News from Bloomberg Terminal

Palantir Investor Appeal Hinges on $2.2 Billion in Insider Sales

March 16, 2026, 10:44 AM PDT

Summary by Bloomberg AI

AI Generated

- The US Court of Appeals for the Tenth Circuit is considering whether Palantir Technologies Inc. must face shareholder class allegations that it misrepresented its growth trajectory surrounding its market debut.
- The allegations center on billions in stock sales by high-profile executives and board members, with the investors arguing that these sales suggest the executives knew the company's growth was unsustainable.
- The case turns on whether the investors have adequately pleaded the level of intent or recklessness by top executives to defraud investors, with the court questioning whether the allegations are strong enough to support an inference of conscious misbehavior.

By Gillian R. Brassil

(Bloomberg Law) --

Whether Palantir Technologies Inc. must return to federal court to fight shareholder class allegations that the data analytics firm misrepresented its growth trajectory surrounding its market debut will likely turn on billions in stock sales by high-profile executives and board members.

Oral arguments in the US Court of Appeals for the Tenth Circuit on Monday drew the $2.2 billion worth of sales by insiders into the centerfold of the investors' appeal, with judges questioning whether the allegations were strong enough to tell who knew what before transactions were made.

The investors, the California Public Employees' Retirement System and Shijun Liu, are appealing the dismissal of their proposed class action by a federal judge who found that they inadequately pleaded the level of intent or recklessness by top brass to defraud investors. Stock sales were the strongest of the investors' allegations in pleading an inference of conscious misbehavior—scienter—but weren't suspicious in context, the US District Court for the District of Colorado judge had said.

The stock sales far exceeded, in amount and percentage of the insiders' holdings, those in another case this circuit deemed boosted a scienter pleading, said Luke O. Brooks of Robbins Geller Rudman & Dowd LLP who represents the investors. Ninety-five percent of the sales were made before the first negative piece of information about the alleged fraud came out. CEO Alex Karp himself unloaded more than $1 billion in stock during class period.

Up against an expiration date and looking to cash out at lucrative prices, executives orchestrated a pump-and-dump scheme surrounding Palantir's direct listing, in which existing shares are sold directly to the public rather than through an initial public offering, by overhyping its growth trajectory, Brooks said.

After the direct listing, they kept up the appearance of growth through transactions with doomed blank-check companies and manipulating metrics, the investors said. The proposed class action targeted Palantir and executives and board members, among them co-founder, chairman, and billionaire venture capitalist Peter Thiel.

Circuit Judge Richard E. N. Federico asked whether this was the investors' strongest scienter pleading and raised concerns of group pleading, in which it might not be clear who knew what before stock sales. Judge David M. Ebel followed up, wondering if executives would've known about the implementation of this alleged special purpose acquisition company—SPAC—deal strategy.

The pleadings do identify who the executives were and their knowledge of the SPAC strategy, Brooks said.

The theory of their case fails because Palantir has seen enormous growth, said Boris Feldman of Freshfields US LLP who represents Palantir and the executives. They allege that insiders exploited unsustainable growth and cashed out because they knew Palantir was running out of steam, but that's simply not the case.

The complaint lacks traditional elements of pleading scienter, Feldman said, like former employees' confidential testimony or a financial restatement of the SPAC deals. The SPAC deals generated a minuscule amount of revenue for Palantir.

Regarding stock sales, it's about suspicious timing rather than the wealth, he said. Palantir over the years has been able to generate a lot of money for investors, and the executives were entitled to make some money too.

Judge Allison H. Eid, who also sat on the panel, didn't ask any questions.

Lower Court Dismissal

District Judge Gordon P. Gallagher dismissed the proposed class action last year, saying the investors didn't adequately allege the necessary level of intent or recklessness for securities fraud. They also failed to plead they purchased any shares traceable to the direct listing paperwork. The investors opted not to challenge related claims' dismissals on appeal.

Thiel and other Palantir board members and founders beat back similar insider trading allegations in a shareholder derivative lawsuit in Delaware's Court of Chancery last year.

Robbins Geller, Freshfields, and Palantir didn't immediately respond to emails offering the ability comment on the arguments, sent before they began.

The case is *Calif. Pub. Emps. Ret. Sys. v. Palantir Techs. Inc.*, 10th Cir., No. 25-01178, oral arguments 3/16/26.

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Lawyers beat fee challenge in 'flushable wipes' class action

reuters.com/legal/government/lawyers-beat-fee-challenge-flushable-wipes-class-action-2026-03-13

Mike Scarcella March 13, 2026

A worker arrives at his office in the Canary Wharf business district in London February 26, 2014. REUTERS/Eddie Keogh/File Photo Purchase Licensing Rights, opens new tab

- Kimberly-Clark Corp
- Robbins Geller Rudman & Dowd LLP

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 , opens new tab 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.
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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

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AI-Related Securities Suit Filed Against Israeli Software Company

dandodiary.com/2026/03/articles/artificial-intelligence/ai-related-securities-suit-filed-against-israeli-software-company

Kevin LaCroix March 15, 2026

Among the challenges companies face as they incorporate AI into their business strategies is accurately projecting the impact the AI-based approach will have on their business and financial results. Business outcomes may fall short of expectations to the disappointment of investors, which in turn can lead to securities litigation. In the latest example of this phenomenon, investors sued the Israeli-based software company Monday.com after it adjusted its earnings guidance as its AI-based strategy unfolded differently than the company had projected. A copy of the March 10, 2026, complaint against the company can be found here.

Background

Monday is a software company whose products allow the company's customers to develop work management applications. The complaint alleges that during the class period, the company portrayed its business as having a growth trajectory, projecting a 2027 revenue target of $1.8 billion. The company's statements, the complaint alleges, projected "confidence in Monday's ability to capitalize on its growth potential through AI product innovation and enterprise expansion." The complaint alleges that during the class period, the company reiterated its "bold projection" regarding "enterprise customer growth, its multiproduct and AI-powered platform, and international expansion."

On February 9, 2026, the company released its fourth quarter and full year 2025 results. Among other things, the company at that time announced a weaker outlook for the Company's 2026 guidance and a strategic shift away from its long-term 2027 revenue target of $1.8 billion. The company's share price declined in response to this development.

The Lawsuit

On March 10, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Southern District of New York against the company and certain of its investors. The complaint purports to be filed on behalf of investors who purchased the company's securities between September 17, 2025, and February 6, 2026.

The complaint alleges that during the class period the defendants "created the false impression that they possessed reliable information pertaining to the Company's long-term growth outlook through various AI investments and remained confident in its projection of $1.8 billion full year 2027 revenue target while also minimizing signs of slowing customer growth and lengthening enterprise sales cycles." In truth, the complaint alleges, the company's "portrayal of its AI investments as a durable growth driver to its long-term growth was uncertain thereby putting the 2027 revenue target at risk."

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

Discussion

The advent of AI presents significant opportunities for many companies. Unfortunately for many companies, the adoption of AI-based strategies includes a measure of unpredictability. In this case, the company found that the early success of its AI-based strategy did not, as the company had initially assumed, accurately project the company's likely future results, as the AI strategy unfolded differently than the early results had suggested.

This case represents an example of one of the categories of AI-related cases that have arisen over the recent past. This case is an example of an "AI washing" type case, as it involves allegations that the company overstated its AI-related prospects or capabilities. It is important to note that while this case does involve AI-related allegations, therefore making this an AI-related case, the allegations in this case otherwise are unremarkable. There have long been cases filed in which companies' share prices declined after the company withdrew or reduced its long-term financial guidance. In that respect, even though this case unquestionably is AI-related, it is otherwise something of a garden variety securities suit.

It is worth noting that what seems to have caused the problems for this company is that it was stating and re-confirming very long-term financial guidance – that is, it was providing a 2027 revenue projection in late 2025. There are a lot of ways a long-term projection like that can go wrong. It could be argued that this company got sued not because of its AI-based business strategy, but because it was putting out "way over the horizon" financial projections, a disclosure approach that can go wrong even without problems associated with the unpredictability of AI.

In any event, it is also worth noting that, according to my count, this case is the fifth AI-related securities suit to be filed this year. It seems increasingly likely that AI-related securities litigation will be a significant part of the overall volume of securities lawsuit filings in 2026

Securities

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Stellantis Beats Investor Suit Alleging Channel Stuffing Scheme

March 16, 2026, 8:14 AM PDT

Summary by Bloomberg AI

AI Generated

- Stellantis NV and two former executives defeated shareholder allegations that the car maker over-sent inventory to US dealers to inflate profit margins.
- Judge Valerie Caproni said most of the challenged statements weren't actionable for a securities fraud claim because they were mere corporate puffery, forward-looking, or irrelevant to the allegations.
- The public pension fund failed to adequately allege the requisite level of intent or recklessness to defraud by then-CEO Carlos Tavares and then-chief financial officer Natalie Knight, leading to the case being closed.

Stellantis NV and two former executives defeated shareholder allegations the car maker over-sent inventory to US dealers to inflate profit margins.

Most of the challenged statements weren't actionable for a securities fraud claim because they were mere corporate puffery, forward-looking, or irrelevant to the allegations, Judge Valerie Caproni said. Regardless, the public pension fund leading the proposed class action failed to adequately allege the requisite level of intent or recklessness to defraud by then-CEO Carlos Tavares and then-chief financial officer Natalie Knight.

Even if the inventory structure was unusual and intended to jack up the company's margins, "all that would mean is that Defendants engaged in channel stuffing." Channel stuffing isn't necessarily fraudulent, the US District Court for the Southern District of New York judge said, ordering the case be closed March 13.

Former employees and dealerships told Stellantis' management about inventory and pricing issues while they carried out this channel stuffing scheme, the Boston Retirement System alleged.

"Although these allegations suggest that Defendants were aware that their pricing and inventory strategies were controversial and even risky, there is no reason to believe that Defendants' decision not to heed the dealers' and former employees' warnings or otherwise adjust prices or inventory was rooted in anything more than strategic miscalculation," Caproni said.

The pension fund didn't allege Knight or Tavares were motivated to defraud investors, such as by attempting to boost the stock price to sell shares at more lucrative levels, Caproni said. The complaint merely said Tavares' 2023 compensation package was closely tied to the company's share price, but that's insufficient to support an inference of motive. And paradoxically, she said, the complaint said Stellantis engaged in significant stock buybacks during this time period.

"Presumably, if Defendants knew that they had temporarily inflated Stellantis's share price to artificially high levels, the last thing they would want to do is buy *more* of the overpriced stock," Caproni said.

Only a few statements attributing Stellantis' profitability to factors excluding channel stuffing were "even arguably actionable," but without a sufficient pleading of intent or recklessness, Caproni didn't need to address whether they were misleading, she said.

Inflated inventory and pricing grew unsustainable, with the stock price taking hits following disappointing financial news in 2024, the suit said. Both executives left their roles that year.

Bernstein Litowitz Berger & Grossmann LLP represents the pension fund. Freshfields US LLP represents Stellantis and the executives. Neither of these firms nor Stellantis immediately responded to emails seeking comment.

The case is Long v. Stellantis N.V. , S.D.N.Y., No. 1:24-cv-06196, dismissed 3/13/26 .

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Stellantis wins dismissal of shareholder lawsuit in US over 'channel stuffing'

reuters.com/sustainability/boards-policy-regulation/stellantis-wins-dismissal-shareholder-lawsuit-us-over-channel-stuffing-2026-03-13

Reuters March 13, 2026

Stellantis logo is pictured at one of its assembly plants following a company's announcement saying it will pause production there, in Toluca, state of Mexico, Mexico April 4, 2025.... Purchase Licensing Rights, opens new tab Read more

NEW YORK, March 13 (Reuters) - A U.S. judge on Friday dismissed a lawsuit accusing the automaker Stellantis (STLAM.MI) , opens new tab of defrauding shareholders by failing to disclose how it overloaded retailers with excessive inventory, known as channel stuffing, leading to short-term sales increases and long-term sales declines.
Stellantis, whose many brands include Chrysler, Dodge, Fiat, Jeep and Peugeot, was accused in the proposed class action of making false and misleading statements about its pricing power, inventory and margins in light of the channel stuffing, inflating its share price.

U.S. District Judge Valerie Caproni in Manhattan concluded, however, that shareholders did not demonstrate a strong inference that Stellantis was motivated to defraud them, or offer strong circumstantial evidence of conscious misbehavior or recklessness.

Reporting by Jonathan Stempel in New York; Editing by Chris Reese

Securities

C3.ai Investors Advance Claims Over Revenue Accounting for IPO

March 13, 2026, 10:49 AM PDT

C3.ai Inc. must face investor claims that it misrepresented revenue from its sales partnership with oil field contractor Baker Hughes in the registration statement for its initial public offering, a federal court ruled.

But the artificial intelligence software company is free of securities fraud claims stemming from sales-related statements after it went public, Judge Haywood S. Gilliam Jr. said Thursday for the US District Court for the Northern District of California. And the investors can't proceed with pre-IPO claims against Baker Hughes itself as a minority shareholder that allegedly controlled C3.ai's actions because they brought the energy-industry company into the proposed class action too late, Gilliam said.

The decision echoes one Gilliam wrote in February 2024 in the case, addressing a previous version of the complaint in which the investors withdrew the registration statement claim against Baker Hughes. A parallel shareholder derivative suit, also overseen by Gilliam, is on pause.

The investors allege that C3.ai wasn't profitable at the time of its IPO in December 2020, through December 2021, and that the company's registration statement with the Securities and Exchange Commission contained misleading statements recognizing revenue brought in by Baker Hughes—"the exclusive seller" for C3.ai's products within the oil and gas industry.

Gilliam rejected a defense argument that an appellate precedent on hearsay blocked the investors' use of a former employee's account of sales meetings. This case can be distinguished, he said. The former employee's statements don't "amount to conclusions or opinions about whether, based on 'gossip' or 'hearsay,' the Baker Hughes partnership had produced no sales," the judge said. "Instead, he alleges that he learned as much directly from the person charged with developing the sales pipeline."

As before, Gilliam denied a dismissal request over a "control person" claim as it relates to C3.ai's founder and former CEO Thomas Siebel, former Chief Financial Officer David Barter, and former board member Lorenzo Simonelli, but granted the motion as it relates to Edward Abbo, the company's president and chief technology officer.

Hagens Berman Sobol Shapiro LLP is lead counsel for the plaintiffs. Quinn Emanuel Urquhart & Sullivan LLP represents C3.ai. Gibson, Dunn & Crutcher LLP represents Baker Hughes.

The case is The Reckstin Family Tr. v. C3.ai, Inc. , 2026 BL 84547, N.D. Cal., No. 22-CV-01413, 3/12/26 .

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Securities

Manage Newsletters

ChemoCentryx Reaches $35 Million Deal to End Investor Lawsuit

March 16, 2026, 7:15 AM PDT

ChemoCentryx Inc. agreed to pay $35 million to settle an investor class action over alleged false statements it made regarding the safety of its vasculitis drug.

The investors asked Judge Jon S. Tigar for preliminary approval of the settlement in a motion filed March 13 in the US District Court for the Northern District of California. The settlement will go to a class of more than 35,000 investors who acquired ChemoCentryx stock between November 2019 and May 2021. The investors alleged that during that time ChemoCentryx made false and misleading statements about the safety and efficacy of its avacopan drug to treat vasculitis, a rare autoimmune disease, as it was pending approval by the US Food and Drug Administration.

Tigar granted summary judgment to ChemoCentryx in August after concluding that the alleged misrepresentations either weren't misleading or were statements of opinion, which the investors appealed

ChemoCentryx's drug was ultimately approved by the FDA, though the agency in January requested the company withdraw it from the market

Class counsel will also seek up to 22% of the settlement amount for fees, and no more than $5 million for litigation expenses, according to the motion

Bernstein Litowitz Berger & Grossmann LLP represent the investors. Latham & Watkins LLP represents ChemoCentryx.

The case is Homyk v. ChemoCentryx Inc. , N.D. Cal., No. 4:21-cv-03343, 3/13/26 .

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Securities

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NeoGenomics Gets Dismissal of Cancer Test Misrepresentation Suit

March 16, 2026, 10:10 AM PDT

Summary by Bloomberg AI

AI Generated

- A New York federal district court dismissed a suit alleging NeoGenomics Inc. and its executives falsely promoted the company's products as a "one-stop-shop" to test multiple cancer genes.
- The court said the plaintiff, Daniel Goldenberg, failed to plead particularized facts sufficiently alleging that NeoGenomics intentionally made misleading statements in violation of securities laws.
- The complaint was dismissed because Goldenberg didn't plead facts giving rise to a strong inference of intent to deceive or defraud, and made no effort to show the defendants had a motive to commit fraud.

NeoGenomics Inc. and its executives secured dismissal of a suit alleging they falsely promoted the company's products as a "one-stop-shop" to test multiple cancer genes, a New York federal district court said.

Daniel Goldenberg, who sued on behalf of a proposed shareholder class, failed to plead particularized facts sufficiently alleging that NeoGenomics intentionally made misleading statements in violation of securities laws, Judge Valerie E. Caproni of the US District Court for the Southern District of New York said in a Friday order to dismiss.

The complaint fell short of showing the defendants' statements or omissions "were made recklessly or with conscious disregard of the truth," the order said.

Goldenberg sued in 2022, alleging the defendants violated the Securities Exchange Act of 1934 by making misrepresentations and omissions about the efficiency of tests, the breadth of product offerings, and the quality of technology. The defendants moved to dismiss in 2024.

Caproni said Goldenberg raised an actionable claim about NeoGenomics' business unit Laboratory Collaborations and Implementations group, and a federal investigation that led to the group's dismantling.

The company's disclosure about how it reserved funds associated with the investigation did "nothing" to fix the misleading nature of a statement that the investigation wouldn't have a meaningful effect on the company, the court said.

Caproni concluded, however, that the suit is dismissed because that Goldenberg didn't plead facts giving rise to a strong inference of intent to deceive or defraud. He made no effort to show the defendants had a motive to commit fraud, the opinion said.

The court said the complaint had a handful of allegations that LCI constituted NeoGenomics' core operations, which Goldenberg said supported an inference the defendants knowingly made materially false statements about the company's financial state.

But the complaint is "severely deficient" in terms of the ability to support the contention the defendants had specific, contradictory information about the LCI group at the time of challenged statements and omissions, the court said.

DiCello Levitt LLP and Gibbs Law Group LLP represented Goldenberg. Skadden, Arps, Slate, Meagher & Flom LLP represented NeoGenomics.

The case is Goldenberg v. NeoGenomics Inc. , S.D.N.Y., No. 22-cv-10314, 3/13/26 .

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Securities

Liberty Mutual Gets Nod for $13.4 Million 401(k) Plan Settlement

March 13, 2026, 9:33 AM PDT

Liberty Mutual Group Inc.'s $13.4 million class settlement with employees claiming 401(k) plan mismanagement secured initial approval from a Massachusetts federal judge.

The 50,000-person deal, which represents between 25% and 46% of the total damages sought by plaintiffs, requires Liberty to look for new plan service providers and to instruct its 401(k) recordkeeper not to market unrelated products to plan participants. Judge Mark G. Mastroianni granted preliminary approval to the settlement and scheduled a Sept. 2 fairness hearing in an order issued Thursday in the US District Court for the District of Massachusetts.

The parties first announced they'd struck a deal in January, less than one month before the case was scheduled for a rare jury trial

The case, which Mastroianni greenlighted for trial in 2025, challenged the investment performance and administrative fees of Liberty's retirement plan

Hundreds of employers have been accused of retirement plan mismanagement over the past several years, and most class settlements negotiated between 2022 and 2025 were for less than $2 million

Schlichter Bogard LLC and Naumes Law Group LLC represent the workers. Skadden, Arps, Slate, Meagher & Flom LLP represents Liberty.

The case is Ahmed v. Liberty Mut. Grp., Inc. , D. Mass., No. 3:20-cv-30056, 3/12/26 .

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Securities

This Week in Chancery Court: Yacht Sale Trial, Core Scientific

March 16, 2026, 2:00 AM PDT

A trial over yacht ownership and settlements to resolve proposed class action claims in the biotech and data center sectors are on the Delaware Chancery Court's calendar this week.

Here are the highlights:

Monday: ATP Marin, Inc. v. Sentinel Global Partners USA, Inc., Del Ch., No. 2023-0415, trial 3/16/26.

At issue: Three yachts docked in Turkey are the subject of a trial before Vice Chancellor Bonnie W. David. The yachts were owned by an affiliate of a Turkish conglomerate seized by Turkey's government in 2016 after its chairman, Hamdi Akin Ipek, was accused of financing the activities of the faith-based movement behind a failed coup. At issue are quiet title claims asking the court to determine whether the sales of the yachts in 2016 to Sentinel Global Partners USA Inc. were properly authorized. The previous owner, ATP Marin Inc., says Sentinel was registered as a business entity just the day before the sale by one of Ipek's employees. Sentinel says it's been blocked from taking possession of the vessels, as well as revenue that would be available from charters. The yachts are registered in Delaware and worth about 16 million euros, according to court documents.

Court action: A two-day trial in Georgetown.

Monday: In re Northwest Biotherapeutics, Inc. S'holder Litig., Del. Ch., No. 2022-0193, settlement hearing 3/16/26.

At issue: Vice Chancellor J. Travis Laster will hear arguments to approve a $2.25 million settlement proposal to resolve claims that Northwest Biotherapeutics Inc. board members breached their fiduciary duty by giving themselves about $41 million in stock options. The board and investor F. Glenn Schaeffer notified the court in December that they'd reached an accord for a cash payment of $2.25 million to the company from insurers, and the board members' "surrender, rescission, or cancellation" of 17% of the 2020 option awards. Schaeffer's attorneys seek a $1.58 million award for fees and expenses, according to a brief. The settlement must be finalized by the court.

Court action: Settlement hearing in Wilmington.

Northwest Biotherapeutics Agrees to End Unjust Enrichment Suit

Tuesday: Ihle v. Brombach, Del. Ch., No. 2023-0759, settlement hearing 3/17/26.

At issue: Vice Chancellor Lori W. Will is considering a $14.75 million settlement proposal to end shareholder litigation over Core Scientific Inc.'s merger with a blank-check firm. A lawsuit claimed affiliates of XMS Capital Partners LLC duped investors into a doomed $4.3 billion deal. Attorneys for the investor leading the litigation seek a $2.65 million award for fees and expenses. Court approval is required to finalize the settlement. Core Scientific became the largest publicly traded Bitcoin miner by computing power, then declared Chapter 11, and reinvented itself as a data center business focused on artificial intelligence.

Court action: Settlement hearing in Wilmington.

Core Scientific Blank-Check Deal Backers Settle Court Challenge

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Class Action

Manage Newsletters

Rising Tide of 401(k) Forfeiture Suits Reaches Appellate Level

March 16, 2026, 7:00 AM PDT

Summary by Bloomberg AI AI Generated

- Nearly 100 lawsuits have been filed challenging how employers use 401(k) contributions left behind by departing workers, with the US Court of Appeals for the Eighth Circuit set to hear arguments in one of the cases.
- The lawsuits assert that companies violate the Employee Retirement Income Security Act when they use forfeited money to fund their required plan contributions instead of lowering administrative expenses paid by workers.
- The first appellate decision on 401(k) forfeitures could be widely influential, with similar appeals filed in three other circuits and dozens of cases pending in district courts.

Nearly 100 lawsuits have been filed challenging how employers use 401(k) contributions left behind by departing workers. One of them is about to be the first argued before a US appeals court.

The cases from this two-year surge assert a novel legal theory: that companies violate the Employee Retirement Income Security Act when they choose to use this forfeited money to fund their required plan contributions instead of lowering the administrative expenses paid by workers.

After a slew of lower court decisions largely favoring the employers, the US Court of Appeals for the Eighth Circuit Wednesday will take up the arguments of Wells Fargo & Co. worker Thomas Matula, who contends that in using those funds to defray its own obligations, the bank is effectively self-dealing. The Ninth Circuit is expected to go next, with arguments in a case against HP Inc. scheduled for May 20.

With similar appeals filed in three other circuits and dozens of cases pending in district courts, the first appellate decision on 401(k) forfeitures could be widely influential.

“Because this is such a novel issue and this might be the first appeals court to weigh in, this is significant and would be something other courts would look to,” Monica Perkowski, an attorney with Holland & Knight LLP in Atlanta, said.

Dismissal Orders

More than two dozen companies have won court orders dismissing 401(k) forfeiture allegations, including Home Depot Inc., Northrop Grumman Corp., and AT&T Services Inc. Some of the decisions rejecting these cases have focused on the fact that the Internal Revenue Service has long approved of employers using 401(k) forfeitures—the employer contributions that can be forfeited when a worker leaves their position after a few months or years—to fund their plan contributions.

"In terms of numbers, it's not gone well for the plaintiffs in these cases," Bret Busacker, a partner with Dorsey & Whitney LLP in Boise, Idaho, said.

But some judges have bucked this trend, greenlighting claims against Bank of America Corp., Qualcomm Inc., W.W. Grainger Inc. and a handful of others. These decisions have credited the idea that a retirement plan fiduciary acts disloyally when it takes money that could have benefited workers and instead use it to benefit the employer sponsoring the plan.

There's a "split of authority" in which courts are "looking at the same sets of allegations and facts and reaching different decisions," Brock Specht, a partner with Nichols Kaster PLLP in Minneapolis, said.

The specific language used in a 401(k) plan document has emerged as a key factor, with some courts focusing on whether the plan mandates a certain use for forfeitures, or whether fiduciaries are given leeway to decide.

Courts have been reluctant to recognize a sweeping rule on how forfeitures should be used, and lawsuits that have been narrowly tailored to the specific language in a given plan document have tended to be more successful, Sprecht said.

Uphill Battle

The Eighth Circuit will be the first appeals court to hear arguments on forfeitures, but that doesn't ensure it will issue the first decision.

The Ninth Circuit is weighing appeals against JPMorgan Chase & Co., Amazon.com Services LLC, and Nordstrom Inc., while appeals against Siemens Corp. and Honeywell International Inc. have been fully briefed by the parties in the Third Circuit. Employees of RTX Corp. and Northrop Grumman Corp. have appealed to the Fourth Circuit, and the Sixth Circuit is reviewing a case against Meijer Inc.

The employees bringing these appeals likely face an "uphill battle," Busacker said.

"I personally do not think these are strong cases, and I would suspect the appeals courts will rule in favor of defendants," he said.

A victory for the workers would likely require an appeals court to determine that a practice long considered permissible by the IRS—using 401(k) forfeitures to fund employer contributions—can be a fiduciary breach under ERISA, which Busacker said would be "hard to square."

Another obstacle facing the workers is the US Labor Department, which filed amicus briefs urging courts to reject appeals against HP, Siemens, Honeywell, and JPMorgan—a noteworthy Trump-era shift from the department's usual practice of backing workers in ERISA cases.

"Based on how the decisions have come out at the district court level, I want to say we'd get an opinion that's favorable to defendants at the appeals court level, but you just never know," Perkowski said.

Looking Ahead

The forfeiture suits could spur the appeals courts to address several questions on which benefits attorneys have sought clarity.

Guidance on ERISA's duty of loyalty, which has produced less case law than other parts of the statute, would be particularly welcome, Sprecht said. That—which requires plan fiduciaries to act in participants' best interests and without an eye toward benefiting anyone else—tends to be "a bit squishier" than the more frequently-litigated duty of prudence, which requires fiduciaries to act with care and skill in managing plan assets, he said.

The forfeiture cases are, "at their heart, loyalty claims, because the plan administrator is accused of using assets in a way that benefits the plan sponsor, rather than using it to benefit participants," he said.

The courts also could flesh out the longstanding ERISA dichotomy between actions an employer takes as the "settlor" of a benefit plan and actions taken as a plan fiduciary. Unlike fiduciary actions that involve exercising discretion, settlor actions—which include upfront decisions about how plans are structured and what benefits are offered—typically aren't subject to liability under the statute.

"A lot of the time we have confusion between what the settlor functions and fiduciary functions are under ERISA," H&K's Perkowski said. "Settlor functions are part of plan design and fiduciary functions are plan administration, and a lot of time those concepts get mixed up in forfeiture litigation, so having more guidance and clarity would be helpful."

