Feb. 3, 2026, they announced financial results that included decelerating growth in that segment, as well as the sudden departure of CEO Alex Chriss, according to the complaint. PayPal Holdings stock declined 20% that day to close at $41.70 per share.

Goncalves brings claims of proxy misstatements, securities fraud, breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, as well as a claim for contribution in connection with the proposed class action. On behalf of the company, he seeks damages, restitution, and corporate governance reforms.

PayPal Holdings didn’t immediately respond to an emailed request for comment on behalf of itself and the individual defendants.

The Brown Law Firm PC represents Goncalves.

The case is Goncalves v. Chriss , N.D. Cal., No. 5:26-cv-02145, 3/11/26 .

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

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

Securities

SelectQuote Shareholders Sue Executives Over DOJ Kickback Suit

March 12, 2026, 1:28 PM PDT

SelectQuote Inc. executives and board members reaped $177 million off insider sales while concealing the company received kickbacks for pushing health insurers' Medicare Advantage plans, a pair of shareholder lawsuits said.

On May 1 of last year, the US Department of Justice publicized a False Claims Act complaint against SelectQuote and other health insurance companies and brokers for this alleged practice while touting a private version of the government's health insurance for seniors and people with certain disabilities. At close on the day of the announcement, the insurance broker's share price had plunged more than 19% to $2.56, according to two stockholder derivative complaints filed Wednesday.

All of the alleged insider sales in shareholder Frank Scotto and Dennis Kelly's complaints occurred in 2021. Out of those alleged insider sales, $127 million were from Brookside Equity Partners LLC in a SelectQuote public offering completed March 8, 2021, the shareholders told the US District Court for the Southern District of New York. Two SelectQuote board members are associated with Brookside, Raymond F. Weldon and Donald L. Hawks III.

Brookside is SelectQuote's biggest holder with 10% of its outstanding shares, according to data compiled by Bloomberg.

Top brass hid a long-running practice of directing Medicare beneficiaries to certain insurers rather than providing unbiased comparison shopping, getting illegal kickbacks, and not complying with not certain laws, each of their complaints said. And SelectQuote's 2023 and 2024 proxy statements released to shareholders were also misleading.

As a result of the leaderships' misconduct, SelectQuote has and will incur significant costs from the government's and investors' litigation, the suits said.

Scotto and Kelly's lawsuits follow other shareholder derivative actions with allegations tied to the DOJ suit. They all echo an investor proposed class action levying similar accusations.

The DOJ's complaint accused three major insurers with Medicare Advantage plans of paying "hundreds of millions of dollars in kickbacks" to three huge brokers to steer beneficiaries to their plans. Two of those insurers, Aetna Inc. and Humana Inc., also allegedly used kickbacks to "pressure brokers to enroll fewer Medicare beneficiaries with disabilities, whom the insurers perceived as more expensive to cover." Meanwhile, brokers including SelectQuote claimed to have customers' best interests in mind while sending people to insurers regardless of their quality or fit, the DOJ said.

SelectQuote and other defendants have disputed the DOJ's allegations.

Levi & Korsinsky LLP represents both shareholders. Robbins LLP also represents Scotto.

Scotto and Kelly alleged breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and Securities Exchange Act of 1934 violations. On behalf of SelectQuote, they seek damages from leadership and corporate governance reform, including a provision to control insider selling.

Neither SelectQuote nor Brookside immediately responded to emails seeking comment.

The case is Scotto v. Danker , S.D.N.Y., No. 1:26-cv-01999, complaint filed 3/11/26 and Kelly v. Danker , S.D.N.Y., No. 1:26-cv-02000, complaint filed 3/11/26 .

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

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

Former Musk banker says Twitter bot data dispute prompted 'on hold' tweet

DJ **dailyjournal.com**/articles/390266-former-musk-banker-says-twitter-bot-data-dispute-prompted-on-hold-tweet

A former banker for Elon Musk testified Thursday about what led the Tesla and SpaceX CEO to post on Twitter that his acquisition of the company was "temporarily on hold" in May 2022.

Musk and his team "got the Heisman" when they asked Twitter owners four years ago for data to back their 5% fake account estimate during Musk's acquisition negotiations, former Morgan Stanley banker Anthony Armstrong testified.

The company provided a summary of the process that then-Twitter executives said they used to make the calculation, Armstrong said.

"I was not happy. This was not what they had agreed to provide," Armstrong said in response to questioning from Musk's attorney, Matthew A. Bergjans of Quinn Emanuel Urquhart & Sullivan LLP. *Giuseppe Pampena v. Elon R. Musk*, 3:22-cv-05937 (N.D. Cal., filed Oct. 10, 2022).

Armstrong, one of Musk's top advisors on the deal and the current CFO of Musk's xAI, told the jury that the Tesla CEO asked Twitter executives to provide the underlying data that they used to determine that less than 5% of users were bots in early May 2022.

Unhappy with the response to the request, Musk posted his "temporarily on hold" comment. The plaintiffs, former Twitter stockholders, claim that comment was knowingly false and intended to lower the company's stock price, which fell steeply the next day.

Armstrong has worked on plenty of deals in his career and said he knew what the email meant: The lawyers had taken control of the deal on Twitter's side.

Plaintiffs' counsel objected, saying the testimony violated Senior U.S. District Judge Charles R. Breyer's pretrial order that Musk couldn't use the attorney-client privilege as both a "shield" and a "sword," and the judge instructed the jury to disregard what they'd just heard.

Armstrong ran into Breyer's ruling again just minutes later when describing a "pointless" meeting the day of Musk's posts. Armstrong said he'd started to doubt the fake account estimate in Twitter's SEC filings. On the May 13 call, he said, Twitter's lawyers were talking.

Breyer stepped in without an objection from plaintiffs.

Armstrong went on to tell the jury how, once he suspected Twitter was hiding something, Musk's team outlined three paths forward: going through with the deal, terminating it or renegotiating the price -- although he hadn't heard about the third option until an email in mid-May.

On cross-examination, Aaron P. Arnzen of Bottini & Bottini Inc. pressed Armstrong on his role as the architect of Musk's "jiu jitsu strategy" of approaching Twitter with a weak offer before following up with a strong, seller-friendly offer to put pressure on the company. Arnzen brought up a slide deck Morgan Stanley's deal team prepared for its credit committee describing Twitter in positive terms, before pressing Armstrong on the risks of Musk's decision to waive his right to due diligence in the deal.

"You are going to rely solely on the accuracy of the public filings," Armstrong said.

Arnzen asked why Armstrong was so sure he wouldn't get the data he'd requested from Twitter when, at the time of the company's unsatisfactory response, they had only just opened their data room for turning over information related to the deal.

Armstrong called the question a "very creative and generous" interpretation of events.

Arnzen then asked what other roles Armstrong -- a key adviser to Musk when he led the Trump administration's Department of Government Efficiency -- had served in under Musk. Armstrong said he had worked for Musk one other time, in addition to his role at xAI, but was instructed not to mention it. Prior to trial, Breyer granted defense's motion to exclude any evidence regarding Musk's political activity from the case.

After Armstrong stepped down from the stand, Breyer's sword and shield ruling came up again.

The parties asked Breyer if they could discuss the defense's next witness, attorney Michael S. Ringler. Currently at Sullivan & Cromwell LLP, Ringler represented Musk during the merger while he was at Skadden, Arps, Slate, Meagher & Flom LLP.

Earlier in the week, Wilson Sonsini Goodrich & Rosati's Martin W. Korman -- who represented Twitter in the deal -- testified that Ringler had delivered threats to the Twitter team on Musk's behalf.

Breyer suggested saving the conversation for later, but Stephen A. Broome, one of Musk's lawyers, said the issue was pressing since whatever the judge ruled would determine whether the defense called Ringler in the first place.

Mark C. Molumphy of Cotchett, Pitre & McCarthy LLP said that plaintiffs would object to any testimony regarding Ringler's interpretation of the merger agreement or his legal reasoning for decisions made by Musk's team.

Broome said that he didn't intend to ask about those topics, but when the court returned from a recess, the defense declined to call Ringler.

Instead, they turned the floor back over to plaintiffs, who called their damages expert.

Before the recess, Broome said the defense planned to show video depositions from two witnesses Friday before resting.

Ringler was slated to be defense's last live witness.

"That means you have some deceased witnesses," Breyer said, joking about the reference to witnesses testifying remotely.

#390266

Daniel Schrager

Daily Journal Staff Writer
daniel_schrager@dailyjournal.com

The Coming SPV-pocalypse | Business Law Prof Blog

businesslawprofessors.com/2026/03/the-coming-spv-pocalypse

Ann Lipton March 13, 2026

I've previously blogged a couple of times about SPVs as a vehicle for investing in private companies. They not only skirt the law regarding the number of investors a company can have before it is required to make public disclosures, but they also may layer on high fees and suspect valuations – and that's if they aren't outright fraudulent.

Anyway, I post because Bloomberg had a nice feature on this yesterday, pointing out both the risk of fraud, and simply the risk of losing one's shirt. (It references two lawsuits that have been filed in Delaware over these vehicles; if I'm right, one I blogged about before, and the other is this one, where a fund put $10 million into an SPV that was supposed to acquire SpaceX shares, and doesn't seem to be able to get any financial reports.)

But even aside from actual fraud cases, the SPV may only have shares in another SPV that somewhere down the line has shares, and leaving aside valuation and fee questions, when the company does go public, those shares might be locked up and nontradeable for some period of time, leaving the SPVs holding illiquid investments that could go down as easily as they go up.

Well, let's just say if/when there are disappointed investors, you might think Delaware would have some interesting LLC interpretation to do, but, realistically, the arbitration clauses in those documents may prevent Delaware courts from ever getting ahold of it.

And another thing. New *Shareholder Primacy* podcast! Me and Mike Levin talk about the EngageSmart opinion, and about proxy advisors and executive comp. Here at Apple; here at Spotify; and here at YouTube.

Subscribe Now

News | **Mass Torts**

Lawyers Ask Jurors in Social Media Addiction Trial to 'Put a Value on the Loss of Childhood'

Closing arguments were presented Thursday in the first-ever trial blaming social media for a teenager's mental health problems.

March 12, 2026 at 03:40 PM By **Amanda Bronstad**

What You Need to Know

- Jurors in Los Angeles Superior Court will begin deliberations on Friday.
- The first-ever trial, which began Feb. 9, featured testimony from Meta CEO Mark Zuckerberg and Instagram CEO Adam Mosseri.
- Defendants countered they sought to provide alternative and safer options for kids.

Attorney Mark Lanier in a 2022 file image. Courtesy photo

Editor's note: This story was updated Thursday afternoon with the end of closing arguments.

Jurors in a high-profile trial over social media addiction were set to begin deliberations on Friday after hearing more than a month of testimony in a Los Angeles courtroom.

In closing arguments Thursday, attorney W. Mark Lanier told jurors that Meta Platforms Inc. and YouTube prey on users under 13, particularly those like his client, Kaley, who claims she became addicted to social media as a child, leading to multiple mental health problems.

“Lions will go after the gazelle, but they never go after the strongest, and they never go after the boldest, and they never go after the stoutest,” he said, using a large screen to show jurors the image of a lion stalking gazelle in the Serengeti. “They find the one they think is weaker, the most vulnerable. That’s the one that they get.”

Kaley is among the most vulnerable, he said.

“And I think that’s what we’ve got in this case,” he said.

Lanier, of The Lanier Law Firm in Houston, ended his closing before a packed courtroom as his client, who is now 20, sat nearby.

Lanier, leaning on the lectern, asked jurors to consider each of the host of mental problems that Kaley suffered when deciding how to award damages, although he didn’t give them a specific number.

“When you mess up someone’s childhood you change the trajectory of their life,” he said. “What we’ve got to do here is put a value on the loss of childhood.”

Both Meta and YouTube knew that teens can’t self-regulate, he said, particularly those with problems at home. And they knew there were harms associated with preteen use. But they set goals for increasing the time teens spend on their platforms, Lanier told jurors.

“There’s no question they knew. This wasn’t an accident,” he said. “This was intentional. This is what they do. The lion doesn’t accidentally get the gazelle. It’s planned out, and it’s being done for money.”

The first-ever trial, which began Feb. 9, featured testimony from Meta CEO Mark Zuckerberg and Instagram CEO Adam Mosseri, who insisted building an unsafe platform would be bad for business, and the plaintiff, Kaley, who is appearing anonymously and sometimes referred to as K.G.M., or Ms. G.M. It also featured whistleblowers and several mental health experts and therapists who treated Kaley.

Defendants Meta Platforms Inc., which operates Instagram, and YouTube, owned by Google, have countered they sought to provide alternative and safer options for kids under 13, not lure them as potential users. They have also insisted their platforms had features to reduce use, such as sleep or safe mode, and, in this case, were a positive escape from Kaley's home life, which involved parents who divorced when she was 3, as well as bullying at school.

'Opposite of Lions and Gazelles

Paul Schmidt, of Covington & Burling in New York, spent the bulk of his closing argument reviewing all the struggles Kaley faced even before she began using Instagram when she was 9. Those included domestic violence, abandonment issues due to her father's absence, school struggles, bullying, body image issues, a history of family mental health problems, COVID-19 lockdowns, her sister's eating disorder and her mother's neglect and abuse.

He specifically focused on Kaley's mom.

"I think it's meaningful we didn't hear from her mother," he told jurors. "She's the one who brought this lawsuit. She's the one who dominates Ms. G.M.'s writings, her medical records. She's the one who loomed over this trial. The only time you heard her voice during Mr. Lanier's case is these terrible videos where she's screaming at Ms. G.M."

Medical records, many by professionals who treated Kaley, did not attribute her mental health struggles to social media, he said.

"You're being asked to find something that hasn't been found in the real world," he told jurors.

Without proving social media caused Kaley's mental health problems, the plaintiff has no case, he told jurors.

And he disputed Lanier's characterization that Meta intended to harm teen users, noting they were putting in controls without the state of the science being clear on social media and mental health.

"That's not how Meta operates," he told jurors. "It's the opposite of lions and gazelles."

Luis Li, a Los Angeles partner at Wilson Sonsini Goodrich & Rosati, said Kaley's mother, who didn't testify during the trial, never used any of the parental controls or other safety features available on YouTube.

"The only tool that works is a tool you used, and Ms. G.M. and her family didn't use one."

And Kaley reduced her use of YouTube after age 8 because she "just kind of lost interest."

"This was not rewiring her brain," he said. "This was a toy that Ms. G.M. picked and put down more than a decade ago."

YouTube, he said, was a streaming service, not social media, and it was not initially named as a defendant when Kaley's mom filed suit in 2024.

"Ms. G.M. is not addicted to YouTube," he told jurors. "The data shows it, her testimony shows it. She said it herself when she and her mom filed these forms in court, in this court, in this case."

Lanier, in a rebuttal, pushed back on what he considered were selective representations and timelines shown to jurors as well as questions as to why Kaley's mother did not appear in court.

"The case is not about the mother," he said. "This is about Kaley, and it's about them."

It's a Feedback Loop'

The case focused on the platforms' design features, such as infinite scroll and autoplay, that the plaintiff alleged cause adolescents to become addicted. That's because, as Los Angeles Superior Court Judge Carolyn Kuhl instructed the jury Thursday, the defendants are not liable for the content of third parties on their platforms.

Jurors have to decide whether the defendants' negligence in the design features of their platforms was a "substantial factor" in Kaley's mental health struggles and, but for Instagram or YouTube, she would not have had those problems. They also must decide whether YouTube and Meta failed to warn about the dangers of their platform features had to children.

Content, such as online bullying, is not what's at trial, Lanier told jurors.

"It's those features that are addictive, not the content," he said. "It's those features for which they may be held liable, something that is part of the design, or the operation of their platform."

Lanier showed jurors internal documents at the companies referring to their platforms as "addictive."

"They're making money off of capturing your attention," he said. "How do you make a child never put down the phone? That's called the engineering of addiction. They engineered it. They put these features on these phones, and these features are not tools, like they like to call it."

The "like" button is a dopamine hit, and beauty filters, which Kaley used excessively, offer "that ability to get rid of teenage acne with the punch of a button."

Even as they touted tools to keep teens safe on their platforms, Meta and YouTube knew many of those features, such as age verification, wouldn't be successful.

“They weren’t able to just say no. It drew them like a moth to a flame,” he said of teen users. “If you are unusually susceptible to the problematic use, if you’re unusually susceptible to the features and the drawing power, if you have vulnerable kids, I don’t care what parent you are, the parents really stand no chance.”

Kaley’s mom, though not perfect, found counseling for the girl at age 3 and, again, at age 13, when she exhibited anxiety and other problems after having regularly been on YouTube and Instagram for years, he told jurors.

If both companies are found liable, jurors could divide comparative fault between the two defendants and award past and future compensatory damages, including noneconomic compensation for emotional distress and other suffering, such as body dysmorphia, depression and addiction. Jurors also could find Meta and YouTube acted with malice, oppression or fraud, which would trigger additional testimony at a later date on the amount of potential punitive damages.

Lanier acknowledged that social media wasn’t the only factor causing Kaley’s mental health to suffer. He held up a vegan vanilla cupcake that, without a small but significant amount of baking soda, becomes a tortilla, which he also showed the jury. Later, he put blue food coloring into a glass of water to represent the “harm,” then added water, which overflowed onto the floor, to demonstrate how social media made Kaley’s mental health problems worse.

“Our claim here is not that there aren’t other factors: It’s that the social media amplifies. It’s a feedback loop. It takes a problem and makes it worse,” he said. “This whole trial has never been about justifying their behavior. This whole trial has only been about how much dirt they can put on Kaley and her home.”

The case is the first bellwether trial in a coordinated proceeding in California state courts against Meta, Google, and two other defendants: TikTok, owned by ByteDance, and Snap Inc., which owns Snapchat. Additional trials are planned.

Meta’s representatives have called the cases a “manufactured mass tort," while YouTube has sought to differentiate itself from social media, calling its platform a streaming service not unlike Netflix.

The case also is separate from the addiction multidistrict litigation against the same four social media defendants in the U.S. District Court for the Northern District of California. The first trial in that case, involving a school district, is planned for this summer.

Closing arguments focus on whether social media features caused teen's harm

DJ **dailyjournal.com**/articles/390269-closing-arguments-focus-on-whether-social-media-features-caused-teen-s-harm

Evidence in the nearly two-month social media addiction bellwether trial showed that Meta Platforms and Google knowingly designed Instagram and YouTube with features meant to addict children in harmful ways, plaintiff's attorney Mark Lanier said during closing arguments Thursday.

Defense attorneys told jurors the central question they must answer is whether those platform features were the driving cause of plaintiff Kaley G.M.'s alleged harms.

For Meta, Covington & Burling LLP partner Paul W. Schmidt argued evidence showed that even if Instagram were removed from Kaley's life, she would still suffer from the same disorders. He said medical records indicated the only role social media played in her struggles was cyberbullying - a third-party content issue that Los Angeles County Superior Court Judge Carolyn B. Kuhl ruled the companies cannot be held liable for.

Wilson Sonsini Goodrich & Rosati partner Luis Li, for YouTube, argued the evidence showed Kaley was not addicted to the platform. In approximately 10,000 medical records, Li said, "there isn't a single mention" of YouTube except for a therapist recalling that Kaley said she sometimes uses YouTube videos to help her sleep at night when she's feeling anxious.

YouTube's counsel also argued its platform does not qualify as social media because it lacks features tied to social networking or validation, for example, and instead functions as a video entertainment service.

"It's not social media and it's not an addiction," Li said.

For Kaley, the Lanier Law Firm founder told jurors that design features such as autoplay, infinite scroll, notifications and algorithmic recommendations - while not the sole cause of his client's struggles - were a primary factor that worsened her mental health.

"The law says you can't hold a defendant liable for allowing third-party content," Lanier said. "But the law doesn't protect them for their features. And that's why we've gone after the features in this case. It's those features that are addictive."

Jurors are expected to begin deliberations Friday.

Section 230 of the Communications Decency Act shields online platforms from liability for user-generated content. The case's novel "product defect" theory was spearheaded by Seattle-based Social Media Victims Law Center and its founder, Matthew P. Bergman, who filed Kaley's lawsuit and used this angle to bring the case to trial.

Lanier Law Firm, Kiesel Law LLP, Beasley Allen Law Firm and Panish | Shea | Ravipudi LLP represented Kaley at trial.

Thousands of similar lawsuits in the coordinated litigation before Kuhl remain pending, including claims against the companies that own Snapchat and TikTok, which confidentially settled Kaley's case days before trial. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

Kaley, who is now 20, filed her case when she was a minor. She said she began using YouTube at 6 and Instagram at 9.

While the defendant companies claim Kaley's mental health diagnoses, including anxiety and body dysmorphia, stem from troubles at home and school, the plaintiff contends the companies' addictive app designs substantially disrupted her development and worsened her ability to build real-world relationships.

Calling the platforms "an addiction machine," Lanier argued the companies built design features to exploit adolescent brain development and maximize user attention for profit.

"They turned it into a slot machine ... a casino toy," Lanier said, telling jurors the design choices Meta and YouTube made were "addiction by design."

Schmidt, for Meta, argued the case ultimately turns on causation, telling jurors that if Instagram was not a "substantial factor" in causing Kaley's alleged injuries, the plaintiff's case failed.

"If there's no cause, they have no case," Schmidt said.

He said medical records and testimony from psychiatrists showed Kaley's mental health struggles were tied primarily to longstanding issues in her personal life, rather than the design of Instagram.

According to Schmidt, the evidence showed Kaley faced multiple challenges growing up. These included verbal and physical abuse at home, an absent father since she was 3, conflicts with her mother, stress from her sister's eating disorder hospitalization, and other personal stressors that doctors identified as contributing to her anxiety and depression.

Additionally, he recalled evidence regarding an "embarrassing" school incident unrelated to social media in which he said Kaley was threatened with suspension and indicated she intended to harm herself.

Schmidt also emphasized that psychiatrists testified that social media was only occasionally discussed during treatment, if at all, and was not the central focus of Kaley's mental health care.

Meta's lead counsel further pointed to a family history of mental health problems and argued the plaintiff's theory ignores evidence that many of Kaley's struggles predated or were unrelated to her social media use.

Lanier said the evidence showed executives, including Meta CEO Mark Zuckerberg and YouTube Vice President Cristos Goodrow, understood the risks but instead prioritized engagement and revenue. Internal documents and testimony, he said, showed company leadership setting goals tied to user time spent on their platforms, despite public statements suggesting otherwise.

"They're making money off of capturing your attention," Lanier said, referring to the advertising model underlying both companies' businesses.

Lanier structured his argument around what he called a simple framework built on the ABC acronym: the "addiction machine," the "brain science" explaining why teens are particularly vulnerable and childrens' experiences using the platforms.

He pointed jurors to internal company materials discussing how the disputed design features can increase user engagement and potentially lead to compulsive use. One YouTube document cited in the trial linked "excessive video watching" to addiction-like behavior and sleep deprivation.

While on the stand, Kaley acknowledged that while YouTube had positive effects on her, including providing a platform to express her feelings, she testified that it was also harmful because it kept her scrolling late into the night.

According to Lanier, those features amplified vulnerabilities already present in Kaley's life.

"This is a snowball effect," he said, arguing that social media feedback loops worsened existing stressors rather than acting as the sole cause of her struggles.

Lanier also emphasized testimony from experts who said social media use can create addiction-like patterns in some adolescents, describing cycles of compulsive use and withdrawal symptoms.

Kaley testified she used Instagram daily and spent hours on the platform, creating multiple accounts and returning repeatedly despite experiencing cyberbullying.

While respecting the judge's guardrails under Section 230, Lanier said the cyberbullying evidence was introduced only to support the "product defect" theory and explain why Kaley continued using the platforms despite negative experiences.

Kaley testified that while the online harassment made her feel bad about herself, staying away from social media made her feel worse and was something she said she was unwilling to put down.

Lanier urged jurors to find the companies' conduct was a "substantial factor" contributing to Kaley's harm, even if other life circumstances also played a role.

The plaintiff's attorney punctuated his arguments with visual props and analogies meant to illustrate how social media could amplify existing vulnerabilities.

At one point he poured colored water representing harm into a glass, telling jurors that adding more water made the harm "overflow" even if it was not the original source. Earlier, he held up a cupcake and a package of tortillas to suggest that even a small ingredient can cause flour to rise, comparing that effect to social media acting as an "amplifier" of a child's existing struggles.

Lanier did not suggest a specific damages figure but told jurors they should fully compensate Kaley if they find the companies responsible.

"We're looking for justice and not a penny more; but not a penny less." he said.

Google, Meta Landmark Social Media Addiction Trial Wraps Up (1)

March 12, 2026, 5:14 PM PDT

Summary by Bloomberg AI

AI Generated

- A jury in Los Angeles will decide the outcome of a trial over claims that social media sites like Meta's Instagram and Google's YouTube are dangerously addictive to youths.
- The lawsuit was filed by the Social Media Victims Law Center on behalf of Kaley G.M., who claims she's been addicted to social media for more than a decade and suffered anxiety, depression and body dysmorphia.
- The jury will weigh Kaley's allegations against Meta and Google separately, determining whether each company was negligent in the design or operation of its platform and whether they should have known about the potential harms of their platforms.

A jury in Los Angeles will soon decide the outcome of a high-stakes trial over claims that social media sites like Meta’s Instagram and Google ’s YouTube are dangerously addictive to youths.

Final arguments in California state court concluded Thursday, following roughly four weeks of testimony from executives, a whistleblower, medical experts and the 20-year-old woman who alleges in the case that she suffered a mental health crisis after getting hooked on Instagram and YouTube.

The jury of seven women and five men is set to begin deliberations Friday. It’s the first trial among thousands of similar suits that collectively expose the companies to billions of dollars in potential damages and could pressure them to change the way they interact with youths, one of their key audiences.

The lawsuit was filed by the Seattle-based Social Media Victims Law Center on behalf of Kaley G.M., who claims she’s been addicted to social media for more than a decade while growing up in Chico, California. She said her nonstop use of the platforms has caused anxiety, depression and body dysmorphia, among other issues.

Read More: Meta, Google Pivot in Addiction Trial to Accuser’s History

Meta and Google deny they are to blame for Kaley's struggles as well as broader allegations that their platforms are engineered to generate profit at the expense of young people's safety and mental health. They each say they've rolled out robust features to support parents and young users. Meta maintains that Kaley used the Instagram photo-sharing app as an escape from her difficult home life, while Google has argued that she spent relatively little time on the YouTube video-sharing platform.

Plaintiff "K.G.M.", center, arrives at Los Angeles Superior Court on Feb. 26.
Photographer: Mario Tama/Getty Images

Why is this trial significant?

This case is the first test of whether social media companies can be held legally responsible for harms suffered by young people who use their platforms excessively. TikTok Inc. and Snap Inc. reached confidential settlements with Kaley ahead of trial, but they remain defendants in the broader group of lawsuits.

The litigation has come to a head as the companies have come under increasing scrutiny from regulators and lawmakers in the US, Europe and Australia. Officials have moved — with strong support from parents but heavy pushback from the companies — to enact social media age and platform design restrictions.

Testimony in the trial has revealed a sharp divide between mental health experts enlisted by the plaintiffs and company executives, including Meta Chief Executive Officer Mark Zuckerberg and Instagram head **Adam Mosseri**, about whether social media use really results in clinical addiction.

About 10 more trials are scheduled in the coming months that feature young people allegedly afflicted by social media, with ills ranging from isolation to suicide. These so-called bellwether trials give each side an opportunity to test the strengths of their arguments and gauge how other cases featuring similar claims might play out. The outcomes of these early trials may spur settlement talks.

What will the jury decide?

The jury will be weighing Kaley's allegations against Meta and Google separately. The first question the panel must answer is whether each company was negligent in the design or operation of its platform. In the legal universe, negligence is a failure to use reasonable care to prevent harm to others. The jury must also determine whether the companies should have known about the potential harms of their platforms and whether they should have warned users like Kaley.

A finding by the panel that one or both companies contributed in a "substantial" way to Kaley's harm would entitle her to monetary damages. The jury would then decide how much money she should get to compensate for her losses, and what percentage of responsibility each company shares.

If they find the companies liable, the jurors will also decide whether either Meta or Google acted with malice, oppression or fraud, which would open the door to an award of punitive damages.

What does Kaley allege about the companies?

Kaley's lead attorney, Mark Lanier, has portrayed his client as a victim of two of the world's richest, most powerful companies deliberately designing their platforms to addict children to maximize profits.

He has described social media platforms as akin to casinos, where every scroll or new notification triggers a dopamine hit in a user's brain and has an outsized effect on the developing minds of kids. Lanier has focused on platform features like "infinite scroll," video autoplay and beauty filters that he argues maximize engagement at the expense of the well-being of young users.

"When they have a young Kaley, they want to capture her attention because they know every second she spends on YouTube or Instagram is a second they can sell to an advertiser," Lanier argued Thursday in his closing argument. "It's that simple."

What is Meta's defense?

Meta attorney **Paul Schmidt** has argued that Kaley's psychological distress stemmed from her difficult home life, not her social media use. He contends that if Instagram was removed from the equation, Kaley's struggles would remain.

The lawyer also said that Instagram served as a refuge for Kaley to post creative content in the midst of troubles at home and school. He told the jury that none of the therapists who treated her over the years diagnosed her with social media addiction.

“There’s a basic disconnect between what they are trying to persuade you of, and what the facts tell us is true in her life,” Schmidt said.

What is Google’s defense?

Google attorney **Luis Li** said that YouTube isn’t a social media platform and shouldn’t be viewed through the same lens as Instagram. YouTube functions more like a streaming service and isn’t equipped with the social validation features built into social networking platforms, he argued.

“There are no friends on YouTube,” the lawyer told jurors. “There’s no social network. There’s no people you might know, no way to figure out what your friends might be doing and what party they are at.”

Li also said there is no evidence to suggest that Kaley was addicted to YouTube. He pointed out that company data shows much of her time on the platform is spent listening to music, and that she only spent an average of roughly 29 minutes per day on YouTube over the last five years.

“It is not social media addiction if it’s not social media and it’s not addiction,” he said.

(Updates with Google lawyer’s argument in final paragraph. An earlier version of the story corrected the jury composition.)

To contact the reporter on this story:
Madlin Mekelburg in Austin at mmekelburg@bloomberg.net

To contact the editors responsible for this story:
Ben Bain at bbain2@bloomberg.net

Peter Blumberg, Kurt Wagner

News from Bloomberg Terminal

Meta, Google Landmark Social Media Addiction Trial Wraps Up

March 12, 2026, 2:26 PM PDT

Summary by Bloomberg AI

AI Generated

- A jury in Los Angeles will decide the outcome of a trial over claims that social media sites like Meta's Instagram and Google's YouTube are dangerously addictive to youths, with the plaintiff alleging she suffered a mental health crisis after getting hooked on the platforms.
- The lawsuit, filed by the Social Media Victims Law Center on behalf of 20-year-old Kaley G.M., claims that Meta and Google are to blame for her struggles, including anxiety, depression, and body dysmorphia, which she says were caused by her nonstop use of the platforms.
- The jury will weigh Kaley's allegations against Meta and Google separately, determining whether each company was negligent in the design or operation of its platform and whether they should have known about the potential harms of their platforms and warned users like Kaley.

By Madlin Mekelburg

(Bloomberg) --

A jury in Los Angeles will soon decide the outcome of a high-stakes trial over claims that social media sites like Meta's Instagram and Google's YouTube are dangerously addictive to youths.

Final arguments in California state court were under way Thursday, following roughly four weeks of testimony from executives, a whistleblower, medical experts and the 20-year-old woman who alleges in the case that she suffered a mental health crisis after getting hooked on Instagram and YouTube.

The jury of six women and six men is set to begin deliberations Friday. It's the first trial among thousands of similar suits that collectively expose the companies to billions of dollars in potential damages and could pressure them to change the way they interact with youths, one of their key audiences.

The lawsuit was filed by the Seattle-based Social Media Victims Law Center on behalf of Kaley G.M., who claims she's been addicted to social media for more than a decade while growing up in Chico, California. She said her nonstop use of the platforms has caused anxiety, depression and body dysmorphia, among other issues.

Meta and Google deny they are to blame for Kaley's struggles as well as broader allegations that their platforms are engineered to generate profit at the expense of young people's safety and mental health. They each say they've rolled out robust features to support parents and young users. Meta maintains that Kaley used the Instagram photo-sharing app as an escape from her difficult home life, while Google has argued that she spent relatively little time on the YouTube video-sharing platform.

Why is this trial significant?

This case is the first test of whether social media companies can be held legally responsible for harms suffered by young people who use their platforms excessively. TikTok Inc. and Snap Inc. reached confidential settlements with Kaley ahead of trial, but they remain defendants in the broader group of lawsuits.

The litigation has come to a head as the companies have come under increasing scrutiny from regulators and lawmakers in the US, Europe and Australia. Officials have moved — with strong support from parents but heavy pushback from the companies — to enact social media age and platform design restrictions.

Testimony in the trial has revealed a sharp divide between mental health experts enlisted by the plaintiffs and company executives, including Meta Chief Executive Officer Mark Zuckerberg and Instagram head Adam Mosseri, about whether social media use really results in clinical addiction.

About 10 more trials are scheduled in the coming months that feature young people allegedly afflicted by social media, with ills ranging from isolation to suicide. These so-called bellwether trials give each side an opportunity to test the strengths of their arguments and gauge how other cases featuring similar claims might play out. The outcomes of these early trials may spur settlement talks.

What will the jury decide?

The jury will be weighing Kaley's allegations against Meta and Google separately. The first question the panel must answer is whether each company was negligent in the design or operation of its platform. In the legal universe, negligence is a failure to use reasonable care to prevent harm to others. The jury must also determine whether the companies should have known about the potential harms of their platforms and whether they should have warned users like Kaley.

A finding by the panel that one or both companies contributed in a "substantial" way to Kaley's harm would entitle her to monetary damages. The jury would then decide how much money she should get to compensate for her losses, and what percentage of responsibility each company shares.

If they find the companies liable, the jurors will also decide whether either Meta or Google acted with malice, oppression or fraud, which would open the door to an award of punitive damages.

What does Kaley allege about the companies?

Kaley's lead attorney, Mark Lanier, has portrayed his client as a victim of two of the world's richest, most powerful companies deliberately designing their platforms to addict children to maximize profits.

He has described social media platforms as akin to casinos, where every scroll or new notification triggers a dopamine hit in a user's brain and has an outsized effect on the developing minds of kids. Lanier has focused on platform features like "infinite scroll," video autoplay and beauty filters that he argues maximize engagement at the expense of the well-being of young users.

"When they have a young Kaley, they want to capture her attention because they know every second she spends on YouTube or Instagram is a second they can sell to an advertiser," Lanier argued Thursday in his closing argument. "It's that simple."

What is Meta's defense?

Meta attorney Paul Schmidt has argued that Kaley's psychological distress stemmed from her difficult home life, not her social media use. He contends that if Instagram was removed from the equation, Kaley's struggles would remain.

The lawyer also said that Instagram served as a refuge for Kaley to post creative content in the midst of troubles at home and school. He told the jury that none of the therapists who treated her over the years diagnosed her with social media addiction.

"There's a basic disconnect between what they are trying to persuade you of, and what the facts tell us is true in her life," Schmidt said.

What is Google's defense?

Google attorney Luis Li said that YouTube isn't a social media platform and shouldn't be viewed through the same lens as Instagram. YouTube functions more like a streaming service and isn't equipped with the social validation features built into social networking platforms, he argued.

Li also said there is no evidence to suggest that Kaley was addicted to YouTube. Company data shows that much of her time on the platform is spent listening to music, and that she only spent an average of roughly 29 minutes per day on YouTube over the last five years.

To contact the reporter on this story:
Madlin Mekelburg in Austin at mmekelburg@bloomberg.net

To contact the editors responsible for this story:
Ben Bain at bbain2@bloomberg.net
Peter Blumberg, Kurt Wagner

Landmark social media addiction trial heads to jury

courthousenews.com/landmark-social-media-addiction-trial-heads-to-jury

Hillel Aron March 13, 2026

FILE - Young people use their phones to view social media in Sydney, Nov. 8, 2024. (AP Photo/Rick Rycroft, File)

LOS ANGELES (CN) — After a monthlong trial, attorneys in a first-of-its kind case over mental health harms to teenagers from social media apps delivered their final arguments to the jury.

“When you’re making money off kids, you have to do it responsibly,” attorney Mark Lanier, representing the bellwether plaintiff in the case, known in court as Kaley GM, told the jury. “We’re looking for justice, and not a penny more. But not a penny less.”

Attorney for social media giant Meta, Paul Schmidt, argued that far from being the “addiction machine” Lanier said it was, social media actually played a positive role in Kaley’s life and Kaley’s depression came largely from her troubled upbringing.

“If you took Instagram away, would anything be different?” Schmidt asked. “That’s the core question in this case.”

And tech behemoth Google had a much simpler message for the jury. “YouTube did not create a product that harmed Ms. GM. She’s not addicted to YouTube,” attorney Luis Li said.

The jury will begin deliberating Friday morning. They’ll be tasked with deciding whether or not Meta, Google or both were negligent in designing or operating Instagram and YouTube; and if the companies knew or should have known their design or operation was dangerous or likely to be dangerous when used by a minor. They’ll also be asked if the companies failed to warn Kaley about the potential dangers of their products.

Should the jury answer yes to either of those questions, they will then assign a dollar figure to be paid by either Meta, Google or both, to Kaley. They will also have the opportunity to award punitive damages, which would be determined in a second, shorter phase of the trial.

Kaley’s case is the first of roughly 1,600 filed against Meta and Google, along with TikTok and Snap — the two of which reached private, undisclosed settlements with Kaley in the weeks leading up to her trial, but they remain as defendants in the overall, consolidated litigation.

As a bellwether case, the verdict in Kaley’s trial could go toward determining a global settlement. A finding of no liability, or even a relatively small judgment, would be seen as a huge win for social media companies, which have fallen under heavy criticism by parents, activists and even the U.S. Surgeon General.

A large judgement may force major reforms and could even lead to some companies going into bankruptcy. There are eight other bellwether trials planned as part of this litigation, with the next one scheduled to start in the summer.

Design liability

“Every single day I was on it, all day long,” Kaley testified in February. “I just can’t be without it.”

The trial also featured the testimony of Instagram chief Adam Mosseri — who denied the existence of social media addiction — as well as the testimony of Meta CEO Mark Zuckerberg, who defending his company, saying, “We’re building this thing to be a good thing that has value in people’s lives."

Until recently, social media companies have been shielded from nearly all liability by Section 230 of the Communications Decency Act, which protects online platforms from litigation over user content.

But plaintiffs in this mass tort successfully pushed a novel theory that tech companies can still be held liable for their design features.

Superior Court Judge Carolyn Kuhl ruled online bullying Kaley was subjected to qualifies as “third-party content” companies cannot be held liable for. But they can be held liable for their algorithms, for notifications, likes, “infinite scroll” or “autoplay,” and “filters,” which alter the appearance of a subject in photographs.

Perspectives on a bellwether plaintiff

Lanier argued that if social media was coping mechanism, it was a “maladaptive coping mechanism, like cigarettes" that had come to do just as much harm to Kaley as other traumas in her life, altering her brain chemistry. Notifications and "likes" had kept her up at night, he said, and made her anxious about her real-world social connections; beauty filters made her feel overweight and ugly.

"Social media rewires the brain," Lanier, a folksy, excitable Texan who moonlights as a pastor, and who lost his voice toward the end of the trial, said.

He compared the two tech giants to lions in the Serengeti looking for weaker gazelles, just as Meta and Google were looking for vulnerable minors, like Kaley, who experienced physical and emotional abuse while growing up, and who suffered from depression from a young age.

He said YouTube was a gateway drug, comparing the world's most popular streaming platform to a guide in the dense jungle, hacking away at growth with a machete, clearing a trail for others to follow — creating pathways in the brain that made teenagers susceptible to addiction.

"YouTube was [Kaley's] gateway," he said.

Li noted Kaley's YouTube usage peaked when she was eight years old and then petered out, as she became drawn to other platforms.

"This was not rewiring her brain," Li said. "This was a toy that Ms. GM picked up and put down a decade ago." He said Kaley's YouTube use had waned by the time that many of its design features, like autoplay, had even been created.

"You can't get addicted on something that didn't exist," Li said.

Schmidt made a different argument: other things had caused Kaley's anxiety and depression, particularly her tumultuous home life and particularly her mother. He replayed for the jury a recording by Kaley, in which her mother can be heard shrieking at her: "… cry and cause a big scene cause you didn't get your way? Fucking pissing me off…"

During her testimony, Kaley defended her mother, saying the video had been taken out of context, and other social media posts about her mom's behavior was Kaley "being dramatic."