"It's really kind of wait-and-see for now," she said.

The case is Matula v. Wells Fargo & Co. , 8th Cir., No. 25-2441, oral arguments 3/18/26 .

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Securities

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Barclays Gets Sympathetic Hearing in ETN Reverse Split Appeal

March 16, 2026, 9:36 AM PDT

Summary by Bloomberg AI AI Generated

- Barclays PLC appeared to have the upper hand over investors in oral argument at the Second Circuit regarding exchange-traded notes that investors say are unsellable.
- The judges had difficulty seeing how the ETNs' alleged illiquidity following a reverse split equated to a change in "value" that would turn the exchange into a sale subject to certain securities law provisions.
- The panel didn't appear to endorse the plaintiffs' view that their post-split plight represented a change in value, with Barclays' attorney arguing that the reverse split "merely modified the denomination" of the notes.

Barclays PLC appeared to come away from oral argument Monday at the Second Circuit with the upper hand over investors who want their money back for exchange-traded notes that they say are unsellable.

The panel of judges had difficulty seeing how the ETNs' alleged illiquidity following a 4:1 reverse split equated to a change in "value" that would turn the exchange into a sale subject to certain securities law provisions. "You're saying the stock split is undesirable, but it's unclear to me" whether that establishes that value was exchanged, one of the judges of the US Court of Appeals for the Second Circuit said to the attorney for the investors.

The suit—like many others—stems from Barclays Bank PLC's 2022 discovery of an over-issuance problem, in which it inadvertently sold about $17.7 billion in unregistered securities. The over-issuance occurred after Barclays Bank lost its "well-known seasoned issuer" status for shelf registrations with the Securities and Exchange Commission that make offerings less onerous and time consuming.

Barclays made a rescission offer for certain notes, but said because these noteholders purchased VXX ETNs in the secondary market and the 2021 reverse split wasn't a securities sale, they weren't subject to the deal. Holders of the volatility-linked notes sued on behalf of a proposed class.

Judge Lewis J. Liman of the US District Court for the Southern District of New York dismissed the case. The Securities Act of 1933 specifies that the securities offered must be "for value," and investors didn't sufficiently allege that, he said.

Jonathan Bridges of Sbaiti & Co. PLLC, an attorney for the investors, told the judges that before the split, noteholders had two "exit strategies": redemption or sales on the open market. But after the split, they became ineligible to redeem their greater number of notes, and the commingling of registered and unregistered notes in the reverse split made sales on the open market impossible, he said.

The panel, consisting of Judges John M. Walker Jr., Richard J. Sullivan, and Joseph F. Bianco, didn't appear to endorse the plaintiffs' view that their post-split plight represented a change in value.

Matthew Porpora of Sullivan & Cromwell LLP, arguing for Barclays, said the reverse split "merely modified the denomination" of the notes. And even if it "somehow" was a sale, the investors didn't show damages, he said.

In December, the Second Circuit affirmed Liman's dismissal of a parallel suit brought by short-sellers. Earlier in 2025, Barclays finalized a $19 million settlement of US shareholders' class claims over its inadvertent sales of unregistered securities amid the over-issuance.

The case is Knapp v. Barclays PLC, 2d Cir., No. 25-1631, argument 3/16/26 .

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Securities

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BofA Agrees to Settle Claims It Aided Epstein Sex Crimes (2)

March 16, 2026, 9:08 AM PDT

Summary by Bloomberg AI

AI Generated

- Bank of America Corp. has agreed to settle a proposed class action lawsuit on behalf of Jeffrey Epstein victims who accused the bank of aiding in the deceased financier's sex-trafficking.
- The agreement in principle was noted in the court docket, but terms of the deal were not immediately available and any settlement must be approved by US District Judge Jed Rakoff.
- The suit alleged Bank of America actively concealed details and evidence concerning its assisting and facilitating Epstein's sex trafficking, and that Epstein's scheme would not have been possible without the help of powerful individuals and institutions.

Bank of America Corp. has agreed to settle a proposed class action lawsuit on behalf of **Jeffrey Epstein** victims who accused the bank of aiding in the deceased financier's sex-trafficking, according to a court record.

The agreement in principle was noted Monday in the court docket in the case. Terms of the deal were not immediately available. Any settlement must be approved by US District Judge Jed Rakoff in Manhattan.

A representative for Bank of America declined to comment. The bank has denied wrongdoing.

The same lawyers who previously secured settlements with JPMorgan Chase & Co. and Deutsche Bank AG over Epstein ties sued Bank of America in October. While the earlier cases were over Epstein's own banking relationships, the Bank of America suit mainly focused on accounts allegedly used by "his co-conspirators, associates and victims."

The timing of the agreement will likely allow Apollo Global Management Inc. co-founder Leon Blackto avoid a scheduled March 26 deposition in which he was to sit for eight hours of closed-door testimony in the case.

According to the suit, Black transferred $170 million to Epstein from Bank of America accounts. Lawyers for the victims alleged those transfers were “the primary means by which the sex-trafficking venture was funded and for which there was no apparent business or lawful purpose.”

Black has consistently denied wrongdoing and was not named as a defendant in the case.

The suit also alleged Epstein’s former girlfriend **Ghislaine Maxwell** used accounts at Bank of America. Maxwell was convicted of sex-trafficking in 2021 and is currently serving a 20-year prison sentence.

“The women entrapped and abused by Jeffrey Epstein and Ghislaine Maxwell started a monumental reckoning with their brave voices and fearlessness,” **Sigrid McCawley**, a lawyer for the victims, said in a statement. “The road to justice for these women has been long and trying. Today’s resolution of the case against Bank of America is one more step on the road to much deserved justice.”

In June 2023, JPMorgan agreed to pay $290 million to settle Epstein-related suits. Deutsche Bank reached a $75 million pact earlier that year.

The suit accused Bank of America of actively concealing “details and evidence concerning its assisting and facilitating Epstein’s sex trafficking.” Epstein’s scheme would not have been possible without the help of powerful individuals and institutions, said the lead plaintiff, referred to in the case as Jane Doe.

Rakoff in January dismissed several of the claims against Bank of America, but permitted the victims to move ahead with claims that it knowingly benefited from Epstein’s conduct and obstructed enforcement of the federal sex-trafficking statute.

Bank of New York Mellon Corp. was also sued late last year, but Rakoff threw out that case entirely in January, finding that the complaint didn’t sufficiently allege BNY was aware of Epstein’s activities.

The first public hint that a settlement was in the works came in a March 11 phone hearing at which Black’s lawyer requested a delay to his deposition because the parties were close to resolving the case. The following day, the judge abruptly canceled a previously scheduled hearing.

The case is Doe v. Bank of America, 25-cv-08520, US District Court, Southern District of New York (Manhattan).

(Updates with statement from victims’ lawyers, background.)

--With assistance from Katherine Doherty.

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Steve Dickson

Bank of America settles Epstein accusers' lawsuit

reuters.com/sustainability/boards-policy-regulation/bank-america-settles-epstein-accusers-lawsuit-2026-03-16

Luc Cohen March 16, 2026

Bank of America logo appears in this illustration taken December 1, 2025. REUTERS/Dado Ruvic/Illustration Purchase Licensing Rights, opens new tab

- Bank of America settles Epstein accusers' lawsuit, avoiding trial
- Judge Rakoff ruled BofA must face claims of benefiting from Epstein's trafficking
- Doe's lawyers settled with JPMorgan, Deutsche Bank for $290M, $75M respectively

NEW YORK, March 16 (Reuters) - Bank of America (BAC.N) , opens new tab has settled a civil lawsuit brought by women who accused the bank of facilitating their sexual abuse by Jeffrey Epstein, court records showed on Monday.
Lawyers for the bank and the women told Manhattan-based U.S. District Judge Jed Rakoff in a March 12 telephone call that they had reached a "settlement in principle," a court filing said.

The settlement requires Rakoff's approval. The judge scheduled a court hearing for April 2 to consider approving the deal.

The terms of the settlement were not immediately clear. A spokesman for Bank of America declined to comment. Lawyers for the women did not immediately respond to requests for comment.

The proposed class action, filed in October by a woman using the pseudonym Jane Doe, accused the nation's second-largest bank of ignoring suspicious financial transactions related to Epstein despite a "plethora" of information about his crimes because it valued profit over protecting victims.
Bank of America has said Doe alleged merely that it provided routine services to people who at the time had no known links to Epstein, and that any suggestion that it was more deeply involved was "threadbare and meritless."

Rakoff ruled in January that Bank of America must face Doe's claims that it knowingly benefited from Epstein's sex trafficking and obstructed enforcement of the federal Trafficking Victims Protection Act. Among the transactions Doe flagged

were payments to Epstein by Apollo Global Management's (APO.N) , opens new tab billionaire co-founder, Leon Black.
Black stepped down as Apollo's chief executive in 2021 after a review by an outside law firm found he had paid Epstein $158 million for tax and estate planning.

He has denied wrongdoing and said he was unaware of Epstein's criminal conduct.

Black had been scheduled on March 26 to be questioned under oath by lawyers for Doe and Bank of America.

The deposition is not expected to go forward because of the settlement. A scheduled May 11 trial will also not take place if Rakoff approves the settlement.

Doe's lawyers have also sued other alleged enablers of Epstein's sex trafficking, and in 2023 reached settlements of $290 million with JPMorgan Chase (JPM.N) , opens new tab and $75 million with Deutsche Bank (DBKGn.DE) , opens new tab on behalf of his accusers.
Epstein died in a Manhattan jail cell in August 2019 while awaiting trial on sex trafficking charges. His death was ruled a suicide by New York City's medical examiner.

Reporting by Luc Cohen in New York; Editing by Matthew Lewis and Chizu Nomiyama

Reports on the New York federal courts. Previously worked as a correspondent in Venezuela and Argentina.

- X

FT PROFESSIONAL

Bank of America Corp

Bank of America settles lawsuit alleging it benefited from Epstein ties

Lawyers for bank and plaintiff tell judge they have reached agreement in principle to resolve case

A lawsuit filed anonymously accused BofA of 'participating in and financially benefiting from Jeffrey Epstein's widespread and well-publicised sex-trafficking operation' © Stephanie Keith/Getty Images

Akila Quinio in New York

Published 3 HOURS AGO | Updated 09:38

Bank of America has settled a lawsuit filed by an anonymous woman over its ties with the late sex offender Jeffrey Epstein.

Lawyers for the bank and the woman told a judge that they had reached a "settlement in principle", according to a court filing made public on Monday.

The woman, who said she was a victim of Epstein, had in October last year filed the case in Manhattan federal court under the pseudonym Jane Doe, seeking class-action status and financial damages.

In her complaint, she accused BofA of "participating in and financially benefiting from Jeffrey Epstein's widespread and well-publicised sex-trafficking operation, as well as the direct financial benefits it received therefrom".

The proposed settlement — which was agreed over undisclosed terms — is due to be approved by a judge at a court hearing in early April. BofA declined to comment.

The woman described first meeting Epstein while living in Russia in 2011, and said she was a resident of New York from 2011 to 2019 when the sex trafficker abused her.

In her lawsuit, she accused BofA of failing to file suspicious activity reports to law enforcement about suspicious transactions "before it was far too late".

She further alleged that BofA ignored red flags and patterns of suspicious transactions that it had the responsibility to report to authorities.

"A review of Jane Doe's account history will show incredibly alarming and erratic banking behaviour," the initial complaint read.

The anonymous woman said she opened a BofA account in 2013, which was used by Epstein and his accountant Richard Kahn to pay her monthly rent in order to create documentation used to "defraud immigration officials".

Immediately after opening the account, Kahn transferred $14,000 into it, she said, alleging it "continued to be utilised by Epstein and Kahn through Epstein's death in 2019 for activities unknown and unexplained to Jane Doe". The plaintiff also described being added to the payroll of a sham company for which she received payment through one of her BofA accounts.

Banks are required by law to monitor money laundering, report suspicious activity and block transactions prohibited by law. Epstein's sex offences came to light as early as 2006 and the late financier signed a non-prosecution agreement with the US Department of Justice in 2008.

Boies Schiller Flexner is representing the plaintiff. The law firm previously represented victims in similar cases against JPMorgan and Deutsche Bank.

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News | **Civil Appeals**

NY Appellate Court Reinstates Scott+Scott $4.9 Million Fee-Sharing Suit Against Robins Kaplan

Scott+Scott's fee-sharing lawsuit against Robins Kaplan was revived by the Appellate Division, First Department after the judges found that the firms' 2015 agreement contained ambiguous language about what constituted a "final settlement."

March 13, 2026 at 04:54 PM By **Emily Saul**

Credit: Wanan/Adobe Stock

A mid-level New York appellate court on Thursday reinstated a fee-sharing lawsuit between Scott+Scott Attorneys at Law and Robins Kaplan, finding the language of their original agreement was ambiguous.

Scott+Scott filed suit in 2024, alleging Robins Kaplan owed the firm more than $4.9 million pursuant to an agreement the two inked in 2015, while they served as co-counsel in two federal class action lawsuits.

Manhattan Supreme Court Justice Jennifer Schecter in 2025 granted a motion from Robins Kaplan to dismiss the suit, which argued they had no obligation to fork over the funds.

The Appellate Division, First Department on Thursday vacated the ruling and remanded the case, finding the term "final settlement" could be read multiple ways.

Under the contract, the firms agreed to pay one another in the event that one of them did not receive the threshold minimum of $20 million in attorneys fees after settlement. The underlying case, *In re Payment Card Interchange Fee and Merchant Discount Antitrust*, was a long-running class action lawsuit that accused credit card companies and banks of conspiring to fix fees.

A provision in the agreement stated the parties had no fee obligation if the "final settlement ... is overturned or modified on appeal."

The case settled for approximately $5.6 billion, which Robins Kaplan's website said is the "largest settlement of a private antitrust action in the 130-year history of the Sherman Act."

The U.S. Second Circuit Court of Appeals later vacated the award and remanded the case, finding that the then-appointed class counsel could not represent both class members seeking monetary and injunctive relief. A second settlement, for $21.5 million less, was reached in 2019 and affirmed by the circuit in 2023.

Robins Kaplan then demanded Scott+Scott pay a fee, per court papers, while Scott+Scott argued that the vacated settlement agreement released them from any obligation to share funds.

"Each party offered a reasonable construction of the parties' fee-sharing agreement and the documentary evidence therefore did not 'conclusively refute' the allegations in the complaint," the appellate judges wrote. 'On the contrary, the 2015 fee-sharing agreement ... is ambiguous, as it is reasonably susceptible of more than one meaning."

The record requires more factual development and should not have been disposed of on a motion to dismiss, the panel said.

The case was heard by Associate Justices Tanya Kennedy, Ellen Gesmer, Manuel Mendez, Bahaati Pitt-Burke and Llinet Rosado.

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News | Mass Torts

LA Jurors in Social Media Addiction Trial Send Two Notes to Judge

The two jury notes came on the first day of deliberations in the first-ever trial alleging social media caused a teen's mental health problems.

March 13, 2026 at 07:16 PM By Amanda Bronstad

Los Angeles Superior Court courthouse at 312 N. Spring St. in downtown Los Angeles. The courthouse is also the home of the U.S. District Court for the Central District of California. Photo: Amanda Bronstad/ALM

Jurors in a high-profile social media addiction trial sent two notes to the judge on Friday, their first day of deliberations, both of which raised concerns by lawyers for Meta Platform Inc.

The first note, according to Los Angeles Superior Court Judge Carolyn Kuhl's reading of it in court, asked for two internal surveys and a "review of social media feedback loop, any charts of when features were introduced."

Meta's attorneys objected to Kuhl's decision on how to answer the jury's questions, particularly telling them that there was no chart that outlined all the "features."

That would be “affirmatively misleading the jury” given there were, in fact, exhibits that show the features, Covington & Burling’s Paul Schmidt told the judge.

“They’re pretty clearly asking for information regarding the timeline of when features were introduced,” he told Kuhl. “We’re actually telling them, certainly giving them the impression, it doesn’t exist when it is in evidence.”

Kuhl disagreed.

“When we look at the issue of features, we don’t know if they’re asking for safety features, or we don’t know if they’re asking when was infinite scroll introduced, when was YouTube Kids introduced,” she said. “There’s no chart that shows all of that that came into evidence.”

W. Mark Lanier, the attorney for the plaintiff, replied, “We have no argument; we think you’re dead right.”

The surveys were brought up during the testimony of Meta CEO Mark Zuckerberg.

One of the surveys was referenced prominently during the trial by Lanier, of The Lanier Law Firm in Houston, who represents Kaley, a now 20-year-old woman who alleges her mental health problems stemmed from her addiction to Instagram, which is owned by Meta and YouTube.

“When deliberating, don’t forget Project Myst,” Lanier told jurors in his closing argument on Thursday. The survey linked social media use by young people to problems of poor sleep, negative body image and poor self-esteem.

Lanier described Project Myst as a 2023-24 study of 1,000 teenagers to determine harms they identified while on Instagram. The survey found those with problems at home had more mental health issues on the platform.

“They do a study saying this is especially dangerous for the vulnerable, for the weak, for the people with the difficult home life, for the people who may not have the tools at home to help fortify and give you the wherewithal to handle what comes with social media addiction or problematic use,” Lanier told jurors in his closing.

The other study, BEEF, which stands for Bad Experiences and Encounters Framework, was in 2021 and overseen by Arturo Bejar, a former Meta employee-turned-whistleblower, who testified in the trial for the plaintiff. The survey was not admitted as evidence in the trial but referenced during the testimony of both Bejar and Instagram CEO Adam Mosseri.

As for “feedback loop,” Lanier also used the term in his closing.

“Our claim here is not that there aren’t other factors,” he told jurors on Thursday. “It’s that the social media amplifies. It’s a feedback loop. It takes a problem and makes it worse.”

The jury’s second note asked for the “testimony Brian Boland on why he left Meta,” referring to a former Meta vice president who testified about his safety concerns at the company then known as Facebook.

Schmidt argued against reading the testimony back to the jury or, at the very least, limit what was read, given Boland’s concerns didn’t have to do with teen health.

Kuhl outlined the portions of the transcript she planned to read to the jury.

“The jury asked the question 'Why did he leave?' These three segments address why he left,” she said. “There’s lots more in his testimony about problems he had. If they want to hear the rest of the testimony they can ask for it.”

But Meta attorney Michael Imbroscio, of Washington D.C.’s Covington & Burling, still had concerns.

“It gives the impression he left due to teenage mental health,” he said.

Kuhl dismissed that concern, stating, “Okay, that’s what will be read.”

The trial, which began Feb. 9, is the first bellwether trial in a coordinated proceeding in California state courts against Meta, Google, which owns YouTube, and two other defendants: TikTok, owned by ByteDance and Snap Inc., which owns Snapchat. Additional trials are planned.

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 their platform features poised for children.

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.

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.

News from Bloomberg Terminal

Teens Allege Musk’s Grok Chatbot Made Sexual Images of Them as Minors

March 16, 2026, 10:48 AM PDT

Three plaintiffs, two of whom are minors, accuse xAI of distributing, possessing and producing with intent to distribute child pornography.

By Faiz Siddiqui

(Washington Post) -- When a mother from eastern Tennessee asked local police how someone had created naked photos of her teenage daughter, she recalls being told it was a company she'd never heard of: xAI, the artificial intelligence start-up run by Tesla CEO Elon Musk.

Police alleged a person arrested in December had used Grok, xAI's chatbot, to edit photos, including one from the teen girl's Instagram account, removing a blue bikini from one image to "depict her without any clothes," according to a lawsuit filed Monday.

The teen is suing xAI as part of a group of Tennessee teenagers who allege the company's AI tools were used to create nude images of them by editing photos in which they were clothed. The edited photos spread across Discord and Telegram in recent months, and some were bartered for other child sexual abuse material in online chatrooms, according to the complaint, which was first reported by The Washington Post.

The lawsuit, filed in the Northern District of California on Monday, alleges a single perpetrator compiled images and videos of more than 18 girls, many of whom attended the same school, and digitally altered some of them using AI. It is the first action brought by alleged minor victims of child sexual abuse material stemming from an "undressing" scandal that has plagued xAI in recent months.

The mother of one of the teens, who spoke on the condition of anonymity to maintain her child's privacy, said the incident "crushed" her daughter, a social and outgoing student-athlete.

"It definitely put her into a little bit of a shell, which we had never seen before," the mother said.

The three plaintiffs, including two minors, seek damages for child pornography violations and aim to prevent the company from allowing image editing like that used to alter their photos. Attorneys allege xAI fostered an environment in which the spread of child sexual abuse material was inevitable, as the technology and the company's public messaging encouraged people to create explicit images. A "model that can create sexualized images of adults cannot be prevented from creating CSAM of minors," according to the complaint.

"These young people - these children - are facing a lifetime of having these ... sexualized images of what appears to be a child's body out there on the internet," said lawyer Vanessa Baehr-Jones, who is representing the plaintiffs in the proposed class-action suit. "It wouldn't have been possible but for this tool that xAI released knowing full well that this material could be generated."

Musk and xAI did not immediately respond to a request for comment. Musk said in January in a post on X that he was "not aware of any naked underage images generated by Grok. Literally zero." The chatbot only follows user requests, he said, and will refuse to produce anything illegal, adding that "adversarial hacking" could lead the tool to act unexpectedly.

"If that happens, we fix the bug immediately," he said.

Musk said in a post on X last week that "if it's allowed in an R-rated movie, it's allowed" by Grok's image and video generator tool.

The lawsuit comes after xAI ignited a firestorm by allowing users to "undress" real subjects in photos through editing features and capabilities unlocked via its Grok Imagine tool and "Spicy" mode. The capabilities allowed users to create sexual and revealing images of real people by depicting them in garments as tiny as a string of dental floss, for example.

The editing led to the generation of millions of sexualized images, including what researchers said were an estimated 23,000 images appearing to depict children over an 11-day period. Authorities, including the California attorney general, the European Commission and Britain's communications regulator, opened investigations tied to the features.

In January, xAI said it had rolled back its editing tools in some jurisdictions, after previously limiting image generation to paying users. Grok's embrace of sexualized material arose as part of an effort by xAI to attract more users to its chatbot, The Post reported last month.

The suit alleges xAI committed a range of offenses, including creating child pornography and launching a feature riddled with design defects, and argues the company knowingly allowed its tools to generate sexual images of minors as part of an effort to monetize its AI.

The complaint said that editing images of real children to create sexualized images constitutes creating child pornography. U.S. officials have previously said sexually explicit computer-generated depictions of children are illegal.

According to the complaint, "xAI - and its founder Elon Musk - saw a business opportunity: an opportunity to profit off the sexual predation of real people, including children."

The students in Tennessee learned of the explicit images late last year, after one of them, identified in the lawsuit as "Jane Doe 1," received a message on Instagram. It said explicit photos of her were spreading on the chat platform Discord.

The lawsuit said that one of the child sexual abuse images of her originated from a photo of her at her school homecoming in September. Another, depicting her topless, appeared to have been made using a yearbook photo, the lawsuit said. She "was a minor during the operative time," the lawsuit said.

She received a link to a Discord server, "which contained images and videos of at least 18 other minor females, many of whom Jane Doe 1 recognized from her school," according to the lawsuit.

According to the complaint, police last year opened a criminal investigation into the perpetrator. He was arrested in December, the complaint said, and police searched his phone.

But the images took on a life of their own, circulating broadly.

"In Telegram group chats with hundreds of other users, [the perpetrator traded] her CSAM files for sexually explicit content of other minors," the lawsuit said.

Attorneys said they engaged with third-party experts to determine the images had been created by AI and, specifically, Grok. The complaint alleges the perpetrator turned to Grok and other tools that license its capabilities, including apps designed to "undress people," to manipulate real photos of underage people. Those tools effectively serve as a middleman, attorneys said, bringing Grok's capabilities to a user who isn't turning directly to Grok's website or the X app.

"In all instances, the real images and videos uploaded into Defendants' servers were not unlawful [child sexual abuse material] but only became unlawful content after Defendants' AI morphed the files on xAI servers to produce and distribute CSAM," according to the complaint.

By February, the two other plaintiffs, both minors, learned through the criminal investigation that the perpetrator had used their images to create child sexual abuse material as well, according to the lawsuit.

The consequences of the abuse are likely to follow the students for decades, attorneys said. The plaintiffs, the complaint said, will probably receive National Center for Missing and Exploited Children notifications for the rest of their lives - informing them that "criminal defendants have possessed, received, or distributed CSAM files depicting them."

In an interview, Annika K. Martin, the lead counsel in the suit, posed questions she'd ask to the xAI founder himself.

"As a parent can you imagine your child - your child's face - on images of ... depraved actions put into video of grossly sexual behavior?" she asked. "Your child's voice on video screaming. Can you imagine that as a parent? Can you imagine that for your child and feel okay with what you've done?"

Click Here to see the story as it appeared an the Washington Post website.

Click here to see the story as it appeared on the web site.

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News | Antitrust

28 States Tap Star Litigator to Carry On Live Nation Breakup Fight After 'Mindboggling' DOJ Settlement

One critic of the Justice Department settlement, North Carolina Attorney General Jeff Jackson, called it "barely a slap on the wrist."

March 13, 2026 at 08:17 AM By **Michael Gennaro**

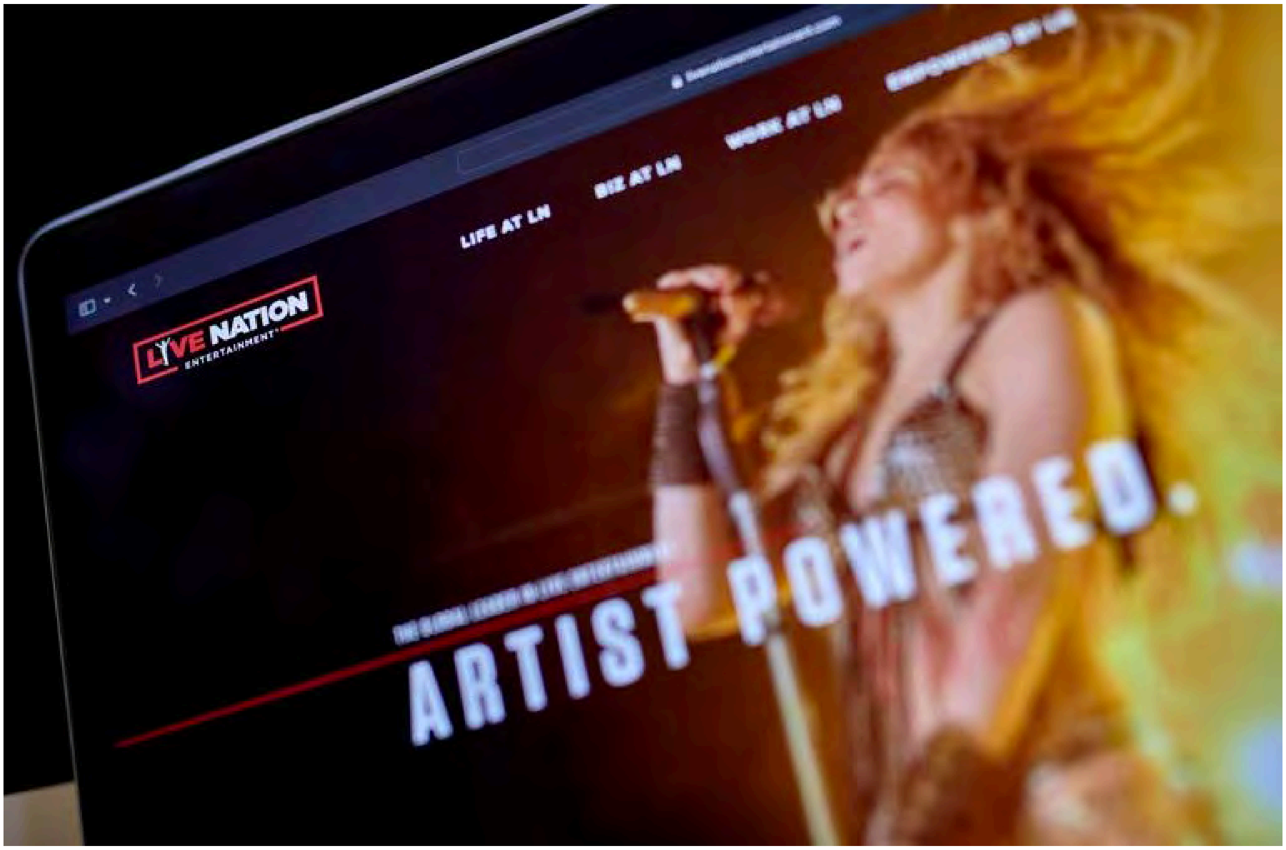

Photo: Gabby Jones/Bloomberg

Signaling they have no intention of signing on to the Justice Department's antitrust settlement with Live Nation or negotiating their own deal, 28 states have banded together to hire prominent antitrust litigator Jeffrey Kessler and his firm, Winston & Strawn, to push the jury trial to conclusion.

A total of 39 states, along with the District of Columbia, were co-plaintiffs with the DOJ in the case, which went to trial in Manhattan on March 2, with closing arguments expected in April. But this past Monday, the Justice Department and Live Nation shocked the presiding judge, Arun Subramanian, as well as the states, by announcing they'd reached a $280 million settlement.

The 28 holdout states, led by New York Attorney General Letitia James, are fighting to break up Beverly Hills, California-based Live Nation, which operates more than 150 U.S. concert venues, making it by far the largest player, and operates Ticketmaster, the largest ticketing service.

“The settlement recently announced with the U.S. Department of Justice fails to address the monopoly at the center of this case, and would benefit Live Nation at the expense of consumers. We cannot agree to it,” said James, a Democrat. “My attorney general colleagues and I have a strong case against Live Nation, and we will continue our lawsuit to protect consumers and restore fair competition to the live entertainment industry.”

After the Justice Department and Live Nation announced their settlement, Subramanian paused the proceedings. Speaking to a packed courtroom on Tuesday, he chastised federal prosecutors for a lack of transparency and called the timing of the deal "mind-boggling," noting that the Justice Department and Live Nation had kept him completely in the dark that a settlement might be coming.

The frustrated judge urged the parties to use the rest of this week to work out a deal that would bring the dissenting states into the fold—an outcome that would spare the judge from having to decide whether to resume the trial immediately or pause it for an extended period to give Kessler and his newly assembled team time to prepare.

According to reporters present in the courtroom, Live Nation Executive Vice President Dan Wall told Subramanian that it would be extraordinarily difficult to get 28 states on the same page by the end of the week.

“The probability of us resolving this is about zero,” Wall said.

Subramanian retorted that Live Nation CEO Michael Rapino had managed to "stick the landing" with the Justice Department in just a few days—a reference to the fact that Rapino personally negotiated the settlement with Omeed Assefi, the acting assistant attorney general for the Antitrust Division.

The hiring of Kessler—a 71-year-old co-executive chairman of Winston & Strawn who has had a hand in many of the biggest sports antitrust cases of the last half-century—suggests the states are gearing up for a high-stakes showdown.

Last year, he was lead attorney for the former and current college athletes who struck a landmark settlement with the NCAA that included $2.8 billion in back pay for former athletes and set up the mechanics for schools going forward to pay athletes tens of millions of dollars annually.

In the early 1990s, Kessler was instrumental in establishing NFL free agency by successfully litigating against the league's restrictive "Plan B" system, and a decade ago he represented Tom Brady in proceedings related to the "deflategate" scandal, persuading a federal judge to vacate a four-game suspension of the star quarterback.

Court records show states signing on to the Live Nation settlement include Arkansas, Iowa, Mississippi, Nebraska, Oklahoma, South Carolina and South Dakota.

States rejecting the deal cross the political spectrum, from Democratic strongholds California and New York to GOP stronghold Texas.

Under the deal, in addition to paying $280 million, Live Nation agreed to divest 13 of its 78 amphitheaters and agreed to take a variety of steps to hold down costs for concert-goers, including capping service fees at 15%.

North Carolina AG Jeff Jackson, a Democrat, blasted the proposed settlement as “barely a slap on the wrist.”

The Justice Department filed the case in May 2024, during the presiedency of Democrat Joe Biden. It alleged that the 2010 merger of Live Nation and Ticketmaster created an illegal monopoly that "suffocates" the live music industry.

Plaintiffs argue that the company uses a "flywheel" business model to dominate every level of the concert experience, controlling more than 400 major artists as the world’s largest promoter while owning or managing more than 60% of major U.S. amphitheaters.

This vertical integration is anchored by Ticketmaster, the primary ticketing servicing for 80% of major venues, company critics say.

“If you control all three of those levers," Jackson said, referring to ticketing, performers and venues,"you can dictate terms and you can raise prices."

Live Nation argues that the live events market is more competitive than plaintiffs realize. It also says the high ticket prices that critics of the company often site are driven more by artists than by promoters.

The lead law firms representing Live Nation in the case are Latham & Watkins and Cravat, Swaine & Moore.

California Brief

Secret Deal to Avoid Ticketmaster Breakup Spurs Frantic Week (1)

March 13, 2026, 1:28 PM PDT

Michael Rapino had been slated to spend March 5 taking the stand in New York in the high-profile trial over the potential breakup of his $40 billion company. Instead, the Live Nation Entertainment Inc. chief was in Washington, signing a last-minute, secret agreement to resolve the federal case.

That accord traced a winding path from an October meeting where the owner of Ticketmaster made its case to Justice Department officials with the help of Kellyanne Conway, President Donald Trump's 2016 campaign manager, and Ric Grenell, Live Nation board member and head of the Trump-Kennedy Center, according to people with knowledge of the meeting. According to court filings, negotiations "picked up" last month as the trial approached — and after the Trump administration ousted its former antitrust chief, **Gail Slater**.

The 11th-hour deal was so secretive it caught even the government's own trial team by surprise. The judge called the way he was informed of it "mind-boggling." And the drama isn't over: while seven states agreed to settle or continue negotiating, the rest vowed to press on with the case. They plan to resume the trial on Monday.

The Biden-era case has been closely watched by policy wonks as a gauge of the Trump administration's willingness to tackle corporate power and by people from the president to **Taylor Swift** and millions of music fans who feel frustrated by an expensive and unwieldy concert-going experience.

For many, nothing short of breaking up the company through the sale of Ticketmaster would solve the problem, an outcome the live entertainment giant would never willingly support.

The deal is another sign of the Trump administration's stated preference for reaching settlements over long antitrust trials. Indeed, DOJ leaders — including the No. 2 and 3 officials **Todd Blanche** and **Stanley Woodward** — supported the case but preferred a settlement, according to people familiar with the matter. The pact has more concessions by Live Nation than what the company originally proposed, but isn't as tough as a counterproposal Slater and antitrust lawyers drafted in January, some of the people said.

Contentious Circumstances

The circumstances surrounding the settlement negotiations have become highly contentious. In addition to a break up, state attorneys general are seeking hundreds of millions in damages and accused the company of "engineering" the deal's announcement in a way that harms their ability to continue a trial that began last week.

On the morning of Friday, March 6 – hours after Rapino and **Omeed Assefi**, the acting head of antitrust, signed a deal – lawyers for Live Nation and the Justice Department told US District Judge **Arun Subramanian** only that a settlement was close. It wasn't until two days later, on Sunday evening, that the Justice Department informed him that a deal had been formally reached.

This story is based on court filings and interviews with almost a dozen people involved in the case who asked not to be identified discussing confidential negotiations.

Conway and Grenell didn't respond to requests for comment. Live Nation also didn't respond to e-mail and phone requests for comments.

The White House declined to comment, referring questions to the Justice Department, which also declined to comment. New York, which is leading the state attorneys general, didn't respond to a request for comment. California pointed to its earlier statement that it had "chosen to keep fighting for a better deal."

At the early October meeting, the government was represented by Slater, along with Nicole Sarrine, the staffer overseeing the case, and Assefi, then-head of criminal antitrust enforcement, according to the people. Live Nation representatives at the meeting included **Joe Berchtold**, the company's president, its head of regulatory affairs, Dan Wall, Conway and Grenell. While Live Nation had retained MAGA lawyer **Mike Davis** earlier in 2025 to aid with obtaining a deal, he had since been sidelined, having previously fallen out with Slater over a previous settlement. By not including him in meetings, Live Nation could avoid listing him on court papers accompanying any settlement. Davis didn't respond to requests for comment.

Read More: 'Good Riddance': How a MAGA Acolyte Helped Oust Antitrust Chief

Conway and Grenell argued that a settlement was the most desirable outcome, playing up both Trump's general desire for dealmaking and his personal interest in the entertainment business, but they weren't involved in the specifics of the settlement, some of the people said.

Two weeks after the meeting, Live Nation submitted a written settlement proposal, according to court filings. That included extending court oversight from a prior consent decree, eliminating an allegedly anticompetitive partnership with venue owner Oak View Group, allowing rival promoters into Live Nation-owned venues, and limits on Ticketmaster's exclusive contracts, according to some of the people.

When Live Nation didn't hear back before the end of the year, the company in mid-January deployed Conway – an aide to Trump during his first term – to nudge the Justice Department about a response, some of the people said.

After Conway spoke to Slater, the Justice Department sent Live Nation a counterproposal on Jan. 29. That included demands that Ticketmaster create software for venues that would allow rivals to simultaneously sell tickets and the sale of some concert venues owned by the company, some of the people said.

White House Informed

The White House was kept in the loop on the status of a potential settlement, some of the people said. Justice Department career staff, but not the case team, were involved in vetting the current settlement, one of the people said.

The states said they learned about the discussions the following day and both the DOJ and Live Nation declined to give them details of the talks, according to court filings. Everyone continued preparing for trial.

Slater's ouster complicated pretrial settlement talks, creating the possibility that regardless of the terms, it would appear that she was pushed out just so the company could cut a deal, some of the people said.

The Justice Department appointed Assefi as the acting assistant attorney general. A former prosecutor with the US Attorney's office in DC, Assefi joined the antitrust division in late 2024 focused on criminal antitrust enforcement. He headed antitrust on an acting basis for about two months between Trump's inauguration and Slater's confirmation in March 2025.

Concerned that Slater's removal presaged a Live Nation settlement, several attorneys general publicly pledged to continue with the case even without the Justice Department.

Read More: States Prepared to Pursue Live Nation Trial Even If DOJ Settles

In its own court filing, Live Nation said negotiations "were close enough to a deal" the weekend before trial that it asked the Justice Department to inform the court and delay jury selection, but the agency declined to do so.

As jury selection began in New York on Monday, March 2, Assefi met with attorneys for the states and assured them no settlement was imminent, the states said in a court filing. In a meeting with Subramanian in his chambers after the jury was selected, Live Nation's Wall said the parties were close to a deal. When the Justice Department's lawyers could provide no details, Subramanian ordered Assefi to appear before him the next morning.

Assefi said he couldn't attend, citing work commitments, and instead sent his deputy Sarrine, who told the judge Tuesday morning that negotiations were ongoing. Subramanian allowed the trial to continue.

After opening arguments on Tuesday, attorneys for the states' leadership group — California, New York, Tennessee, Florida and the District of Columbia — attended a negotiation with Live Nation's lawyers where for the first time they received a hard copy of proposed settlement terms.

Binding Agreement

On Thursday, Assefi and Rapino met in person at the Justice Department in Washington to discuss the settlement. At the end of the negotiations, both signed a "term sheet," a binding document outlining the main aspects of the agreement, and gave the states 24 hours to sign on.

That term sheet included the demand that Ticketmaster license software to rivals and that it forgo the ability to exclusively promote shows at its amphitheaters, but it did not include any sale of venues owned by the company.

While Rapino was originally scheduled to testify on Thursday, the DOJ trial team was told on Tuesday to remove him from that week's witness list, according to some of people.

On Friday morning, the parties again met with Subramanian in chambers to discuss the settlement. Neither the Justice Department nor Live Nation told the judge that a term sheet had already been signed. Both Wall, Live Nation's executive at the trial, and Sarrine later said they weren't aware of the signed agreement when they briefed Subramanian on Friday.

Over the weekend, Live Nation and the Justice Department lawyers continued to work along two tracks: preparing for the upcoming week's testimony, and on a settlement. New York's Elinor Hoffman – an attorney on the state settlement committee – said that no one from the Justice Department spoke to them about the deal over the weekend.

A Justice Department official who asked not to be named said that some of the feedback the states provided during their Tuesday negotiation was incorporated into the term sheet that was ultimately signed. The official acknowledged the states weren't consulted over the weekend after the deal was signed.

On Sunday evening, a little before 8 p.m., the Justice Department emailed the judge to tell him that it had reached a settlement with Live Nation.

Furious Judge

In court Monday morning, a furious Subramanian demanded to know why no one had told him about a deal before Sunday night and why he wasn't given the actual term sheet until that morning.

Live Nation and the Justice Department "have failed to disclose any information concerning these discussions to the Court when proper disclosure, timely disclosure" was needed, he said.

The states unsuccessfully urged Subramanian to delay the case for 60 days to allow them to prepare for a new trial, while the judge lambasted everyone involved on Tuesday morning over the process. “This just is hard to understand,” Subramanian said, and criticized the states for not being ready to continue with the trial.

The judge declined to grant a mistrial, instead ordering Live Nation’s Rapino to remain in New York and negotiate with the states about a potential settlement. If those negotiations fail, he said, the trial will return on Monday.

In the meantime, the states’ leadership group spent the week in the New York attorney general’s offices negotiating with Live Nation. They also brought in a team from the law firm Winston & Strawn to help litigate their case when the trial resumes.

The Justice Department said it intends to turn the agreement into the formal legal filing Subramanian will review under a transparency law known as the Tunney Act. Such formal court filings and a press release are typically filed at the time of a settlement announcement, another example of the unusual nature of the settlement process in the Live Nation case.

The law requires the government to outline why it believes an antitrust settlement is in the public interest and allows the public or other interested parties to weigh in. It also requires the companies involved to detail all their contacts with the executive branch.

At a hearing late Friday afternoon, six states — Arkansas, Iowa, Mississippi, Nebraska, Oklahoma and South Dakota — said they reached a settlement with Live Nation, while one more, South Carolina, is continuing negotiations.

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

(Updates with additional details beginning in third paragraph.)

--With assistance from **Lucas Shaw**, **Nancy Cook**, **Courtney Subramanian** and **Mikella Schuettler**.

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California Brief

States to Resume Trial Seeking Live Nation Breakup on Monday (1)

March 13, 2026, 1:06 PM PDT

A bipartisan group of more than 30 states plan to resume an antitrust trial against Live Nation Entertainment Inc. on Monday, taking the lead in the case after the US Justice Department reached a settlement with the company over claims that it illegally monopolized the live events industry.

Jeffrey Kessler, an attorney representing the proceeding states which include New York and California, disclosed the plans during a hearing Friday in New York federal court before US District Judge **Arun Subramanian**, who is presiding over the case.

Arkansas, Iowa, Mississippi, Nebraska, Oklahoma and South Dakota — all states with Republican attorneys general – settled with Live Nation after the Justice Department reached a deal with the company earlier this week. South Carolina intends to continue negotiating with the company, said Tom York, a lawyer for the state of Texas.

The Justice Department announced Monday that it had reached a settlement with Live Nation to resolve the antitrust suit without the need for a sale of its Ticketmaster subsidiary — the main relief originally sought in the case. Subramanian must still review that settlement to ensure it is in the public interest before it is final.

Read More: A Secret Deal to Avoid Ticketmaster Breakup Sparks Frantic Week

Under the terms of the deal, Live Nation would open up concert venues it owns to rival ticketing services for at least a portion of the tickets for each show. The company also agreed to allow rival concert promoters to put on shows at its venues, and cap fees at 15%.

The settling states agreed to the same terms as the Justice Department in addition to damages on behalf of concertgoers who allegedly overpaid for tickets, York said. The amount of damages Live Nation would pay wasn't disclosed.

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

Securities

Selecta, Majority Lenders Ask Judge to Toss Antitrust Suit (2)

March 14, 2026, 4:10 AM PDT

Selecta Group BV and a group of its bondholders asked a federal judge to dismiss a lawsuit accusing them of violating US antitrust laws as creditors made a pact among themselves to negotiate a deal with the Swiss vending machine company that favored them over others.

Two separate motions, filed Friday in the Southern District of New York, are the response to the first-ever lawsuit challenging the legality of so-called cooperation agreements among a majority group of bondholders. The motions argue that a coordinated effort by a majority group of bondholders to work together isn't a violation of antitrust laws or akin to price-fixing.

Instead, the majority lenders contend that the pacts are an efficient way to broker a transaction, maximizing repayment and giving the debtor a chance to survive, which is beneficial for the consumer. Without such creditor coordination, they argued, consensual workouts would be more difficult and more companies would go into costlier bankruptcies instead.

Selecta entities, meanwhile, said in a separate filing that negotiating with the majority holders isn't "anticompetitive conduct; it is doing what any rational economic actor would do."

The Swiss company in June reached a restructuring agreement with a group of funds including Strategic Value Partners, Invesco, Man Group and Diameter Capital Partners, to allow some of them to take over the keys of the business, with a trustee foreclosing on the shares and transferring them to a new entity controlled by those funds.

While the deal was pro-rata, creditors outside the cooperation pact risked a greater loss in their investment if they chose to swap their holdings for the most senior debt in the restructuring.

Read more: Selecta Restructuring Deal Comes With Sting for Some Creditors

Left-out creditors including Deltroit Asset Management, Algebris Investments and CQS initiated legal proceedings in New York in October, arguing that the cooperation agreement barred any co-signers from backing an alternative restructuring, effectively resulting in the continued exclusion and unfair treatment of the creditors left out of the deal.

The plaintiffs alleged that the majority group of bondholders violated federal law by entering into a cooperation agreement that was used for “anticompetitive purposes” and breached the governing trust indenture, the company’s duty to act in good faith, and the fiduciary duties of Selecta’s directors.

Dutch Court

The defendants in the Selecta case argued in their motion that the restructuring was done within the confines of the intercreditor agreement, which allows for a majority of creditors to act collectively in deciding how and when to exercise remedies.

When Selecta defaulted, “the majority chose to exercise a right expressly granted to it in the governing documents: directing the security agent to undertake a foreclosure on Selecta’s shares, approved by a Dutch court, which resulted in all creditors ratably receiving new debt and equity securities issued by a more financially stable business,” the majority bondholders said in their motion to dismiss.

“Plaintiffs are sophisticated investors and knowingly purchased instruments that were governed by majoritarian principles and permitted the foreclosure. They cannot turn disappointment with the majority’s chosen response to a default into an antitrust complaint,” they added.

These bondholders also noted that the restructuring deal is a foreign transaction and therefore US antitrust laws don’t apply.

Third Motion

In a third motion to dismiss filed Friday, directors of Selecta also cited as defendants in the lawsuit, argued that they aren’t mentioned by the plaintiffs “at all in their recital of the facts describing the alleged conspiracy,” except on one count of breaching fiduciary duty.

In response to that complaint, the directors say in their motion that they approved entry into an agreement with the majority of the bondholders after considering the other options, and carried out their duties.

Representatives for Deltroit, Algebris, CQS and Selecta did not immediately reply to a request for comment sent outside of office hours on Friday.

Read more: Creditor Pacts Face First Legal Test in Suit Against Selecta

Cooperation agreements have become commonplace arrangements in restructuring situations in both the US and Europe. They effectively bind creditors to act together and stop them from breaking ranks to negotiate a more favorable deal with a company and its owner.

Soon after Selecta minority creditors filed their lawsuit, Optimum Communications Inc., formerly known as Altice USA. presented the first challenge to a cooperation agreement brought by a borrower. The company sued its creditors—including Apollo Global Management, Ares Management and Oaktree Capital Management — for allegedly coming together in an “illegal cartel,” locking Optimum out of credit markets.

The antitrust lawsuits “feel more like scare tactics by certain companies and their advisors who would rather they can run over creditors on an individual basis and don’t like the collective action that gives them better bargaining power in negotiations,” said Scott Greenberg, Global Chair of Gibson Dunn & Crutcher’s Business Restructuring and Reorganization Practice Group.

“The uncertainty they are trying to create hasn’t really had any impact we are seeing in the market in terms of people curbing the use of coops as an effective tool in these negotiations,” he added.

(Adds details on two additional motions to dismiss throughout.)

--With assistance from **Steven Church**.

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News | **Class Actions**

Google Accused of Sharing User Data With Chinese Entities

An attorney said that to avoid accidental violations, companies that handle a lot of data need to have a strong understanding of their own security architecture.

March 16, 2026 at 12:16 PM By **Brendan Pierson**

Credit: lindaparton/Adobe Stock

A recent series of class action lawsuits accuses Google of sharing users' data with Chinese-affiliated entities in violation of a 2025 Justice Department rule and state privacy laws, underscoring a significant risk for technology companies that handle a large volume of user data.

The four lawsuits, filed in the U.S. District Court for the Northern District of California by law firms including Freed Kanner London & Millen and Milberg, were spotted by Law.com Radar.

What Happened?

The lawsuits target Google's practice of tracking users' activity across browsers and devices to create digital identifiers linked to their IP addresses, which are shared with advertisers.

They say that Mountain View, California-based Google does not get meaningful consent for these practices, and that user data was shared with Chinese companies, including an affiliate of TikTok operator ByteDance and PDD Holdings' online marketplace Temu.

That runs afoul of the Justice Department's Bulk Sensitive Data Rule, which prohibits transferring large volumes of certain kinds of personal data to China and other countries of concern, according to the lawsuits. The rule violations, they say, give rise to claims under the federal Electronic Communications Privacy Act.

Google did not immediately respond to a request for comment.

How We Got Here

The so-called Bulk Rule stems from a February 2024 executive order by then-President Joe Biden. The order called for rulemaking to address what it called the "extraordinary threat" of hostile foreign powers using bulk data collected online to spy on the United States, for example by tracking the location of military personnel, or to train powerful artificial intelligence systems.

The Bulk Rule applies to biometric data, location data and financial data. In addition to China, it covers Cuba, Iran, North Korea, Russia and Venezuela.

Google is not the first company to be sued over alleged violations of the rule. Other lawsuits, which remain pending, have been filed against companies including Microsoft and Lenovo.

Paul Hastings attorneys wrote in a recent client alert that the Bulk Rule offers plaintiffs attorneys a new tool to pursue cases that in the past relied on state privacy and consumer protection laws.

What's Next?

J.D. Koesters, a shareholder at Baker Donelson, said he expected more lawsuits alleging Bulk Rule violations to be filed against tech companies in coming years. He said the rule posed a major challenge to companies that routinely handle a large volume of data and share it with third parties like advertisers.

"Filtering out all of the sensitive data that would be subject to DOJ's rule can just get difficult," he said.

Koesters also said that he expects the government to get involved.

"As we see this administration in particular really focus on national security, with data being one of the key components of these emerging technologies, I expect there to not only be private class actions but regulatory scrutiny to follow," he said.

To reduce their risk, Koesters said, tech companies need to be sure that they thoroughly understand their own security architecture, know exactly what their third-party partners do with user data, and practice “basic cyber-hygiene,” like ensuring that they use up-to-date data encryption technology.

California Brief

Skullcandy Loses Bid to Dismiss Online Tracker Privacy Lawsuit

March 13, 2026, 9:39 AM PDT

Skullcandy Inc. failed to convince a federal California court to dismiss wiretapping and eavesdropping claims from a state invasion of privacy suit over its use of online trackers on its e-commerce website.

Plaintiff Julie Jones sufficiently alleged cognizable harm, as well as claims under the California Invasion of Privacy Act, and the US District Court for the Southern District of California is persuaded it has jurisdiction over Skullcandy.

Jones alleged that Skullcandy used tools from Meta Platforms and Google to collect browser and purchase data. Besides the Meta Pixel, Google Analytics, and DoubleClick, Jones also said Skullcandy installed Facebook's Conversions Application Programming Interface, which "is located on the website owner's servers and is not a bug planted onto the website User's browser," according to the order Thursday.

The court can exercise specific jurisdiction over Skullcandy because it aimed its conduct at California by allegedly using the tracking technologies, Judge Janis L. Sammartino said.

Skullcandy also failed to convince Sammartino to transfer the case to Utah, its principle place of business. Among other things, the plaintiff chose to sue in California where the alleged conduct took place, and the class members would be in that state.

The audio company said it expressly disclosed its data collection practices in its terms of service and privacy policy. But Sammartino said that Skullcandy instituted a browsewrap agreement—by using the site, consumers consent—that failed to sufficiently provide website users notice of the terms.

The plaintiff sufficiently alleged that the user tracking takes place while a communication is in transit, and that it's reasonable to expect the browsing data collected wouldn't be shared by third parties.

Skullcandy claimed that the plaintiff lacked a reasonable expectation of privacy because she was a tester who had brought other privacy related cases. Jones didn't say she was a tester seeking out legal violations, so based on the facts of the lawsuit, Sammartino rejected the argument.

Almeida Law Group LLC represents Jones. Gordon Rees Scully Mansukhani LLP represents Skullcandy.

The case is Jones v. Skullcandy Inc. , S.D. Cal., No. 3:25-cv-01759, 3/12/26 .

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California Brief

HP Hit With Lawsuit Over 'Misleading' Cookie Consent Banners

March 13, 2026, 12:17 PM PDT

Six website users sued HP Inc. for allegedly using tracking tools to secretly collect their personal data despite promises that users could control data sharing.

The plaintiffs allege the website of the personal-computer maker deployed tracking pixels from companies like TikTok Inc., Meta Platforms Inc., Google LLC, Reddit Inc., and X Corp. that intercepted user communications even when visitors declined cookies or opted out of data sharing, according to a complaint filed Thursday in the US District Court for the Northern District of California.

HP allegedly showed different cookie banners to users in different states. Some promised data would only be shared if users clicked "Accept," and others allowed sharing by simply closing the banner, the complaint said.

But data tracking began immediately regardless of user choices, with tools capturing browsing activity, search terms, device information, and other sensitive data, it said.

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

The plaintiffs seek to represent two nationwide classes, a California subclass, and a New York subclass of people who interacted with HP's cookie banners and whose information was intercepted and disclosed to third parties without consent.

The complaint brings claims of intrusion upon seclusion, invasion of privacy under the California Constitution, unjust enrichment, common law fraud, declaratory judgment, and violations of the Wiretap Act, the California Invasion of Privacy Act, the New York Deceptive Acts and Practices Act, the New York False Advertising Law, and the New York Civil Rights Law.

The plaintiffs are seeking statutory damages, restitution, injunctive and declaratory relief, attorneys' fees and costs, and prejudgment interest.

Levi & Korsinsky LLP and Cotchett, Pitre & McCarthy LLP represent the plaintiffs.

The case is Ianozi v. HP Inc. , N.D. Cal., No. 5:26-cv-02164, complaint filed 3/12/26 .

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Witness Caught Using Smartglasses in Court Blames it all on ChatGPT

404media.co/witness-caught-using-smartglasses-in-court-blames-it-all-on-chatgpt

Matthew Gault March 16, 2026

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News

A judge in London tossed out witness testimony after discovering the man was receiving coaching through a pair of smartglasses.

sjiong photo via Wikimedia Commons.

An insolvency judge in England tossed out testimony after discovering a witness was being coached on what to say in real time through a pair of smartglasses. When the voice of the coach started coming through the cellphone after it was disconnected from the glasses, the witness blamed the whole thing on ChatGPT.

Insolvency and Companies Court (ICC) Judge Agnello KC in Britain wrote up the incident after it happened in January and the UK-based legal research blog Legal Futures was first to report it. The case considered the liquidation of a Lithuanian company co-owned by a man named Laimonas Jakštys. Jakštys was in court to get his business off an insolvency list and to put himself back in charge of it. It didn't go well.

"Right at the start of his cross examination, he seemed to pause quite a bit before replying to the questions being asked," Judge Agnello wrote. "These questions were interpreted and then there was a pause before there was a reply. After several questions, [defense lawyer Sarah Walker] then informed me that she could hear an interference coming from around Mr. Jakštys and asked if Mr. Jakštys could take his glasses off for a period as she was aware smart glasses existed."