Schmidt argued most of Kaley's medical records focused on her rocky relationship with her parents and sister, who attempted suicide when Kaley was young and who was hospitalized for an eating disorder before Kaley struggled with her own body dysmorphia.

As for social media use, Schmidt quoted a psychiatrist who testified, "that was not the through line of what I recall being her main issues."

"There's a basic disconnect between what they're trying to persuade you and what the facts tell us," Schmidt said.

Lanier countered by pointing out that one medical record from an emergency room visit stated Kaley had reported "suicidal ideation because her mother took her phone away."

The attorney did not suggest a dollar amount for the jury to award, but he did argue Kaley was entitled to punitive damages, saying: "They clearly knew what they were doing."

Follow @hillelaron

Categories / Business, Consumers, Technology, Trials

Subscribe to our free newsletters

Our weekly newsletter *Closing Arguments* offers the latest about ongoing trials, major litigation and rulings in courthouses around the U.S. and the world, while the monthly *Under the Lights* dishes the legal dirt from Hollywood, sports, Big Tech

Social media addiction trial nears close as psychiatrist cites family conflict

DJ dailyjournal.com/articles/390250-social-media-addiction-trial-nears-close-as-psychiatrist-cites-family-conflict

The first social media addiction bellwether trial is set for closing arguments after jurors heard deposition testimony Wednesday from a psychiatrist who treated the plaintiff years ago and assessed that her mental health struggles stemmed primarily from "significant" family conflict rather than Instagram or YouTube.

Represented by lead attorney Lanier Law Firm founder Mark Lanier in the two-month trial, plaintiff Kaley G.M., now 20, claims Meta Platforms and Google knew their social media platforms could harm children and teens but designed Instagram and YouTube in ways that addicted her as a minor and caused her diagnosed mental health disorders, including anxiety and depression.

The companies, represented by Covington & Burling LLP and Wilson Sonsini Goodrich & Rosati, deny the allegations and argue Kaley's struggles stem from factors that predated or were independent of her social media use, including a physically and emotionally abusive relationship with her mother, tension with her sister and conflict with her father.

Los Angeles County Superior Court Judge Carolyn B. Kuhl was scheduled to read jury instructions Thursday morning before closing arguments, which were expected to last all day. Jurors could begin deliberations Friday. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

On Wednesday, jurors watched and listened to a 2025 deposition from Dr. Thomas Suberman, a psychiatrist who met with Kaley about 25 times during the course of her treatment that began in 2019. He said he diagnosed her with social anxiety, major depressive disorder and body dysmorphia.

"Depression and anxiety causation is multifactorial and I believe social media played some part ... but not the part I felt was the majority of the issue," Suberman said during his deposition.

He recalled that while social media was mentioned a couple of times during his meetings with Kaley, it "wasn't the thrust" of their discussions.

"Her main issues ... had to do with interpersonal conflicts, her relationship with her mother and sister, her relationship with peers and her own behaviors handling all of those interactions," Suberman testified.

He said that conflict between Kaley and her mother was a recurring theme in treatment. While he described the mother as someone who was "a louder advocate for her daughter than most," he said the dynamic between the two often produced stress.

"Mom was very invested in Kaley's well-being and wanted her to be treated well," Suberman said. But to Kaley, he said, her mother's concerns and rules sometimes felt restrictive. His assessment was that that was the source of "a lot" of conflict.

"In this case, from what I recall ... this was a throughline issue between the two of them and it was not a throwaway comment that every teenager and mother disagree," Suberman said.

"It was a significant conflict with them about autonomy and the ability to engage in things outside of the house ... and there was a lot of ... anxiety and worries about Kaley going places and doing things. I recall Mom not being interested in facilitating that due to worries."

Suberman cited one example during the deposition in which Kaley wanted to go to the park during the early months of the COVID-19 pandemic, while her mother was reluctant because of safety concerns.

On the stand, Kaley addressed Instagram posts in which she wrote that her mother sometimes made her want to kill herself. She explained that although she was upset with her mother at the time, she never intended to act on those statements and said she now believes she posted them largely to get attention and because she recognizes, in hindsight, that she was giving her mother a hard time.

She also recalled that her mother would sometimes hit her and yell while helping her with math homework, but said she did not view those incidents as abusive or significant stressors connected to her mental struggles. She testified that, in hindsight, she believed her mother meant well and never felt she was intentionally trying to hurt her.

Instead, Kaley claims design features on Instagram and YouTube such as the autoplay, notifications, endless scroll and algorithmic recommendations kept her addicted to social media and negatively impacted her real-world experiences.

A key part of Google's defense is that the company doesn't consider YouTube a social media platform, but instead a video entertainment service with no social network features or validation, more akin to Netflix.

Kaley's mother was scheduled to testify at trial but didn't due to time constraints. Instead, jurors heard portions of her deposition - read by the plaintiff's counsel - in which she discussed her knowledge of social media and said she would have taken stronger steps to restrict Kaley's use had she known about the risks sooner.

In his deposition, Suberman also described tension between Kaley and her sister that he said "felt more intense" than normal sibling conflict.

In addition to family relationships, the psychiatrist cited Kaley's difficulties with peers at school and longstanding struggles with self-esteem tied to her appearance.

In one instance, he said Kaley reported experiencing bullying at school, including cyberbullying.

Suberman acknowledged that social media could sometimes affect adolescents' self-esteem but said he did not see evidence during his treatment that Kaley's use of specific platforms played a central role in her diagnoses.

"I think it can make people feel terrible about themselves," he said about social media generally. "I think social media played some part, but not the part that I felt was the majority of the issue."

Earlier Wednesday, jurors also watched deposition testimony from a nurse practitioner who saw Kaley once in 2023 during a mental health visit and found that she was experiencing severe depressive symptoms and generalized anxiety, but did not identify social media as a cause.

#390250

Devon Belcher

Daily Journal Staff Writer
devon_belcher@dailyjournal.com

Bloomberg Law

Manage Newsletters

Grammarly Sued Over Feature Touting Unwitting ‘Expert’ Feedback

March 12, 2026, 9:36 AM PDT

A New York-based investigative journalist sued the owner and operator of the editing tool Grammarly, saying it uses the names and identities of several authors for its writing feedback feature.

Grammarly’s “Expert Review” tool offers its users comments and feedback from authors, journalists, editors, and lawyers, who were neither aware of nor consented to the use of their names with the product, according to the proposed class action filed against California-based Superhuman Platform Inc..

Plaintiff Julia Angwin discovered Grammarly’s use of her name through another journalist’s reporting, said the complaint filed Wednesday in the US District Court for the Southern District of New York.

“Grammarly is analyzing Ms. Angwin’s work and, based on that work, is drawing conclusions about what advice she would give to Grammarly’s users,” the filing said. “But in many cases Ms. Angwin may not agree with that advice.”

The lawsuit asserts a violation of privacy rights under New York Civil Rights Law and California’s right of publicity statute, among other claims.

Grammarly didn’t immediately respond to a request for comment.

Peter Romer-Friedman Law PLLC represents Angwin.

The case is Angwin v. Superhuman Platform Inc. , S.D.N.Y., No. 1:26-cv-02005, complaint filed 3/11/26 .

To contact the reporter on this story: Aruni Soni in Washington at asoni@bloombergindustry.com

To contact the editor responsible for this story: Tonia Moore at tmoore@bloombergindustry.com

News | Civil Appeals

'This Is Just a Delay': Civil Suit Against Salesforce Stayed in Backpage Sex Trafficking Case

"All I can say is right now, I am sad, but tomorrow I'm going to be mad. When I get mad, I'm going to have my crosshairs set on Salesforce, and they are not going to get away," the plaintiff's attorney told Law.com.

March 12, 2026 at 09:23 AM By Marianna Wharry

Salesforce in San Francisco, CA. Photo: Jason Doiy/ALM

A Chicago federal judge this week paused consolidated lawsuits alleging Salesforce Inc. helped facilitate sex trafficking through the now-defunct website Backpage because criminal prosecution against one of the site's founders is pending.

On Tuesday, Chief U.S. District Judge Virginia M. Kendall for the Northern District of Illinois said the consolidated cases against the software company will remain frozen until an Arizona criminal case against Backpage co-founder Michael Lacey is fully resolved. The court's decision will delay discovery and other proceedings in the suits alleging Salesforce knowingly benefited from sex-trafficking activity on the site.

Kendall said the court saw "no reason" to depart from the Trafficking Victims Protection Reauthorization Act's (TVPRA) mandatory stay provision while Lacey appeals a money laundering conviction to the U.S. Court of Appeals for the Ninth Circuit.

"Here, there are pending criminal allegations against Lacey for his participation in Backpage's sex trafficking venture and pending civil allegations against Salesforce for its involvement in the same scheme," Kendall wrote. "Comparing plaintiffs' complaints and the Lacey indictment, the court concludes that there is 'clear connection between the events alleged in the indictment and events at issue' in these cases."

Tommy Fibich, founding partner of Fibich, Leebron, Copeland & Briggs in Houston, who represents the plaintiff identified as G.G. in court records, told Law.com that he is disappointed in the court's decision to stay the case. The consolidated cases were supposed to go to trial in September, which Fibich said he believes was likely a deciding factor for attempting to delay the case.

"It took me a long time [Tuesday] to find the words to call and tell her that we weren't going to be able to go to trial this year and how disappointed I was for her," Fibich said. "All I can say is right now, I am sad, but tomorrow I'm going to be mad. When I get mad, I'm going to have my crosshairs set on Salesforce, and they are not going to get away. This is just a delay."

He said the decision is only a minor setback as he remains focused on holding Salesforce accountable and getting justice for the women affected in this case.

Backpage was created in 2004 and began working with Salesforce in November 2013. It regularly sought and received technical support from Salesforce's team over the next five years, and the companies continued their business relationship until the federal government shut down Backpage in April 2018 as a multiagency enforcement action. The U.S. Department of Just brought federal criminal charges against Lacey and other defendants in the U.S. District Court for the District of Arizona alleging they knew Backpage was used for prostitution and sex trafficking.

Lacey was found guilty of international concealment of money laundering in November 2023. His appeal to the Ninth Circuit is pending, and Kendall's opinion also indicated the DOJ could retry Lacey on other criminal charges that previously ended in a mistrial following his appeal.

G.G. was advertised as an escort on Backpage at age 13 and brought her claims against Salesforce under the "participant liability" civil remedy in Section 1595 of the TVPRA. She argued Salesforce's customized software and business support helped Backpage's growth and also benefited the software company.

Salesforce has denied these accusations, claiming its support was limited to acting as a software vendor and saying it did not actively play a role in the sex trafficking occurring on the site.

G.G.'s case against Salesforce has gone through multiple phases since she filed her claims in the federal court in Chicago in March 2020. The U.S. Court of Appeals for the Seventh Circuit reversed the dismissal of her suit and issued a precedential decision in October 2023, allowing her claims to continue. In January, Kendall denied Salesforce's bid to escape the suit.

In Tuesday's ruling, Kendall said Lacey's case centers on Backpage's alleged scheme to profit from prostitution and sex trafficking advertisements. The court said the statute does not require identical facts or the same individual traffickers, and that the fact that the civil and criminal cases arise from the same underlying trafficking scheme meets the statutory requirement. Kendall also rejected the plaintiff's claims that they had to be named victims in the criminal case as long as their alleged victimization stems from the same occurrence or scheme.

Salesforce's attorney, Bradley Hamburger, of Gibson Dunn & Crutcher, did not return Law.com's request for comment.

SCOTUS decision keeps states' PFAS lawsuits in federal court | State AGs & Supreme Courts

legalnewsline.com/state-ags-and-supreme-courts/scotus-decision-keeps-states-pfas-lawsuits-in-federal-court/article_7943a017-9384-4c22-b9b8-e0bf163237ce.html

John O'Brien, John O'Brien March 13, 2026

U.S. Supreme Court
Wikipedia Commons

WASHINGTON - The states of Maryland and South Carolina will have to litigate their lawsuits against 3M over chemicals called PFAS in federal court rather than their preferred state venues.

That's the message from the U.S. Supreme Court's March 2 denial of a request to review an appellate court ruling holding the federal officer statute puts the states' cases in federal court. Among the uses for PFAS is firefighting foam, which 3M has argued was manufactured pursuant to federal government specs for use on military bases.

States have imposed their own maximum contaminant levels for PFAS, which are alleged to cause illness - though some dispute that conclusion as premature because of a lack of research. States have also hired private lawyers to sue on contingency fees, and defendants like 3M and DuPont say their cases belong in federal court instead of on the states' home turfs.

The Supreme Court leaving the Fourth Circuit decision in place will have impacts elsewhere, as states fight to stay out of a federal multidistrict litigation proceeding in South Carolina.

In 2023, Maryland and South Carolina separately sued 3M in their respective state courts over alleged environmental contamination relating to 3M's manufacture and sale of per- and polyfluoroalkyl substances, which are part of the PFAS group.

These are two in a line of cases filed by several States, public water authorities and private plaintiffs to hold 3M responsible for alleged PFAS contamination. The States claimed that, for decades, 3M sold PFAS for use in a variety of consumer products, causing "widespread contamination," even though it was aware of the chemicals' risks to human health and the environment.

In separate cases alleging similar facts and theories of liability, both states sued 3M for alleged environmental harm from the manufacture and sale of aqueous film-forming foam, or AFFF, which 3M produced for the U.S. military under federal contracts.

The states specifically disclaimed any right to recovery for alleged AFFF contamination in their PFAS complaints.

According to 3M, because AFFF lawsuits involved federal contracts, a clear basis for removal to federal court under the federal officer statute, the states intentionally filed their PFAS claims separately, and specifically disclaimed AFFF liability in the PFAS complaints, as part of a strategy to keep the PFAS cases in state court.

3M removed the PFAS and AFFF lawsuits to federal court, and, in response, the states moved to remand the PFAS claims – and not the AFFF lawsuits – back to their respective state courts.

For its part, removing these cases to federal court was part of an overall strategy by 3M to consolidate all PFAS and AFFF cases into the federal MDL and avail itself of the "federal government-contractor defense," which "immunizes government contractors from state tort liability when they produce equipment for the U.S. military pursuant to 'reasonably precise specifications' issued by the government," the company stated in its brief opposing review.

The district courts in both cases granted the states' motions, reasoning that remand is appropriate "because both States' complaints unambiguously disclaim recovery for injuries caused by AFFF and instead focus entirely on 3M's manufacture and sale of PFAS-containing consumer products."

The Fourth Circuit reversed, refusing to allow the states to effectively bifurcate their complaints between the PFAS and AFFF claims.

As explained by 3M, the Fourth Circuit recognized that the federal officer removal statute was intended to flip the customary presumption against federal removal, even in cases involving state-law claims, when federal officers or their contractors are involved, and provides an exception to the general view that plaintiffs are the masters of their complaints.

The Fourth Circuit concluded, according to 3M, that "3M had 'plausibly alleged that its charged [PFAS] conduct was related to its federal [AFFF] work' notwithstanding the States' disclaimers" and that "courts must 'credit [the] Defendants' theory of the case when determining whether' there is … a connection or association between the charged conduct and acts taken under federal direction."

The states claimed in their petition for Supreme Court review that the Court of Appeals' decision conflicted with rulings by the First, Ninth and 11th circuits.

3M described that assertion as "flat wrong" in its brief.

While the Supreme Court's denial of certiorari gave no indication of how the individual justices voted, the fact that it did not take up the case indicates that no more than three were in favor of review.

Justice Samuel Alito did not participate in the consideration or decision to deny review.

Meta, Luxottica Again Sued Over AI Smart Glasses Video Sharing

March 12, 2026, 1:12 PM PDT

Summary by Bloomberg AI AI Generated

- Meta Platforms Inc. and Luxottica of America Inc. were hit with a proposed class action alleging the companies secretly disclose videos taken by users with their AI-enabled smart glasses to third party contractors in violation of federal and state wiretapping laws.
- The complaint alleges that Meta promises users that they have control of the videos the glasses create, but in reality they’re sent for review to contract workers without users’ knowledge or consent.
- The companies use the videos to train AI systems, and the complaint alleges unjust enrichment and violations of several laws, including the Wiretap Act and the California Invasion of Privacy Act.

Meta Platforms Inc. and Luxottica of America Inc. were hit with a proposed class action alleging the companies secretly disclose videos taken by users with their AI-enabled smart glasses to third party contractors in violation of federal and state wiretapping laws.

Peter Canady filed the proposed class action Wednesday in the US District Court for the Northern District of California, alleging that Meta promises users that they have control of the videos the glasses create, but in reality they’re sent for review to contract workers in Kenya without users’ knowledge or consent.

Meta and Luxottica use the videos—some revealing customers in bathrooms and bedrooms—to train AI systems, the complaint said.

The complaint comes a week after a similar proposed class action brought consumer claims based on alleged false advertising about the glasses being “designed for privacy.”

Canady’s complaint instead alleges unjust enrichment and violations of the Wiretap Act, the California Invasion of Privacy Act, the California Unfair Competition Law, the California Consumer Legal Remedies Act, and the New York General Business Law.

Meta and Luxottica jointly developed the Meta AI glasses beginning in 2020. Current models include a camera to take video and still images, a microphone to capture audio, and an AI-based “assistant” to provide responses to questions and prompts and send messages and make phone calls, the complaint said.

Luxottica sold more than 7 million pairs of the glasses in 2025, the complaint said. The companies didn’t respond immediately to requests for comment.

Canady seeks to represent a nationwide class and a New York subclass of Meta AI glasses owners.

Wolf Popper LLP represents Canady.

The case is Canady v. Meta Platforms Inc. , N.D. Cal., No. 3:26-cv-02118, complaint filed 3/11/26 .

This story was produced with assistance from Bloomberg Law Automation.

To contact Bloomberg Law Automation: automation@bloombergindustry.com

To contact the reporter on this story: Christopher Brown in St. Louis at ChrisBrown@bloombergindustry.com

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

Lawyers flood tech expo wondering: Is AI about to devalue their time?

reuters.com/legal/litigation/lawyers-flood-tech-expo-wondering-is-ai-about-devalue-their-time-2026-03-12

David Thomas, Mike Scarcella March 12, 2026

AI (Artificial Intelligence) letters and robot hand are placed on computer motherboard in this illustration taken, June 23, 2023. REUTERS/Dado Ruvic/Illustration/File Photo Purchase Licensing Rights, opens new tab

March 12 (Reuters) - (Billable Hours is Reuters' weekly report on lawyers and money. Please send tips or suggestions to D.Thomas@thomsonreuters.com , opens new tab)

The future of the billable hour was a burning question at the LegalWeek conference in New York this week, where artificial intelligence is dominating the annual legal technology gathering.

Sign up here.

Will an efficiency explosion fueled by AI leave clients unwilling to pay lawyers hundreds or thousands of dollars an hour? Will law firms charge even more but offer different services? How will firms absorb the costs of AI tools that clients are now demanding?

“These things are expensive,” said Martha Louks, a technology director at law firm McDermott Will & Schulte, in a panel discussion on AI's impact on attorneys' work and what they charge. “We are going to be burning through tokens,” she said, using the industry term for the small chunks of text AI systems process and bill for.

About 7,000 lawyers, tech executives, computer scientists and marketers jostled for space on an exhibition floor at the Javits Center. Legal AI firms and startups demonstrated software that can search through libraries of legal documents in the time it takes a lawyer to send an email, draft and revamp contracts, or uncover trends affecting a law firm’s clients and suggest a marketing pitch.

One of the participants, Swedish startup Legora, announced on Tuesday that it had raised $550 million to expand in the U.S., reaching a $5.5 billion valuation. Vendors handed out swag, from plushies and golf balls to sunglasses, branded with names like Billables.AI and Litify. (Reuters parent company Thomson Reuters, which also owns legal AI platform CoCounsel, was among the participants.)

In a conference room above the exhibit hall, Oliver Roberts, who teaches at Washington University School of Law and manages a small AI-focused law firm, said AI “will 100% replace lawyers in the future.” There was nervous laughter in the audience.

A legal AI consultant Oz Benamram predicted at another meeting that in three years, companies would use AI to do half of the work they now pay law firms to do.

“Companies want fast results,” he said — though he also said clients would pay $10,000 an hour for human lawyers whose judgment AI can’t match. Other presenters said as AI automation speeds up routine legal tasks, law firms could use their extra time to offer more bespoke, complex advisory services.

Attorneys and product reps had to be turned away from some meeting rooms due to overcapacity, including a workshop by legal and compliance company Epiq for lawyers to learn how to create their own AI “agents." Most participants were quickly vibe-coding bots to analyze contracts or scour court websites, while some struggled to get past the login screen.

A talk on “strategic legal leadership in the age of AI” became standing room-only before event staff finally barred the doors. Dozens of people still stood in line trying to get in — possibly hoping to pitch their firms or products to the Microsoft, GSK, HSBC and Barclays executives who were presenting.

Some participants acknowledged the stress of trying to adopt such fast-changing technology or to beat others to market. No one said they thought it was slowing down, or that AI was being overhyped.

Two years ago, law firms had to promise their clients that they weren’t using generative AI on their cases, Susan Wortzman, a partner at Canadian law firm McCarthy Tetrault told a roomful of attendees.

“Now they are saying you must use it,” she said.

— New York taps Winston's Jeffrey Kessler for Live Nation antitrust case

The New York attorney general's office is turning to antitrust veteran Jeffrey Kessler of law firm Winston & Strawn to represent the state in its lawsuit against entertainment giant Live Nation (LYV.N) , opens new tab and subsidiary Ticketmaster.

Kessler joined the case in federal court in Manhattan after the U.S. Justice Department, which brought the lawsuit with New York and other states and was leading the case, said it had reached a settlement with Live Nation.

U.S. District Judge Arun Subramanian, presiding over a trial in the case, this week told Live Nation to negotiate with the remaining plaintiffs after DOJ announced its settlement and left New York and other states scrambling to take over.
Kessler has handled a string of high-profile competition cases in recent years, including the sprawling multibillion-dollar settlement involving U.S. colleges and universities paying student athletes for the commercial use of their names, images and likenesses.
New York declined to offer details on the state's engagement with Kessler, including whether he is charging his standard hourly rate or a reduced amount.

Kessler last year was charging nearly $2,000 an hour in other cases, court records show. Kessler declined to comment. He is working with a team from Winston, including Jeanifer Parsigian.

— Plaintiffs firm founder faces California disciplinary charges

The co-founder of a plaintiffs firm being sued by Uber Technologies is facing disciplinary charges stemming from allegations that he and the firm represented clients in states where they were not licensed.

Salar Hendizadeh, a founder of Downtown LA Law Group, was charged , opens new tab on Monday by the State Bar of California's Office of Chief Trial Counsel.
"The disciplinary charges allege violations of rules regarding unauthorized practice of law that are intended to protect clients by ensuring that they receive legal representation from attorneys familiar with the legal rules and practices that will apply to their claims," George Cardona, the state bar's chief trial counsel, said in a statement.

The disciplinary complaint alleges that DTLA entered into fee agreements with clients in seven states before learning where the clients lived and before identifying local counsel.

Hendizadeh, who left the firm in September 2025, could not immediately be reached for comment. Farid Yaghoubtil, a founding partner at DTLA, did not immediately respond to a request for comment, nor did DTLA's lawyers at Winston & Strawn.

Uber is separately waging a federal lawsuit against DTLA and others, alleging the lawyers conspired with medical providers to create and submit artificially inflated medical bills. The law firm has denied wrongdoing.
(This March 12 story has been corrected to fix the outdated law firm affiliation for Oliver Roberts in paragraph 7)

Read more:

Hogan Lovells, Cadwalader disclose 2025 revenues ahead of law firms' merger
Kalshi bets on Neal Katyal in prediction market cases
Illinois lawmakers move to limit investor influence as law firms, private equity edge closer
Reporting by David Bario, David Thomas and Mike Scarcella

Our Standards: The Thomson Reuters Trust Principles. , opens new tab

David Thomas
Thomson Reuters

David Thomas reports on the business of law, including law firm strategy, hiring, mergers and litigation. He is based out of Chicago. He can be reached at d.thomas@thomsonreuters.com and on Twitter @DaveThomas5150.

- 𝕏

FT PROFESSIONAL

Due Diligence **Mergers & Acquisitions**

JPMorgan, suspicious activities and Epstein

The biggest US bank continued its relationship with the sex offender for years after employees raised red flags

Jeffrey Epstein sits in custody in 2008 © Uma Sanghvi/Palm Beach Post/AP

Published YESTERDAY

One scoop to start: Carlyle has overhauled the team behind its flagship European private equity fund ahead of its expected return to fundraising after the disastrous performance of its previous vintage put efforts to raise a new fund on pause.

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

In today's newsletter:

- JPMorgan's Epstein account
- ESG sticks with BP

JPMorgan's long arc with Jeffrey Epstein

As **Jeffrey Epstein** made his way from working-class Brooklyn and pierced high echelons of society, he entrenched himself among executives at the largest bank in the US.

The critical connection for the paedophile at **JPMorgan Chase** was **Jes Staley**, who had Epstein to thank for helping him close a deal that catapulted his career.

In 2004, at the urging of Staley, the bank bought a controlling stake in an asset manager called **Highbridge,** where Epstein was an investor.

Epstein reportedly helped broker the deal, and in the ensuing years Staley would become one of his biggest defenders as JPMorgan employees flagged suspicious activity on Epstein's accounts. (Staley said in 2025 that he had not been aware of Epstein's "monstrous activities" during the period he maintained a relationship with him.)

Over 15 years, the bank processed more than $1bn in transactions for the registered sex offender and allowed him to withdraw more than $5mn in cash — suspected to have been used to fund his sex-trafficking operation — the FT reports in a Big Read on the lender's relationship with Epstein.

At various times during that period Epstein was one of the biggest income generators for JPMorgan's private bank, according to documents in the trove of Epstein files released by the **US Department of Justice**.

JPMorgan bankers would boast that Epstein was one of their marquee clients with a net worth of $500mn, thanked him for referrals, registered at least 45 visits at his homes and welcomed him to the bank's headquarters.

But as top bankers cultivated a prized account, officials lower in the hierarchy — as well as the bank's chief lawyer and global head of compliance — grew concerned about his more sordid activities.

On a frigid day in 2004, two 18-year-old "models" walked into a branch of the bank and requested to open accounts. Their guarantor? Epstein.

His personal banker **Mary Casey** commissioned a due diligence report into the pair, which concluded that "Epstein often provides support to emerging models".

JPMorgan went ahead and opened the accounts. The bank's anti-money laundering team later placed the young women in Palm Beach at the height of Epstein's crimes in the city.

In 2006, a year during which Epstein withdrew nearly $1mn in cash from the bank, Casey forwarded an article to Staley that referenced Epstein's pursuit of "mostly young" women. But after Casey raised concerns with both Staley and **Mary Erdoes**, who ran JPMorgan's private bank, little changed.

JPMorgan said in a statement that Erdoes "made the decision to close [Epstein's] accounts in 2013" and "has always held herself and her colleagues to the highest standards of integrity and trust".

While Epstein had friends at the top of the bank, a key figure is notably absent from the picture: longtime chief executive **Jamie Dimon**, who JPMorgan says "never met with [Epstein], spoke with him, emailed with him, and was not involved in any decisions about his account".

Epstein's ties to JPMorgan have long been known but the files have shed new light on just how critical two of the world's largest banks were to his activities during the final decades of his life.

After JPMorgan dropped Epstein as a client in 2013, Germany's largest lender, **Deutsche Bank**, was eager to land his account. During the almost six years in which it oversaw his finances, Deutsche allowed him to withdraw on average $200,000 in cash a year and send roughly $875,000 to "ostensible foreign models". (The bank told the FT it acknowledged its "error of onboarding Epstein in 2013", noting its deep regret over its association with him.)

JPMorgan said in a statement that it regretted "any association we had with the man but did not help him commit his heinous crimes".

And here, JPMorgan makes an interesting point: "JPMorgan filed multiple suspicious activity reports beginning in 2002, and over 100 currency transaction reports on his cash withdrawals over the years but heard nothing back from the government."

The ESG funds sticking to fossil fuels

It's not been the easiest time for funds that invest with environmental, social or governance issues in mind.

After riding high on the sustainability wave at the turn of the decade, ESG funds globally suffered heavy redemptions last year and have come under fire from US Republican politicians.

Added to this there are — yet again — big questions about whether ESG funds really live up to their name.

Data shared with the FT shows that more than a year after **BP** announced a strategic "reset" to shift away from renewables and double down on oil and gas, about 60 ESG funds still invest in the British fossil fuel company.

This includes funds from **BlackRock**, **Legal & General** and **UBS**. The products were classed as actively managed, meaning they did not purely replicate an underlying index.

There's long been questions about whether ESG funds should hold oil and gas companies. Many ESG managers defended their fossil fuel exposure by arguing the companies were in the midst of transitioning and needed support.

But as oil and gas companies increasingly water down their green targets, others argue this defence no longer stands.

Paul Schreiber, senior policy adviser at green non-profit **Reclaim Finance**, said the data from **Morningstar Direct** "absolutely reinforces concerns about greenwashing".

"Backtracking like BP's shows that these funds cannot pretend they are supporting companies that are willing to transition," he said.

But watch this space. The EU is looking at excluding fossil fuel developers from at least some funds branded as sustainable.

Job moves

- **Skadden** has hired **Scott Heard** to lead its private credit practice in New York and **Matthew Murphy** as a restructuring partner in Chicago. The duo joins from **Paul Hastings**.

- American football star **Travis Kelce** is becoming a brand ambassador for **Six Flags**. Last year Kelce and the hedge fund **Jana Partners** teamed up to take a stake in the US amusement park operator.

- **Tether** chief investment officer **Richard Heathcote** is stepping down, Bloomberg reports, and will move into an advisory role.

- **Adobe** chief executive **Shantanu Narayen** will leave the role after a successor is appointed and remain at the company as chair.

- **Kathryn Wylde**, former chief executive of the **Partnership for New York City**, has joined the lobbying firm **Invariant** in New York.

Smart reads

Cheap eats FT Alphaville visited a humble café in the town of Edgware that's connected in more ways than one to the collapsed UK mortgage provider Market Financial Solutions. The café manager was blissfully unaware, until the FT showed up, of the unfolding scandal.

NewsRoom

3/13/26 Cincinnati Enquirer (Cincinnati, Ohio) B1
2026 WLNR 7473494

Cincinnati Enquirer, The (Cincinnati, OH)

March 13, 2026

Section: News

Judge tosses 4 charges against former FirstEnergy executives

Bryce Buyakie

March 13, 2026

A Summit County judge threw out four money laundering charges against two former FirstEnergy executives, writing in an order that there was insufficient evidence for a conviction in the ongoing trial in Akron.

In the same order, Common Pleas Judge Susan Baker Ross declined to dismiss the remaining charges against former FirstEnergy CEO Chuck Jones and Michael Dowling, ex-FirstEnergy senior vice president of external affairs.

The two men are accused of bribing Sam Randazzo, former chair of the Public Utilities Commission of Ohio, with a $4.3 million payment. Randazzo, who previously faced charges in the case, died in 2024.

Defense attorney had asked Ross to acquit Dowling and Jones of all charges after the prosecutors finished presenting evidence and witnesses to jurors.

Ross also granted the prosecution's motion to amend the forgery charge against Dowling.

Prosecutors initially accused Dowling of forging the FirstEnergy consulting agreement with Randazzo in May 2015, according to court documents. Dowling is now accused of forging the

$4.3 million settlement – the alleged bribe that was tucked into the consulting agreement – in November 2015.

Defense attorneys had argued in court filings that this would change the type of crime Dowling faces. They likened it to changing "an indictment for theft of a motorcycle in May 2015 to stealing a Honda Civic in November 2015."

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.

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Crime (1CR87); Fraud (1FR30); Social Issues (1SO05))

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

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

Language: EN

Other Indexing: (Public Utilities Commission of Ohio; FirstEnergy)

Edition: 1

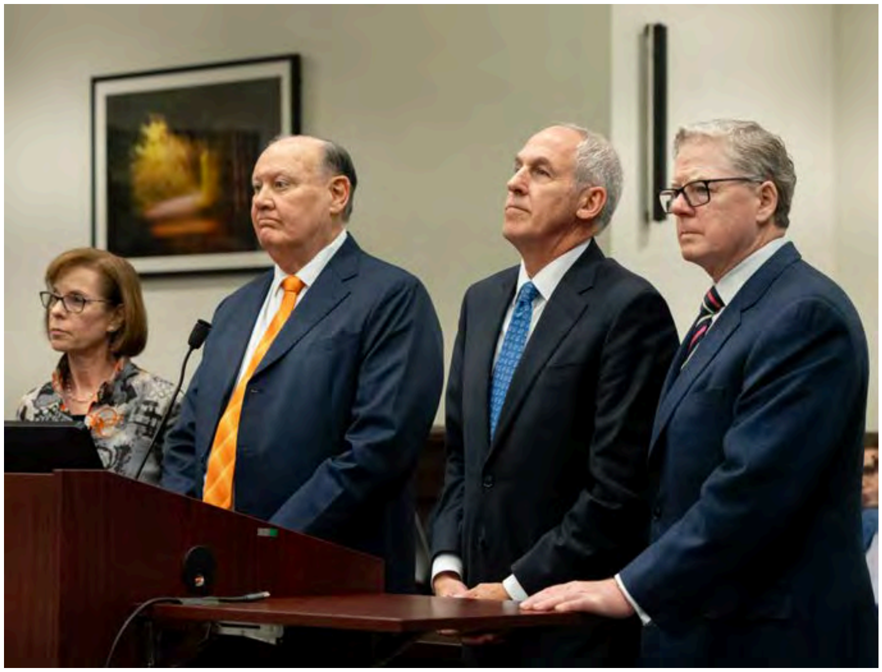
Word Count: 247

End of Document

Jones, Dowling waive right to testify in FirstEnergy bribery trial

indeonline.com/story/business/2026/03/12/jones-dowling-waive-right-to-testify-in-firstenergy-bribery-trial/89115490007

Patrick Williams



BUSINESS

Defendants Jones, Dowling won't testify in FirstEnergy bribery trial

Updated March 12, 2026, 5:51 p.m. ET

Standing in the courtroom that they've been coming into from time to time for two years – including nearly every business day over the past six weeks – two former FirstEnergy executives waived their right to testify March 12 in their bribery trial.

Judge Susan Baker Ross asked defendants Michael Dowling, the utility's former senior vice president, and ex-CEO Charles "Chuck" Jones, to confirm whether or not they would take the stand.

Standing at the counselors' lectern, flanked by Jones and two attorneys, Dowling said he chose "not to testify."

Jones followed, saying "I waive my right to testify."

Defense attorneys rest case without calling on Ohio Gov. Mike DeWine

Carole Rendon, an attorney for Jones, and John McCaffrey, an attorney for Dowling, said their legal teams are resting their cases and do not plan to call any more witnesses.

Jurors were not present for March 12 court proceedings, and are not scheduled to return until March 16 – when closing arguments are scheduled to begin.

Testimony concluded without Ohio Gov. Mike DeWine being called to the stand. He had been listed as a potential witness for the defense.

DeWine took part in a December 2018 meeting in Columbus with Jones and Dowling that prosecutors say is a key moment in the case. The meeting occurred a month after the Republican was elected to his first gubernatorial term, with running mate Jon Husted present as well. Husted, who now serves as one of Ohio's U.S. senators, testified remotely in the case March 11.

Judge said she plans to deny defense's motion to dismiss case

Baker Ross said she intends to deny the defense's request to either dismiss the case or to convey their belief that prosecutors have mishandled it by issuing an adverse jury instruction. The judge said she believes the trial has been fair and that the defense has been able to counter the prosecution's allegations "very masterfully."

Rendon said she nonetheless intends to file one more brief outlining why the case should be thrown out or, at the very least, turned over to jurors with information about the prosecutors' handling of it.

Dowling and Jones are accused of paying a more than $4.3 million bribe to Sam Randazzo before Randazzo became chair of the Public Utilities Commission of Ohio. Prosecutors say Randazzo, in turn, scuttled a 2024 rate case at the PUCO, wrote part of House Bill 6 in 2019 and lobbied the General Assembly for the passage of House Bill 6.

Attorneys for Jones, Dowling press for acquittal on additional charges

Attorneys have battled over the trial's legal boundaries since the state filed the charges against Jones and Dowling in 2024. The defense persuaded Baker Ross midtrial to acquit Jones and Dowling of money laundering charges, but she kept other charges intact.

On March 12, Rendon and McCaffrey presented the judge with motions for acquittal on additional charges.

The judge said she will take the arguments under advisement and will make a decision on the defense's requests for acquittals.

Defense calls expert witness to the stand to discuss Randazzo finances

On March 11, the defense called Kroll Managing Director Sherine Ebadi to the stand to testify as an expert witness. Ebadi, a former FBI agent, said the defense team hired her to perform an investigation into Randazzo's finances.

Ebadi said she concluded Randazzo stole $4,333,333 that FirstEnergy agreed to pay his clients – the money that prosecutors say Jones and Dowling directed the company to send Randazzo as a bribe.

Ebadi said she found that Randazzo used more than $11.6 million that he received from FirstEnergy, Columbus-based American Electric Power and Dayton Power & Light (now AES Ohio) for his own benefit, making payments to country clubs, buying cars and art, as well as funding his daughter's now-closed restaurant. However, Ebadi said she concluded Randazzo embezzled about $9.4 million of the total $11.6 million because the other approximately $2.2 million was for a consulting agreement that Randazzo had with FirstEnergy.

Prosecutors and defense attorneys agree that Randazzo, who died in 2024, was a thief.

During cross-examination, Ohio Assistant Attorney General Matthew Meyer questioned Ebadi about the scope of work for which she was hired. That work included reviewing documents defense attorneys directed her to review; Dowling's involvement in amending a 2015 agreement with Randazzo's Sustainability Funding Alliance of Ohio pass-through corporation (which she said the defendant was involved in); and whether Randazzo's former employer, McNees Wallace & Nurick, required him not to have other clients – which she said she believed Randazzo's former McNees colleague Matthew Pritchard testified about.

Pritchard testified on March 3 that McNees required all income from professional services to be "run through the firm," that he himself would not consult with a company he was in active litigation with and that he did not know in the 2010s that Randazzo was receiving consulting payments from FirstEnergy. (Randazzo and Pritchard both worked on the IEU-Ohio account at McNees, and Pritchard said it was his "main client" for a number of years.)

Meyer also asked Ebadi, “And you cannot testify about people’s state of mind – certainly not the dead man, Sam Randazzo, right?”

Ebadi agreed she could not, and said she could only testify to the relevant "documents and communications."

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

Testimony ends in FirstEnergy bribery trial

cleveland.com/metro/2026/03/testimony-ends-in-firstenergy-bribery-trial.html

By Adam Ferrise, cleveland.com March 12, 2026

By

- Adam Ferrise, cleveland.com

AKRON, Ohio — Testimony in the FirstEnergy bribery trial is officially over, defense attorneys said Thursday.

No more witnesses will be called in the case, including the defendants, former CEO Chuck Jones and ex-top lobbyist Michael Dowling.

Jones and Dowling, from the witness stand and outside the presence of the jury, told Summit County Common Pleas Judge Susan Baker Ross that they decided not to testify.

“I waive my right to testify,” Jones said.

Jones and Dowling face nine charges that accuse them of bribing former Public Utilities Commission of Ohio chairman Sam Randazzo with $4.3 million. Randazzo was charged alongside Jones and Dowling but died by suicide in 2024.

Prosecutors and defense attorneys will give their closing arguments Monday.

Defense attorneys called four witnesses, including U.S. Sen. Jon Husted. The final witness was Sherine Ebadi, a former Federal Bureau of Investigation agent who now works as a private fraud investigator. She testified how Randazzo took the

$4.3 million from FirstEnergy and spent it on his lavish lifestyle.

The defense for both Jones and Dowling argued that Randazzo was a thief and a conman who stole a legitimate $4.3 million payment from FirstEnergy intended for Randazzo's clients — IEU-Ohio.

As a private attorney in 2015, Randazzo negotiated a settlement extension on behalf of the trade group made up of industrial companies that use large amounts of electricity and often argued against FirstEnergy that their rates should be lower.

The settlement extension called for IEU-Ohio clients to be paid $4.3 million in exchange for not arguing against an electricity rate hike.

Randazzo stole the money from his clients, unbeknownst to Jones or Dowling, defense attorneys said. The settlement extension and payment, which happened in late 2018, was reviewed and approved by FirstEnergy attorneys, according to Jones and Dowling.

Baker Ross on Thursday also told attorneys that she intended to reject defense attorneys arguments that prosecutors committed misconduct during the trial, including failing to turn over statements by key witnesses.

Prosecutors under the law must turn over all evidence to the defense, even if it's helpful to the defendants. Defense attorneys asked for the judge to either toss out the charges or give the jury a potentially damaging instruction on the evidence.

Baker Ross said she believed Jones and Dowling have received a fair trial.