There was a Lithuanian interpreter on hand to help Jakštys talk to the court and she, too, said she could hear voices from Jakštys's glasses. The judge pointed out they were smart glasses and asked him to take them off. "After a few further questions, when the interpreter was in the process of translating a question, Mr Jakštys' mobile phone started broadcasting out loud with the voice of someone talking," Judge Agnello wrote. "There was clearly someone on the mobile phone talking to Mr. Jakštys. He then removed his mobile phone from his inner jacket pocket. At my direction, the smart glasses and his mobile were placed into the hands of his solicitor."

Jakštys showed up the next day in the glasses again and the judge told him to turn them off. "Jakštys denied that he was using the smart glasses to receive the answers that he was to give in court to the questions being asked," the judgement said. "He also denied that his smart glasses were linked to his mobile phone at the time that he was giving evidence before me."

During the court appearance, Jakštys claimed his mobile phone had been stolen but couldn't provide a police report for the incident. He also repeatedly received calls on his smartglasses-connected phone from a number listed as "abra kadabra." The call log showed that many of the calls occurred when he was on the witness stand. The judge asked him about the identity of "abra kadabra" and Jakštys said it was a taxi driver.

"When he was pressed as to why all these calls were made…Mr. Jakštys stated that he was not able to remember. This was a reply which he also gave frequently during his evidence," Judge Agnello said.

In the end, the Judge tossed out all of Jakštys' testimony. "He was untruthful in relation to his use about the smart glasses and in being coached through the smart glasses," the judgement said. "In my judgment, from what occurred in court, it is clear that call was made, connected to his smart glasses and continued during his evidence until his mobile phone was removed from him. When asked about this, his explanation was that he thought it was ChatGPT which caused the voice to be heard from his mobile phone once his smart glasses had been removed. That lacks any credibility."

This incident in the London court is just another in a long line of bad behavior from people wearing smartglasses. CBP agents have been [spotted wearing them] during immigration raids and Harvard students have loaded them with facial recognition tech to [instantly dox strangers].

About the author

Matthew Gault is a writer covering weird tech, nuclear war, and video games. He's worked for Reuters, Motherboard, and the New York Times.

California Brief

AI Blunder in 'Big Boy Court' Prompts DOJ Firing of Attorney

March 13, 2026, 1:47 PM PDT

The Justice Department fired assistant US attorney Rudy Renfer the day after he said he was resigning over his error-riddled AI-generated brief at a hearing over the matter.

Renfer was "terminated" Wednesday before he could resign or retire, W. Ellis Boyle, the US attorney for the Eastern District of North Carolina, told Bloomberg Law in an email. The firing came the day after Magistrate Judge Robert T. Numbers scolded Renfer for filing a brief that included fabricated quotes and misstated the holdings of several cases as well as his subsequent explanations.

The quick response by the US District Court for the Eastern District of North Carolina reflected dissatisfaction with Renfer's March 10 court appearance, during which he acknowledged AI use for the first time according to Boyle. During the hearing, Numbers repeatedly said Renfer's accounting of his actions are "difficult to believe" and "strain credulity" while expressing disappointment in his lack of candor after his errors were flagged.

Boyle said before the hearing, Renfer had indicated a willingness to resolve the situation by retiring at the end of May, and that Renfer had already been taken off all his pending cases.

"After his performance at the hearing, the department moved swiftly to terminate him," Boyle said by email. "The involuntary termination action began Wednesday morning and was completed by the afternoon."

Boyle declined to comment on what aspect of Renfer's performance resulted in his termination. Renfer, an attorney for 30 years who had spent 17 years at the US attorney's office, didn't immediately respond to a request for comment left by voicemail. Emails to his Justice Department address bounced back as undeliverable.

Renfer's filing came while representing the Defense Department in a lawsuit by a North Carolina pro se litigant Derence Fivehouse. The retired Air Force colonel, an attorney himself, is challenging a policy limiting availability of GLP-1 weight loss medications for TRICARE for Life participants. Fivehouse, an attorney, flagged the errors in Renfer's response brief and Numbers demanded an explanation in a Jan. 8 filing.

In a brief, two-page Jan. 20 explanation, Renfer said "the error was clerical in nature and resulted from the inadvertent filing of an unfinalized draft document," with no mention of AI. Numbers' March 2 order for Tuesday's show-cause hearing expressed "serious concerns" with the accuracy of the filings and Renfer's explanation.

Renfer said Tuesday he'd used AI before, but only to create outlines rather than draft entire briefs. He said he "panicked" when he overwrote his first version of the brief and had AI re-write it. He said he submitted it thinking he'd already revised it.

On March 4, between the show-cause order and the hearing, Boyle sent a memo warning staff not to rely on unverified AI writing and reminding them of the seriousness of filing hallucinations to the court and the obligation to "maintain absolute candor" to the court.

"This is federal Big Boy court," Boyle said in the memo. "Act out of fear, or respect, or reverence, or some combination thereof, accordingly."

The case is Fivehouse v. U.S. Department of Defense, E.D.N.C., No. 2:25-cv-00041 .

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Countering Anti-ESG Backlash | The D&O Diary

dandodiary.com/2026/03/articles/esg/countering-anti-esg-backlash

Kevin LaCroix March 15, 2026

There was a time, not that long ago, when ESG was *the* dominant topic in the corporate governance world. Every company was expected to have a sustainability plan and to maintain a respectable ESG profile. However, as a result of now years-long ESG backlash, the predominance of ESG as a governance topic has diminished. Indeed, with the Trump administration's active anti-ESG policies and actions, including among other things several anti-ESG executive orders, as well as the actions of several red state governors and legislatures, it now sometimes feels that ESG as a governance topic is in full retreat. However, two recent developments – including a court decision striking down a Texas state anti-ESG law and the filing of ESG-supportive ERISA liability lawsuit – suggest that, at a minimum, there may be more of the ESG story yet to be told.

Court Strikes Down Texas Senate Bill

Numerous red state legislatures have passed anti-ESG laws. Among them is Texas Senate Bill 13, which was enacted in 2021. The legislation's main thrust is to require state pension funds and other governmental investment entities to divest from any financial firm that "boycotts energy companies." The bill seeks to prohibit, as a "boycott," any action taken by financial firms "without an ordinary business purpose" to "penalize, inflict economic harm on, or limit commercial relations" with fossil fuel companies. Among other things, the Texas Comptroller is empowered to compile a blacklist of financial firms deemed to be boycotting.

In August 2024, the American Sustainable Business Council (ASBC), representing businesses and other organizations that advocate for sustainable business practices, filed a lawsuit in the Western District of Texas challenging the constitutionality of SB 13. The ASBC challenged SB 13 on two grounds: that the statute's overbreadth unconstitutionally interfered with free speech under the First Amendment; and that the statute was unconstitutionally vague, particularly with respect to the meaning of the term "boycott," in violation of the Fourteenth Amendment. The ASBC moved for partial summary judgment.

In a February 3, 2026 order (here), Western District of Texas Judge Alan Albright (a 2018 Trump appointee) granted the ASBC's summary judgment motion, holding that the Texas law was facially overbroad under the First Amendment and unconstitutionally vague under the Fourteenth Amendment. The district court's ruling is subject to appeal.

In holding that the statute violated the First Amendment, Judge Albright focused on the statute's definition of "boycott" as "any action that is intended to penalize, inflict harm, or limit commercial relations with" fossil fuel companies. Judge Albright said that the phrase "any action" is not limited to purely commercial conduct and therefore penalized activities protected by the First Amendment.

In ruling that the statue was unconstitutionally vague in violation of the Fourteenth Amendment, Judge Albright said that the sweeping definition of "boycott" lacked objective standards and failed to provide a reasonable opportunity to understand what was prohibited. Judge Albright also found that the statute's feature allowing the Comptroller to develop a blacklist lacked clarity and had the potential for arbitrary enforcement.

In a March 4, 2026, memo commenting on the Court's ruling finding SB 13 unconstitutional, the Freshfields law firm notes that the court's ruling arises in the context of "growing nationwide trend of states enacting anti-ESG laws." The ASBC's lawsuit represents a "direct challenge to the legality of such state-level interventions."

Though as a district court ruling the decision here has no binding authority on other district courts, it could have "some persuasive authority for court in other states considering challenges to anti-ESG legislation, and the ruling may even, the law firm memo says, "function as a bellwether for other states that have enacted similar anti-ESG legislation."

To be sure, Texas likely will appeal, meaning at a minimum that the ASBC's legal challenge will be subject to further judicial review. The law firm memo notes that "for clients navigating the increasingly fragmented ESG landscape, both in the U.S. and outside the U.S., constitutional challenges to anti-ESG laws add one more layer of complexity."

The Cushman & Wakefield ERISA Liability Lawsuit

In a different but related development, on March 3, 2026, a participant in the Cushman & Wakefield 401(k) Plan filed a lawsuit in the Western District of Washington, alleging that the company and its investment committee violated the liability provisions of ERISA by selecting and retaining an "unsuitable" investment option in the plan, alleging, among other things that the fund option was selected despite "numerous glaring red flags, including chronic underperformance, dangerous aggregation of climate change-related financial risk, unreasonably high fees, and limited market acceptance." A copy of the complaint can be found here.

The complaint alleges that the Cushman & Wakefield 401(k) plan is "one of the largest retirement plans in the United States." The complaint notes that Cushman itself has a long record of "managing climate-related financial risk," publicly cautioning that "climate risk is financial risk." The complaint alleges that notwithstanding the company's recognition of climate-related financial risks, the company exposed employee retirement savings "to significant, unreasonable climate-related financial risk," among other things, by including as a fund option on the Company's 401(k) menu the Westwood Quality SmallCap Fund.

The Westwood Fund, the complaint alleges represents "an unsavory combination of financial underperformance and unreasonably high fees," while at the same time "exposing investors to massive amounts of climate-related financial risks that threaten to wipe out years of savings under any number of plausible scenarios." The Fund, the complaint alleges, is "indifferent to climate risk," as a result of which, the fund as aggregated "inordinate levels of climate-related financial risk across its investment sectors." Among other things, the complaint alleges that the Fund is "more than twice as exposed to sectors that are particularly vulnerable to climate-related financial risk."

The complaint alleges that the defendants knew of the Fund's poor performance and climate exposure when the Fund was selected. Moreover, the complaint alleges, the Fund's selection was not just the result of "imprudence" but was also the result of influence from Fidelity, which plays an institutional role for the Fund.

The plaintiff seeks to require the defendants to restore the losses "caused by the mismanagement of the Plan and to obtain injunctive relief to prevent further mismanagement."

Discussion

In recent months, it has at times felt as if, as a result of the anti-ESG backlash, ESG as a governance topic has been in full retreat. The developments described above suggest that though the anti-ESG forces may well have occupied the field, advocates of ESG have not been entirely vanquished, nor have they gone away.

The Texas statute was of course an aggressive action of political power, while the court's decision striking down the law demonstrates that even vigorous political power is subject to constraints. ESG advocates will be especially heartened by the court's First Amendment finding, vindicating as it does the proposition that that political power cannot be used to cancel viewpoints that the political powerful oppose or to prevent the advocates of opposing points of view from expressing and acting on their opposing views.

The new lawsuit, which has only just been filed and which may or may not prove to be meritorious, if nothing else represents the view that companies' actions face scrutiny not just from the anti-ESG advocates but from pro-ESG advocates as well.

Both of the developments discussed above highlight the point that, as the two opposing points of view seek to advance their respective agendas, companies themselves may feel that they are required to operate while caught in the crossfire.

At a minimum, these developments underscore the point that while it may have seemed that ESG governance principles have been in full retreat, ESG concerns have not been totally eclipsed. The upshot is that thought anti-ESG advocates have unquestionably changed the environment around ESG issues, the underlying ESG issues themselves have not gone away.

I will say this: for a time there, it seemed to me that ESG, once a key topic on this site, had dropped off of the docket. The recent developments suggest that though the environment unquestionably has changed from where it was three or four years ago, ESG is not dead, and will remain a key topic of corporate governance.

NewsRoom

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Akron Beacon Journal (Ohio)

March 16, 2026

Section: News

Final week of testimony in review
Dowling, Jones waive right to take stand in defense

Patrick Williams

March 16, 2026

Last week marked the sixth and final week of testimony in the bribery trial of two former FirstEnergy executives.

Throughout the week, the 12-member jury and four alternate jurors spent less time in the courtroom than they had any of the five preceding weeks. They took their seats in the jury box only on March 11 – to hear testimony from three defense witnesses, including a sitting U.S. senator.

Charles "Chuck" Jones, former FirstEnergy CEO, and Michael Dowling, ex-senior vice president of the Akron-based utility, are facing multiple criminal charges for allegedly bribing former Public Utilities Commission of Ohio Chair Sam Randazzo with a $4,333,333 payment before Randazzo was chair. Randazzo died in 2024.

Following closing statements that Judge Susan Baker Ross said are scheduled for March 16, the court anticipates the jury to begin deliberations this week.

Here are some trial developments from last week:

1. Husted says he does not remember conversation with defendants

The highest-profile witness in the case, U.S. Sen. Jon Husted, testified virtually March 11. Husted, a Republican representing Ohio, previously served as lieutenant governor under Ohio Gov. Mike DeWine from early 2019 to early 2025 and said he knew the defendants from professional settings.

Husted testified that he didn't remember what he discussed with Jones, Dowling and DeWine at a Dec. 18, 2018, dinner in Columbus. At the time, DeWine had been elected to lead the state's executive branch, but he and then-lieutenant governor-elect Husted had not yet been sworn in. After the dinner, the defendants drove to the Columbus condo of Randazzo, their friend who worked as an energy lawyer.

Ohio Assistant Attorney General Matthew Meyer alleges Jones and Dowling realized right around that time that Randazzo was the "ascendant candidate" for the PUCO spot and "scrambled for this payment right after meeting with the governor(-elect)."

Throughout the trial, Meyer has presented a string of text messages between Jones, Dowling and Randazzo from Dec. 19, 2018. Jones texted Randazzo with the message that the FirstEnergy executives would get Randazzo "... paid in full, no discount."

Defense attorneys said on numerous occasions that the defendants wanted Columbus attorney Jason Rafeld to be PUCO chair, and Rafeld testified to that as a defense witness March 6.

2. Husted declines knowing about friend's work as FirstEnergy consultant

Husted also shared under cross-examination that he remains friends with Mike Dawson, who was a paid FirstEnergy consultant and whose wife, Laurel Dawson, worked as DeWine's chief of staff.

Husted said he didn't learn until later, however, that Mike Dawson was a paid FirstEnergy consultant or that he shared an office with Randazzo.

In 2016, Randazzo loaned Mike Dawson $10,000, and Randazzo did not disclose the loan on his ethics statement, according to original and amended indictments in the Jones-Dowling case. Husted said he didn't know about that payment until later and that he wouldn't know if anyone reported it to the Ohio Ethics Commission.

Husted also said he didn't know about Randazzo writing part of House Bill 6. The bill included a $1.3 billion bailout of two nuclear power plants in northern Ohio that FirstEnergy owned through its FirstEnergy Solutions subsidiary at the time.

3. Jones, Dowling waive their right to testify in their own defense

Jones and Dowling said in court March 12 that they will not testify in their own defense.

"I waive my right to testify," Jones said.

Jurors have already seen roughly three-and-a-half hours of a 2023 video deposition with Dowling from a separate case. Meyer said outside of the jury's presence March 9 that aside from the subjects discussed in the video interview, the video has "evidentiary value" expressed through "Mr. Dowling's tone, the way he expresses the words, the body language."

As the judge confirmed with Dowling his decision not to take the witness stand, Dowling said three words confirming his choice: "Not to testify."

4. Defense says prosecution short on evidence, alleges misconduct

Attorneys for Jones have said and confirmed with witnesses that their client was not involved until December 2018 in discussions and agreements between FirstEnergy and Randazzo that prosecutors have presented as evidence and questioned witnesses about. Defense attorneys' statements about Jones have stretched back decades – covering the trained engineer's rise through FirstEnergy ranks, a Beacon Journal story on his promotion to CEO and his turning down of some incentive compensation in that position – but they've said the only charges against him in the case pertain to actions of his beginning on Dec. 18, 2018.

Dowling's role as FirstEnergy senior vice president of external affairs included overseeing and conducting lobbying activity at FirstEnergy – but he disagreed in the 2023 video interview with the characterization that he was senior lobbyist. His attorneys, arguing that the tampering with records charges against him should be dropped, said their client did not neglect to disclose that Randazzo was a lobbyist for FirstEnergy and that Randazzo did no lobbying for the utility. Further, Dowling's attorneys say, the fact that Dowling sought advice from a FirstEnergy lawyer who served as chief ethics officer about the roughly $4.3 million payment to Randazzo goes against the prosecution's notion that he had criminal intent.

Judge Susan Baker Ross on March 10 acquitted Jones and Dowling of money laundering charges and said two days later that she believes defense attorneys have been able to counter the prosecution's allegations throughout the case "very masterfully."

Carole Rendon, an attorney for Jones, remained steadfast March 12 in stating her belief that all charges should be dropped against the defendants because of what she and other defense attorneys see as misconduct by the prosecution.

During an afternoon hearing outside of the presence of the jury on March 6, defense attorneys took turns alleging the prosecution engaged in prosecutorial conduct on multiple fronts. Steve Grimes, an attorney for Dowling, said the state should have recorded a 2024 conversation with former FirstEnergy Chief Ethics Officer Ebony Yeboah-Amankwah. The state has said that the conversation was not an interview and did not need to be recorded.

Additionally, Grimes said Yeboah-Amankwah told the grand jury in 2024 that she advised Dowling that FirstEnergy not pay the roughly $4.3 million for business reasons, not legal reasons, but that the prosecution withheld that information from the defense.

Baker Ross on March 12 said she intends to decline the defendants' motion to dismiss the case outright or issue a jury instruction outlining the alleged prosecutorial misconduct because she has found the trial to be fair. However, at Rendon's request, Baker Ross said she would permit the defense 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.

In a filing on March 13 – a day on which there were no in-court proceedings in the case – the defense team proposed a "modified, watered-down jury instruction" that says in part:

"You have heard that the State of Ohio failed to record or take notes of interviews it conducted with Ebony Yeboah-Amankwah, Ty Pine, and Eileen Mikkelsen. The State of Ohio is required to preserve any evidence, including from witness interviews, that could help establish that the defendants are not guilty. ... You may consider these failures and draw any reasonable inference from them when deciding whether the State of Ohio has proved the charges beyond a reasonable doubt."

5. Former FirstEnergy HR chief testifies about Jones' compensation

Jones turned down raises while working as CEO of FirstEnergy, testified Charles Lasky, a retired FirstEnergy chief human resource officer who left the company in July 2019. In fact, Jones asked for a decrease to his salary in 2017 and declined other financial benefits.

"Chuck consistently said that he was very grateful for whatever the board would offer," Lasky said when he testified for the defense March 11.

Between 2017 and 2018, Jones' compensation increased from nearly $15.3 million to $20.9 million. He also benefited when FirstEnergy's stock price went up, Lasky agreed.

Lasky described Jones as knowledgeable, thoughtful, considerate, caring and collaborative. On cross-examination, Lasky testified that he and Jones never discussed Randazzo or the importance of the PUCO to FirstEnergy's bottom line.

6. Defense calls on expert witness 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 at the Industrial Energy Users of Ohio trade group.

Under cross examination, Meyer confirmed the scope of Ebadi's review of documents was limited to what defense attorneys directed her to review. He also asked her whether she could speak to what was in the minds of the defendants or "the dead man, Sam Randazzo," and she said no.

Jessie Balmert, state government and politics reporter for the USA TODAY Network Ohio Bureau, contributed to this report.

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?"

---- Index References ----

Company: PUBLIC UTILITIES COMMISION; FIRSTENERGY SOLUTIONS CORP.; INDUSTRIAL ENERGY SOLUTIONS

News Subject: (Crime (1CR87); Criminal Law (1CR79); Financial Fraud (1FI18); Fraud (1FR30); Government (1GO80); Government Litigation (1GO18); Legal (1LE33); Lobby & Pressure Groups (1LO18); Social Issues (1SO05))

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End of Document

Securities

SEC Seeks to Transfer $24 Million Bittrex Settlement to Treasury

March 13, 2026, 10:03 AM PDT

The Securities and Exchange Commission moved to transfer $24 million in funds it received as part of a 2023 settlement with defunct crypto exchange Bittrex Inc. to the US Treasury after failing to reliably identify harmed investors.

Efforts to determine Bittrex customers who were harmed by the company's failure to register as a national securities exchange, broker, and clearing agency have come up short and likely won't succeed, the SEC said Thursday in the US District Court for the Western District of Washington.

"SEC staff have no reasonable way of identifying harmed investors or establishing the amount of harm suffered by individual investors in this matter," it said. "The inability of the SEC to obtain the identification and location of the harmed investors makes it infeasible to provide a meaningful distribution to the investor victims."

The crypto exchange operator and its non-US affiliate agreed to settle with the commission shortly after it shuttered its US operations and filed for bankruptcy in May 2023.

The deal, which included co-founder William Shihara, resolved allegations that Bittrex violated agency rules from 2017 to 2022 as it brought in at least $1.3 billion in revenue.

Although the SEC has tried to obtain data from Bittrex lawyers and from the company's Chapter 11 proceedings, those efforts were complicated because the company operated as a central exchange and commingled tokens in wallets that it held, the commission said.

Additionally, Bittrex has been shuttered and other defendants have been unresponsive, it said.

If, in the the future, a solution is found, the SEC would try to establish "a Fair Fund for distribution to harmed investors," it added.

The case is SEC v. Bittrex, Inc. , W.D. Wash., No. 23-00580, motion filed 3/12/26 .

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Trump administration calls judiciary 'ill-equipped' to manage its courthouses

reuters.com/legal/government/trump-administration-calls-judiciary-ill-equipped-manage-its-courthouses-2026-03-13

Nate Raymond March 13, 2026

The building exterior of the Thurgood Marshall United States Courthouse is seen in Manhattan, New York City, U.S., August 17, 2020. REUTERS/Andrew Kelly/File Photo Purchase Licensing Rights, opens new tab

- Judiciary occupies 396 government-owned buildings, paying $1.3 billion annually in rent
- GSA warns of risks if judiciary gains control over courthouse expenditures
- Judiciary claims GSA reorganization exacerbated problems at courthouses

March 13 (Reuters) - The Trump administration is fighting the federal judiciary's effort to secure independent control over its courthouses and end the executive branch's management of its buildings, saying the court system is "ill-equipped for the real estate job."

Edward Forst, the head of the General Services Administration, made the statement in a letter , opens new tab on Thursday, deepening strains between the judiciary and the administration of Republican President Donald Trump, who has repeatedly attacked judges and Supreme Court justices who rule against him.

Forst, who became the GSA's administrator in December, expressed his "surprise and disappointment" at the U.S. Judicial Conference's recent decision to ask Congress to shift authority over its buildings away from the agency, which has long acted as the courts' landlord.
In a letter addressed to Judge Robert Conrad, the director of the Administrative Office of the U.S. Courts, Forst warned of the risks that would result "if the unelected Judiciary gained carte-blanche authority to determine courthouse expenditures at the expense of the American taxpayers."

He said from fiscal year 2021 to 2025, the judiciary accounted for 21% of the rent GSA collected from federally owned buildings yet facilities occupied by the judiciary accounted for 43% of spending on major repair and alterations.

Based on that data, which he gathered in response to the judiciary's request to Congress, Forst said he has instructed the GSA to reexamine existing repair and maintenance requests "to ensure taxpayer money is spent appropriately."

He noted the Government Accountability Office in a report last year , opens new tab found the judiciary did not fully collaborate with GSA or involve the U.S. Marshals Service, which handles judicial security, when developing new design requirements for courthouses that would add to their construction costs.
A spokesperson for the Administrative Office of the U.S. Courts in a statement said the judiciary had put forward a "thoughtful, responsible approach to a problem dating back at least 15 years."

He noted the judiciary's plan calls for a gradual and orderly transition of properties, starting in no more than 10 districts and only on major courthouse buildings where it is a primary tenant. Further expansion would be contingent on it successfully managing the initial properties.

The judiciary occupies 396 government-owned buildings and 379 leased spaces nationwide. It is currently paying $1.3 billion annually in rent to the GSA, which is responsible for the construction and upkeep of federal courthouses.

The Judicial Conference, the judiciary's policymaking body, on February 24 asked Congress to shift authority over its courthouses away from the agency, saying its courthouses were in "crisis" and required $8.3 billion in overdue repairs.

Conrad in letters to lawmakers also said "recent unilateral actions and reorganization of GSA have only exacerbated these conditions."

The GSA, as part of a cost-cutting initiative driven by the Elon Musk-spearheaded Department of Government Efficiency, also last year demanded the judiciary justify why it should not cancel some of its leases and put some courthouses up for sale.
The judiciary said the reorganization and workforce cuts under Trump had shrunk GSA's staff by half, exacerbating courthouse conditions overall by delaying security improvement projects and resulting in a lack of onsite building managers at nearly 25% of courthouses with five or more judges.

Read more:

US judiciary asks Congress for authority over courthouses in 'crisis'
Courthouses eyed for potential sale by Trump administration
Trump administration eyes canceling leases for space used by US judiciary

New US courthouse design standards to result in higher costs, watchdog says

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

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Securities

Manage Newsletters

Trump Memecoin Jumps on Mar-a-Lago Event Marketing the President

March 13, 2026, 1:14 PM PDT

Summary by Bloomberg AI

AI Generated

- The Trump coin surged as much as 60% in the last 24 hours after its promoters advertised an exclusive gala at Mar-a-Lago featuring the president.
- The White House hasn't confirmed the president's attendance at the event, and the event's website says "President Trump may not be able to attend the 2026 Event, and the 2026 Event may be cancelled for any reason".
- The top 297 holders of the Trump token who connect their wallets to the site's leaderboard will be able to participate in the conference, with the top 29 qualifying holders invited to a reception featuring Trump.

The memecoin bearing Donald Trump's name surged as much as 60% in the last 24 hours after its promoters advertised an exclusive gala at Mar-a-Lago featuring the president – though the White House hasn't confirmed his attendance.

The rally in Trump coin, which has lost more than 90% of its value since peaking around $44 shortly after its January 2025 launch, underscores the token's dependence on a recurring playbook: offer proximity to the president, attract speculative buying, and hope the price holds. Last year's dinner for top holders with the president briefly lifted the token before it resumed its decline. The memecoin pared its gains on Friday.

The April 25 Fight Fight Fight conference is advertised as featuring a gala luncheon with Trump, according to the event's website. But it's not yet clear if Trump is planning to attend in person. A White House official, speaking on the condition of anonymity, said Trump was not confirmed for the event. And it's scheduled for the same day the president has said he'll attend the White House Correspondents' Association dinner in Washington.

"President Trump may not be able to attend the 2026 Event, and the 2026 Event may be cancelled for any reason," the website said as part of the terms and conditions of the event. If that's the case, the gathering may be rescheduled, "or persons who are qualified for the 2026 Event will receive a limited edition TRUMP NFT in lieu thereof," the website said.

Still, Fight Fight Fight said in an email that, “of course the president is confirmed to be attending, we wouldn’t put it on the official $TRUMP website if it wasn’t true.”

The token’s 24-hour trading volume topped $1.6 billion on the announcement, according to crypto data tracker CoinGecko. Open interest for derivatives of the memecoin jumped more than 20%, according to Coinglass. The token rose as high as $4.40 before recently trading at around $3.88, according to CoinGecko.

The top 297 holders of the Trump token who connect their wallets to the site’s leaderboard or through brokerage Robinhood Markets Inc. will be able to participate in the conference. The top 29 qualifying holders will be invited to a reception featuring Trump, the site said. Eligibility will be determined based on participants’ time-weighted Trump memecoin holdings and certain merchandise purchases during a qualifying period, according to the event’s rules.

Mar-a-Lago has become a venue of choice for crypto ventures and other groups seeking to gain access to the president. In February, World Liberty Financial — the Trump family’s cryptocurrency platform — also held a conference there.

Trump memecoin promoter **Bill Zanker**, who was the “authorized person” behind Fight Fight Fight LLC when the token launched last year, planned a dinner with Trump for memecoin holders last May and has worked on Trump-themed nonfungible tokens, some of which have seen their value cut in half. Trump memecoin holders had to compete to attend last year’s dinner as well, and attendees included billionaire Justin Sun.