"I believe we had a fair trial despite all the things that happened," Baker Ross said. "The defense has been able to counter it."

Jones attorney Carole Rendon said she'd "never seen anything like" the misconduct she alleged during her long career as a prosecutor and defense attorney. Baker Ross allowed her to make one more written argument before making her ruling official. A final decision is expected Friday.

Testimony in the trial lasted six weeks. Prosecutors presented 24 witnesses and two video depositions.

Prosecutors argued that Jones and Dowling scrambled to bribe Randazzo after a Dec. 18, 2018 meeting with then-Gov.-elect Mike DeWine and Husted. At the meeting, prosecutors said Jones and Dowling learned that Randazzo was on the radar for PUCO chair, a cabinet position in the governor's office.

The PUCO regulates utilities in Ohio like FirstEnergy and holds heavy sway over how much revenue the companies can make.

After paying Randazzo the $4.3 million, Randazzo became PUCO chairman in April 2019. In that role, he helped push for the passage of House Bill 6 in 2019, the scandal-ridden legislation that gave a $1.3 billion bailout of two aging nuclear power plants owned by a FirstEnergy subsidiary.

He also made certain that FirstEnergy would be allowed to make profits at an inflated rate and killed a review of the company's finances that would have ended with the company losing out on millions of dollars.

Adam Ferrise

Adam Ferrise covers federal courts for cleveland.com and The Plain Dealer, where he's worked since 2013. He previously covered Cleveland crime and policing, Akron and Summit County crime and courts and crime in...

aferrise@cleveland.com

News from Bloomberg Terminal

Lever the Predictions

March 12, 2026, 11:05 AM PDT

By Matt Levine

(Bloomberg Opinion) --

Prediction market brokering

The way the stock market works is that if a share of stock trades at $50, you can buy it for $50, and then if it goes up to $55 you can sell it for $55 and make a $5 profit. The way the market for crude oil works is different. If crude oil is trading at $95 per barrel, you can't really send your broker $95 and get back a barrel of oil. (Where would you put it?) Instead, the normal way to trade crude oil is with futures contracts: You buy a one-month futures contract now at $95, and if oil is trading at $92 or $107 in a month, you lose $3 or make $12, respectively. Someone else is on the other side of the contract: She sells you the contract now at $95, and if oil is trading at $92 or $107 in a month, she makes $3 or loses $12; her losses pay for your winnings and vice versa. I will loosely call this person your "counterparty," though in fact both you and she deal with the commodities futures exchange and have no direct contact with each other.

You could imagine a world in which you buy the contract now b*y* paying $95, and at expiration you get back $92 or $107 or whatever. Or you could imagine a world in which *no* money changed hands at the beginning, and you and your counterparty just agreed that, in a month, you'll pay her $1 for every $1 oil is below $95, and she'll pay you $1 for every $1 oil is above $95, but no money will change hands between now and then.

In fact the way commodities exchanges generally work is somewhere in between: You don't pay $95 at the beginning, but you don't pay zero either. You put down a deposit — "margin" — with the exchange, so the exchange knows you'll be good for the money, and your counterparty *also* puts down a deposit (even though she is *selling* the contract). (The deposit is around $9.) And then as the price of oil moves around your margin will go up or down: If oil goes up, your counterparty will deposit more margin and you'll take some back.

So commodities futures provide *leverage*. If you are a big hedge fund who wants to bet on the price of oil, you can do that without tying up too much of your cash. You put up $9, you get exposure to $95 worth of crude oil, and if crude oil prices go up by 10% you roughly double your money. (If they go down 10% you lose your bet.)

But leverage creates risk. The futures exchange (or, rather, the clearinghouse) has to set margin levels to cover potential market moves, and then it has to track prices and update margins — calling margin from people who have lost money, sending margin back to people who have made money — every day. There is a whole apparatus for making sure that losing bettors pay, so that winning bettors can get paid.

We talk from time to time about this system, mostly when it breaks down. In recent years there have been occasional big and goofy breakdowns of the margining systems at *crypto* futures exchanges — FTX is the most famous, though we have discussed more recent "auto-deleveraging" problems — but it's not limited to crypto; in 2022, there was a big and goofy breakdown in the London Metals Exchange's nickel market for basically similar reasons. (Big trader got margin calls, didn't post margin, chaos.)

You might dislike this. You might say: "No, this is dumb, everyone should put up all the money at the start, just like they do in the stock market. You pay $95, you get an oil contract, and then at the end you make or lose money, but nobody ever has to issue a margin call or post more money."

There are two problems with that approach:

1. Hedge funds like leverage, this market is more efficient with leverage, blah blah blah.
2. The subtler problem is that this is impossible. The *long* side of a futures contract can just put up 100% of the money Day One, sure, no problem. But the *short* side can't. A futures contract *is* a bet between two people, one of whom bets that oil will go up and one of whom bets that it will go down. If you are long, you can put up $95, and if oil goes to zero you lose all your money and can't lose more. (Or can you?) But if you are short, you can put up $95, and if oil goes to $5,000 you have to pay much more money. Being short a financial contract is *necessarily* a leveraged trade. [1]

You might still find this annoying. "Okay," you say, "I take the point that the short side of a commodities futures contract has unlimited risk. But we can fix that. Just chop off the tails. Make a new sort of oil futures contract with a price cap. I agree to buy oil at $95, and you agree to sell oil at $95, and if oil goes down to $40 I lose $55 and you make $55, and if oil goes up to $160 I make $65 and you lose $65. *But:* The contract is automatically capped at $190, twice the current price. [2] If oil goes to zero, I lose $95; if oil goes to $5,000, you only lose $95 (and I only make $95). We all know that going in, so I am not surprised or unhedged if oil really zooms up. And because our losses are capped, we can each put up $95 on Day One, and nobody ever needs to make margin calls or post more money or have any other sort of credit apparatus. My credit and your credit are completely taken out of the equation; we just put up all the money upfront. (Of course the *exchange*, or rather the clearinghouse, has to hang on to the money and give it back to the winner, but the exchange is not taking any leverage or market risk either, so as long as they're not stealing the money it's fine.)"

The advantage of this system is that it slims down the apparatus, and the risk, of the futures exchange. You don't need a big clearinghouse and complex margin rules; you don't need to vet exchange members to make sure they're well capitalized, or require other traders to access the exchange through vetted members. The exchange can let anyone trade as long as they pay for their contracts up front. The exchange just needs a website and a bank account.

The disadvantage is that hedge funds like leverage, blah blah blah, so this sort of entirely prepaid market will be less appealing to large levered professional investors. But it might be nice for retail traders who want to bet on oil. And you can solve the problem for the hedge funds. After all, the stock market loosely works this way — if you want to buy stock, you pay for it — and in fact hedge funds do lots of levered stock trades. They just borrow the money from their prime brokers: The *stock exchange* doesn't give you $50 of stock exposure for $5, but if you're a big hedge fund a bank will probably lend you $45 to buy $50 worth of stock.

I realize that all of this sounds very eccentric, and I don't think I have ever seen anyone propose exactly this market structure, "we should have futures exchanges but with 100% margins and capped moves in either direction."

Except that this describes *prediction markets*. A prediction market is, in the US, a *regulated commodities futures exchange*, in which every futures contract pays out either exactly $1 or exactly $0. [3] If you are short a contract, the most you might have to pay is $1. If you are long, the most you might have to pay is $1. Therefore, prediction markets *never need to think about margin:* They can just sell a package of "one long contract plus one short contract" for $1, and then they'll have the dollar, and then when the contracts mature they'll either give the dollar to the long or they'll give it to the short. No credit checks, no margin calls, no carefully vetted exchange membership, just a website and a bank account.

We have talked a few times about my aesthetic annoyance with prediction markets trying to shoehorn all sorts of bets into binary yes/no contracts: A trade like " will house prices go up" makes more sense as a linear bet on house prices than as a yes/no bet on some house-price level. But prediction markets make everything a binary option. I have explained this, in (large) part, as appealing to the gambling desires of retail bettors: A binary all-or-nothing bet is simpler and more fun than making $1 for each $1 that a thing goes up. But I have also pointed out that making everything a binary solves the credit problem: If you get all the money upfront, you don't need to check anyone's credit or make any margin calls or take any credit risk.

And so prediction markets can be open to anyone, through their own websites, in a way that traditional commodities futures exchanges can't be. You don't have to be a well-capitalized member firm to trade on prediction markets; you can just set up an account and send them $20 and start trading. It is a good structure for selling directly to retail traders.

The disadvantage is that hedge funds like leverage, blah blah blah, but they can get that from brokers. Bloomberg's Bernard Goyder and Isis Almeida report:

Brokers to hedge funds and other institutional investors are moving to give clients access to Kalshi Inc.'s event bets, a sign of the growing push to open the nascent prediction market industry to Wall Street players.

Clear Street, a broker to hedge funds and sophisticated traders, is expecting to clear its first trade on Kalshi later this month and begin offering it more broadly later this year, the company's chief executive officer, Ed Tilly, said in an interview on the sidelines of the Futures Industry Association's annual conference in Boca Raton, Florida.

The London-based broker Marex Group Plc is also planning to give its clients access to Kalshi in the next few months, Ram Vittal, the chief executive officer of the company's North American operation, said in a separate interview at the event.

"Over the last few weeks we've seen very large hedge funds coming to us and saying 'Can you give us access to these markets?'" Thomas Texier, Marex's head of clearing, said. ...

Clear Street and Marex are the latest firms that are trying to bring in professionals by developing more sophisticated market plumbing. They join other futures brokers getting involved in the space, including Wedbush and Plus500.

You don't really need an institutional broker to get access to Kalshi; you can just go sign up on the website. But if you are an institutional investor, there are reasons to prefer going through a broker. [4]

NAV suspicion

We talked yesterday about private credit marks. A lot of big private credit firms' private business development companies are getting large redemption requests from investors, and I wrote:

One way to think about it is that those redemption requests are a form of NAV [net asset value] arbitrage. If a BDC says that its loans are worth $100, but you think their market value is only $98, you should try to redeem out of that BDC: You'll get cashed out at $100, which is more than you think it's worth. … The fact that private credit BDCs are getting historically high levels of redemptions *might* suggest that their investors don't believe their marks.

You could have slightly different models — I have previously analyzed the redemptions in terms of liquidity premia — but you certainly could interpret the wave of redemptions as evidence that investors are suspicious about how private credit firms are valuing their assets.

There is more direct evidence of that. Today Bloomberg's Esteban Duarte, Davide Scigliuzzo and Silas Brown report:

Blue Owl Capital Inc. defended its recent sale of $1.4 billion of loans from three of its funds, arguing the transaction contained no backstops or hidden incentives, as the asset manager remains a primary target of bets on a private-credit reckoning.

In a private conference call last week with investors, Blue Owl Co-President Craig Packer said the four institutions that struck a deal with the firm did so on an arm's length basis, conducted their own due diligence, bought the debt on the same terms and received no special guarantees.

Each buyer purchased roughly the same amount at the same asset prices and at the same time with "no hidden economics or discounts," Packer said, according to people familiar with the matter.

We talked about that loan sale a few weeks ago, and I basically took Blue Owl at its word that selling loans at 99.7% of par to big outside investors suggested those loans were worth about 99.7% of par. I got a lot of emails from people who were more suspicious! Apparently so did Blue Owl.

Death trades

We talked last week about the betting markets on whether Ayatollah Ali Khamenei would "leave office" as Supreme Leader of Iran before the end of March. He, uh, did. If you were going to Kalshi at the end of February to bet that Khamenei would leave office by the end of March, you probably assumed that he was going to leave office via bombs, which is in fact what happened.

But I pointed out that Kalshi, as a futures exchange regulated by the US Commodity Futures Trading Commission, is not technically allowed to list betting markets on assassination. And so, technically, the Khamenei contract was *not* a market on assassination — not only in the sense that you could win if he left office peacefully, but also in the sense that you could *not* win if he left office via bombs. The official rules of Kalshi's contract specified that, "If [Khamenei] leaves solely because they have died, the associated market will resolve and the Exchange will determine the payouts to the holders of long and short positions based upon the last traded price (prior to the death)." That is, the contract pays off $0 if he stays in office, $1 if he leaves office due to normal political mechanisms, but it refunds everyone at the last traded price if he dies. See, not an assassination contract! (Polymarket, the other big prediction market, doesn't care about this and just paid $1 for his death.)

I wrote:

One possible interpretation here is "you were trying to bet on war and assassination, which is not allowed, so you don't get to complain that you didn't get paid." If you think that you are getting a wink-wink bet on a prohibited subject, most of what you are getting is not the clean bet you wanted (Khamenei "out") but rather a fuzzy and unpredictable bet on legality and resolution mechanisms. Another possible interpretation is that most of Kalshi's *customers* don't know about Rule 40.11 [which prohibits assassination markets], or didn't until Saturday, and just figured betting on death was the whole and legitimate point of this market. Everyone's intuitions about prediction markets are still developing.

Obviously you know what happened next: The death bettors are suing Kalshi for their winnings. Bloomberg Law reports:

Kalshi Inc. should've paid out on a $54 million market speculating when Iran's Supreme Leader Ali Khamenei would vacate his role after he was killed during US and Israeli airstrikes, a proposed class action said.

Kalshi and its exchange's plain-language rules made traders who predicted his departure expect payouts, and they didn't adequately disclose a "death carveout" until after news of Khamenei's death spread, said the complaint filed in the US District Court for the Central District of California. Then rather than halt trading as reports of military strikes accumulated Feb. 28, Kalshi lured more traders into "yes" positions on Khamenei's exit while knowing it wouldn't deliver payouts, Thursday's suit said.

Here is the complaint. It seems pretty clear, even from the complaint, that (1) Kalshi's rules clearly said that you don't get paid if he dies, (2) Kalshi followed its rules but (3) most of the customers didn't read them:

Upon information and belief, the death carveout was buried in the fine print of the contract's formal terms, which were not disclosed in a manner that would inform a reasonable consumer of their existence or effect.

See, I think that if the members of a *commodities derivatives exchange* make bad trades because they didn't read "the fine print of the contract's formal terms," and then they complain, the correct answer is "you are a commodities derivatives trader, it's your job to read the fine print, buzz off." But of course if the *users of a consumer gambling site* have the same complaint, it is a bit more sympathetic. You should tell your consumer gamblers what they're betting on! The problem is that the consumer gambling site is also a registered commodities derivatives exchange.

Elsewhere, here's Polymarket founder Shayne Coplan arguing that war bets are good:

Speaking at the MIT Sloan Sports Analytics Conference 2026, Coplan argued prediction markets still serve a genuine informational function but described Iran as "complicated" and said the fog of war breeds misunderstanding.

"There's still a lot of resistance to innovation that kind of also seems jarring to begin with," Coplan said on Saturday. But "that's what makes it innovative and disruptive." …

"When I get hit up by people in the Middle East who are saying, 'Hey, we're looking at Polymarket to decide whether we sleep near the bomb shelter; we look at it every day' and I'm like, 'Oh, it's really that popular over there?'" he added. "That's very powerful. That's an undeniable value proposition that did not exist before."

I guess? There is something particularly dystopian about the idea that:

1. Some countries will bomb other countries.
2. The people doing the bombing will profit from the bombing by insider trading the bombing contracts on prediction markets.
3. This will cause the prediction markets to correctly reflect the probability of bombing, allowing the people getting bombed to avoid being bombed.

Will the marginal effect of the prediction-market trade-on-bombing profit motive be to encourage more bombings, or to save people from bombings?

How are you enjoying the war

Disclosure, I used to work at Goldman Sachs Group Inc., selling derivatives to corporate clients, including oil and gas companies. This was in the years right after the 2008 crisis, when Goldman was famously "a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money." The oil and gas guys loved us. "Everyone used to hate us for the global warming stuff," they'd cackle when we walked into their offices, "but now they hate you instead! Thanks for the distraction!" I didn't sell a lot of derivatives but that was a me issue; the conditions were good.

Similarly, I realize that there are a lot of nuances, but if you run a private credit fund and your investors ask to take back 10% of their money and you only give them back 5%, that has to feel bad. They will complain, your stock will go down, the headlines will be negative, you will go home to your family and say "I had a bad day at work." And then you will turn on the news and perhaps be cheered up, a bit, by news of war and devastation: At least someone is having a worse day than you.

No? I don't know. I am not personally cheered up by news of war and devastation, but I *am* kind of tired of writing about private credit gates, so I see both sides here:

A top Goldman Sachs executive has said that the bank's clients in the private capital industry are "glad" that the Iran war is providing a "distraction" from questions over the sector's exposure to software.

Kunal Shah, the co-chief executive of Goldman Sachs International and global co-head of fixed income, currencies and commodities, made the remarks on a call with clients on Wednesday, which also featured Sir Alex Younger, the former chief of Britain's Secret Intelligence Service.

According to three people familiar with the call, which was titled "Strikes in Iran — End of the Beginning . . .?", Shah remarked that some of the bank's "private markets clients" were "just glad there's something to talk about that isn't software exposures and private credit".

"And this is at least a distraction from that," Shah added, in response to a question about the views of Goldman's clients on the conflict.

You probably don't want to be quoted saying "our clients like war because it distracts from their own problems" but that doesn't mean it's wrong.

W/H ratio

My basic theory is that professional investors sometimes meet with executives of companies, they ask those executives questions about the business and finances, the executives answer the questions and the investors get useful information that they then use to make investing decisions. In US public markets, there is a rule that the executives can't give the investors "material nonpublic information" in these meetings, but the meetings still happen. My theory is not troubled by this — the executives don't tell them "we're doing a merger next week," but they help them understand aspects of the business that are not quite "material nonpublic information" but are nonetheless of interest to sophisticated institutional investors — but other people are, and the standard way of reconciling the facts is by pretending that the executives *don't* tell the investors anything new. Instead, the investors get to observe the executives' "tone and body language" to inform their investing decisions.

I think that this is very silly, but I am also a collector of counterexamples, cases where an investor really did observe some unconscious and nonverbal signal from an executive and then made a correct investing decision based on that signal. My all-time favorite is the UK asset manager that sold its position in a soon-to-be-bankrupt company after meeting with its chairman who was "looking unfeasibly tanned for this time of year." Perfect fact, perfect analysis. Yesterday the Financial Times had another really good one, about how Cairn Capital avoided investing in Market Financial Solutions, the now-insolvent UK bridge lender:

“On the individual loan details, there was incomplete information,” said Asif Godall, then the co-chief investment officer at credit fund Cairn Capital. “That’s not good enough.”

He was also put off by what he called the “watch-to-house ratio”.

Paresh Raja, MFS’s director, sported a Richard Mille timepiece that can cost upwards of £200,000. A contact of Godall estimated the watch was about half the value of Raja’s north London home at the time. Godall decided to pass up on the opportunity to invest in MFS.

Obviously I want to see an academic finance paper collecting the data, computing executives’ watch-to-house ratios and checking to see if it has alpha. And obviously if you work at a quant fund and you use the watch-to-house ratio as a signal, I want to hear from you. And if you don’t, why not?

Things happen

Anthropic in Talks With Blackstone, Other PE Firms to Form AI Consulting Venture. Deutsche Bank Flags $30 Billion Exposure to Private Credit. Cliffwater $33 Billion Private Credit Fund Redemptions Reach 14%. Janus Henderson Rejects Victory Capital Takeover Proposal, Backs Trian Deal. Tilman Fertitta in Talks to Buy Caesars for $7 Billion After Topping Bid From Icahn. Papa John’s Draws Fresh Takeover Interest From Qatari-Backed Fund. Big-Budget Fish Tanks Are Taking Over America’s Most Expensive Homes. Gene-Tweaked Banana Startup Tropic Secures $105 Million to Boost Output. Dishwashing Home Robot Maker Sunday Hits $1.15 Billion Valuation. “David Wick, an English and Latin teacher at Lake Forest, said [AI startup Aaru co-founder Ned] Koh seemed ’more excited about his business ventures than about Latin.’” “[A Live Nation Entertainment Inc. director of ticketing] bragged about charging ’$50 to park in the grass’ and ’$60 for closer grass.’ ’Robbing them blind, baby,’ he said, ’that’s how we do it.’ The company said in a statement that the messages did not reflect its values.”

If you'd like to get Money Stuff in handy email form, right in your inbox, please subscribe at this link. Or you can subscribe to Money Stuff and other great Bloomberg newsletters here. Thanks!

To contact the author of this story:
Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:
Michael Newman at mnewman43@bloomberg.net

1. This is true in the stock market too: Short sellers of stock are necessarily leveraged. But in the stock market, most buyers are buying existing shares of stock from long sellers; short selling is somewhat exceptional. In commodities futures markets, every long needs a short.

2. And floored at zero! Also I use twice the current price because it is easy and symmetric, but that is not essential. You could cap the contract at 4x the current price and just have the short side post more money, or cap it at 1.5x and have the short side post less.

3. Or, in extremely rare cases (see the "Death Markets" section of this column lol), some intermediate amount in which the long and short sides still add up to $1.

4. Leverage is one, but there is also the opposite problem of *you* taking the *exchange's* (Kalshi's) credit. Going through a clearing broker means that your exposure is to a familiar name, not a consumer website.

Securities

Manage Newsletters

Nidec to Mull Damages, Other Legal Measures Via Panel Probe

March 12, 2026, 11:55 PM PDT

Nidec says it will set up a committee to investigate the responsibility of executives in an improper accounting scandal, and will use its conclusions to consider damages or other legal measures.

Committee is composed of external experts with no conflict of interest, Nidec says

Directors, auditors or executive officers who held their roles between fiscal year 2020 through 1Q of fiscal year 2025 are subject of the investigation

Related Stories:

Oasis Proposed One Board Candidate to Nidec, May Seek More: CIO

Nidec Climbs After Oasis Reveals Stake, Calls For Reform (1)

To view the source of this information click here

To contact the reporter on this story:
Eddy Duan in Tokyo at eduan6@bloomberg.net

To contact the editors responsible for this story:
Go Onomitsu at gonomitsu@bloomberg.net

Sarah Hilton, Gareth Allan

Securities

Blue Owl Tells Investors Its Loan Sale Had No Hidden Incentives

March 12, 2026, 1:40 PM PDT

Blue Owl Capital Inc. defended its recent sale of $1.4 billion of loans from three of its funds, arguing the transaction contained no backstops or hidden incentives, as the asset manager remains a primary target of bets on a private-credit reckoning.

In a private conference call last week with investors, Blue Owl Co-President **Craig Packer** said the four institutions that struck a deal with the firm did so on an arm's length basis, conducted their own due diligence, bought the debt on the same terms and received no special guarantees.

Each buyer purchased roughly the same amount at the same asset prices and at the same time with "no hidden economics or discounts," Packer said, according to people familiar with the matter.

Craig Packer
Photographer: Bloomberg

The portfolio sale, disclosed last month, was part of a plan to return cash to investors in the firm's Blue Owl Capital Corp II, an older vehicle that was always meant to provide shareholders with an exit path. But it also sparked a renewed bout of selling in the firm's stock, as well as other alternative asset managers, because it came alongside a decision to halt quarterly redemptions from the fund, which is known as OBDC II.

Read more: Blue Owl Drops as Redemption Halt Stirs Private Credit Fears

The $1.8 trillion private credit market is being rattled by a wave of investor redemptions amid questions over whether lenders are overly exposed to software companies, a sector that's being disrupted by the rapid advance of artificial intelligence. BlackRock Inc., Morgan Stanley and Cliffwater LLC recently capped withdrawals from some of their private credit funds after investors rushed to redeem more than allowed.

For Blue Owl, its scrapped merger of OBDC II with Blue Owl Capital Corp., one of the firm's publicly traded funds, have added to the angst. The firm earlier this year allowed investors in Blue Owl Technology Income Corp., one of its software-focused funds, to yank an amount equivalent to roughly 15% of net asset value — or three times the limit it had set for such requests — in an effort to quell concerns.

Yet bearish bets continue to mount on Blue Owl's stock, reaching an all-time high last week, according to an estimate from S3 Partners LLC. Its shares fell as much as 6.7% on Wednesday to $8.83, the lowest since 2022.

Details around the firm's asset sale have been few and far between. While Blue Owl has declined to identify the buyers, citing confidentiality they requested, Bloomberg previously reported that they are Chicago-based insurance company Kuvare, whose asset-management arm Blue Owl acquired in 2024, along with the California Public Employees' Retirement System, Ontario Municipal Employees Retirement System and British Columbia Investment Management Corp.

A representative for Blue Owl declined to comment. A Kuvare spokesperson referred to the firm's prior statement on the transaction. Representatives for the three pensions either declined to comment or didn't reply to requests for comment.

Packer, in the call with investors, said Blue Owl didn't have investment discretion over the purchasing accounts and it offered no first-loss guarantee or other backstop for the sale. He also said there are no tranches in which any of the buyers are senior or junior to others, according to the people.

The sale has been the subject of intense scrutiny and Packer acknowledged the firm had received many questions about it. The call, which included Blue Owl co-founder **Doug Ostrover** and **James Clarke**, global head of institutional capital, was set up to address them.

Packer said each position included in the sale, conducted at 99.7 cents on the dollar, was valued in mid-February following the firm's regular third-party valuation process. He added the transaction had no delayed settlement, a tactic buyers can use to capture additional discounts.

Later in the call, Packer said OBDC II will be left with a portfolio worth around $1 billion, with exposure to 183 companies and an average mark on the loans of roughly 96 cents. Non-accruals, a measure of soured loans on which the manager doesn't expect to collect payments in full, would be around 2.2%.

Chicago-based Kuvare, which has confirmed its participation in the deal, said in a statement last month that it rejected "a significant number of loan assets" and that the final portfolio excludes equity positions, any assets presenting concerns over financial performance or industry niche as well as those that it understood had been rejected by other purchasers.

Kuvare reviewed 117 portfolio companies as part of the process and rejected seven, according to a Blue Owl spokesperson. Through a representative, Kuvare said it disputes that characterization.

Blue Owl has said the portfolio sale, which included loans from 128 portfolio companies, will allow OBDC II to return 30% of investor capital by the end of March, and put it in a position to return 50% of capital by the end of this year. The two other funds funds that are part of the asset sale, OTIC and OBDC, will use proceeds to pay down debt.

(Updates with details on the loan sale in penultimate paragraph.)

xAI

Elon Musk pushes out more xAI founders as AI coding effort falters

Tesla and SpaceX managers sent in to review work as billionaire's start-up struggles to keep pace with rivals

Stephen Morris and **Cristina Criddle** in San Francisco

Published 2 HOURS AGO

Elon Musk has ordered another round of job cuts at xAI after growing frustrated with the poor performance of its coding product, forcing out several more co-founders and parachuting in "fixers" from SpaceX and Tesla to audit the start-up.

The latest overhaul of the two-year-old start-up follows the success of Anthropic and OpenAI, whose AI coding tools have shaken up the software industry, multiple people familiar with the decisions said.

Musk has dialled up the pressure after merging SpaceX with xAI in a $1.25bn deal, as he attempts to meet a June deadline for what could be the biggest stock market listing in history. The world's richest man has said his goals are to launch AI data centres into space, build factories on the Moon and colonise Mars.

Musk has relentlessly pushed the heavily lossmaking AI start-up to catch up with rivals, but so far its Grok chatbot and coding product have failed to gain traction with paying individual users or businesses.

"xAI was not built right first time around, so is being rebuilt from the foundations up," Musk posted on X on Thursday. "Same thing happened with Tesla."

SpaceX and Musk did not immediately reply to requests for comment.

Managers from SpaceX and Tesla have been seconded to review xAI employees' work and have fired some after deeming their efforts inadequate, said two people with direct knowledge of the matters.

One area of focus has been the quality of the data used to train the models, a key reason its coding product lagged behind Anthropic's Claude Code or OpenAI's Codex.

The review has pushed out two more co-founders. Zihang Dai, one of the most senior members of the technical staff, who had publicly acknowledged that xAI was behind on coding, departed this week.

Guodong Zhang, who had run pre-training of Grok models, told colleagues that he was leaving after being blamed for the issues with the coding product and relieved of his primary duties by Musk, two people familiar with the decision said. He confirmed that Thursday was his last day in a post on X.

After the departures, only Manuel Kroiss — known as "Makro" — and Ross Nordeen will remain of the 11 co-founders who helped Musk set up xAI in San Francisco in March 2023.

Last month, Musk criticised the coding team for falling behind in a town hall meeting that was posted online. He detailed a reorganisation after several other co-founders had been removed, including Greg Yang, Tony Wu and Jimmy Ba.

Toby Pohlen, a former DeepMind researcher, was put in charge of the "Macrohard" project to build digital agents that Musk said could replicate entire software companies. Musk said it was the "most important" drive at the company. The name is a "funny" reference to Microsoft, the billionaire added. Pohlen left 16 days later.

Musk has redeployed Ashok Elluswamy, head of AI software at Tesla, to reboot the Macrohard effort and review the work done previously. Musk said that Tesla and xAI would work together to develop a "digital Optimus" that would combine the car and robot maker's real-world AI expertise and Grok's large language models.

Staff complain that the constant upheaval is destroying morale and preventing xAI from achieving its potential.

Musk has built a vast data centre in Memphis with more than 200,000 specialised AI chips, which he plans to expand to 1mn GPUs over time. It also benefits from the data fed in by his social media network X, which was merged with xAI last year and now promotes the Grok chatbot.

Employees were sent a memo denying that there would be mass lay-offs on Wednesday, the people said. However, researchers continue to quit because of burnout from Musk's "extremely hardcore" work demands or after receiving better offers from rivals, multiple people familiar with the departures said.

The lay-offs and departures have left xAI with many roles to fill. Recruiters have been contacting unsuccessful candidates from previous interviews and assessments to offer them jobs, often on better financial terms, the people said.

"Many talented people over the past few years were declined an offer or even an interview at xAI. My apologies," Musk posted on Friday morning. He said he would be "going through the company interview history and reaching back out to promising candidates".

Musk still has the ability to recruit top Silicon Valley talent. This week, xAI poached two staff from popular AI coding app Cursor — Andrew Milich and Jason Ginsberg — to help improve the “Grok Code Fast” product.

Musk welcomed them in a post on Thursday, adding: “Orbital space centres and mass drivers on the Moon will be incredible.”

Follow the topics in this article

US companies

Technology sector

Artificial intelligence

xAI

Elon Musk

https://www.wsj.com/business/autos/teslas-grand-plan-for-the-future-is-a-car-with-no-steering-wheel-5e867137

BUSINESS • AUTOS

Tesla's Grand Plan for the Future Is a Car With No Steering Wheel

Musk's vision for Tesla rests on the fully driverless Cybercab, but regulations could stand in the way

By Becky Peterson Follow

March 12, 2026 5:30 am ET

A Tesla Cybercab on display at the Los Angeles Auto Show. DANIEL COLE/REUTERS

Quick Summary

- Tesla's new Cybercab, a vehicle without a steering wheel or pedals, rolled off its Austin production line last month.

View more

Tesla's TSLA **-3.14%** ▼ first new vehicle in years rolled off its Austin production line last month, swarmed by workers in hard hats and safety vests—the first, the company hopes, of potentially millions.

Tesla has celebrated moments like this before. But never with a car like this. It is called the Cybercab, and it doesn't have a steering wheel or pedals. When it begins mass production in April, as company officials claim, it will be a test of Tesla's make-or-break plan to move beyond being a traditional car company—and a test of U.S. safety regulations that were never meant for something like this.

The Cybercab is specially designed to be driven autonomously by Tesla's Full Self-Driving software. Tesla has said it would use the Cybercab for its driverless ride-hailing service and sell it to taxi fleet operators and everyday people, who will also one day have the option to add their personal vehicles to the company's ride-hailing app. Chief Executive Officer Elon Musk has said the vehicle could cost less than $30,000.

While Tesla has broken new ground with its electric vehicles before, selling a vehicle that lacks standard controls is without precedent in the auto industry. Musk has said that the Cybercab—and the wider deployment of its Full Self-Driving software—will be crucial to the company's planned shift to autonomous vehicles and humanoid robots.

Musk has prioritized the Cybercab over making new models and even canceled two of its cars as it seeks to become an artificial intelligence and robotics powerhouse. Competing with traditional carmakers like Volkswagen and China's BYD is no longer its business plan.

"There's no fallback mechanism here," Musk told investors in January. "Like this car either drives itself or it does not drive."

The Cybercab is designed to be driven autonomously by Tesla's Full Self-Driving software. JAY JANNER/ASSOCIATED PRESS

Morgan Stanley analyst Andrew Percoco doesn't expect Tesla to sell many of the Cybercabs produced over the next few years, but to instead use them in its own Robotaxi ride-share service.

"I think it's going to take time for buyers to get accustomed to buying a car without a steering wheel," Percoco said.

People familiar with the matter say that Tesla is designing the production line to make hundreds of Cybercabs a week. At its Giga Texas factory in Austin, the automaker has been staffing up and bringing in new machines to begin making the Cybercab in April. Musk has warned that initial production will be "agonizingly slow."

Cars on the assembly line at the Tesla Giga Texas facility. SUZANNE CORDEIRO/AGENCE FRANCE-PRESSE/GETTY IMAGES

Photos and videos posted from the factory on social media this week show Tesla loading more than a dozen Cybercabs onto transport trucks.

Tesla plans to use many of the vehicles itself as part of its Robotaxi ride-share service, which currently has limited operations.

But the company needs approval from the National Highway Traffic Safety Administration to sell the Cybercab, since it lacks a steering wheel, pedals and side mirrors. NHTSA grants exemptions to automakers to sell vehicles not fully in compliance with the rules but caps them at 2,500 cars a year.

Tesla hasn’t yet applied for an exemption on the Cybercab, a spokesman for NHTSA said. If it doesn’t get an exemption, the company has to certify that its vehicles still meet all of the federal vehicle safety standards.

If NHTSA finds the Cybercab isn’t in compliance with those standards, the agency could order Tesla to recall the vehicles and fix them. Were Tesla to refuse such an order, the company risks major fines, and NHTSA could file litigation against the company to enforce the order.

Tesla didn’t respond to a request for comment.

Other automakers and technology companies are also looking to accelerate deployment of fully autonomous vehicles on U.S. roads. Currently, driverless taxi fleets face a patchwork of state and local regulations; Musk has called this “incredibly painful” for the deployment of autonomous vehicles, and has pushed for a nationwide framework instead.

Musk has said that Tesla plans to manufacture two million Cybercabs annually, and proposed that it could have a material impact on Tesla’s financials by the end of 2026.

Tesla needs the Cybercab to sell well. While its energy and services businesses grew last year, it is still dependent on vehicle sales to fund the next stage of growth. Tesla’s automotive sales, which made up more than 73% of its revenue last year, fell 10% in 2025.

Meanwhile, some Wall Street analysts expect Tesla’s total sales to fall again in 2026 for the third year in a row.

Appeared in the March 13, 2026, print edition as 'Tesla’s Latest Has No Steering Wheel'.

Becky Peterson is a Pulitzer Prize-winning reporter for The Wall Street Journal, where she covers Tesla and Elon Musk from New York. She previously reported for the Information covering Musk’s greater empire, including rocket company SpaceX and AI startup xAI. She started her career at Business...

Follow

Videos

LAW360

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

UiPath Execs Hid Risks, Ditched $394M+ In Stock, Suit Alleges

By **Jarek Rutz**

Law360 (March 12, 2026, 6:51 PM EDT) -- A UiPath Inc. shareholder has filed a derivative lawsuit in Delaware Chancery Court accusing the company's top executives and directors of misleading investors about slowing growth and intensifying competition in the robotic process automation market while insiders sold hundreds of millions of dollars' worth of stock.

In a **complaint** unsealed Thursday, shareholder Scott Rudolph alleges that UiPath's leadership, including founder and CEO Daniel Dines and Chief Financial Officer Ashim Gupta, breached their fiduciary duties by concealing deteriorating business conditions and using misleading financial metrics to inflate the company's stock price between April 2021 and September 2022.

The suit claims that insiders took advantage of the allegedly inflated share price to unload stock for massive profits while the company itself repurchased shares at artificially high prices, harming the company and its shareholders.

"Despite the significant challenges facing UiPath during the relevant period, instead of properly disclosing that the company's growth was slowing and that it was facing increasing competition, the individual defendants engaged in various schemes and made false and misleading statements to hide UiPath's poor performance," the complaint states.

UiPath, a New York–based automation software company founded in 2005, develops robotic process automation technology that allows businesses to automate repetitive digital tasks. The company went public in April 2021 amid rapid growth in demand for automation tools, but the complaint alleges that by the time of the IPO, the company was already facing significant headwinds.

According to the filing, UiPath's growth began slowing amid an influx of new market players targeting UiPath's base of large enterprise customers and as major technology companies such as Microsoft expanded their own automation offerings. The complaint alleges that internal reports and board discussions warned executives about customer churn and mounting competition even as the company publicly downplayed those risks.

Rudolph contends that company leaders responded by emphasizing a financial metric known as "Annualized Renewal RunRate," or ARR, which the complaint claims made UiPath's performance appear stronger than it actually was. The filing alleges that ARR calculations included contract assumptions and one-time revenue that obscured declining demand and masked customer losses.

The lawsuit also points to alleged misrepresentations about the size of UiPath's potential market and the competitive threat posed by Microsoft and other software vendors offering lower-cost automation tools.

"Throughout the relevant period, the individual defendants made materially false and/or misleading statements, and failed to disclose material adverse facts about the company's business, operations, and prospects," the complaint says.

The filing details extensive alleged insider stock sales during the period in question. According to the complaint, several executives and directors collectively sold hundreds of millions of dollars' worth of shares while allegedly aware of undisclosed problems within the business. For example, Dines allegedly sold about 1.43 million shares for roughly $80 million, while director Philippe Botteri sold more than 5.5 million shares worth approximately $314 million.

The suit also alleges that the company spent about $43.7 million repurchasing more than 2.35 million shares during the period, which the plaintiff claims resulted in the company overpaying by more than $24.7 million because the stock price was artificially inflated.

The alleged misconduct began to surface in September 2022 when UiPath lowered its growth outlook and executives acknowledged sales challenges during an investor presentation. The company's share price fell more than 11% on Sept. 7, 2022, after the earnings release, and declined further following the investor event later that month.

Rudolph argues that because many of the alleged wrongdoers remain on the company's board and face potential liability, the board cannot impartially decide whether to pursue litigation itself, making a derivative lawsuit necessary on behalf of the company.

The suit seeks damages and other relief for UiPath, including compensation tied to alleged insider stock sales, corporate governance reforms and recovery of losses the company allegedly suffered as a result of the defendants' conduct.

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

Scott Rudolph is represented by Kurt M. Heyman and Gillian L. Andrews of Heyman Enerio Gattuso & Hirzel LLP.

UiPath Inc. and individual defendants are represented by S. Mark Hurd and C. Isaac Hopkin of Morris Nichols Arsht & Tunnell LLP.

The case is Scott Rudolph, derivatively on behalf of UiPath Inc. v. Daniel Dines et al., case number 2025-0835 in the Delaware Chancery Court.

--Editing by Amy French

LAW360

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

Cogent CEO's Stock Pledges Spark Derivative Suit

By **Emilie Ruscoe**

Law360 (March 12, 2026, 5:42 PM EDT) -- The CEO and board members of internet service provider Cogent Communications Holdings Inc. face shareholder derivative claims the CEO improperly collateralized his commercial real estate portfolio with his stake in the company, causing trading prices to plummet when he was forced to sell off those shares amid financial distress.

In a complaint filed Wednesday in Washington, D.C., federal court, Cogent investor James DeLosada pointed to Cogent CEO David Schaeffer and the seven additional members of the company's board with claims they'd failed to safeguard the company from risks tied to Schaeffer's use of his Cogent stock to help him buy 42 D.C. office buildings.

"Schaeffer's dual role, as Cogent's controlling founder-CEO on one hand and as a highly leveraged real estate developer whose personal solvency depended on the value of Cogent's stock on the other, created a structural and irreconcilable conflict of interest," DeLosada said in the complaint.

The investor claims the risks associated with Schaeffer's use of his Cogent stock materialized in 2025, as the newly-established Department of Government Efficiency, then helmed by tech billionaire Elon Musk, "launched an aggressive campaign to terminate federal office leases and reduce the federal government's real estate footprint."

According to the complaint, Schaeffer's real estate portfolio suffered secondary effects from DOGE's push to end federal leases.

At the time, the suit states, D.C. "office landlords were competing aggressively for tenants, offering concessions, and experiencing dramatic declines in achievable rents," and DeLosada pointed to Schaeffer's own acknowledgment that he'd seen his portfolio's vacancy rate rise to 35% amid that downturn.

Despite those warning signs for Schaeffer's real estate holdings, the investor claims, Cogent's board enabled the alleged misuse of Schaeffer's company stock.

Specifically, the investor says, the board's three-member audit committee said that Schaeffer didn't need to comply with the company's corporate policy against pledging company stock in ways that might create a conflict of interest.