The token’s conference speakers and agenda haven’t been announced.

--With assistance from **Annie Massa** and **Matthew Brockett**.

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Laura Davison, Dave Liedtka

News from Bloomberg Terminal

Make the Predictions Come True

March 16, 2026, 11:30 AM PDT

By Matt Levine

(Bloomberg Opinion) --

New prediction market manipulation

In theory, a thing that you could do is:

1. Buy some short-dated out-of-the-money call options on a public company.
2. Call up a deals reporter at a prominent news outlet and say "hey I hear Amalgamated Amalgamators is going to acquire Consolidated Widgets at $50 per share, you should publish that, it's a big scoop, you will get a lot of clicks and keep your readers informed and win various journalism prizes."
3. The reporter is like "thanks I'll look into it."
4. Time passes and the reporter does not publish the story you want.
5. So you call her back and say "hey this Consolidated Widgets deal is really heating up, if you want to be first with the scoop you'd better publish right now, you need to help the market understand this news."
6. The reporter is like "yeah I called around and there's nothing to this rumor, sorry!" [1]
7. You say "no you're wrong, I promise, it's real."
8. She says "okay thanks for your input, I'm going to hang up now."
9. You say "Wait! If you publish the story I will pay you $10,000."
10. She says "What? No. Goodbye."
11. You say "Wait! If you don't publish the story I will kill your family."

There are, obviously, a lot of things wrong with this sequence of events. For one thing, you are trying to do *market manipulation*; you are trying to push up the price of Consolidated Widgets stock based on false information, which is illegal. Also the bribery and death threats are bad.

I just want to make the narrow point that, in theory, this could maybe work. That is, the published work of journalists can, sometimes, have a big effect on the prices of financial assets; in some cases, one journalist publishing one discrete factual statement can materially move the price of a stock and make a lot of money for people on one side of a trade, regardless of the underlying truth of the statement. News publications can serve, in effect, as "oracles" for the prices of financial assets, at least temporarily. And so if you could influence the right journalist in the right situation, with tricks or bribes or threats or whatever, then you could make a lot of money. Not illegal advice!

(Not me, though; I'm never going to break merger news so please don't try to bribe or threaten me.)

On the other hand, this only maybe works, and only for a little while. News reports are not *actually* oracles for financial prices; the terms of stocks and bonds and options and futures do not generally refer to news reports for their resolution. [2] A journalist reports "Consolidated Widgets is in play," maybe its stock goes up briefly, it announces "no we're not," its stock goes down, never mind. [3]

One interesting fact about the rise of prediction markets is that they offer financial contracts that pay off on the occurrence of all sorts of real-world events, and if you are betting on all sorts of real-world events you need all sorts of sources of truth, and if you are looking for a general-purpose source of truth about arbitrary noteworthy facts, your natural inclination might be "is it in the newspaper?" And so journalists' stories are, often, the *actual official oracles* for various prediction contracts. We have, for instance, talked a few times about the "Ali Khamenei out as Supreme Leader" contracts on Kalshi. Those resolve based on reports from "The New York Times, the Associated Press, Reuters, Axios, Politico, Semafor, The Information, The Washington Post, The Wall Street Journal, ABC, CBS, CNN, Fox News, MSNBC, and Ali Khamenei." If you could plant a few stories you'd be in business.

I suppose one set of questions you might have is, like, what does this mean for the accuracy and information content and fairness and manipulability of prediction markets? And then another set of questions you might have is, what does this mean for journalists? A lot more opportunities to take bribes, but also a lot more chances to get death threats, and also more prosaically a lot of people emailing you politely but insistently to ask you to change your stories to make their bets pay off.

Anyway here's a Times of Israel story by Emanuel Fabian with the title "Gamblers trying to win a bet on Polymarket are vowing to kill me if I don't rewrite an Iran missile story," and that's pretty much what it's about, but as a journalist I definitely recognized the more mundane polite correction requests at the beginning:

"Regarding your Times of Israel report that described today's launch as an 'impact' — Beit Shemesh Municipality and MDA (Magen David Adom) later corrected their reports to clarify that what fell was an interceptor fragment, not a full missile," [one reader] claimed.

"I'd appreciate it if you could update your article, as in its current form it does not reflect reality. Alternatively, if you have information that it was indeed a full missile that was not intercepted, I would be glad to be corrected."

Eventually, though, bribes and death threats:

"You have no idea how much you've put yourself at risk. Today is the most significant day of your career. You have two choices: either believe that we have the capabilities, and after you make us lose $900,000 we will invest no less than that to finish you. Or end this with money in your pocket, and also earn back the life you had until now." ...

"If you decide to go with your ego and not with your head, you are leaving behind dozens of wealthy people from all over the world who will know that you performed market manipulation and stole from them. They know who you are, you don't know who they are. It took them less than 5 minutes to find out exactly where you live … how often you see your lovely parents … and exactly who your … brothers and sisters are." Hey terrific. Presumably if he *did* make the change, people on the other side of the bets would offer to bribe him to change it back. He should set up an auction. Make every fact in the world depend on who will pay the most for it. Not journalistic advice!

SPVs

There are approximately five ways to buy stock in SpaceX before it goes public (in June?):

1. You can buy SpaceX stock from someone who owns it. SpaceX occasionally organizes tender offers in which existing investors sell stock to new ones; maybe you can get on the list to be one of the new ones. Or maybe you can find an existing investor on your own, or on some trading platform, and buy her shares.
2. You can buy *exposure to* SpaceX stock from someone who owns the stock. For instance, an investor who owns SpaceX stock can put it into a special-purpose vehicle, or SPV, and sell shares of the SPV to people like you. You don't own any SpaceX stock directly, but you have a claim on it; ultimately, when SpaceX goes public, you will get your stock or at least its cash value. For her trouble, the SPV organizer will probably charge you a big fee and/or sell shares of the SPV at a big premium to SpaceX's actual valuation. Or a SpaceX shareholder could sell you a *forward*, promising to give you the stock once SpaceX goes public; again you don't own the stock now but you have some claim on it.
3. You can buy exposure to SpaceX stock from someone who has exposure to the stock. You can invest in an SPV-squared, an SPV that owns shares in another SPV that owns shares of SpaceX. (Or cubed.) Or an SPV that owns forwards. Etc.
4. You can buy exposure to SpaceX stock from someone who *doesn't* own the stock, and tells you that. Someone who wants to bet *against* SpaceX could sell you a "naked" cash-settled forward, promising to pay you the value of SpaceX stock in a year. Here, you don't own SpaceX stock or even have a claim on it, but you have a claim against your counterparty: If SpaceX goes public and she doesn't pay up, you can sue her. We talked the other day about Benn Eifert, a hedge fund manager who "has entered into personal wagers with tech professionals and others about OpenAI's eventual valuation, complete with legal contracts," and I joked that a pretty good way for a retail investor to get exposure to OpenAI would be to tweet at Eifert. Maybe he'll sell you some SpaceX too.
5. You can buy exposure to SpaceX stock from someone who *doesn't* own the stock, and *doesn't* tell you that. "Hey I've got an SPV with some hot SpaceX stock that just fell off a truck, you want in," someone tells you at a party, and you say yes and give her $10,000. But she doesn't have any hot SpaceX stock; she just knows you want some and is preying on your desires. Here, you don't own SpaceX stock or have a claim on it or even really have a claim against your counterparty, because she will have spent your money and skipped town long before SpaceX goes public. But if you can find her maybe you can have her arrested.

Last week Bloomberg's Bailey Lipschultz reported on the hot market for exposure to SpaceX and OpenAI stock, or exposure to exposure to SpaceX and OpenAI stock, or fake exposure to SpaceX and OpenAI stock:

In some cases, investors are forking over their money first, and legal questions around who really owns the stock, or if it exists, are coming later. Some of these investments are already linked to allegations of fraud, but even when they're above board, many tack on exorbitant fees and create opaque structures that eat into returns.

"A lot of people think they own stock in SpaceX," said Zach Ullman, partner at growth investment firm Lead Edge, which buys shares in the secondary market and participates in SPVs. "I'm not sure what the actual percentage of people who do actually own that, at the end of the day, is."

Those concerns haven't stopped SPVs from booming. The amount of funds invested in the vehicles has grown by 11 times since 2021, accounting for nearly half of the quarterly transaction volume tracked by Caplight Technologies, a data provider and operator of a platform for trading in shares of private companies.

Yes look there is a lot of retail demand for SpaceX and OpenAI stock, and very little supply, and no public market (yet) to set a single market-clearing price. And so if you are buying SpaceX stock, you're pretty much getting whatever price the seller thinks they can charge you, and you're not necessarily getting SpaceX stock:

[Giovanni] Pennetta, the manager of Manhattan-based Sestante Capital, was nabbed at John F. Kennedy International Airport in December after allegedly stealing millions of dollars from clients by pitching access to private companies including Anduril. Federal prosecutors charged Pennetta with securities fraud, wire fraud and aggravated identity theft related to the alleged scheme.

According to prosecutors, Pennetta pitched investors on his access to investments in private companies, and said he could offer investment interests in those shares through NextGenTech Investments, a fund managed by Sestante. But the government says Pennetta didn't actually have access to the shares and misappropriated more than $10 million in investor funds, sending most of the money to his own personal bank account.

It would be weird if that *didn't* happen.

Nuns

The way American shareholder democracy works is that, if you don't like something that a US public company is doing, you can buy some of its stock and demand that it make changes. The simplest way to do that is to buy one share and then call the investor relations number to register your complaint; this *probably* won't accomplish anything, but it might, and maybe it will make you feel better. [4]

The most *effective* way to do it is to buy 5% of the stock, submit your own nominees for the board, run a proxy contest, persuade other shareholders to vote for your slate, win, replace the board, and run the company the way you want. This has a much higher degree of difficulty and is much more expensive, but if you have billions of dollars it is far more effective than the other approaches. Carl Icahn once launched a proxy fight at McDonald's Corp. to get them to change their treatment of pigs. A variation on this is doing a *hostile takeover*, where you buy 100% of the stock and then really run the company however you want. Elon Musk wanted an edit button on Twitter, so he spent $44 billion buying the company and now there is an edit button.

There is an intermediate approach. You can buy at least $2,000 worth of stock, hold it for a while, and then submit a shareholder proposal for the company's annual meeting. This does not, I have to say, work very well. There are somewhat complex rules for submitting shareholder proposals, and if you mess them up the company might be able to keep your proposal off the ballot. The rules significantly limit what your proposal can be *about*; if your proposal is, like, "Resolved, this company's snack foods tasted better before you changed the recipe, please change it back," or "Resolved, I bought a shirt from one of your stores and a button was missing and the sales clerk wouldn't give me a refund, please give me a refund," there is really no way to get it on the ballot and you're better off calling IR. In practice, these proposals tend to be about broad social and environmental issues — the company should be more (or less) diverse, it should pollute less (or more), etc. — or about the company's governance structure (its whole board should be up for election each year, its CEO should not also be the chair of the board, etc.), not about the details of the business. Also, the rules generally require that your proposal be *non-binding:* Even if you get it on the ballot, and even if a majority of shareholders vote for it, management still doesn't have to do anything about it.

This approach is far more complicated and time-consuming than calling investor relations, and far less effective than running a proxy fight, and in practice it seems to be mostly the domain of hobbyists and nuns. Most public companies don't love it, and the current US Securities and Exchange Commission is more or less explicitly trying to get rid of it. For the reasons laid out above, I don't think that this would have much of an impact on how public companies operate, but it would annoy the nuns. Bloomberg's Jeff Green and Saijel Kishan report:

Federal regulators are looking at new rules that could rein in shareholders who hold as little as $2,000 in stock to get their proposals on proxy ballots. Business groups are pressing for higher ownership thresholds like the one adopted last year in Texas, where investors are now required to own at least $1 million in stock or a 3% stake to file a proposal with companies incorporated there.

Governance watchdogs warn the most extreme options under consideration stand to muzzle small shareholders, including individual holders, networks of climate activists and faith-based groups on either side of the political spectrum.

"There's certainly a chilling effect," said Sister Ann Scholz, a nun who has filed environmental and socially minded shareholder proposals on behalf of the School Sisters of Notre Dame Collective Investment Fund in St Louis. "And you do wonder how much of this is designed to intimidate, and how much of it is real and has lasting impact on how shareholders and companies interact."'

Activist groups could still put out press releases saying that they want Exxon to pollute less or whatever, which would have *roughly the same binding effect* as putting it in Exxon's proxy materials, but I guess putting it in the proxy materials has more symbolic oomph.

Second-level tariff refunds

Last month, the US Supreme Court struck down most of President Donald Trump's global tariffs, clearing the way for importers to ask for tariff refunds, which they have started to do. I wrote:

Tariff refunds are theoretically interesting because the importer who paid the tariff can sue to get its money back, but it's not obvious that the economic incidence of the tariff is always on the importer. ... In a dissenting opinion, Supreme Court Justice Brett Kavanaugh pointed out that "the United States may be required to refund billions of dollars to importers who paid the IEEPA tariffs, even though some importers may have already passed on costs to consumers or others." … If you bought stuff on Amazon and Amazon gets a refund, can you ask for your cut?

My gut instinct — not legal advice! — is that you probably can't *get* your cut: The retailer charged a price, you willingly paid it, and you have no particular claim to get any of it back. But you can always *ask*. The Wall Street Journal reports:

Costco Wholesale is being sued by a shopper looking to get his tariff costs back.

A lawsuit filed Wednesday in an Illinois federal court alleges that Costco owes its customers refunds related to tariffs deemed unlawful by the Supreme Court last month. The suit is seeking class-action status on behalf of Costco shoppers nationwide.

Costco increased product prices to offset the cost of tariffs, but it hasn't promised shoppers a refund, said the lawsuit filed on behalf of Matthew Stockov, a Costco member who lives in Illinois. Shoppers won't get a government refund directly, because they aren't the importer of record, said the lawsuit. "The truly injured parties possess no direct avenue for redress," alleged the lawsuit, which asks Costco for a refund on price increases related to tariffs, plus interest.

Here is the complaint, which makes some equitable claims ("unjust enrichment" and "money had and received") as well as alleging *fraud:*

Costco engaged in unfair and deceptive trade practices by … failing to disclose to customers that it did not intend to share with members the benefit of any government tariff refund.

Is that really fraud? I feel like I could have told you that Costco would keep the refunds.

OBDC II

Of course?

A Blue Owl Capital Inc. private credit fund is urging investors to reject a share purchase offer led by Boaz Weinstein's Saba Capital Management, saying the price is too low.

The tender offer for Blue Owl Capital Corp. II, known as OBDC II, represents a 33% discount to its net asset value, the business development company's directors said in a statement Friday. ...

"The Board strongly recommends that shareholders reject Cox and Saba's unsolicited, minority tender offer and do not tender their shares," the directors wrote. "Tendering shareholders would be walking away from a high-performing portfolio."

We have talked about Saba's offer before. I have referred to it as "trolling," though I have also argued that it would be kind of nice for *Blue Owl* to offer this service, letting OBDC II shareholders sell as much stock as they want, right away, but at a discount to net asset value. It can't, for legal and marketing reasons, but Saba can. In a sense, Saba is providing a useful service to OBDC II's shareholders, and arguably Blue Owl should be grateful. Weinstein has "said in [an] interview Blue Owl favors his intervention and that he has high esteem for its managers." But obviously Blue Owl has to recommend against tendering! The most essential fact about private credit right now is that, when the manager of a fund tells you that its net asset value is $5.69 per share, the manager has to believe that the NAV is $5.69 per share, and it has to make you believe that the NAV is $5.69 per share. [5] If the shares are worth $5.69, then Blue Owl has to tell its investors not to sell them for $3.80. And if the shares are *not* worth $5.69, it is perhaps even more important for Blue Owl to tell them not to sell.

Two small follow-ups

I wrote last week about using the stock market as a random number generator, and about hedge funds using corporate executives' "watch-to-house" ratios as a trading signal. I got two great reader emails on these more-or-less jokey subjects. First, on random numbers, a reader pointed out that the Harlem "numbers" game — a private lottery that existed for decades in the 20th century — generated its winning numbers using clearinghouse totals of amounts of money exchanged by banks each day. Not the stock market but a similar idea.

Second, on watches, we discussed an investor who avoided investing in a now-insolvent company because he noticed that the company's director was wearing a £200,000 watch, "about half the value of [the director's] north London home at the time." I wrote that "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." A reader sent me a 1979 Calvin Trillin piece that begins "Not long ago, I became preoccupied with the cost of the wristwatches worn by members of the New Jersey State Legislature," and ends:

I finally managed to put the cost of the wristwatches of New Jersey legislators out of my mind. What worries me now is that one of those modern political scientists who finds truth in numbers is probably studying this very matter with a computer. He is adding up the value of the watches of each of the members of each State Legislature. He is dividing by the number of members. He is dividing that number by the number of indictments handed down against legislators in the previous year. He is producing a figure that confirms what I have known from the start.

Exactly.

Things happen

TikTok Investors Set to Pay $10 Billion Fee to Trump Administration. UniCredit launches €35bn Commerzbank takeover offer. Musk's xAI Hiring Credit Experts, Bankers to Teach Grok Finance. Private Credit's 'Back Leverage' Is Another Pain Point for Funds. Retail investors pull billions from private capital's credit gold mine. Top Apollo Executive Sounds Off on 'Arrogance' in Private Markets. S&P Weighs Rule Changes That Would Speed SpaceX's S&P 500 Entry. Yale padlock maker to axe new CEO before he starts. JPMorgan Kicks Off $5.75 Billion Loan Sale Tied to EA Buyout. Thames Water creditors offer £6.55bn in new debt to take formal control. Bessent Says US Hasn't Intervened in Energy Derivatives Markets. BTIG Plots Investment-Banking Hiring Spree Under New Owner. Accountancy's partnership pipeline risks running dry. What Does Extreme Wealth Do to the Brain? AI poses risk of surge in cheating in online MBA programmes. "Sexy suicide coach." What's the "Head of Macro" guy up to?

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1. I am stylizing this for illustration, but a good deals reporter would be careful about revealing even this sort of negative information to a market participant.

2. One tiny partial exception that I came up with was the time that Tesla Inc. sued JPMorgan Chase & Co. over the repricing of some Tesla stock options. Those options' terms provided that they could be repriced on the announcement of a merger, and JPMorgan argued that Elon Musk tweeting about taking Tesla private counted as an "announcement," even though there was never any official deal. That's a tweet rather than a news report, but maybe, kind of?

3. Also one traditional safeguard against this was limited trading hours: If the report is published at 5 p.m., or 5 a.m., the company has some time to say "no we're not" before its stock actually starts trading. As everything becomes 24/7-ish, there are more opportunities to profit from wrong news.

4. Patrick McKenzie: "I bought [a casino company's] stock for the same reason I buy stock in every hotel, airline, bank, and similar I use: in the unlikely event a not-particularly-high-stakes poker player has a routine customer service complaint, Investor Relations is available as an escalation strategy, over e.g. hotel staff who might be long-since inured to listening to complaints from people who lost money in a casino."

5. OBDC II's most recent reported NAV is $8.19 per share, though it has also declared a $2.50 per share return of capital, so the relevant pro forma NAV is $5.69, and Saba's $3.80 offer is a 33% discount to NAV. (Note that the Saba/Cox tender offer uses a post-distribution NAV of $5.84, assuming that the return of capital would be $2.35 per share, but it turned out to be more. Thus Blue Owl computes that the tender is at a 33% discount, while Saba says 35%.)

Securities

Elon Musk's Ketamine Use Can't be Probed in OpenAI Fraud Trial

March 13, 2026, 4:30 PM PDT

Elon Musk's use of the drug ketamine will be off limits to attorneys for OpenAI Inc. and its chief executive officer **Sam Altman** during an upcoming jury trial over claims that the generative AI company defrauded Musk by abandoning its nonprofit roots.

US District Judge Yvonne Gonzalez Rogers at a Friday hearing in Oakland, California, traced the contours of the high-profile trial — which will feature live testimony from Silicon Valley's biggest names in AI — with a series of rulings about what evidence, topics, and witnesses can be presented to the jury.

The trial, scheduled to begin April 28, will revisit the founding years of OpenAI a decade ago, its falling out with Musk and Microsoft Corp.'s subsequent $13 billion investment in the startup.

The jury will determine whether OpenAI's other co-founders, Altman and **Greg Brockman**, lied about their intentions to maintain a nonprofit structure when Musk initially donated $38 million to the startup. OpenAI has moved quickly in the past year to convert to a for-profit structure to allow for greater financial flexibility and investments.

Musk is seeking as much as $134 billion in damages from OpenAI and Microsoft — a staggering amount, that if awarded, would be one of the largest verdicts in history. OpenAI and Microsoft have denied his allegations.

Read More: Musk Seeks Up to $134 Billion Damages From OpenAI, Microsoft

The judge shot down OpenAI's planned attempt to undermine Musk's credibility on the witness stand by asking him about his alleged use of ketamine during key negotiations with the company. She said those questions would be irrelevant unless OpenAI can provide more concrete evidence about the mind-altering effects of ketamine, an anesthetic drug that can have hallucinogenic properties.

Gonzalez Rogers said she would allow limited questioning about Musk's attendance at Burning Man, an annual festival in the Nevada desert where drug use is common. OpenAI's attorneys said "a lot of significant communications" between Musk and OpenAI happened while he was at Burning Man.

William Frentzen of Morrison & Foerster LLP, on behalf of OpenAI, said that in Musk's deposition for the case, he couldn't recall if he had taken ketamine during key negotiation periods.

Musk has said he has used ketamine under a prescription years ago and has not used it since, although he has been plagued by media reports that he has engaged in extensive recreational drug use.

'Not Particularly Persuasive'

The judge also issued a number of other tentative rulings during the marathon hearing. She said the jury's damages determination will likely only be advisory, meaning she will determine the amount after trial. Musk likely won't be allowed to pursue additional, punitive damages.

Gonzalez Rogers indicated that she'll allow testimony by Musk's sole expert witness who worked up damages calculations.

Financial economist **C. Paul Wazzan** said in a report earlier this year that Musk could be entitled to between $79 billion and $134 billion in ill-gotten profits from OpenAI and Microsoft. He reasoned that Musk is entitled to a chunk of the startup's current valuation for having provided seed money.

Still, the judge expressed some skepticism of Wazzan's report. "Do I find it convincing? Not really, not particularly persuasive," Gonzalez Rogers said.

Lawyers for the companies said in a January filing that Musk was seeking as much as 2,900 times what he invested in the startup.

"Wazzan's methodology is made up; his results unverifiable; his approach admittedly unprecedented; and his proposed outcome — the transfer of billions of dollars from a nonprofit corporation to a donor-turned competitor — implausible on its face," lawyers for the companies wrote.

Among those set to testify at the trial, which is expected to last about four weeks, are Altman, Musk, Brockman, OpenAI co-founder **Ilya Sutskever** and Shivon Zilis, a former OpenAI board member and romantic partner of Musk. Microsoft CEO **Satya Nadella** and OpenAI's former chief technology officer Ermira Murati are also possible live witnesses.

The judge, who is no stranger to overseeing high-profile Silicon Valley litigation, was quick to say the big names won't get special treatment. All witnesses must enter through the courthouse's public entrance.

And both parties will be required to pay for the jury's lunch during the panel's deliberations, a cost usually expensed by the court.

"You have plenty of money to pay for it," she said.

--With assistance from Madlin Mekelburg.

California Brief

Analysis

Are Recordkeeper Security Guarantees a Fiduciary Minefield?

March 16, 2026, 1:30 AM PDT

In an era of escalating cybersecurity threats, retirement plans face unprecedented risks of data breaches and financial losses. The Federal Bureau of Investigation's Internet Crime Complaint Center reported $12.5 billion in potential losses for 2023 and $16.6 billion in potential losses for 2024, underscoring the urgency of robust security measures.

In response, many retirement plan recordkeepers are offering and promoting online security guarantees or fraud reimbursement programs to address unauthorized or fraudulent transactions, promising to make participants whole and reimburse them for losses that are at no fault of the participant.

While these programs may appear to provide a safety net for plan participants, they present a complex challenge for plan sponsors and fiduciaries under the Employee Retirement Income Security Act. Far from being simple supplemental consumer benefits, the security guarantees or fraud reimbursement programs that are marketed as protecting participants must be evaluated through the lens of ERISA's fiduciary standards.

Without careful governance considerations and clear contractual language, these guarantees can create legal, operational, and oversight risks.

A particularly thorny issue arises where a recordkeeper asserts that its guarantee program is outside the scope of the services agreement or that actions taken under its guarantee (for example, reversing transactions or controlling asset flows) are settlor decisions regarding the use of plan assets, and are therefore not subject to fiduciary obligations. This article explains why these positions are legally mistaken and describes steps that plan sponsors and fiduciaries can take to mitigate the associated risk.

ERISA Framework and DOL Cybersecurity Guidance

Under ERISA § 404(a), plan fiduciaries owe duties of loyalty and prudence to plan participants and beneficiaries. Plan fiduciaries must act "solely in the interest of the participants and beneficiaries" and with the care, skill, prudence, and diligence that a prudent person familiar with such matters would use. ERISA §404(a).

Although ERISA doesn't explicitly address cybersecurity, the US Department of Labor has made clear that cybersecurity risks are fiduciary risks, and plan service provider selection and monitoring are core fiduciary functions. In 2021, the DOL published comprehensive guidance on cybersecurity, initially for retirement plans, which emphasized that fiduciaries must take appropriate precautions to evaluate and mitigate cybersecurity risks to plan assets and sensitive participant information. Cybersecurity Program Best Practices (US DOL); *see also* Tips for Hiring a Service Provider with Strong Cybersecurity Practices (US DOL); Online Security Tips (US DOL). The guidance includes best practices for hiring and monitoring plan service providers and recommends regular review of their security policies and practices. In 2024, the DOL reaffirmed that these expectations apply to all ERISA-covered plans and should be part of regular fiduciary oversight. Compliance Assistance Release No. 2024-01 (US DOL).

The DOL guidance explicitly states that ERISA plan fiduciaries have an obligation to evaluate service providers' cybersecurity practices, including fraud protection controls, as part of the ERISA duty of prudence to mitigate cybersecurity risks. The evaluation includes comparing security protocols to industry standards, reviewing past incidents, and requiring independent audits where appropriate. Fiduciaries cannot rely solely on a recordkeeper's marketing claims or guarantees (even generous ones) without assessing actual security architecture and controls.

The DOL guidance also calls for fiduciaries to include specific cybersecurity-related terms in service agreements, such as the right to review and audit cybersecurity controls and the obligation of the service provider to provide prompt incident notifications to the plan fiduciary.

Recordkeeper Security Guarantees

Recordkeeper security guarantees typically are designed to grant recordkeepers broad, unilateral discretion to make material decisions affecting plan assets and participant rights. These security guarantees often give the recordkeeper almost total discretion in determining how the guarantee applies, such as allowing the recordkeeper to decide whether or not fraud or an unauthorized transaction occurred, having discretion in determining a participant's level of fault, and having total control over whether and how account balances are reimbursed.

In practice, security guarantee programs drafted this way results in plan assets and participant outcomes falling squarely in the hands of the recordkeeper in these instances, without input or direction from the plan sponsor or fiduciary, removing any ability for the fiduciary to meaningfully review those decisions. This approach can undermine fiduciary governance and calls into question whether the duty of fiduciary prudence is satisfied in these instances.

Some recordkeepers have attempted to justify their unilateral actions under their security guarantees, such as plan asset reversals, by asserting that those actions aren't covered by the services agreement or that they constitute settlor functions rather than fiduciary conduct and are therefore outside the scope of ERISA's fiduciary obligations.