DeLosada focused on the company's March 2025 proxy statement, in which the audit committee found that "there was not a material risk that [Schaeffer] could be forced to sell Cogent shares involuntarily."

By August 2025, the investor says, lenders JPMorgan Chase & Co. and Royal Bank of Canada seized Cogent shares Schaeffer had pledged as collateral, and Schaeffer was forced to surrender nearly all of his Cogent stake for distressed forced sales.

The investor claims those involuntary sales pushed down trading prices for Cogent stock by 50% in 2025, pointing out that its trading prices peaked at $79 in November 2024 but were trading at $18 by late February of this year.

The investor also accused the company of enabling Schaeffer's self-dealing in the lead up to that forced selloff in August 2025.

Specifically, the investor claims, between March 2025 and August 2025, Schaeffer sold off nearly 1.1 million Cogent shares — at the same time that the board authorized the company to spend nearly $16.6 million on buying back its own stock.

"The Board authorized repurchases provided artificial price support for Cogent's stock at the precise moment Schaeffer was selling into the market, allowing him to realize materially higher proceeds than he would have obtained without the company's concurrent buying activity," the investor alleged.

The complaint accuses all the individual defendants of breaching their fiduciary duties and brings unjust enrichment and insider trading claims against Schaeffer.

On Thursday, counsel for DeLosada declined to comment, and representatives for Cogent did not immediately respond to requests for comment.

Plaintiff James DeLosada is represented by Daniel S. Sommers, Laura H. Posner and Amy Miller of Cohen Milstein Sellers & Toll PLLC, Benjamin I. Sachs-Michaels, Robert V. Prongay and Pavithra Rajesh of Glancy Prongay Wolke & Rotter LLP, Thomas W. Elrod, Andrew M. McNeela and Lauren Molinaro of Kirby McInerney LLP and Howard G. Smith of the Law Offices Of Howard G. Smith.

Counsel information for the defendants wasn't immediately available Thursday.

The case is DeLosada v. Cogent Communications Holdings Inc. et al, case number 1:26-cv-00862, in the U.S. District Court for the District of Columbia.

--Editing by Alex Hubbard.

LAW360

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

PayPal Execs Hit With Derivative Suit Over 2027 Forecast

By **Sydney Price**

Law360 (March 12, 2026, 4:38 PM EDT) -- PayPal executives and directors were hit with a shareholder's derivative suit accusing them of damaging the company with comments about the strong growth trajectory for its branded checkout segment that the investor said turned out to be untrue.

According to **the suit** filed by shareholder Alberto Goncalves on Wednesday, PayPal told investors it was confident about growth acceleration in its branded checkout segment, which allows consumers to pay online merchants using its PayPal or Venmo platforms, without any reasonable basis for its optimistic targets.

For several months, PayPal dismissed concerns of competition in the payments sector, touted significant "market leadership" in Germany and repeatedly affirmed that PayPal was "laser-focused" on execution, the complaint said.

But the suit said PayPal's lofty goals for the segment did not account for the macroeconomic environment, which contained "substantial risks."

The suit's relevant period begins Feb. 25, 2025, the company's investor day, when PayPal executives said PayPal was "raising the bar on branded checkout" and that it had an "end-to-end plan to accelerate growth," according to the suit.

For the next several months, PayPal updated investors that it was seeing progress on its goals. In July 2025, for example, PayPal announced that it delivered its sixth consecutive quarter of profitable growth "despite the macro uncertainty," driven in part by branded experiences, the suit said.

The suit said the truth emerged in February when PayPal posted its fourth quarter and full-year 2025 financial results, telling investors "execution has not been where it needs to be, particularly in branded checkout."

PayPal withdrew its 2027 financial targets and announced projections that suggested a slowdown against the previous targets, the suit said.

"While part of this can be attributed to macro factors and a K-shaped economy, it's also clear that we need to do more to win with key merchants, particularly during high-volume shopping periods," the company told investors, according to the complaint.

On the same day, PayPal announced the departure of its CEO James Alexander Chriss.

Chriss, PayPal interim CEO Jamie S. Miller, Executive Vice Presidents Diego Scotti and Frank Keller and several directors are also named as defendants in the suit.

The complaint also said several of the individual defendants, including Chriss, Miller, Scotti and Keller, reaped combined personal proceeds of approximately $12.4 million during the relevant period by participating in improper insider trading.

The suit accused the individual defendants of breaching their fiduciary duties, unjust enrichment, gross mismanagement and wasting corporate assets.

The complaint notes that PayPal is also facing **a securities class action** based on related claims in the U.S. District Court for the Northern District of California.

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

Goncalves is represented by Robert C. Moest and Timothy Brown of The Brown Law Firm PC.

Counsel information for the defendants was not immediately available Thursday.

The case is Goncalves v. Chriss et al., case number 5:26-cv-02145, in the U.S. District Court for the Northern District of California.

--Editing by Stephen Berg.

LAW360

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

Trip.com, Execs Downplayed China Monopoly Risks, Suit Says

By **Katryna Perera**

Law360 (March 12, 2026, 2:12 PM EDT) -- One-stop travel service provider Trip.com and its executives "recklessly understated" to shareholders the risks of their business activities running afoul of China's antimonopoly laws, according to a new proposed class action in New York federal court.

Plaintiff Mohammed Adam Mikael Bin Mustapha De Wilde **filed a complaint** Wednesday against the travel company, its CEO Jane Jie Sun and its Chief Financial Officer Cindy Xiaofan Wang.

The suit is on behalf of a proposed class of individuals and entities that purchased or acquired publicly traded Trip.com securities between April 30, 2024, and Jan. 13, 2026.

According to the complaint, the defendants misleadingly told investors that Trip.com's business "could" be adversely affected by Chinese antimonopoly laws and understated the risk of regulatory enforcement facing the company.

The truth began to emerge Jan. 14, 2026, when Bloomberg published an article titled "China Starts Antitrust Probe of Trip.com Ahead of Travel Peak."

"The article stated that 'China is investigating [Trip.com] over alleged antitrust conduct, taking aim at the country's dominant online travel platform[.]' It further noted that the '[Chinese] State Administration for Market Regulation accused [Trip.com] of abusing its market position and engaging in monopolistic practices,'" the complaint said. "Further, it stated that '[t]he powerful agency, which in years past targeted online sector leaders including [Alibaba], didn't offer specifics in a one-line statement on its website. Trip.com said in a statement it will cooperate with the investigation.'"

Additionally, according to the complaint, the article noted that scrutiny over the travel sector from Chinese regulators had been growing for months and that several months prior, "Guizhou's market regulator summoned five online tourism platforms ... to a meeting to discuss potential antitrust concerns."

"In addition, [the article] stated that, '[i]n September, the market regulator in Zhengzhou summoned Trip.com for violations of rules against setting 'unfair restrictions' on merchants' transactions and prices,'" the complaint said.

De Wilde said on that news, the price of Trip.com's common stock fell by $12.90, or 17%, to close at $62.78 a share on Jan. 14, 2026. The next day, the stock price fell by $1.48, or 2.35%, to close at $61.30 a share on Jan. 15, 2026, according to the complaint.

The suit seeks damages, attorney fees and a jury trial.

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

De Wilde is represented by Phillip Kim and Laurence M. Rosen of The Rosen Law Firm PA.

Counsel information for the defendants was not immediately available Thursday.

The case is De Wilde v. Trip.com Group Ltd. et al., case number 1:26-cv-01420, in the U.S. District Court for the Eastern District of New York.

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

Epilepsy Drugmaker's Statements Insulated From Stock Suit

By **P.J. D'Annunzio**

Law360 (March 12, 2026, 5:10 PM EDT) -- A Pennsylvania federal judge has trimmed a shareholder class action against Marinus Pharmaceuticals alleging it misled investors about the probability of success of an epilepsy drug, ruling that certain statements made by company leadership were immunized by the Private Securities Litigation Reform Act.

U.S. District Judge John R. Padova's **ruling** Wednesday reduces class claims filed by lead plaintiff Scott Bishins alleging that **overly optimistic statements** about the drug ZTALMY, or ganaxolone, built up investor confidence, only for the company's stock value to plummet 83% after announcing it would cease enrollment for clinical trials of the drug.

Judge Padova wrote in his opinion that some of the statements made by Marinus, its CEO Scott Braunstein and Chief Medical Officer Joseph Hulihan pointed to by the class members as fraudulent were protected by the PSLRA's safe harbor provision, which protects speakers from liability for forward-looking statements with cautionary qualifiers.

Multiple statements made about Marinus "continuing to make investments" in the drug's expected success in its clinical trials, and the assessments of the financial health of the company qualified as immune, Judge Padova said.

Beyond granting immunity over those statements, however, Judge Padova allowed the bulk of the class claims to move forward.

One of those claims included that the company omitted information in its investor communications, such as in the alleged matter of clinical trial personnel informing the defendants that the data from an interim analysis of the drug could be "messy" despite optimistic messaging to investors.

The plaintiffs argued the U.S. Supreme Court's 2015 precedent in Omnicare v. Laborers District Council Construction Industry Pension Fund applied in this case. The high court had held that investors can sue over omissions related to statements of opinions "'if those facts conflict with what a reasonable investor would take from the [opinion] statement itself,'" according to Judge Padova, who agreed with the class members.

"We find that the alleged undisclosed facts concerning the information that senior Marinus employees provided to defendants regarding the power of the interim analysis and the messiness of the trial data are similar to the actionable omissions in the example discussed in Omnicare because this information came from very senior employees with knowledge of the subject matter of defendants' statements," Judge Padova said.

The court also declined to dismiss the class members' claims that the Marinus statements they relied on about commitment to completing clinical trials and optimistic appraisals of the future results as "puffery," as the defendants had argued.

Judge Padova said that those statements, "read in context, are not mere puffery, but explain the basis of the speaker's optimism and, may, at this stage of the litigation, be considered to be material."

Bishins' suit, filed in 2024, claimed the company painted an optimistic picture of ganaxolone's future while failing to tell investors that it didn't have the money to continue testing it. He claimed that the company later announced that it would cut costs on the project, and then stop clinical trials altogether, prompting losses for investors.

An attorney for the class declined to comment Thursday. Counsel for Marinus did not respond to a request for comment.

Bishins is represented by Jacob A. Goldberg and Phillip Kim of The Rosen Law Firm, and Brian Schall of The Schall Law Firm.

Marinus is represented by Craig E. TenBroeck, Caitlin B. Munley, Koji F. Fukumura, Elizabeth M. Wright, and Ryan A. Nelson of Cooley LLP.

The case is Bishins v. Marinus Pharmaceuticals Inc. et al., case number 2:24-cv-02430, in the U.S. District Court for the Eastern District of Pennsylvania.

--Editing by Adam LoBelia.

LAW360

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

Orthopedics Co. Investors See Merger Claims Trimmed

By **Emilie Ruscoe**

Law360 (March 12, 2026, 9:32 PM EDT) -- Orthofix Medical Inc. must face claims that it failed to tell investors that a company it was merging with recently settled class action discrimination allegations, but will not have to face some securities fraud allegations, a Texas federal judge has ruled.

In a Monday order in Texas federal court, U.S. District Judge Rodney Gilstrap said part of the investor suit against the orthopedics company must go forward because it was "clearly a misrepresentation" when Orthofix publicly shared documents stating SeaSpine Holdings Corp. hadn't settled any misconduct-related allegations in the past four years. However, the judge also dismissed certain securities fraud allegations, finding the suit failed to explain how the investors' alleged losses were tied to the purported wrongdoing.

Judge Gilstrap pointed out Monday that Orthofix's public filings showed SeaSpine, a medical technology company, stated in the parties' merger agreement that it hadn't settled any misconduct-related allegations in the past four years.

That four-year window included 2021, when, according to the complaint, SeaSpine settled discrimination claims brought on behalf of a class of 276 current and former female SeaSpine employees, Judge Gilstrap noted, declining to toss fraud claims premised on that alleged misstatement.

The latest version of the consolidated investor suit, from April 2025, alleges that after Orthofix announced its merger plans, it attested "to the absence of workplace misconduct at SeaSpine," but knew or should have known, following its merger due diligence, of circumstances amounting to a "hostile and discriminatory environment" at SeaSpine.

The complaint says investors were harmed after trading prices for Orthofix shares fell in September 2023 following Orthofix's announcement that it had terminated certain executives who previously led SeaSpine, for cause, following an investigation.

On Monday, Judge Gilstrap tossed other securities fraud claims brought under Section 10(b) of the Securities Exchange Act and SEC Rule 10b-5, finding the suit failed to show that the alleged fraud caused certain investor losses.

Specifically, the judge found that the decline in trading prices for Orthofix shares cited in the complaint didn't amount to a corrective disclosure, noting that the trading price drop came after the company announced the ouster of former SeaSpine CEO Keith Valentine, Chief Financial Officer John Bostjancic and General Counsel Patrick Keran, all of whom had taken leadership roles at Orthofix following the merger.

That termination announcement didn't "directly touch upon the material misstatement in the merger agreement" regarding the premerger misconduct settlement, Judge Gilstrap said.

Judge Gilstrap also tossed fraud claims stemming from several alleged misrepresentations other than the merger agreement settlement statement, finding the other alleged misstatements "are the sort of generalized positive statements that reasonable investors would not rely on" and thus inactionable.

The judge said the Orthofix investors leading the suit could amend the loss causation allegations since it wasn't yet certain that amending those claims would be futile, but added that the claims tied to the inactionable misstatements can't be amended.

The judge said some of the suit's claims premised on the alleged merger agreement misrepresentation about the discrimination settlement could remain in place, including claims brought under registration fraud provisions, prospectus fraud provisions and associated control person liability provisions of the Securities Act.

A representative for Orthofix told Law360 on Wednesday via email that the company doesn't comment on pending litigation.

Representatives for the investors and defendants didn't immediately respond to requests for comment.

The investors are represented by Steven J. Toll, Jan Messerschmidt, Christina D. Saler and Alexandra Gray of Cohen Milstein Sellers & Toll PLLC, William E. Davis III and Rudolph Fink IV of the Davis Firm PC, Adam E. Polk of Girard Sharp LLP and David W. Hall of the Hall Firm Ltd.

Defendants Orthofix Medical Inc., SeaSpine Holdings Corp. and associated individual defendants are represented by Jeffrey T. Scott, Julia A. Malkina and Jacob E. Cohen of Sullivan & Cromwell LLP and Samuel F. Baxter and Jennifer L. Truelove McKool Smith PC.

Defendants Patrick Keran, John Bostjancic and Keith Valentine are represented by Jennifer Doan, Darby V. Doan and Mariah L. Hornok of Haltom & Doan and Adrienne Ward, Kyle Bisceglie, Kerrin Klein and Giovanna Crivello of Olshan Frome Wolosky LLP.

The case is In re Orthofix Medical Inc Securities Litigation, case number 2:24-cv-00690, in the U.S. District Court for the Eastern District of Texas.

--Additional reporting by Katryna Perera. Editing by Drashti Mehta.

LAW360

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

Musk Banker Tells Jury Twitter Held Up Takeover Deal

By **Bonnie Eslinger**

Law360 (March 13, 2026, 12:03 AM EDT) -- An ex-Morgan Stanley banker who advised Elon Musk on his $44 billion Twitter acquisition testified Thursday in a trial seeking billions for investors claiming Musk tanked the social media company's stock to disrupt the takeover, saying Twitter was the one that obstructed the deal.

Anthony Armstrong, who now works for Musk's artificial intelligence company xAI, took the stand as a witness for Musk in the securities fraud class action. The investors who sued claim that weeks after inking the deal, Musk made misleading statements and threats to abandon the acquisition in order to depress the stock price and renegotiate a better deal. Musk's legal team began their defense on Monday and are expected to rest on Friday.

Armstrong testified that after the acquisition agreement was signed on April 25, 2022, Musk's plan was to close the Twitter merger quickly, and shortly after signing, Musk requested a sit-down with Twitter to start the information exchange and integration process.

A meeting was set for the afternoon of May 6, 2022, and that morning Armstrong said he emailed Twitter's lead investment banker on the deal with some discussion points, including a question about how Twitter had estimated that fewer than 5% of its "monetized daily active users" are false or spam accounts — an assertion Twitter had made in its financial filings with the U.S. Securities and Exchange Commission.

At that meeting, Musk told Twitter that he wanted the raw user data so he could work out the percentage on his own.

Three days later, with the data request unfulfilled, Armstrong said he emailed another banker on Twitter's Goldman Sachs team asking for the "users data dump."

A Twitter representative told him that the request is a high priority, and they were assembling the data, Armstrong said.

On May 11, Armstrong said he received an email saying the data was being uploaded and the next day he requested a Zoom call so he could see it. The information provided was a report on how the bot percentage was calculated but not the data files, Armstrong said.

"I was not happy," he told the jury. "This was not what they had agreed to provide."

Armstrong added that he felt there had been a "shift" in Twitter's cooperation, and it was headed in a bad direction.

"I've done this enough to know when business people are running a deal and when lawyers are running the deal," Armstrong said. "I looked at this, and I said something's going on. We've got lawyers involved."

A lawyer for the plaintiffs objected.

U.S. District Judge Charles R. Breyer told the jury to disregard Armstrong's comments concerning lawyers.

"They were no longer going to provide us the information that they had agreed to provide us," Armstrong said.

A lawyer for Musk, Alex Bergjans of Quinn Emanuel Urquhart & Sullivan LLP, asked Armstrong if he saw the stance "as a refusal to provide the information" and Armstrong said yes.

There are several statements at issue in the case that investors say were false or misleading. One is a May 13, 2022, tweet from Musk saying the deal was "temporarily on hold" pending details about data regarding the number of alleged fake Twitter accounts and another is a May 17, 2022, tweet stating fake and spam accounts make up at least 20% of Twitter's users.

On Thursday, Bergjans asked Armstrong if the data withheld by Twitter was a potential roadblock to finalizing the merger.

"Yeah, it was an obstacle to getting the deal done," Armstrong said. "If they weren't going to cooperate, it was going to make it much more challenging to get it done as fast as we wanted to get it done."

The data requested by Musk wasn't provided the next day at a meeting with Twitter representatives, and Armstrong said he began to doubt the 5% representation Twitter had made to the SEC.

"My mind very quickly went to why would you not provide this to us?" Armstrong told jurors. "What is it in this data that is concerning to you?"

Days later, an adviser guiding Musk on the deal, former Intel Corp. CEO Robert Swan sent Armstrong an email indicating that he'd talked to Musk and thought the path forward would be "completing the deal at lower price, if possible."

Armstrong said that was the first time he had heard of the idea.

A lawyer for the investors, Aaron Arnzen of Bottini & Bottini Inc., suggested to Armstrong on cross-examination that Musk could have asked for the data before April 20 when he signed a deal that waived due diligence.

"If Twitter didn't engage back, Mr. Musk could have just walked," Arnzen said.

Later, the lawyer for the investors asked Armstrong about his assertion that by May 12, Twitter was effectively refusing to provide information to Musk.

"They never said this is all you're going to ever get," Arnzen said.

Armstrong said not in those words, but that was the clear implication.

Although the plaintiffs had largely rested their case Monday, they called one expert out of order on Thursday due to a family concern. David Isaac Tabak, an economist with a doctorate from Harvard, testified about his analysis of market efficiency and loss causation for Twitter stock and options during the class period from May 13, 2022, to Oct. 4, 2022.

Under the theory of market efficiency, each individual class member doesn't have to show that they saw or relied on Musk's tweets when they sold their Twitter shares.

"Everyone is relying on the market price to reflect those tweets," Tabak said. "So we can do this for the class as a whole. We can come up with a formula, a number for each day to say how much sellers of Twitter stock were harmed if there's liability."

Tabak later went on to explain his out-of-pocket damages model if the jury finds that Musk is liable for his tweets.

When the class members sold their shares, it's the difference between the amount they received and what they would have received "if there had been no misrepresentation or no scheme," the economic expert said.

He showed the jury an example of a damages calculation for one of the plaintiffs, who sold 15,000 shares on July 11, 2022, days after Musk said he was terminating the Twitter deal. Tabak calculated the deflation at $7.96 per share, meaning nearly $120,000 in damages.

Twitter had approximately 796 million shares outstanding shortly before the start of the class period, with two-thirds of those owned by 1,100 institutions as of March 31, 2022, according to a court filing by the plaintiffs.

"On average, more than 60.6 million Twitter shares traded weekly throughout the class period," the investors stated in their motion for class certification. "From these facts, it is readily apparent that there are thousands of [class] members."

The plaintiffs have not provided a total damages calculation.