These arguments are fundamentally flawed for three reasons:

1. **ERISA's settlor/fiduciary distinction depends on function, not labels**. Under ERISA, settlor functions involve plan design and aren't fiduciary functions (such as establishing or amending plan terms). *See* Advisory Opinion 2001-01A. But managing, controlling, reversing or distributing plan assets are all unmistakably fiduciary actions because they concern the management or disposition of plan assets. Simply calling an asset-control decision a settlor function cannot and doesn't make it so. When determining whether an act is a settlor or fiduciary function, courts and regulators consistently review the substance of the activity over a recordkeeper's contractual or marketing labels, despite the contractual terms that try to disclaim fiduciary responsibility or liability.
2. **Plan assets must be used for the exclusive benefit of participants**. ERISA's exclusive benefit rule under § 404(a)(1)(A) requires that plan assets be used only to provide benefits to participants and beneficiaries or pay reasonable plan administrative expenses. When a recordkeeper alters plan asset flow without proper plan sponsor or fiduciary authority or oversight, that action implicates ERISA fiduciary standards and may conflict with the exclusive benefit rule. For example, recordkeepers that bear the cost of reimbursements under a security guarantee may have a financial incentive to narrowly interpret coverage or unduly attribute losses to the fault of participants to minimize recordkeeper liability. As described above, such actions can't be shielded as settlor functions simply because a recordkeeper claims they are part of a security guarantee.
3. **Fiduciary duties can't be contracted away**. A service provider that exercises discretionary authority over plan assets is a fiduciary by function. Even if a contract with a recordkeeper purports that the recordkeeper is not a fiduciary and the contract disclaims any fiduciary obligations, contractual disclaimers do not override ERISA. As discussed above, courts will assess whether the conduct in question constitutes discretionary authority or control over plan assets. If it does, courts consistently treat the recordkeeper's activity as fiduciary conduct, regardless of whether the recordkeeper disclaims fiduciary duty or how the contract structure or terms characterize the activity.

Using settlor function labels or defenses about who isn't a party to the guarantee to sidestep fiduciary accountability is legally tenuous and should be a red flag for plan sponsors and fiduciaries, especially where participants may lose or regain access to the funds in their retirement plan account based on the discretion of the recordkeeper, without the plan sponsor or fiduciary's involvement.

Fiduciary Risks with Security Guarantees

Recordkeeper security guarantees introduce several structural risks if not incorporated into enforceable contract terms between the recordkeeper and the plan sponsors/fiduciaries.

Risk of standalone marketing feature: Security guarantees present risk of being treated as standalone marketing features without any fiduciary oversight rather than as a reviewed product with meaningful plan protections, potentially putting plan fiduciaries in violation of their duty of prudence under ERISA. This concern is particularly relevant if recordkeepers assert that their actions are settlor functions in nature and therefore immune from fiduciary standards.

Misaligned incentives: Recordkeepers with an obligation to pay for reimbursements or other costs affiliated with a security guarantee may have a financial incentive to narrowly interpret coverage or unduly attribute losses to a participant's fault to minimize their liability, potentially violating the Exclusive Benefit Rule under ERISA.

Participant confusion: Participants may reasonably believe that a recordkeeper's security guarantee is endorsed or controlled by the plan sponsor, particularly if participant communications about the security guarantee do not clearly state its limitations. As a result, denials of any claims for reimbursement under a security guarantee can lead to claims and potential lawsuits against plan sponsors and other fiduciaries for misrepresentation or insufficient cybersecurity oversight of plan service providers, increasing fiduciary exposure.

Governance and administration conflicts: Unilateral recordkeeper determinations under a security guarantee may contradict and frustrate plan terms, including claims and appeals procedures or litigation strategy. Because ERISA requires plans to operate in accordance with their terms, such complications can raise numerous compliance concerns in addition to administrative issues.

Oversight gaps: Reliance on a recordkeeper's security guarantee can mask underlying cybersecurity weaknesses that fiduciaries are obligated to address proactively in accordance with the DOL's guidance. Thus, plan fiduciaries could face liability under the fiduciary duties of loyalty and prudence for failing to protect participant personal information and plan assets.

In short, a generous-sounding security guarantee ultimately can increase fiduciary risk if marketing is substituted for governance.

Recommendations for Plan Sponsors and Fiduciaries

To manage the risks associated with recordkeeper security guarantees, plan sponsors and fiduciaries should take the following steps:

Treat guarantees as supplemental protection, not comprehensive protection. Security guarantees should augment, not replace, the recordkeeper's robust cybersecurity governance program. Focus on controls related to prevention, detection and response, not just reimbursement. Plan fiduciaries shouldn't rely on security guarantees from recordkeepers in lieu of a thorough evaluation of the recordkeepers' encryption standards, authentication protocols, access controls, incident response readiness, and other key components, including those identified in the DOL guidance.

Lock cybersecurity governance into the contract. Service agreements with a recordkeeper should contain clear and enforceable terms that address:

Fraud detection and escalation protocols;

Plan sponsor notification requirements;

Timing of and authority over asset freezes and reversals.

Participant communications;

Documentation of decisions; and

Audit rights.

Note: The contracts should expressly provide that the plan fiduciaries retain sole control and decision-making authority over plan assets. Proven strategies have demonstrated that this can be accomplished at any time, either at the inception of an engagement or by amendment for ongoing engagements.

Clarify participant communications. Plan fiduciaries should review participant notices and other communications to ensure that security guarantees aren't misrepresented as plan-level endorsements or arrangements. Plan fiduciaries also should distinguish between recordkeeper programs and commitments from plan benefits and ensure that participant communications accurately describe the limitations and any discretion over any security guarantee program.

Document the fiduciary process. Plan fiduciaries should record all cybersecurity due diligence, contract negotiations, monitoring activities, and committee discussions and decisions in fiduciary committee minutes. Documentation of the fiduciary's process is the cornerstone of demonstrating fiduciary prudence under ERISA.

Seek professional expertise. Cybersecurity risk and ERISA fiduciary risk intersect in complex ways. In evaluating and negotiating contract provisions, fiduciaries should involve experts with specialized knowledge, such as technical cybersecurity experts and ERISA legal experts who are fully experienced in cybersecurity investigations and disputes as part of the vendor selection and monitoring process.

Takeaways

Online security guarantees offered by recordkeepers may offer valuable participant protection and aren't necessarily a bad thing, but only if plan fiduciaries do more than just accept them at face value as comprehensive protection. Plan sponsors and fiduciaries must first ensure their fiduciary duties under ERISA and DOL guidance are satisfied.

When a recordkeeper exercises discretion over plan assets, such as by reversing transactions, modifying participant accounts or otherwise making decisions regarding plan assets beyond ministerial acts, ERISA fiduciary standards apply, regardless of how the action is branded or marketed.

Plan sponsors and fiduciaries should approach recordkeeper security guarantees with healthy skepticism and ensure that any program or guarantee affecting plan assets is tightly governed in accordance with applicable laws, regulations and guidance, with clear roles, transparent decision-making standards, effective oversight mechanisms, and enforceable contractual protections. Only then can plan fiduciaries satisfy ERISA's duties of loyalty and prudence while still delivering meaningful protection to participants.

Actions speak louder than words. A security guarantee may sound comforting, but under ERISA, fiduciaries are judged by governance, not by promises.

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Rock-Themed Campus Tour Courts Gen Z to Fill Accountant Shortage

March 12, 2026, 1:45 AM PDT

Summary by Bloomberg AI

AI Generated

- The US is in the midst of an accountant shortage, and state accounting boards are trying to attract Generation Z by making the field more attractive to college students.
- More than half of US states have revamped decades-old laws to make it possible to get licensed as a certified public accountant with fewer classroom hours and more on-the-job experience.
- State boards and organizations are using outreach strategies, such as social media posts, student outreach, and campus tours, to educate students about the changes and promote the field of accounting.

At the University of San Diego recently, dozens of students gathered following a string of webinars where the ’80s rock hit “The Final Countdown” buzzed through the air. Inside a conference room, students devoured pizza as a metallic poster projected on a nearby wall promoted a tour reminiscent of a concert, complete with an opening act.

“Sadly, we don’t have any merch to sell,” David Hemphill, a radio host turned information officer, jokingly told the students as he took center stage and welcomed the group.

This college tour doesn’t feature musicians or singers. Instead, the headliner is an accounting board and its mission is to get the audience to sing along to the possibilities of choosing accounting as a career.

The US is in the midst of an accountant shortage, and state accounting boards are calculating new ways to attract Generation Z by making the field more attractive to college students.

More than half of US states have revamped decades-old laws to make it possible to get licensed as a certified public accountant with fewer classroom hours and more on-the-job experience. State accounting boards from Ohio to Virginia are hoping their social media posts and student outreach can educate the industry’s youngest generation about the changes.

In California, the board is hosting a state-wide, rock-themed campus tour aiming to energize a new wave of accountant hopefuls.

“Trying to connect with a younger generation is important and trying to show that a CPA is not just number crunching, it’s a people business,” said Dominic Franzella, executive officer of the California Board of Accountancy.

The unusual outreach strategy aims to attract students like Isabella Fonseca, a 19-year-old University of San Diego freshman who sat in the front row during the program.

“I’ve heard of the CPA and the requirements and stuff like that, but I didn’t really know what it took,” Fonseca said. “I figured this would be an easier way of learning.”

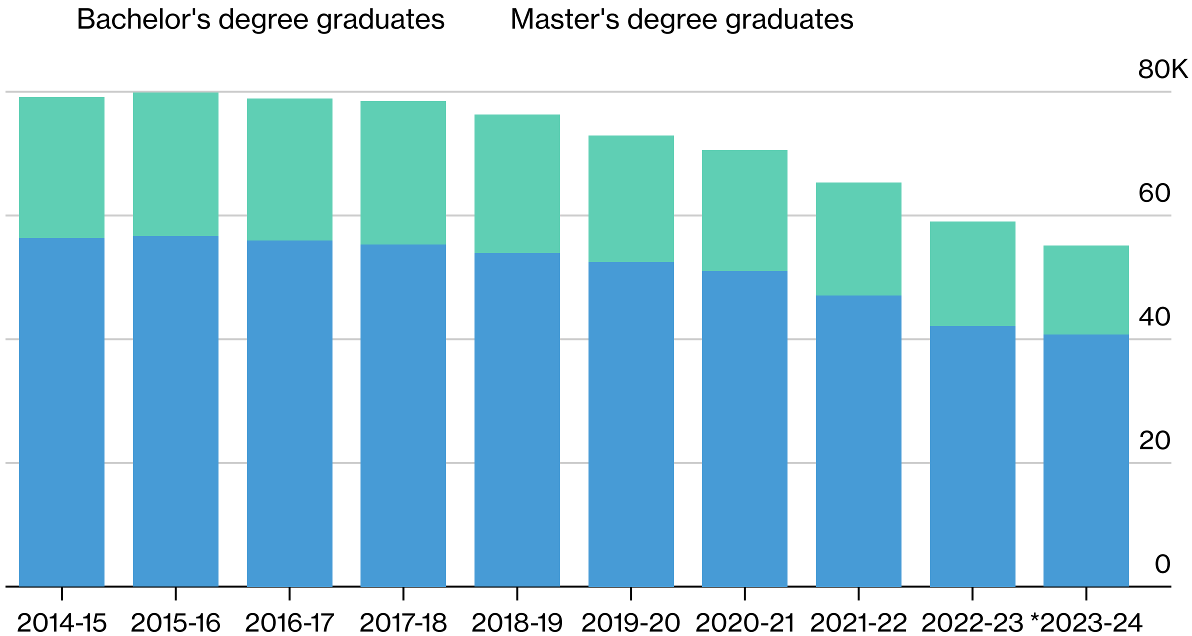
Talent Troubles

Like Ben Affleck’s gun-toting character in the action-thriller “The Accountant,” accountants are tasked with preventing fraud and ensuring financial reports are accurate—critical to protecting investors.

Still, the industry faces staffing shortages. The US workforce hemorrhaged 340,000 working accountants and auditors from 2019 to 2023, including those who aren’t licensed, according to the Bureau of Labor Statistics.

Graduates who earned bachelor’s or master’s degrees in accounting fell to about 55,000 in the 2023-24 academic year, a drop of 6.6% compared to the prior year, according to the American Institute of CPAs.

Accounting Industry Limited by Slimming Supply of Graduates



Note: provisional data for the 2023-24 academic year come from the Integrated Postsecondary Education Data System, an arm of the US Education Department
Source: American Institute of CPAs 2025 trends report

Bloomberg Tax

Among the largest hurdles for entry, some accountants say, was the fifth year of college often needed to meet licensing requirements.

Accountants have advocated for a fresh look at licensing rules, and state lawmakers are listening. Now, state accounting boards are trying to relay the message to students.

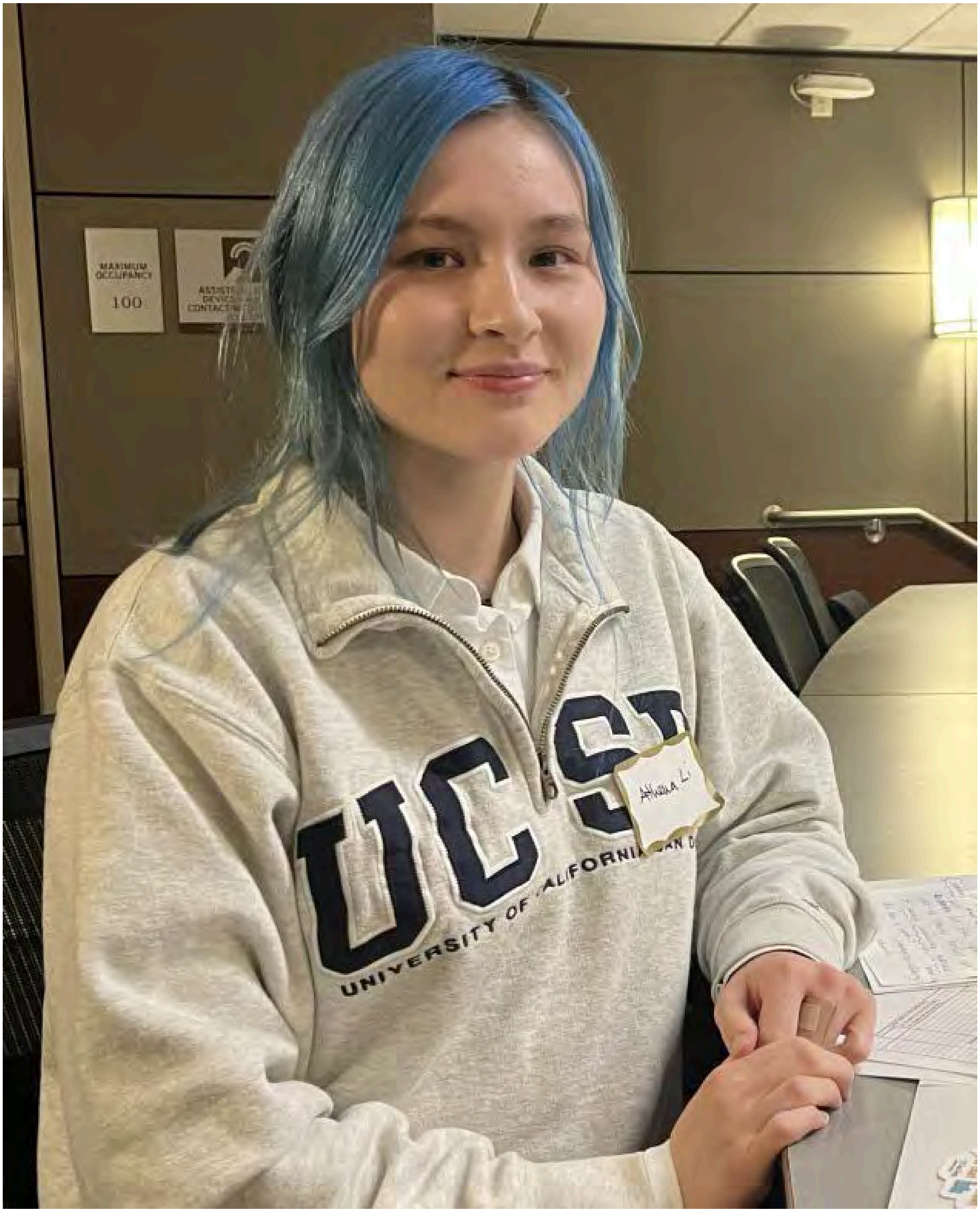
Historically, accountants needed to pass the uniform CPA exam, gain a year of work experience, and have 150 college credit hours on their transcript under state licensing requirements.

That third requirement, called the "150-hour rule," "is very ingrained in the students' minds," said Sudha Krishnan, chair of California State University, Long Beach's department of accountancy.

The rule gained popularity in the 1980s as high-profile corporate scandals and technological advancements underscored the need for intensive training, according to CPA Credits, an online education platform for accounting students.

California's new licensing rules, which go into effect on Jan. 1, 2027, only require a bachelor's degree for education. Students with bachelor's degrees will need two years of job experience, while those who still opt for a master's degree will only need a year.

"It's really reassuring and inspiring in my path to become a CPA because it was quite daunting, the amount of education required," Athena Li, a 21-year-old recent graduate of the University of California, San Diego, said. "It was a massive barrier to entry."



Athena Li said she's glad to see the new CPA requirements in California, "especially considering the modern economic realities for young adults."
Photographer: Jorja Siemons/Bloomberg Tax
California's new requirements aren't unique. Virginia and Minnesota, for example, added similar pathways effective this past January for candidates with master's and bachelor's degrees.

The changes provide "a huge economic equity boost where the barrier to entry to this profession has just gotten far more manageable," said Kristin Batson, Minnesota Board of Accountancy's executive director.

State boards aren't the only groups doing outreach to make the field more attractive to younger entrants.

NABA Inc., a nonprofit focused on engaging and educating Black accounting and business leaders, runs a career awareness program around the country targeting high school students as well as early-career mentoring and scholarship programs to "create multiple entry points into the profession," Guylaine Saint Juste, the organization's president and chief executive, said in a statement.

The Association of Latino Professionals For America also provides scholarships to college students to help break financial barriers to education and an eight-week student fellowship program focused on professional development.

Since many corporate leaders are licensed accountants, the pipeline needs to stay strong to increase representation across all levels of business, said Damian Rivera, president and chief executive of the nonprofit.

"It is more than just about, 'Let's get more CPAs,'" Rivera said. "It is about, 'How do we make sure we have a very ethical society? How do we make sure that we don't have another Enron?'," he said, referring to the 2001 bankruptcy and accounting scandal of the Houston-based energy company.

Campus Visits

The California Board of Accountancy's rock theme is an attempt to make nitty-gritty licensure information more palpable.

While "The Final Countdown" came out in 1986, its classic rock feel fit the tour's theme, the California board's Hemphill said. The song, he said, has "stood the test of time" and remains familiar to young people being exposed to music via social media.

"Our messaging doesn't have to be boring," Hemphill told Bloomberg Tax.

Campus tour posters resemble the back of t-shirts you might find for sale at concerts or comedy shows.
Photo: Courtesy of Jacob Sudia at the California Board of Accountancy

Universities and trade groups are doing similar outreach about the new laws, which vary by state, but state boards are uniquely situated because they're ultimately in charge of licensing accountants and regulating the practice to ensure people receive services from trusted workers.

Though their primary responsibility is public protection, boards are “taking all opportunities that they can to help promote this new pathway,” said Kent Absec, vice president of state board relations with the National Association of State Boards of Accountancy.

Last September, the Accountancy Board of Ohio spoke at the University of Toledo to introduce college and high school students to the relaxed educational requirements. The Buckeye State had become the first to finalize the alternative pathways in January 2025.

Alejandro Garcia, a student at the University of California, San Diego, attended a California board visit to learn more about the new pathways to licensure.
Photographer: Jorja Siemons/Bloomberg Tax

“You need to get professionals in front of kids as early as possible just to show them the diversity in what you could do with your life,” Donna Oklok, the board’s executive director, said.

People can think that accounting is “working in a cubicle all day and just typing into the void,” but the profession has diverse career paths and is integrating technology like artificial intelligence, she said.

Alejandro Garcia, a fourth-year student at the University of California, San Diego, said he wants to pursue financial planning and analysis as an accountant. “You can really get to help people or individual companies,” Garcia, 21, said.

Lingering Obstacles

While the move to adjust licensing requirements is a step in the right direction, “it’s not the silver bullet,” Rivera said.

Accounting degrees give people skill sets to better understand business and pursue entrepreneurship goals.

Still, the profession, like others, is being upended by rapidly evolving AI tools that are able to complete routine tasks such as analyzing data and categorizing expenses. Firms like PwC have adjusted training in response.

“How do you convince students this is where you should invest your time and your effort, given that those headwinds are there and they’re not sure how they’re going to move forward?” Rivera said.

Starting salaries have been another obstacle. The average annual entry-level accountant salary is about $54,300, while the average salary for an entry-level financial analyst researching and informing investment strategy is about $62,500, according to Payscale, a compensation data firm.

The industry has focused on increasing starting salaries. Typical initial pay for workers with bachelor’s degrees moved up about 11% to $60,834, according to the American Institute of CPA’s 2025 survey of more than 1,000 firms, most of which have net client fees below $5 million.

Future Careers

While eating a slice of pizza at the California board’s event, Snezhana Golles said she didn’t consider herself a “math person” growing up in Los Angeles. But she became interested in the field during her first accounting class.

“I like to joke around and say, ‘It was love at first accounting problem,’” Golles said.

Golles, a 22-year-old fourth-year student at the University of San Diego, plans to use her accounting skills to one day help her husband start a business in the plastics industry.

During the San Diego program, Kristian Latta, the state board’s president, stood before Golles and her classmates and told them how an accounting degree stretches beyond working for a public accounting firm, like one of the Big Four giants.

The 36-year-old accountant said she'd used her license in non-traditional fields such as the fashion industry and as she advises women entrepreneurs.

"If you are a person who feels like the traditional path isn't for you, there is a place out there for you," Latta said.

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Dorsey Defends Twitter Bot Count In Trial Over Musk Takeover

By **Bonnie Eslinger**

Law360 (March 13, 2026, 10:41 PM EDT) -- Ex-Twitter CEO Jack Dorsey stood by 2022 company statements that bots made up less than 5% of accounts on the platform during video depositions shown Friday in a California federal trial over investor claims that Elon Musk deliberately tanked the company's stock with misstatements about fake accounts to renegotiate the $44 billion deal.

Friday wrapped the presentation of evidence in the two-week trial, and jurors were shown two different Dorsey video depositions: one taken in 2022 in relation to the Delaware litigation — brought by Twitter to force Musk to go through with the acquisition — and the second in 2025 for the investor case.

Musk took the stand last week in the market manipulation case and told jurors that the company **had lied** about the amount of spam and fake accounts on the platform but that he eventually paid the full $44 billion offer price because a Delaware Chancery Court judge overseeing litigation about the sale was "**extremely biased**" against him.

Long before Musk's acquisition, Dorsey co-founded Twitter and was the company's original CEO when it launched in 2006. He stepped down as CEO in 2008 and became chair of the board, but he returned to lead the company in 2015. He remained as CEO until November 2021, when he resigned and Parag Agrawal, then the company's chief technology officer, took over as CEO. Dorsey told jurors that he remained on the company's board until May 2022.

Twitter's co-founder praised Agrawal, once calling him "very pure" and focused on doing "what's best for the company."

"There was no one at the company that was more well versed about everything that Twitter was doing than Parag," Dorsey said in the 2022 deposition.

Dorsey said he also held Musk in high regard and called him a friend. The two had known each other for about seven or eight years at the time, Dorsey said, and he had been out to Starbase, Texas, where Musk's SpaceX's Starship program is based.

Musk not only is an active user of Twitter, which the billionaire businessman rebranded as X, but also uses it to communicate in a way Dorsey said he wished most users would.

"He is very transparent," Dorsey said. "To me, Twitter is about bringing once private conversations to the public. … If more leaders did that, I feel like we would get to solutions faster."

Transparency was also a core principle at the company under his watch, Dorsey said.

Shifting to the merger agreement inked in April 2022, Dorsey said he felt that Twitter's board had been open and honest to Musk and that Musk was happy with the deal.

"He tweeted that it was a favorable agreement," Dorsey said.

Agrawal was also in favor of the merger, he added.

"And the rest of its engagement with Mr. Musk, did you feel like the board was always being transparent?" a lawyer for the investors asked.

Dorsey said yes.

During the next set of questions, related specifically to the May 2022 tweets from Musk at issue in the case, Dorsey said he hadn't been in the loop about a May 6, 2022, kickoff meeting between the company and Musk or any board discussions about Musk that followed.

"After April, I really didn't talk with anyone at the company," Dorsey said. "I left technically in May, but I didn't have to talk with anyone during that month."

During the second video deposition, done in Mach 2025, Dorsey said it was his understanding that Musk waived his due diligence rights before signing the April deal to buy Twitter.

Dorsey said he also remembered the deal stalling in May 2022. That's when Musk tweeted, "Twitter deal temporarily on hold pending details supporting calculation that spam/fake accounts do indeed represent less than 5% of users."

"I don't remember him tweeting it," Dorsey said. "I remember it being on hold."

A lawyer for the investors, Frank Bottini Jr. of Bottini & Bottini Inc., asked Dorsey whether he remembered that the tweet resulted in a significant decline in the company's stock price. Dorsey said no.

"Twitter had represented and consistently represented in the past, and to this time, that the number of spam or fake accounts was less than 5%, right?" Bottini asked. "And to the best of your knowledge, Twitter's representations on that subject were true and accurate, correct?"

Dorsey agreed. The Twitter founder also testified that the company looked into Musk's complaints about fake accounts on his feed and confirmed that it was plagued with bots and crypto scammers. Musk's experience was unusual, Dorsey said.

"His account got a ton of attention, and these crypto scammers tend to go to the most engaged account," Dorsey said. "We didn't find replication of that behavior elsewhere."

A lawyer for Musk, Stephen Broome of Quinn Emanuel Urquhart & Sullivan LLP, asked in the 2025 recording whether the merger agreement gave Musk the right to details or information supporting Twitter's calculation of fake or spam accounts, and Dorsey said no.

"You had said that you believe Twitter's representations regarding the [monetized daily active users] and the calculation of fake spam accounts being less than 5% were true and accurate. Do you recall that?" Broome then asked. "What was your personal involvement in those calculations?"

Dorsey said he was not directly involved but members of the company's engineering and financing teams oversaw that effort.

"Is it fair to say that that calculation was delegated to other persons at Twitter and you relied on their work?" Broome asked. Dorsey agreed.

During his deposition, Dorsey disclosed that he still owned a 2% to 3% equity stake in the company under a deal in which his shares rolled over into an X holding company.

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

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

The trial **kicked off** on March 2, with a lawyer for the investors telling 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.

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.

On Friday, Musk filed a motion requesting that the court issue a judgment as a matter of law without taking the case to a jury, saying the investors hadn't backed their claim at trial that Musk made materially false or misleading statements or engaged in a calculated scheme to defraud the market. In addition, the motion said, there's been no evidence to support a finding that Musk acted with knowing wrongdoing.

"The evidence at trial has unequivocally demonstrated Mr. Musk's basis for his statements and that he believed them to be true," the motion said.

Closing arguments in the trial are scheduled for Tuesday.

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 Frank Bottini Jr. and Aaron P. Arnzen of Bottini & Bottini Inc.

Musk is represented by Alex Spiro, Ellyde R. Thompson, Jesse A. Bernstein, Stephen Broome, Matthew Alex Bergjans, Stephanie Kelemen, Michael T. Lifrak and Phillip Jobe of Quinn Emanuel Urquhart & Sullivan LLP.

The case is Pampena v. 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 Nick Siwek.

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Neuropsych Drugmaker Wants Out Of Investors' IPO Data Suit

By **Emilie Ruscoe**

Law360 (March 13, 2026, 8:52 PM EDT) -- Neuropsychiatric drugmaker Neumora Therapeutics Inc. seeks to shed investor claims it mischaracterized certain clinical study data ahead of its September 2023 initial public offering, arguing that the trading price decline cited in the complaint was tied to results from a different study that occurred after the IPO.

In a Wednesday filing in federal court in Manhattan, Neumora and other defendants asked U.S. District Judge John P. Cronan to toss the amended investor claims with prejudice, asserting that when the company went public, it couldn't have known how its depression drug candidate navacaprant would perform in a phase 3 trial that wouldn't occur until after the IPO.

"Plaintiff alleges that Neumora's discussion of the results from Nava's earlier phase 2(a) trial in the offering documents was somehow misleading because Neumora omitted certain details that purportedly meant Nava was doomed to fail in a different phase 3 trial that had not even begun," Neumora says in its Wednesday filing.

The investors filed the suit in February 2025, and in the latest version of the claims, from January, lead plaintiff Victor Otcheretko claims the company, as it prepared to go public, ignored a "significant red flag" in data from the phase 2 trial that "[undermined] the integrity of [that phase 2] trial."

Specifically, the investor says, the company's IPO offering documents described certain data from the earlier study as "statistically significant" despite the fact that that assertion was premised in part on the self-reported experiences of a subgroup that included only four men. The investor describes that participant demographic head count as a "miniscule amount devoid of any statistical or clinical significance."

Otcheretko says that in January 2025, when the company disclosed that its phase 3 study of the drug hadn't achieved its goal, the company acknowledged that a certain subgroup of men in the study experienced had worse outcomes on the drug than participants who had a placebo.

The investor asserts that the 2025 study results showed the drug was "was completely ineffective in men" and argues that the defendants knew or should have known on the basis of the pre-IPO study that "the drug never demonstrated any statistically or clinically meaningful improvement in men compared to a sugar pill."

Following the 2025 announcement of the study results, the investor claims, trading prices for Neumora shares fell 80%, from $10.60 to under $2, hurting investors.

In its Wednesday filing, Neumora argues that the investor's claims about the IPO filings don't show that the company had misrepresented anything.

"The omission of details about how many men participated or which data was removed as unreliable does not establish that Neumora's opinions about and interpretations of Nava's [phase 2 study data] were materially misleading," the company argues.

It also characterizes the suit as a "hindsight pleading," noting that in January 2025, when it disclosed that its phase 3 study of the drug hadn't achieved its goal, the subsequent trading price decline "was not caused by the correction of alleged misstatements in the [IPO] offering documents about the phase 2 predecessor trial."

Neumora adds that it had disclosed some information about the gender breakdown of participants in the pre-IPO study in December 2023, a year before it announced the phase 3 study results.

"In an efficient market — which plaintiff alleges — that information was immediately reflected in Neumora's stock price [following the December 2023 disclosures], and could not have caused a purported decline over a year later," the company argues.

Neumora also contends that Otcheretko didn't have standing to bring the suit, asserting that the investor had actually sold his IPO shares at a profit. The company also says certain alleged misstatements were inactionable opinions.

The dismissal bid separately argues that claims against underwriters named in the suit fail because the suit doesn't show what those underwriters knew or should have known as a result of their diligence processes.

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

Victor Otcheretko is represented by Steven B. Singer, David J. Schwartz, David R. Kaplan and Emily Bishop of Saxena White PA.

Neumora Therapeutics Inc. and associated individual defendants are represented by Colleen C. Smith, Leah Friedman, Emily Rose True, Daniel R. Gherardi, Brittany M.J. Record and Celeste Hamre of Latham & Watkins LLP.

The underwriter defendants are represented by Sharon L. Nelles and Jonathan Sloan Carter of Sullivan & Cromwell LLP.

The case is Chang v. Neumora Therapeutics Inc. et al., case number 1:25-cv-01072, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Sydney Price. Editing by Kristen Becker.

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C3.ai Investor Suit Over IPO Claims Gets Final Trim

By **Sydney Price**

Law360 (March 13, 2026, 8:14 PM EDT) -- Investors in artificial intelligence company C3.ai were told by a California federal judge that they can proceed with a slimmed-down version of their suit accusing the company and its executives of touting a worthless partnership with oil company Baker Hughes, but that they have no more chances to update it.

U.S. District Judge Haywood S. Gilliam Jr. said in an order Thursday that the majority of the remaining claims in the suit, including those accusing C3.ai executives and Baker Hughes CEO Lorenzo Simonelli of scienter, cannot move forward. The judge said the plaintiffs have now had several chances to amend their suit and "significant guidance from the court on how they needed to do so." The plaintiffs, therefore, do not have leave to amend, the order states.

The most recent version of the suit, filed in February 2025, includes claims that the C3.ai defendants made statements suggesting Baker Hughes, which is also named in the case, had a 12,000-person sales team engaged in selling C3.ai's software. In reality, C3.ai had a separate sales division that lacked connections with the oil industry, the suit claims. The reseller agreement also turned out to be fruitless, as Baker Hughes did not bring in any deals, according to the amended complaint.

Thursday's order states that the latest version of the complaint adds allegations that former C3.ai CEO Thomas M. Siebel learned in materials for a May 2021 board meeting that Baker Hughes' full sales force would not be selling the company's products.

Judge Gilliam said the Section 15 claim to impose control person liability against some of the defendants, including Siebel, can survive, but he cut the Section 15 claim against Baker Hughes because he said it was time-barred and should have been asserted by Feb. 22, 2022.

"[Baker Hughes] can show that plaintiffs could have pleaded their claim based solely on things that they knew or should have known prior to the critical date," the order states.

Backed in part by Baker Hughes, C3.ai went public in 2020 in a $610 million initial public offering, according to the complaint.

The investors initially sued in 2022, alleging C3.ai's stock price dropped after the company revealed during an earnings call in December 2021 that it had reorganized its sales force and operated as an independent unit separate from Baker Hughes.

Two years ago, Judge Gilliam trimmed the bulk of a previous version of the investors' complaint, cutting claims that included the plaintiffs' allegation that C3.ai made false and misleading statements regarding the structure of Baker Hughes' workforce. The judge said C3.ai was not required to disclose the structure of its sales force.

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

The investors are represented by Reed R. Kathrein, Lucas E. Gilmore, Steve W. Berman and Catherine Y.N. Gannon of Hagens Berman Sobol Shapiro LLP, and Jonathan Stern of The Rosen Law Firm PA.

The C3.ai defendants are represented by Harry A. Olivar Jr., Michael B. Carlinsky, David Myre, Jesse Bernstein, Jacob J. Waldman and Leigha Empson of Quinn Emanuel Urquhart & Sullivan LLP.

Baker Hughes is represented by Jessica Valenzuela and George B. Adams of Gibson Dunn & Crutcher LLP.

The case is The Reckstin Family Trust et al. v. C3.ai Inc. et al., case number 4:22-cv-01413, in the U.S. District Court for the Northern District of California.

--Editing by Melissa Treolo.

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Risk Disclosure Lessons For AI Cos. From Dot-Com Era

By **Diana Connor, Adrienna Huffman and Bin Zhou** (March 13, 2026, 6:26 PM EDT)


Diana Connor


Adrienna Huffman


Bin Zhou

The rapid expansion of artificial intelligence infrastructure has drawn frequent comparisons to the internet buildout of the dot-com era.[1] The aftermath of that earlier cycle brought significant regulatory scrutiny and private litigation over financial reporting practices across the telecommunications sector.

Those enforcement actions and subsequent legislative responses reshaped generally accepted accounting principles and U.S. Securities and Exchange Commission disclosure risks, shifting the focus from technical rule compliance to whether companies' disclosures faithfully conveyed material information about their underlying economic performance and risk.

Even at this early stage of the AI investment cycle, at least two securities class actions — Ohio Carpenters Pension Plan v. Oracle Corp., **filed** in the Supreme Court of the State of New York, County of New York, on Jan .14; and Barrows v. Oracle, **filed** in the U.S. District Court for the District of Delaware on Feb. 3 — have been brought against Oracle alleging misleading or omitted disclosures regarding AI infrastructure spending, future debt issuances, and associated expectations for revenue.[2]

Today's AI infrastructure ecosystem spans chipmakers (e.g., Advanced Micro Devices Inc., Nvidia Corp.); hyperscalers and data center operators (e.g., Amazon Web Services, CoreWeave Inc., Google LLC, Meta Platforms Inc., Microsoft Azure); and AI platform developers (e.g., Anthropic PBC, Google Gemini, OpenAI). As capital intensity rises and commercial arrangements grow more complex, similar disclosure tensions are beginning to emerge.

This article identifies the parallels between the AI and internet buildouts, and then examines three areas in which AI infrastructure companies may face heightened disclosure risks — (1) revenue and earnings before interest, taxes, depreciation and amortization metrics; (2) circular and complex financing structures; and (3) related-party and affiliated-entity relationships — drawing lessons from the prior internet boom-bust cycle.

Parallels in AI and Internet Buildouts

The current AI infrastructure buildout requires massive up-front investments in graphics processing units, buildouts of data centers, and electricity generation and grid connection before profitable business models for AI platform developers can be realized.[3] Projected capital expenditures and research and development spending often exceed hundreds of billions of dollars a year for the AI infrastructure companies.

This large funding requirement has driven the use of long-term contractual commitments and complex financing structures that tightly link chipmakers, hyperscalers, data centers and AI platforms.[4] Proponents argue that these arrangements enable rapid, parallel scaling, while critics warn that capital intensity, fast-moving technology and unproven business models heighten execution and demand risks.[5]

These competing narratives around AI mirror the internet buildout of the late 1990s, when infrastructure investment surged ahead of realized demand and relied on a range of complex arrangements to sustain reported growth.

In the telecom sector, this included exchanging network capacity with other companies in reciprocal deals — using vendor financing — and other arrangements that, while sometimes technically compliant with accounting rules, were later alleged to mask the true level of demand and cash generation.[6] When growth assumptions later weakened, enforcement actions and private litigation focused on both the existence of these structures and whether disclosures adequately conveyed companies' economic realities.

The importance of these disclosure issues is illustrated by enforcement actions and class action litigation arising from the collapse of Global Crossing Ltd., one of the most prominent telecom companies of the period.

After rapidly expanding its global fiber network through long-term capacity arrangements, Global Crossing filed for bankruptcy in 2002. The SEC subsequently alleged that the company's public filings were misleading because they failed to adequately disclose that certain capacity transactions were "reciprocal in nature," and that reported results had become increasingly dependent on those arrangements.

As the SEC framed the issue, the problem was not merely technical compliance, but that "investors were denied material information … necessary for a fair understanding" of the company's financial condition in light of its pro forma and cash flow disclosures.[7] Several former executives faced criminal charges, and the company settled a securities class action — In re: Global Crossing, in the U.S. District Court for the Southern District of New York — for $325 million.[8]

The telecom experience ultimately prompted a regulatory emphasis on more transparent disclosure — particularly where reported performance, liquidity or non-GAAP measures depended on complex or reciprocal arrangements. That experience underscores a central lesson for the current AI infrastructure buildout: Financial reporting must reflect economic substance, not merely technical compliance.

The extent to which those lessons will shape financial reporting and disclosure in today's AI infrastructure buildout — rather than resurface in future litigation — remains an open question, one that will be borne out by time. For now, the more immediate task is to examine the financial reporting and disclosure issues that may shape that outcome.

Disclosures of Revenue and EBITDA Metrics

Public company disclosure regimes — including GAAP standards, SEC-reporting requirements such as management discussion and analysis obligations, and rules governing non-GAAP and forward-looking measures — are designed around realized revenue and historical performance.[9] The AI infrastructure buildout is straining those frameworks.

Large-scale AI deployments require heavy up-front capital investment well before demand or cash flows are observable, leading companies, analysts and investors to rely more on projections, backlog and adjusted profitability metrics. Although permitted, such measures can blur the distinction between contractual commitments and realizable earnings absent a clear contextual explanation. As in the internet era, the core issue may be less technical compliance than whether disclosures accurately convey economic substance.

A frequently used revenue metric by AI infrastructure companies is remaining performance obligations, or RPOs.

RPOs do not constitute GAAP revenue. They reflect management's estimates of future revenue associated with existing but unfulfilled contracts, and depend on judgments about enforceability, collectability, duration and counterparty creditworthiness.[10] Because GAAP imposes no bright-line probability thresholds, investors must rely heavily on qualitative disclosures and management credibility.[11]

Recent market experience underscores the sensitivity of investor valuations to RPOs, particularly when RPO growth materially outpaces GAAP revenue.[12] In those circumstances, investors and analysts increasingly scrutinize management judgments regarding the probability and timing of future contract performance and the financial capacity of key counterparties.

AI infrastructure companies also routinely emphasize adjusted EBITDA, which excludes expenses such as stock-based compensation and acquisition-related costs.[13] While these adjustments are common and their reconciliations with GAAP measures are mandated, a focus on these pro forma profit metrics can materially alter the presentation of profitability in capital-intensive businesses that rely heavily on equity compensation and long-dated infrastructure commitments, potentially understating the economic cost of sustaining growth.

This dynamic echoes the internet dot-com era's reliance on pro forma revenues and other forward-looking measures during periods of rapid infrastructure expansion.[14] The dot-com experience demonstrates how such disclosure practices can give rise to regulatory scrutiny and litigation.

Disclosures of Circular and Complex Financing Structures

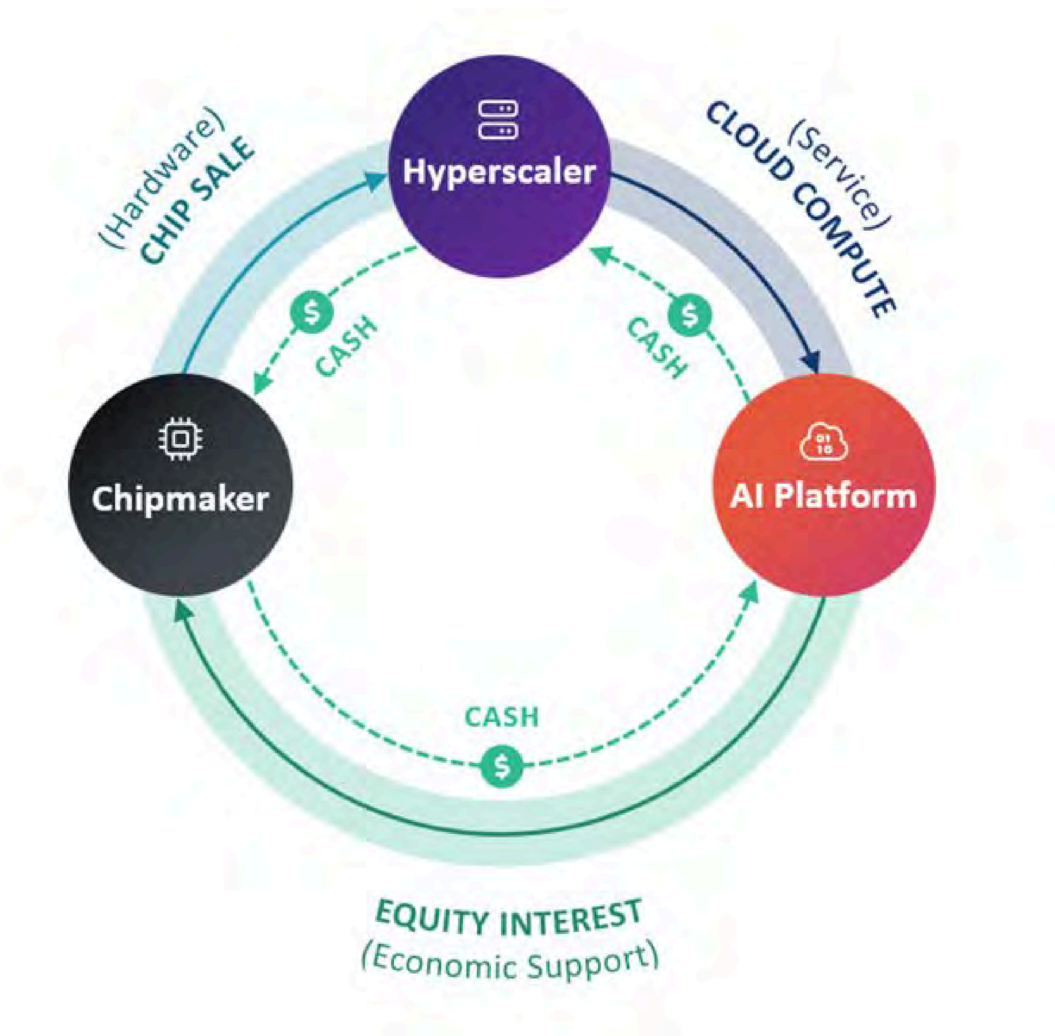
As discussed above, the rapid expansion of AI infrastructure has involved large-scale capital expenditures alongside increasingly complex and evolving commercial and financing arrangements. Across the AI ecosystem, capital, commitments and revenues are often intertwined through revenue-sharing arrangements, reciprocal commitments, equity investments and asset-backed financing linked to specific customer creditworthiness.

Unlike the largely bilateral reciprocal transactions that characterized the internet buildout, many AI-era arrangements involve three or more interdependent parties, with capital and obligations circulating across a relatively closed network of counterparties.

Figure 1 provides a stylized illustration: A chipmaker supplies hardware to a hyperscaler, which in turn provides hosting and cloud-computing services to an AI platform. At the same time, the chipmaker buys equity interest in the AI platform, effectively recycling cash to support the latter's research and development.

These overlapping relationships can blur the distinction between independently generated demand and growth enabled by interlocking financing structures. In addition to cash advances from related or strategically aligned counterparties, an AI infrastructure company with substantial up-front capital requirements can also use a myriad of financing options, such as unsecured borrowing, project financing, convertible debt and debt secured by GPU equipment.[15]

Figure 1: Simplified Circular Transaction



These arrangements reflect important structural similarities to the reciprocal capacity transactions that proliferated during the internet buildout. In that earlier cycle, telecom carriers' reciprocal arrangements created a risk that reported accounting outcomes may not have fully reflected the underlying economic substance.[16]

A similar disclosure concern is emerging today. As reported growth increasingly reflects complex, multiparty arrangements designed to secure infrastructure capacity, disclosure adequacy turns on whether companies clearly communicate the economic dependencies embedded in those structures.

For AI hyperscalers and platforms, access to scalable, reliable energy illustrates this point. Management's assumptions regarding power availability, data center build timelines and contractual commitments can materially influence projected GAAP revenue, RPOs and adjusted EBITDA. Where such assumptions are critical to reported growth, investors may require more granular explanation than high-level contractual summaries alone.[17]

Disclosure of Related Party Information

Above and beyond the transactional circularity discussed in the prior section, AI companies also face risk from entity-level dependence arising from related parties and concentrated counterparties. One of the most significant accounting and disclosure challenges in the AI ecosystem is limited visibility into related-party relationships and economic dependence.[18]

A small number of private or quasi-private entities — most notably OpenAI — have become central nodes in the growth narratives of several large public companies. Across the sector, future revenues are increasingly tied to a complex web of equity stakes in counterparties, long-term purchase commitments, revenue-sharing arrangements and financing support with counterparties whose financial condition is not publicly disclosed. Fragmented reporting of these relationships can make it difficult for investors to assess the full extent of exposure and dependency.

In some cases, AI companies account for major counterparties as equity-method investments while also conducting significant commercial transactions with them. Public disclosures often provide limited insight into how these overlapping relationships affect reported results or the extent to which the AI company depends on the counterparty's continued access to external financing.

As these counterparties become more central to public-company growth narratives, some observers argue that the gap between their strategic importance and the information available to investors has widened, heightening scrutiny of related-party disclosures.[19]

Concerns of this kind are not new. During the wave of early-2000s accounting scandals, regulators and courts confronted situations in which economically significant relationships and obligations were kept outside consolidated financial statements through technically compliant but opaque structures.[20]

While those arrangements often satisfied formal accounting requirements, enforcement actions emphasized that investors were not adequately informed about where risk ultimately resided or how reported growth depended on affiliated entities whose finances were not transparent.

The lesson was not that nonconsolidation was per se improper, but that incomplete disclosure of economically significant relationships could affect investor understanding.

Conclusion

Regulatory and standard-setting responses following the telecom dot-com collapse did not prohibit particular business models or financing structures. Instead, they reflected a consistent emphasis on whether public disclosures enabled investors to understand the economic reality underlying reported performance.

That same focus is likely to shape how AI infrastructure disclosures are evaluated if market expectations or operating conditions deteriorate.

In any subsequent regulatory inquiry or private litigation, scrutiny is likely to coalesce around three interrelated questions:

- Does the reported growth reflect independently generated customer demand, or is it materially supported by circular and/or interconnected arrangements among infrastructure providers, hardware vendors and AI developers?

- Do forward-looking metrics meaningfully map to realizable cash flows?
- Are economically critical counterparties and concentrations sufficiently visible to investors?

Taken together, these questions reflect a broader regulatory concern that has recurred across prior boom-bust cycles: whether technically compliant disclosures obscure the drivers, dependencies and durability of reported growth.

For issuers, auditors and counterparties navigating the current AI infrastructure buildout, the central challenge is not avoiding scrutiny by adhering to formal rules, but ensuring that aggregated disclosures faithfully convey the economic substance of increasingly complex arrangements.

Diana Connor and Adrienna Huffman are senior associates, and Bin Zhou is a principal, at the Brattle Group Inc.

[1] Internet buildout refers to the massive expansion of internet-related infrastructure and businesses in the late 1990s during the dot-com boom, including: telecommunications infrastructure (fiber-optic cable networks, data centers, broadband expansion); internet service providers; early e-commerce and online platforms; venture-backed "dot-com" startups; and heavy capital spending funded by equity markets and debt. During that period (roughly 1995–2000), companies invested aggressively in building the physical and digital backbone of the internet, fueled by high market valuations and investor enthusiasm.

[2] "Oracle Sued By Pension Plan Over AI-Linked Debt Disclosures," Law360, January 14, 2026, Oracle Sued By Pension Plan Over AI-Linked Debt Disclosures - Law360; and "Oracle Oversold AI Infrastructure Spending, Investor Says." Law360, January 14. "Oracle Oversold AI Infrastructure Spending, Investor Says.," Law360, February 4, 2026, https://www.law360.com/articles/2438215/oracle-oversold-ai-infrastructure-spending-investor-says. The first complaint alleges that Oracle's risk disclosure did not adequately warn potential investors about the significant amount of additional debt it was looking to raise. The second complaint also cites concerns about increased reliance on revenue from OpenAI.

[3] "Google CEO Sundar Pichai Says There Won't Be Just One Winner in the AI Race." Yahoo Finance, May 19, 2025, https://finance.yahoo.com/news/google-ceo-sundar-pichai-says-170052452.html.

[4] Morgan Stanley, "AI: Mapping Circularity," Oct. 8, 2025.

[5] See for example: Berber Jin, "Tech's Biggest Players Tether Futures to Altman and OpenAI," October 22, 2025, The Wall Street Journal; Jonathan Weil, "Circular AI Deals Spark Worries of a Bubble," October 23, 2025, The Wall Street Journal.

[6] See, for example, a list of "corporate accounting scandals" from 2002, "The Corporate Scandal Sheet," August 26, 2002, Forbes.com, https://www.forbes.com/2002/07/25/accountingtracker.html.

[7] Securities & Exchange Commission, Administrative Proceeding No. 3-11891, April 11, 2005, "In the Matter of Global Cross Ltd., Thomas J. Casey, Dan J. Cohrs, and Joseph P. Perrone," https://www.sec.gov/files/litigation/admin/34-51517.pdf.

[8] Simon Romero, "Global Crossing Settles Suit on Losses," New York Times, March 20, 2004, https://www.nytimes.com/2004/03/20/business/global-crossing-settles-suit-on-losses.html.

[9] FASB Accounting Standards Codification (ASC) 606-10-25 establishes the core revenue recognition principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers for the consideration it expects to be entitled. FASB ASC 606-10-50 requires companies to disclose information about contract balances, performance obligations, and the timing of revenue recognition, including remaining performance obligations and when revenue will be recognized.

[10] Under GAAP, RPOs represent the total value of future revenue from signed contracts that hasn't been recognized yet, combining deferred revenue (invoiced but unearned) and non-cancellable backlog (unbilled future revenue). Under ASC 606-10-50-13, companies must disclose RPOs, even though RPO itself isn't a GAAP line item but a required disclosure metric.

[11] Estimating RPOs under ASC 606-10-50-13 requires significant management judgment, especially in identifying distinct performance obligations, allocating the transaction price, determining when control transfers (point-in-time vs. over time), estimating variable consideration with its constraint, and selecting methods to measure progress, all needing detailed assessment of contract terms and business practices. Key areas of discretion include disaggregation, variable consideration, allocation, timing of recognition, and methods for measuring progress, requiring robust evidence and consistent application.

[12] See, for example, Jonathan Weil, "Oracle's Stock Hangs on a Squishy Number --- AI investors are scrutinizing a once-obscure metric related to future sales," December 18, 2025, The Wall Street Journal.

[13] The SEC regulates the use of non-GAAP financial measures such as backlog, adjusted profitability, or anticipated revenue – metrics often cited in periods of infrastructure-driven growth. Regulation G (17 CFR § 244.100) requires any public disclosure of non-GAAP financial measures to include the most directly comparable GAAP measure, and a reconciliation to that GAAP measure. Further, it requires that a non-GAAP measure must not be misleading. See https://www.sec.gov/rules-regulations/2003/03/conditions-use-non-gaap-financial-measures.

[14] Telecommunications companies frequently supplemented GAAP financial statements with pro forma or "cash revenue" measures that reflected entire upfront payments from long-term capacity arrangements, even though substantial portions of those payments related to future performance obligations.

[15] See, e.g., Coreweave, Inc., Form 424B4 (filed March 27, 2025).

[16] Audit standards identify revenue recognition as an area of heightened risk, instructing auditors to presume the possibility of fraud related to improper revenue recognition. One source of such risk is the existence of side agreements – arrangements or understandings outside the primary contract or its documented terms – which may call into question whether the written agreement reflects the full rights and obligations of the parties. See, e.g., Public Company Accounting Oversight Board (PCAOB). Auditing Standards: Audits of Financial Statements for Fiscal Years Beginning on or After December 15, 2025. https://assets.pcaobus.org/pcaob-dev/docs/default-source/standards/documents/auditing_standards_audits_fybeginning_on_or_after_december_15_2025.pdf, §AS2110.68. Grant Thornton LLP, Revenue from Contracts with Customers, updated January 24, 2022, https://www.grantthornton.com/content/dam/grantthornton/website/assets/content-page-files/audit/pdfs/2022/revenue-from-contracts-with-customers-updated-220124.pdf, p. 18.

[17] Jinjoo Lee and Dan Gallagher, "Energy Risks Rise for Hands-on Tech Giants: Hyperscalers are getting involved in earlier stages of power development," January 17 – 18, 2026, The Wall Street Journal.

[18] FASB ASC-850 is the relevant GAAP standard governing related party disclosures. It requires disclosure of related-party relationships; transactions, terms, and amounts; and the nature of control or influence. The standard reflects a principle of transparency around influence and dependence.

[19] See, for example, Jonathan Weil, "Microsoft Needs to Open Up More About Its OpenAI Dealings; Company's disclosures on its OpenAI stake are scant. That is no longer tenable," October 27, 2025, The Wall Street Journal.

[20] Issued in 2003, FASB Interpretation No. 46 (FIN 46) – later revised as FIN 46(R) and now codified in ASC 810 (Consolidation) – addressed the widespread use of structured entities that kept economically significant debt and risk off the balance sheet by shifting consolidation analysis from formal voting control to economic exposure and control.

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ROSS Says Anthropic Case Supports 3rd Circ. IP Appeal

By **Adam Lidgett**

Law360 (March 13, 2026, 7:34 PM EDT) -- An artificial-intelligence-based legal search engine appealing a finding that its use of Thomson Reuters' Westlaw headnotes did not constitute fair use has pointed to arguments in a separate case it says supports the idea that AI training is connected to national security.

In a Thursday **letter** to the Third Circuit, ROSS Intelligence Inc. brought up a case in California federal court where Anthropic wants to block the Trump administration from enforcing an order designating it a supply chain risk to national security.

In that case, Anthropic has said it has come up with **AI models** to help the U.S. Department of Defense, which the company claimed "has significantly expanded its use of artificial intelligence," according to the letter. ROSS said a fair use ruling in its own case is backed by Anthropic's arguments.

"Anthropic's filings, and recent public events, confirm that fair use in AI training is paramount to our nation's security," the letter said. "Indeed, our government heavily relies on AI models, which require training data, in sensitive national security matters."