Twitter sued Musk in Delaware, which ended with him agreeing in October 2022 to close at the original $54.20-per-share price.

During **opening** statements on March 2, a lawyer for the investors told jurors Musk "trashed" Twitter "to drive the stock price down," while counsel for Musk said he was airing "legitimate" concerns about bots and fake accounts on the platform.

Musk testified over two days last week, telling jurors Twitter **lied** about the number of bots on the platform, but that he eventually paid the full $44 billion offer price because a Delaware Chancery judge overseeing litigation over the sale was "**extremely biased**" against him.

The **certified** class are investors who sold the publicly traded stock or call options, or purchased put options of Twitter, from May 13 through Oct. 4, 2022. The investors **claim** if they had been aware the market price was being manipulated by Musk's statements, they would not have sold their Twitter securities at the "artificially depressed prices" they did, or they would not have sold at all.

On Tuesday, Musk attorney Alex Spiro testified that a lead Twitter lawyer who said Spiro tried to renegotiate Musk's $44 billion deal to buy the social media platform was "**misremembering**," saying Twitter's counsel offered the discount and asked for legal waivers over the company's bot claims.

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, Stephanie Kelemen, Michael T. Lifrak and Phillip Jobe of Quinn Emanuel Urquhart & Sullivan 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 Dorothy Atkins and Katryna Perera. Editing by Michael Watanabe.

LAW360

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

Meta To Face Sanctions Bid Over Addiction MDL Privilege Log

By **Dorothy Atkins**

Law360 (March 12, 2026, 8:08 PM EDT) -- School district plaintiffs and attorneys general have told a California federal judge they plan to seek sanctions against Meta Platforms Inc. in the social media addiction multidistrict litigation for the tech giant's "extremely belated production" of over 73,841 documents downgraded off privilege logs, months after fact discovery closed.

The plaintiffs informed U.S. District Judge Yvonne Gonzalez Rogers of their plans to file the sanctions motion in a **joint case management statement** submitted Wednesday ahead of an upcoming March 18 hearing in the MDL, which is set to go to a **first bellwether trial** June 15.

The **consolidated MDL** includes personal injury plaintiffs, school districts, **attorneys general** and Native American **tribes**, all generally claiming that social media companies designed their platforms with addictive features to the detriment of minors' health and livelihoods, forcing schools and local governments to spend their limited resources combating the mental health crises allegedly caused by the addictive platforms.

In the joint filing Wednesday, the plaintiffs noted they are seeking an expedited briefing schedule on their anticipated sanctions motion in light of the upcoming first bellwether trial.

In particular, the plaintiffs said Meta produced 73,841 discovery documents between September and December, which was six months after the close of fact discovery in the MDL and nearly three months after expert reports were served.

As a result, the plaintiffs said they weren't able to question deposed witnesses about the new evidence, and their experts couldn't consider the newly produced documents to inform their opinions.

The plaintiffs noted that Meta's belated production not only shocked plaintiffs' counsel, but also Los Angeles County Superior Court Judge Carolyn B. Kuhl, who is presiding over parallel litigation pending in state court.

"While Meta may think that such productions are run of the mill, Judge Kuhl was stunned when she learned about them [in December], (stating 'Let me just say one word about that. That word is wow')," the plaintiffs argued in the filing. "Plaintiffs are stunned as well and seek appropriate relief."

The plaintiffs noted that after receiving the documents, they preserved their right to seek sanctions, and they have since reviewed them to determine whether the documents contained probative evidence.

"With that review now complete, plaintiffs can confirm that many of the documents contain information that is highly relevant to their claims," the plaintiffs said. "Further, many of the documents do not contain any privileged information."

The plaintiffs argued it appears that Meta's "years-long shielding of these documents on its privilege log" stemmed from a purported company-wide practice of marking any sensitive document "attorney-client privileged," regardless of whether privilege actually applies under the law, and "resulting in presumptive sequestration by Meta's outside counsel."

The plaintiffs told Judge Gonzalez Rogers that their sanctions motion will seek multiple forms of relief, including asking the court to admit all 73,841 documents as evidence and allowing plaintiffs' experts to consider and testify about the documents without requiring those experts to be deposed again.

The plaintiffs also want to be allowed to participate in any depositions noticed by other jurisdictions as a result of the privilege downgrades, they said, including 12 depositions already noticed by the Tennessee Attorney General's Office.

They additionally want Meta to hire a third party at its own expense to review a sample of 1,000 documents on Meta's current privilege log chosen by plaintiffs to ensure the privilege designations are legitimate, according to the brief. Meta should be required to hand over any document that the third party determines is not protected by privilege, the plaintiffs argued.

They also plan to ask the court to require Meta to produce again 206 documents that the company has clawed back after the close of fact discovery, and they want the court to find that Meta has waived any privilege assertion over documents it has already produced so it can no longer seek to claw back filings.

The plaintiffs plan to file their motion no later than March 31, and they said they are willing to forego a reply brief so the court can hear oral arguments on the motion during an upcoming April 14 hearing in the MDL. They noted they had reached out to Meta's counsel with their concerns and requested remedies last month, but on March 5, Meta refused to stipulate to them.

But in response, Meta argued in the brief Wednesday that the privilege downgrades were the result of a "voluntary, good-faith re-review of its privilege log," and the re-review "does not warrant the extraordinary range of measures and relief" that plaintiffs plan to seek.

Regardless, Meta said, any dispute should be first resolved by U.S. Magistrate Judge Peter Kang, who has presided over discovery proceedings in the MDL. But the plaintiffs "have not even come close" to satisfying Judge Kang's prerequisites to raising a discovery dispute before the court, Meta argued.

Meta also noted that during litigation, it produced more than 2.4 million documents and only withheld roughly 132,000 documents, or 6%, on grounds of privilege, and its recent production and privilege review was done on Meta's own proactive initiative.

"In total, Meta produced roughly 65,000 downgraded documents (60,000 excluding duplicates) through this re-review," Meta argued in the brief. "Those documents account for a small fraction of Meta's total document production in this litigation, and cover the same topics and issues found throughout Meta's production."

Meta added that plaintiffs' counsel in the first state bellwether trial, which **began in February** and closes this week, have not used a single downgraded document, and Judge Kuhl had commended Meta's counsel for fulfilling their obligations to make sure the claims of privilege were proper.

A Meta spokesperson said in a statement Thursday that although the plaintiffs frame their request as a motion for sanctions, five of their six requests are fundamentally regarding discovery and privilege disputes, which Judge Kang should decide in the first instance.

The spokesperson added that the documents Meta produced were a small portion of documents it already produced and didn't include substantially new information. Meta also offered to consider reopening depositions in light of the document production, but the plaintiffs never made a timely request, Meta said.

Counsel for the plaintiffs didn't immediately respond to requests for comment on the dispute on Thursday.

Aside from addressing the anticipated sanctions motion, Meta also asked the court Wednesday to order the plaintiffs to identify claimants in the MDL who may have filed **duplicative arbitration demands** and to bar the plaintiffs from filing new arbitration demands until a process is established to identify and resolve conflicting representations.

But plaintiffs' counsel in the brief slammed Meta's request as "plainly an effort to manufacture a basis for this court to exercise authority over pending and future arbitrations," and to force plaintiffs to pursue their claims in court, which the **court already indicated** it can't do.

The plaintiffs added that Meta's allegations are "vastly overstated," and Meta identified only 22 purported cases and arbitration overlaps out of more than 177,000 claimants represented by arbitration counsel, or approximately 0.012%.

The hearing on March 18 is scheduled for 11 a.m. in Oakland, California.

The states are represented by their respective attorneys general, Megan O'Neill, Nicklas A. Akers, Bernard Eskandari, Emily Kalanithi, Nayha Arora, Joshua Olszewski-Jubelirer, Marissa Roy and Brendan Ruddy of the California Department of Justice, Krista Batchelder, Shannon Stevenson and Elizabeth Orem of the Colorado Department of Law, and others.

The personal injury plaintiffs and school district plaintiffs are represented by co-lead counsel Lexi J. Hazam of Lieff Cabraser Heimann & Bernstein LLP, Previn Warren of Motley Rice LLC, Christopher A. Seeger of Seeger Weiss LLP, and liaison counsel Jennie Lee Anderson of Andrus Anderson LLP, among others.

Meta is represented by James P. Rouhandeh, Antonio J. Perez-Marques, Caroline Stern and Corey M. Meyer of Davis Polk & Wardwell LLP, and Ashley M. Simonsen, Phyllis A. Jones, Paul W. Schmidt and Christian James Pistilli of Covington & Burling LLP.

TikTok is represented by Geoffrey M. Drake, TaCara D. Harris, David P. Mattern and Bailey J. Langner of King & Spalding LLP.

Snap is represented by Jonathan H. Blavin, E. Martin Estrada, L. Ashley Aull and Victoria A. Degtyareva of Munger Tolles & Olson LLP, and Allison M. Brown, Jessica Davidson and John J. Nolan of Kirkland & Ellis LLP.

YouTube LLC and Google LLC are represented by Brian M. Willen, Lauren Gallo White, Samantha A. Machock, Christopher Chiou and Matthew K. Donohue of Wilson Sonsini Goodrich & Rosati PC, Joseph G. Petrosinelli and Ashley W. Hardin of Williams & Connolly LLP, Yardena R. Zwang-Weissman, Brian Ercole and Stephanie Schuster of Morgan Lewis & Bockius LLP.

The federal bellwether case is Breathitt County School District by and through the Breathitt County Board of Education v. Meta Platforms Inc. et al., case number 4:23-cv-01804, and the MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, both in the U.S. District Court for the Northern District of California.

The state bellwether case is P.F. et al. v. Meta Platforms Inc. et al., case number 23SMCV03371, and the Judicial Council Coordination Proceedings case is Social Media Cases, case number JCCP5255 and lead case number 22STCV21355, all in the Superior Court of the State of California, County of Los Angeles.

--Additional reporting by Jonathan Capriel, Hailey Konnath and Craig Clough. Editing by Lakshna Mehta.

LAW360

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

Social Media 'Lions' Hunted Plaintiff Like Gazelle, Jury Told

By **Craig Clough**

Law360 (March 12, 2026, 11:30 PM EDT) -- The plaintiff's attorney in a bellwether trial accusing Meta Platforms Inc. and Google LLC of harming children's mental health encouraged a California jury during closing arguments Thursday not to buy the defendants' focus on his client's difficult childhood, saying it only weakened her to their social media "addiction machine" like a vulnerable gazelle being hunted by lions.

Meta and Google argued throughout the trial that the **mental health struggles** of **the plaintiff** known in court as Kaley G.M., now 20, cannot be connected to social media and are more likely attributed to an abusive mother, a distant father, her sister's own mental struggles and bullying she suffered, among other things.

But Mark Lanier of The Lanier Firm, who represents Kaley, told the jury those childhood challenges only prove his case more because of the academic studies and internal documents from Meta and Google that he argued found children who suffered adverse childhood events like Kaley make them more vulnerable to suffer harms through problematic or addictive use of social media.

Speaking to the jury, Lanier called to mind African wildlife programs broadcast on TV.

"They show the Serengeti and the lions figuring out the gazelle herd, and that lions will go after the gazelles — but they never go after the strongest, and they never go after the boldest," he said. "They find the one that they think is weaker, it's more vulnerable, and that's the one that they get."

Lanier said there are vulnerable people in the world like this client who come from a split home, or have a learning disability. "Do we try to help them, lend them a hand, or do we prey upon them and see them as an opportunity?" he said. "And I think that that's what we've got in this case."

The landmark trial is the first of thousands filed in Los Angeles Superior Court to go to trial and has received significant attention from around the world, as its outcome could indicate if the big social media companies have a significant problem on their hands or can convince jurors their platforms are not addictive and dangerous for kids.

Lanier did not suggest a dollar amount to award his client on her claims that the company was negligent in designing the social media platforms and failed to warn her or her parents of its dangerous features, but he told the jury to ask themselves, "What is a lost childhood worth?"

He further reminded them that a witness they saw on a video deposition, Nick Clegg, made about $50 million at Meta for just a few years of work.

The jury is being asked to decide whether Kaley is owed compensatory damages because the defendants' conduct was a substantial factor in causing her harm, and whether they should face punitive damages. If the jury does find one or both defendants should face punitive damages, a second phase of the proceedings will follow regarding Meta's Instagram platform and Google's YouTube.

Lanier argued during the trial that Kaley was diagnosed as a child with anxiety, depression and body dysmorphia, and that her addiction to social media at a minimum made those problems worse. He said he's not trying to prove social media was the sole cause, just a substantial factor, and used some props to highlight his point.

He held up a cupcake and then a tortilla, and said the main difference between ingredients in the two comes down to a leavening agent to make dough rise. Holding up a can of baking powder, he said it only takes a small amount in a recipe to work as a leavener, likening it to a social media addiction that amplified Kaley's mental struggles.

He highlighted for the jury two internal company documents, one from Meta and one from YouTube, that he argued proved the companies knew kids with preexisting mental health struggles were more likely to be harmed by problematic use of social media. Both documents included diagrams that work like flow charts, showing how one factor such as a lack of sleep leads to other negative outcomes.

"This is their document," Lanier said of an internal YouTube document finding some academic research concluded that "excessive video watching is related to addiction." "They give the addiction cycle. They give the dopamine. This is their document. This is what they know."

Lanier also displayed an internal Meta document that he said showed the company's knowledge that researchers found problematic social media use can create a "feedback loop" of negative outcomes for users, especially in teen girls.

The document "shows that social media contributes to the harms, to the harms of people who are already vulnerable," Lanier said. "That's what it does. It's not remote, it's not trivial, it's not a rounding error. Now, it doesn't have to be the only cause."

After a trial of more than a month, there was a lot of evidence to sum up, and closing arguments took the entire day. The jury is expected to begin deliberating Friday morning.

The jury heard from competing experts and differing views of **medical health professionals** and were told of some studies that found social media addiction **is a real thing** and other studies that did not reach that conclusion. They also **heard from experts** who gave **differing views** of Kaley, some who concluded a social media addiction contributed to her mental health struggles and others who did not.

The jury also heard from some **whistleblowers at the companies** who said they did not do enough to stop kids from getting addicted to their platforms, but also heard from top company executives, including Meta CEO **Mark Zuckerberg**, Instgram CEO **Adam Mosseri** and a **vice president from YouTube**, who told jurors that children's safety is always a top concern and that the platforms are constantly being modified based on the latest data to make them safer.

Paul W. Schmidt of Covington & Burling LLP, who represents Meta, recapped all of these issues and said the jury should focus on the evidence that social media addiction isn't real and that the companies were always working to make their platforms safe. He also focused a good portion on all the difficult events of Kaley's childhood, which included Kaley alleging her mother hit her and called her names when she was little.

He also said the evidence shows that Kaley told mental health professionals and made multiple posts on Instagram that her mother was the primary source of her problems, but told the jurors during her testimony that she was just being a dramatic kid seeking attention at the time.

Kaley told the jurors it was all "overstated" but now asks the jurors to "believe her when she says it was all social media," Schmidt said.

Schmidt also played a short video Kaley recorded when she was a child of her mother screaming and swearing at her.

"I find these really tough," he said.

Schmidt also noted that Kaley's attorneys never **called her mother** to the witness stand despite the fact that she "loomed over this trial."

"True, we could have called her, but they chose not to call her, someone who is central to this case," Schmidt said.

Throughout the trial, Meta's attorneys dedicated a good part of its defense on Kaley's childhood experiences, while YouTube's attorneys took a narrower approach and generally focused on the specific evidence against the company, and this was the case on Thursday.

Luis Li of Wilson Sonsini Goodrich & Rosati PC, who represents Google and YouTube, told the jury that in 10,000 pages of Kaley's medical records, there is no mention of YouTube in a negative way or an addiction to YouTube, and that YouTube was not even a defendant in the original complaint.

Li told the jury that the available data on Kaley's YouTube use over five years after 2020 came to just under an average of an hour a day, with about half being just music.

"There is a reason that Ms. Kaley said twice under oath that she has no claims against YouTube," Li said. "She is not addicted to YouTube."

Google, Meta, and the companies behind TikTok and Snapchat are accused of purposely inducing young people to compulsively use the platforms through addictive features, such as infinite scroll, autoplay, notifications and reward systems. While the first bellwether trial is focused on Kaley's claims, the outcome of the consolidated cases poses billions of dollars in risk for the companies.

TikTok Inc. and Snap Inc. recently settled with Kaley, but the settlement did not resolve other consolidated personal injury cases in the Judicial Council Coordination Proceedings pending before Los Angeles Superior Court Judge Carolyn B. Kuhl.

Pretrial rulings by Judge Kuhl reduced the litigation to claims that the platforms' features are addictive, not the third-party content users post. The companies are facing failure-to-warn claims, alongside negligence and concealment.

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

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

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

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

--Editing by Brian Baresch.

LAW360

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

Tom's Toothpaste Trims Class Action Over Lead Levels

By **Jonathan Capriel**

Law360 (March 12, 2026, 9:20 PM EDT) -- Tom's of Maine can't beat back proposed class claims it allowed heavy metals to taint its children's toothpaste, a New York federal judge ruled Wednesday, finding that the parent behind the suit adequately claimed the company falsely marketed the products as "safe" and "healthy."

U.S. District Judge Orelia E. Merchant's **order** halved the four-count proposed class action, allowing lead plaintiff Douglas White to move forward with claims the companies violated New York state law and negligence per se, while dismissing the other claims.

Tom's of Maine's motion to dismiss disputed White's standing to bring the case, arguing that his complaint failed to claim that the concentrations of lead and arsenic discovered "pose any material safety risk or rendered the toothpastes unsafe, unusable, or worthless."

But Judge Merchant said the bar is set pretty low to prove an injury at this stage of the litigation and White easily cleared it.

"Plaintiff alleges that if he knew the truth about the content of lead and arsenic in the products, he would have paid less for them or not paid for them at all," the judge said. "Plaintiff also alleges that the products are marketed as 'healthy toothpastes for kids' and do not include any indication of lead or arsenic on the label. As a result, plaintiff has alleged that he paid more for the products than he otherwise would have as a result of the alleged deceptive marketing that the products were healthy for kids."

White, a resident of Staten Island, **claimed** that Tom's of Maine improperly, deceptively and misleadingly labeled and marketed the kids toothpaste by not disclosing the presence of the neurotoxins, according to the amended complaint. Colgate-Palmolive Co., Tom's of Maine's parent company, was initially named as a defendant, but White voluntarily dismissed those claims without prejudice last year.

This was the first of at least **two lawsuits** filed last year that accused toothpaste makers of allowing heavy metals in their product. An earlier suit, filed in the Southern District of New York, makes similar claims against Colgate-Palmolive over toothpaste specifically made for children.

Both suits lean on third-party laboratory testing paid for by Lead Safe Mama LLC, a consumer safety organization, White's complaint says. The results showed that Tom's Kid's Natural Fluoride-Free Toothpaste Silly Strawberry, a child-focused flavor, had lead at 455 parts per billion and arsenic at 64 ppb.

In White's case, Tom's additionally argued that his claims were preempted by a provision of the Food, Drug, and Cosmetic Act that prohibits states from imposing any "requirement for labeling or packaging of a cosmetic that is different from or in addition to" federal requirements.

But Judge Merchant disagreed that White's state law claims were stepping on federal regulatory authority. Rather, his claim that the products were misrepresented as safe "parallels the FDCA and seeks to impose a requirement that defendant not label the products in a false or misleading way."

White's dismissed claims dealt with his allegation that Tom's did not note that lead and arsenic were in the toothpaste. Technically, White is leaning on federal requirements that all "ingredients" be named on a package, the judge said. The problem is that White claims that the lead and arsenic are in fact contaminates that don't belong in the toothpaste, the judge said.

"Plaintiff also has not alleged that lead or arsenic have any 'technical or functional effect' in the product and confirms that he does not concede that the lead or arsenic are 'incidental ingredients,'" the judge said. "Consequently, plaintiff fails to allege that lead and arsenic are 'ingredients' and, thus, plaintiff has not plausibly alleged that defendant is required, under the FDCA, to include lead or arsenic in the products' labels."

Douglas White is represented by Philip J. Furia of Furia Law LLC and Jason P. Sultzer of Sultzer & Lipari PLLC.

Tom's of Maine is represented by Glenn S. Kerner and Nilda M. Isidro of Greenberg Traurig LLP.

The case is White v. Tom's of Maine Inc., case number 1:25-cv-00662, in the U.S. District Court for the Eastern District of New York.

–Additional reporting by Rae Ann Varona. Editing by Michael Watanabe.