The Third Circuit case is an appeal of a lower court decision concluding ROSS infringed copyrighted material from Westlaw to create a competing AI-backed legal research tool.

ROSS has argued that Westlaw's headnotes are **not copyrightable** and that U.S. Circuit Judge Stephanos Bibas was wrong to grant Thomson Reuters summary judgment while sitting by designation in Delaware in February 2025.

The company has said in a brief to the Third Circuit that if his decision stands, it will have "sweeping consequences for innovation" in both legal research and artificial intelligence.

ROSS said legal publications were foundational to the development of common law and trace back to the early days of the country, when common law judges needed access to published judicial opinions. This led the U.S. Supreme Court to answer the question of whether anyone can "own the law," to which it has answered "no" multiple times, according to the company.

In November, Thomson Reuters pushed the Third Circuit to **affirm** its lower court win.

What ROSS did amounted to theft, according to Thomson Reuters, which argued, "ROSS did not copy from Westlaw to get access to the law — it already had the law." Instead, ROSS was trying to make a competing platform, Thomson Reuters said.

While ROSS is trying to invoke AI in the case, "Westlaw was using AI long before the founders of ROSS were in school," Thomson Reuters has said.

Mark Davies, an attorney for ROSS, said in a statement to Law360 on Friday that he has "great confidence that the Third Circuit will understand the enormous stakes presented by this appeal, including its direct consequences for national security."

"ROSS was at the forefront of fundamental AI development," he said. "Copyright must encourage, not stop, such innovative efforts."

Counsel for Thomson Reuters did not respond to a request for comment Friday.

Thomson Reuters is represented by Dale Cendali, Miranda Means and Joshua Simmons of Kirkland & Ellis LLP.

ROSS is represented by Mark Davies, Yar Chaikovsky, Andy LeGolvan, Anna Naydonov, Kufere Laing and Ji Won Oh of White & Case LLP, and Kayvan M. Ghaffari, Anne M. Voigts and Ranjini Acharya of Pillsbury Winthrop Shaw Pittman LLP.

The case is Thomson Reuters Enterprise Centre GmbH et al. v. ROSS Intelligence Inc., case number 25-2153, in the U.S. Court of Appeals for the Third Circuit.

--Additional reporting by Madeline Lyskawa and Elliot Weld. Editing by Adam LoBelia.

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Binance Escapes Another Terrorism Financing Suit, For Now

By **Emilie Ruscoe**

Law360 (March 13, 2026, 9:58 PM EDT) -- Cryptocurrency exchange Binance Holdings Ltd. has escaped, for now, allegations it facilitated Iran's terrorism financing, though an Alabama federal judge has given the plaintiffs, who are suing over injuries and damages suffered from Hamas' Oct. 7, 2023, attack on Israel, a chance to revise their "shotgun" pleading.

In a Wednesday order, U.S. Magistrate Judge Chad W. Bryan dismissed the latest version of the claims, finding the plaintiffs' 117-page first amended complaint "legally and factually deficient" because its six claims for relief don't offer context specific to each claim, identify which violations are alleged against which defendants, or state which plaintiffs bring which claims.

If the suit were to go forward as is, Judge Bryan said, "both the defendants and the court would be compelled to wade through the morass of allegations to determine what legal claims are being asserted, who is asserting them, against whom they are being asserted, and the underlying factual basis for each."

"Neither the Federal Rules of Civil Procedure nor notions of fundamental fairness countenance such an approach," the judge added, labeling the suit a shotgun pleading.

The judge gave the plaintiffs until April 10 to revise their claims, and outlined 20 specific requirements.

One of those requirements is that "the second amended complaint must exclude all generalized and immaterial facts, statements, and allegations not specifically related to the asserted claims for relief."

The judge also said the revisions should "draw emphasis to allegations that connect each defendant's conduct to the alleged injuries and damages."

The operative complaint alleged that "Iran has been able to transmit funds directly to [the Palestinian militant group] Hamas, in large part by using cryptocurrency and digital payment platforms — including Binance — which have served as key conduits for moving money from Iran and from Hamas sympathizers around the world, enabling seamless and concealed financial support for terrorist activities."

In addition to Binance, the suit named its founder Changpeng Zhao as a defendants.

Judge Bryan's dismissal order comes days after a New York federal judge **tossed separate, similar claims** against Binance and Zhao, finding that the suit fails to show that defendants "culpably associated themselves" with attacks carried out by certain terrorist organizations.

Separately on Thursday, three Democratic U.S. senators said they would **oversee a reported investigation** by the U.S. Department of Justice into what the lawmakers described as Binance "engaging in increasingly risky activity in countries through which illicit actors are known to evade U.S. sanctions and export controls."

Those allegations relate to February news reports that Binance had fired compliance employees who found that $1.7 billion in digital assets were funneled through the company to Iranian entities linked to terrorism, including the Houthis and the Islamic Revolutionary Guard Corps. Binance has denied those reports and is suing The Wall Street Journal, which published them.

On Friday, a representative for Binance referred Law360 to Thursday comments by Binance general counsel Eleanor Hughes saying the company "will continue to defend itself aggressively against any litigation or reporting that misrepresents who we are and how we operate."

David Schoen, counsel for the plaintiffs, told Law360 via email that they will be amending the complaint.

Representatives for the defendants did not immediately respond to requests for comment Friday.

The plaintiffs are represented by Mark Goldfeder and Erielle Azerrad of the National Jewish Advocacy Center Inc., Ben Schlager of Goldfeder & Terry LLC and David I. Schoen of David I. Schoen Attorney at Law.

Binance.US is represented by Kenneth D. Sansom and Michael T. Sansbury of Spotswood Sansom & Sansbury LLC and Daniel Tramel Stabile and Thania (Athanasia) Charmani of Winston & Strawn LLP.

BAM Trading Services Inc. is represented by Samson A. Enzer, Anirudh Bansal and Sesi Garimella of Cahill Gordon & Reindel LLP and Harlan I. Prater IV of Lightfoot Franklin & White LLC.

Changpeng Zhao is represented by Teresa Goody Guillén, Joanna F. Wasick and Marco Molina of Baker & Hostetler LLP and Charles A. Stewart III of Bradley Arant Boult Cummings LLP.

The case is Newman et al. v. BAM Trading Services Inc. et al., case number 2:24-cv-00134, in the U.S. District Court for the Middle District of Alabama.

--Additional reporting by Sydney Price and Sarah Jarvis. Editing by Brian Baresch.

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Child Abuse Material Is Too Easy To Find On Meta, Jury Hears

By **Cara Salvatore**

Law360 (March 13, 2026, 10:13 PM EDT) -- Jurors in New Mexico's social media trial saw deposition testimony Friday in which counsel for Meta questioned an expert hired but not called by the state attorney general's office regarding his review of child abuse material on the company's platforms, which he said was "publicly available for anybody."

Meta played the deposition of Anthony Eastin in its defense case against New Mexico Attorney General Raúl Torrez's claims that Meta deceived the public about the risks its platforms posed to teens. The state says Facebook, Instagram, WhatsApp and Messenger exposed teens to violence, sexual predation and addictive designs that harm mental health, and that the company lied about the problem.

Eastin testified he worked for Meta for over two years, was laid off in May 2023, and then started a company called Risky Business Solutions with one other person. Eastin was engaged by Motley Rice LLC, which was litigating on behalf of the attorney general's office, to look into child sexual abuse material on Meta.

In the video, Eastin acknowledged to a lawyer for Meta that he found CSAM on Meta platforms but did not report it to Meta, to law enforcement or to the National Center for Missing and Exploited Children. Meta sends millions of tips a year to the last group, which is majority government-funded. However, Eastin said, he reported the material to Motley Rice.

Meta's lawyers also asked Eastin about the accounts he used in the course of looking into the material — which he called child pornography — and what he did with them. Eastin said he had purchased hacked accounts and acknowledged that at least one of the profile pictures he then placed on the accounts was "sourced from images of children in Thailand."

"That's an actual child who exists in the world ... did you ask that child for permission?" Meta's lawyer asked. Eastin said he had not, nor had he asked their parents. He acknowledged that he used the account to receive and send messages to someone requesting material from the account.

"So somewhere, people that you suspect of being pedophiles have images of this real child that you gave them?" the lawyer asked.

"Yes," Eastin said.

On questioning from the attorney general's lawyer, Eastin emphasized his belief that child sexual abuse material was far too easy for him to find on Meta.

"Do you believe Facebook can be better at stopping CSAM or the distribution of CSAM?" the lawyer asked.

"Yes, I do. I do believe that," Eastin said. "It shouldn't have been this easy for me to find it. Like, it just shouldn't be."

"During the course of your investigation for the New Mexico Department of Justice, did you do anything that Meta could not have done on its own?" the lawyer asked.

"They could have done so much more," Eastin said. "But also, I need to reiterate this to the jury and to everybody else: Everything that I have done here is open-source intelligence, which means that it's publicly available for anybody to do those things. ... That's very much the lowest-hanging fruit. That was the whole idea of this investigation."

Eastin was never called as an expert in the attorney general's case-in-chief.

He also acknowledged, during the deposition excerpts, Reddit posts that he made discussing anger and fear resulting from tech layoffs, which he had experienced at Meta.

In earlier Reddit posts, while he was still working for Meta, he defended Facebook and said bad content on a platform is not a stain on the platform owner, especially on platforms used by 3 billion people; it's a stain on those who post it.

Those posts were within roughly the first six months of Eastin's tenure at Meta, and Eastin testified he believes differently now.

The claims in New Mexico's bellwether case echo those going to trial in California and in federal multidistrict litigation.

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

Meta is represented by Kevin Huff and Alex Parkinson of Kellogg Hansen Todd Figel & Frederick PLLC.

The case is New Mexico v. Meta Platforms Inc. et al., case number D-101-CV-2023-02838, in the First Judicial District Court of New Mexico.

--Editing by Linda Voorhis.

For more of this trial, see Courtroom View Network.

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Drug Co. Moves To Sanction Insurer Over Destroyed Evidence

By **Hope Patti**

Law360 (March 13, 2026, 2:42 PM EDT) -- A drug wholesaler seeking coverage for underlying opioid litigation urged an Illinois federal court to sanction its insurer for destroying key emails and underwriting records, saying the carrier failed to update a litigation hold or suspend its automatic deletion policies and then attempted to hide the issue during discovery.

In a **motion** Thursday, H.D. Smith Wholesale Drug Co. said Cincinnati Insurance Co. intentionally breached its duty to preserve evidence even though it was aware of its obligation to do so since 2012.

Over the past 14 years of litigation in two separate — but related — suits, Cincinnati never suspended its two-year automatic deletion policy for custodial emails or its 10-year deletion policy for underwriting files, H.D. Smith said.

"This is a blatant violation of Cincinnati's discovery obligations, and severe sanctions are warranted," the company said. "Under Illinois and federal law, a party has an ongoing obligation to preserve information that may be relevant to anticipated or pending litigation."

According to court filings, Cincinnati sued H.D. Smith in Illinois federal court in October 2012 after the West Virginia Attorney General accused the drug wholesaler and others of worsening the opioid epidemic by overdistributing prescription painkillers.

The district court found that the insurer had no duty to defend H.D. Smith because West Virginia's suit didn't seek damages because of bodily injury as defined by the Cincinnati policies; however, the Seventh Circuit **reversed the ruling** in July 2016. The district court later **ordered the insurer** to cover the company's $3.5 million settlement with West Virginia in September 2019.

During the course of the first coverage action, H.D. Smith was named in a number of opioid suits brought by individuals, government entities, Native American tribes and third-party payors.

The company filed the present action against Cincinnati in October 2022, seeking indemnification for a $625 million global settlement with various government entities. H.D. Smith also brought similar claims against Alterra American Insurance Co. in February 2023, and the suits were consolidated that May.

Despite initiating the first coverage action in 2012, Cincinnati did not issue a litigation hold until 2017, H.D. Smith said Thursday. The company asserted that, not only was the litigation hold late, but it was "wholly deficient." The hold failed to suspend the insurer's document retention policies, applied to only one policy even though 32 primary and umbrella policies were implicated and excluded key witnesses and custodians, H.D. Smith argued.

The insurer then failed to update the litigation hold or suspend its automatic deletion policies even though it knew by 2017 that H.D. Smith was named in additional opioid suits, the company said.

The first coverage action made clear what evidence would be relevant in the current action, H.D. Smith said, noting that the current action implicates 34 policies, including the 32 that were previously litigated.

"Even worse (and demonstrative of its intentional misconduct), at every turn Cincinnati has attempted to conceal its failures and the truth," H.D. Smith said. The company claimed that, throughout nearly three **years of discovery** in the current action, the insurer concealed its automatic deletion policies and agreed to search for and produce documents that it knew were destroyed.

Due to its failure to preserve evidence, the insurer should not be able to dispute coverage based on the policies' "expected or intended injury" or "knowing violations of the rights of another" exclusions, H.D. Smith said. Nor should Cincinnati be able to contend that no coverage is available because H.D. Smith's acts giving rise to the underlying suits were intentional, willful or against public policy, or that the company failed to mitigate the damages against it, the company asserted.

"By invoking its 'knowledge-based' defenses, Cincinnati has put its own knowledge at issue, and H.D. Smith is thus entitled to discovery to rebut these defenses," the company said. "But Cincinnati's intentional spoliation of relevant evidence has rendered it impossible for H.D. Smith to obtain adequate discovery as to Cincinnati's knowledge and understanding of the risk it insured, rendering it fundamentally unfair for Cincinnati to continue to assert those defenses."

H.D. Smith asked the court to instruct the jury to assume that all destroyed evidence was unfavorable to Cincinnati, bar the insurer from introducing any evidence related to the destroyed evidence and dismiss Cincinnati's knowledge-based defenses. The company is also seeking an award of attorney fees and costs incurred due to the insurer's destruction of evidence.

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

H.D. Smith is represented by Courtney C.T. Horrigan, Brian T. Himmel, Matthew Louik, Stephanie E. Gee, Elizabeth L. Taylor, Cristina Shea, Matthew D. Rosso and Louis W. Schack of Reed Smith LLP and Howard W. Feldman of Feldman Wasser.

Cincinnati is represented by Daniel G. Litchfield, Brian M. Reid and Paul G. Roche of Litchfield Cavo LLP.

The case is H.D. Smith Wholesale Drug Co. v. Cincinnati Insurance Co., case number 3:22-cv-03210, in the U.S. District Court for the Central District of Illinois.

--Additional reporting by Ganesh Setty. Editing by Emma Brauer.

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DuPont Can't Trim Lead Exposure Case, Judge Advises

By **Jonathan Capriel**

Law360 (March 13, 2026, 9:16 PM EDT) -- A DuPont company and Hammond Group Inc. shouldn't be allowed to whittle down a proposed class action accusing them of exposing Indiana children to lead for decades, according to a federal magistrate judge's recommendations that rejected arguments that the plaintiffs, who say they have lead in their bones, were not injured.

The chemical companies put forward what would be a "slam dunk" argument if read "in a vacuum," U.S. Magistrate Judge Abizer Zanzi said Thursday in a report that recommended denying their bids.

EIDP Inc., formerly known as E. I. du Pont de Nemours and Co., and Hammond Group argued that four of the lead plaintiffs in the litigation had not actually claimed they were injured. While their complaint does claim that tests show they have lead in their bones, they have all explicitly said they have "no injuries confirmed yet" as a result of this exposure, according to their separate motions.

"No injury, no negligence claim," Judge Zanzi said, summarizing the argument.

The problem is that the four plaintiffs in question are a part of a putative subclass that demands the companies pay for medical monitoring with the expectation that injuries might develop later, the judge said.

"Each of them are minors who have positive bone and blood lead level tests," Judge Zanzi said. "That is an injury by itself."

The judge did acknowledge that certain phrases in their amended complaint appear to contradict the claim that the four plaintiffs were injured, such as "no cognizable medical injury" and "no injuries confirmed yet." But "at most," this is "careless drafting by plaintiffs' counsel," the judge said.

"Imprecise drafting should not deprive these plaintiffs of the opportunity to litigate their case on the merits," Judge Zanzi said.

The lawsuit is one of many filed by people who claim to have suffered from environmental contamination caused by the USS Lead Superfund Site in East Chicago, Indiana. The instant proposed class action is led by 10 plaintiffs who claim they were children while living on or attending school near the allegedly toxic site.

For much of the 20th century, the suit claims, the companies released massive amounts of hazardous substances, specifically lead and arsenic, into the surrounding environment. The complaint alleges the companies knew of the dangers but failed to warn the community, allowing children to play and live on heavily contaminated soil for decades. The plaintiffs only learned of their exposure in 2016, the suit says.

The plaintiffs of one proposed subclass, which includes six unnamed minors, claim that the exposure caused them to suffer memory loss, learning impairment, headaches, numbness in their limbs, hyperactivity, abdominal pain and other ailments.

The members of the other proposed subclass, the group at issue, claim to have tested positive for high levels of lead in their bones but have "no injuries confirmed yet of [their] lead exposure," according to the court record. They seek medical monitoring under their negligence claims, arguing that early detection could help prevent potentially worse ailments.

Paul J. Napoli, a partner at Napoli Shkolnik, one of the firms representing the children, celebrated the magistrate judge's report and recommendation.

The judge's report "powerfully affirms longstanding Indiana law by recognizing that even the presence of lead in a child's blood or bones — without a full-blown medical diagnosis — constitutes a real injury worthy of justice," Napoli said, adding: "For too long, companies like Hammond and DuPont have evaded accountability for their reckless operations that poisoned East Chicago's soil and air over decades. Now, these children, who suffered irreversible developmental harm and emotional trauma, can finally pursue the medical monitoring and compensation they deserve, holding these corporations responsible for shattering families and forcing the closure of an entire low-income community."

The plaintiffs are represented by Eric S. Pavlack and Colin E. Flora of Pavlack Law LLC, Walter J. Alvarez, Brock Alvarado and Steven J. Alvarez of Walter J. Alvarez PC, and Gabriel M. Vazquez, Paul J. Napoli, Coral M. Odiot-Rivera, Cristina M. Rodriguez-Torres and Verónica N. Vázquez-Santiago of Napoli Shkolnik.

EIDP Inc. and The Chemours Co. are represented by Tracy A. Roman, Eryn Howington, Honor R. Costello and Alexander T. Rosen of Crowell & Moring LLP and Dina M. Cox and Janelle P. Kilies of Lewis Wagner & Trimble LLP.

Hammond Group Inc., Hammond Lead Products LLC, Halox LLC and Halstab LLC are represented by Thomas M. Connor and Krysta K. Gumbiner of Dinsmore & Shohl LLP.

The case is S.A. et al. v. E.I. du Pont De Nemours and Co. et al., case number 2:22-cv-00359, in the U.S. District Court for the Northern District of Indiana.

--Editing by Nick Siwek.

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GM Seeks Toss Of Fla. EV Charger Defect Class Action

By **Melanie Dorsey**

Law360 (March 13, 2026, 4:28 PM EDT) -- General Motors has asked a Florida federal court to dismiss a proposed class action over its electric vehicle charger, insisting the buyers who brought the case are trying to sidestep the product's limited warranty and have not adequately asserted a deceptive practices claim.

In a **motion** to dismiss the amended complaint, GM said Thursday that Florida consumers Rick and Kerry Kriseman have narrowed their case to a single claim under the Florida Deceptive and Unfair Trade Practices Act but failed to identify a specific misrepresentation or omission.

According to the automaker's filing, the couple alleged the Ultium PowerUp electric vehicle charger is defective because its internal breaker can trip and the plug can overheat during overnight charging, but they have not explained what is actually defective about the product to cause the symptoms.

"Describing symptoms of an alleged defect is not proof of a particular defect," the motion said.

The Krisemans bought the EV charger in August 2024 and immediately began having problems with it, they said in a complaint brought in October.

GM contended that the claim fails in part because the charger came with an express limited warranty that made repair or replacement the buyer's only remedy.

The company said the plaintiffs "attempt to pull the wool over the court's eyes by purposefully failing to attach or even acknowledge the limited warranty."

Under the warranty, GM "will repair or replace the part, at its sole discretion and at no charge, if the part fails due to a defect in material or workmanship during the warranty coverage period," according to its motion.

The amended complaint, the automaker said, does not meet the heightened pleading standard for fraud-based claims.

The plaintiffs rely on the vague allegation that GM marketed the charger as suitable for charging electric vehicles, the motion said. However, the automaker continued, it's just sales talk, not a specific factual promise. The complaint does not identify where that statement appeared or explain when or how the plaintiffs saw it before they bought the charger, according to the dismissal motion.

GM disputed the buyers' claims that it knew of a defect before the sale, asserting that the complaint wrongly called a warranty administration bulletin a technical service bulletin, even though the document only explains warranty procedures and does not identify any defect.

Claims about pre-production testing and a single online complaint are not enough to show it knew about a problem beforehand, the motion said.

The omission claim fails because the charger was purchased from an independent dealer in what it called an arm's-length transaction, leaving no special relationship that would create a duty to disclose, the company said.

The automaker argued the plaintiffs lack standing to seek injunctive relief because they do not claim they plan to buy the charger again.

The parties could not be immediately reached for comment Friday.

The plaintiffs are represented by William Ourand Jr., Colin Losey and Michael F. Ram of Morgan & Morgan PA.

General Motors is represented by Ginger Barry Boyd and Todd K. Norman of Nelson Mullins Riley & Scarborough LLP and Andrew T. VanEgmond of Dykema Gossett PLLC.

The case is Kriseman et al. v. General Motors, LLC, case number 8:25-cv-02937, in the U.S. District Court for the Middle District of Florida.

–Additional reporting by Carolina Bolado. Editing by Covey Son.

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Tesla Asks 9th Circ. To Decertify Self-Driving False Ad Class

By **Linda Chiem**

Law360 (March 13, 2026, 5:58 PM EDT) -- Tesla has asked the Ninth Circuit to decertify a class action alleging it deceived consumers into believing that its cars could fully drive themselves, saying there's no proof that all class members saw the same purportedly false statement on Tesla's website about its cars' hardware.

Tesla Inc. filed an **opening brief** Thursday seeking to reverse U.S. District Judge Rita F. Lin's August order **certifying classes** of California drivers led by plaintiff Thomas LoSavio accusing the company of overhyping its electric vehicles' autonomous or self-driving capabilities.

The class alleged Tesla fleeced individual customers out of thousands of dollars for add-on features known as "Enhanced Autopilot" or "Full Self-Driving Capability" — which are largely experimental and potentially dangerous — while failing to deliver on its repeated promises of a fully self-driving car.

The district court certified a false-advertising class action "based on a single allegedly false statement on a single subpage of Tesla's website" about Tesla's advanced driver-assistance system technology — namely, that Tesla vehicles already had all necessary hardware for fully autonomous driving, according to the brief.

"No evidence showed that all purchasers were exposed to the hardware statement," Tesla argued. "Plaintiff Thomas LoSavio put forth none, the district court identified none, and Tesla demonstrated otherwise, showing that the relevant subpage received only a sliver of web traffic and that no consumers — whether their purchases were made via Tesla's website or without going to Tesla's website at all — were ever required to encounter the subpage."

The district court excused the plaintiffs' evidentiary failings and simply inferred that the entire class could've been exposed to that hardware statement. But mere inference cannot be grounds for class certification, Tesla said.

Judge Lin's class certification order traced the hardware statement to an Oct. 19, 2016, news conference, during which Tesla CEO Elon Musk said "basic news is that all cars exiting the factory have hardware necessary for Level 5 autonomy so that's in terms of cameras, compute power, it's in every car we make on the order 2,000 cars a week are shipping now with Level 5 literally meaning hardware capable of full self-driving for driver-less capability."

Level 5 is the highest level of vehicle automation recognized by the industry. The National Highway Traffic Safety Administration, carmakers and developers of autonomous vehicle technology follow standards set by the engineering organization SAE International defining six tiers of vehicle automation. They range from Level 0, with no automation, to Level 5, with full vehicle autonomy.

The class alleged that versions of the hardware statement appeared on various subpages of Tesla's website from October 2016 until August 2024, and in scattered other instances, such as an October 2016 blog post, a November 2016 newsletter and a May 2017 earnings call.

Tesla has countered that "it is undisputed that the hardware statement appeared on a seldom-visited subpage of Tesla's website" for Tesla's Autopilot, and "one that consumers did not need to visit to purchase or subscribe to FSDC [Full Self-Driving Capability]."

Tesla contends the district court "made the unprecedented and unsupported inference that all purchasers would have visited [the] subpage with the hardware statement," because of Tesla's unique direct sales model.

Tesla sells its vehicles and software packages directly to consumers, not through dealerships like other automakers. And it does not do traditional marketing like television, radio or print advertisements. The district court had found that "in that environment, it is reasonable to infer that almost all consumers spending thousands of dollars on the packages would review Tesla's description to make that decision."

The automaker also balked at the district court's acceptance of testimony from the class's expert, Dr. Gerald Goldhaber, who opined that the "hardware statement was communicated consistently, uniformly and [in a] widespread [manner] using all of the available channels of communication in Tesla's information environment."

Tesla insisted that the Ninth Circuit made clear in 2012's Mazza v. American Honda Motor Co. that there must be evidence that all class members were exposed to an allegedly false statement, and "not other statements in some so-called 'information environment' supposedly surrounding the allegedly misleading advertising, whatever that means, or other statements vaguely 'consistent with' it, whatever that means."

"To sue a company over its alleged misrepresentation, you must have seen the misrepresentation," it said.

Consumers **kicked off the litigation** in 2022, alleging that Musk boldly promised in 2016 that a fully self-driving, fully autonomous Tesla vehicle was "just around the corner" and when that didn't come to fruition, continued to proclaim in 2019 that such a car "would be available by the end of that year."

But Tesla privately admitted to regulators that its advanced driver assistance systems, or ADAS, technology was nowhere near the lofty promises publicly touted by Musk, they alleged. Tesla has effectively been using its customers as untrained testers of largely experimental ADAS features, and "along the way, scores of Tesla owners who believed Tesla's and Musk's deceptive and misleading statements about the capabilities of Tesla's ADAS technology have been killed and seriously injured when that technology failed, often in the face of routine roadway scenarios," according to the consolidated third amended complaint.

Cotchett Pitre & McCarthy LLP partner Julie Fieber, an attorney for the class, said in a statement to Law360 on Friday that "Tesla's brief is just a reiteration of the same arguments that have already, correctly, been rejected by the district court. We trust the Ninth Circuit will reach the same conclusion."

The class is represented by Julie L. Fieber, Frank M. Pitre, Thomas E. Loeser and Makena A. Kershaw of Cotchett Pitre & McCarthy LLP, Francis A. Bottini Jr. of Bottini & Bottini Inc. and David S. Casey Jr., Gayle M. Blatt and P. Camille Guerra of Casey Gerry Francavilla Blatt LLP.

Tesla is represented by Alan Schoenfeld, Ryan Chabot, David C. Marcus, Christopher Casamassima and Joshua Vittor of WilmerHale.

The case is In Re Tesla Advanced Driver Assistance Systems Litigation, case number 25-7927, in the U.S. Court of Appeals for the Ninth Circuit.

--Editing by Kelly Duncan.

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BREAKING: SEC Enforcement Head Resigns After 7 Months

By **Sarah Jarvis**

Law360 (March 16, 2026, 2:50 PM EDT) -- The U.S. Securities and Exchange Commission announced Monday that its enforcement director, Judge Margaret "Meg" Ryan, has resigned from the agency after nearly seven months on the job.

SEC Chairman Paul Atkins thanked Ryan in a statement, saying she "has served with honor and distinction since joining the commission last year, hallmarks that have served her incredibly well throughout her distinguished career and will continue to do so."

Ryan, who was **appointed** to lead the enforcement division in August, said in her own statement that she did not seek the role out, rather, "this role found me."

"And for that, I am grateful," said Ryan, who previously was a senior judge on the U.S. Court of Appeals for the Armed Forces. "I am confident that the foundation I helped to shape – working together with Chairman Atkins - will continue to serve investors and the markets well."

The SEC said Principal Deputy Director Sam Waldon has been named acting director of the division, effective Monday, adding it will announce a permanent director in the coming weeks.

--Additional reporting by Jessica Corso.