

Securities

# Securities Suit Against Solar Panel Company Dismissed on Appeal

March 24, 2026, 1:05 PM PDT

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Investors in Array Technologies Inc. failed to convince a federal appeals court to revive a securities lawsuit over statements the renewable energy company made about the impact of rising steel costs.

Array Technologies' disclosures didn't include any misrepresentations, and its earning call statements wouldn't have misled a reasonable investor if taken together and in context, the US Court of Appeals for the Second Circuit said in a Tuesday opinion affirming the lower court's dismissal of the case.

"Array itself informed investors of all 'known trends or uncertainties,'" the opinion said. "Given these fulsome disclosures and other publicly available data, the total mix of information provided investors with clear notice of the typical risks connected to fluctuations in global steel prices."

Plymouth County Retirement Association and the Carpenters Pension Trust Fund for Northern California sued Array Technologies under the Exchange Act and the Securities Act. They claimed that the solar panel manufacturer included materially false information in its offering materials and that its then-chief financial officer made misleading statements during a March 2021 earnings call.

But the investors never alleged "'with specificity why and how'" the company's risk disclosures were false, the Second Circuit said, citing its 2004 decision in *Rombach v. Chang*. Rather, the disclosures specifically warned investors that "Array's 'product costs [were] affected by the underlying cost of raw materials, including steel and aluminum.'"

Any information that was omitted from the company's disclosures—including the "'minutiae of steel futures trends'"—was immaterial, the court concluded, because a reasonable investor wouldn't have considered that information significant.

The investors also failed to support their claim that statements from the earnings call "created the 'false impression' that Array was 'insulated' from such price increases," the opinion said.

"The earnings call accurately apprised the Investors of the nature of the risks that Array faced, and of its possible – but uncertain – ability to mitigate some of those risks by shifting them to customers," the Second Circuit found.

Judges Denny Chin, Richard J. Sullivan, and Beth Robinson were on the appeals panel.

Labaton Keller Sucharow LLP and Robbins Geller Rudman & Dowd LLP represented the investors. Ropes & Gray LLP represented Array Technologies. Sullivan & Cromwell LLP and Kirkland & Ellis LLP represented individual defendants.

The case is Plymouth County Retirement Ass'n v. Array Technologies, Inc. , 2d Cir., No. 23-01122, opinion filed 3/24/26 .

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# Private Credit Firm Hit with Securities Suit After Short Seller Report

**K** [dandodiary.com/2026/03/articles/securities-litigation/private-credit-firm-hit-with-securities-suit-after-short-seller-report](https://www.dandodiary.com/2026/03/articles/securities-litigation/private-credit-firm-hit-with-securities-suit-after-short-seller-report)

Kevin LaCroix

March 24, 2026



As detailed in prior posts on this site ([here](#) and [here](#)), turbulence in the private credit markets has roiled the financial marketplace. Collapses (and related scandals) involving high profile private credit *borrowers* – including [Tricolor](#) and [First Brands](#)– have led to bankruptcies, civil lawsuits, and criminal indictments. The disruption in the private credit markets has also recently led to securities class action lawsuits involving private credit *lenders*. In the most recent example of this phenomenon, late last week a plaintiff shareholder filed a securities class action lawsuit against private credit lender Hercules Capital, after a short seller published a report suggesting that the company had misrepresented its borrower due diligence processes. A copy of the March 20, 2026, lawsuit can be found [here](#).

## *Background*

[Private credit](#) refers to non-bank lending, in which investors fund loans made directly to businesses or investors. Estimate vary, but [some observers estimate](#) that the private credit market had assets under management as of year end 2025 of as much as \$3.5 trillion.

Hercules Capital is a private credit firm, operating as a [Business Development Company](#) (BDC) that specializes in making private loans to companies. The company describes itself as “the largest non-bank source of venture funding in the market.” As of year-end 2025, the company managed more than \$5.7 billion in assets. Among other things, the company claims to maintain a “disciplined and robust deal origination process, including vigorous sourcing, due diligence, and valuation in order to maintain the value and stability of its portfolio.”

On February 27, 2026, [Hunterbrook Media](#), which operates as the journalism arm of [Hunterbrook Capital](#), a hedge fund that shorts the stock of companies being investigated, issued [a report](#) stating that a former Hercules employee had said that the company's deal sourcing essentially consisted of simply copying the investments from the Google Ventures website, relying on other investors to have done the due diligence, instead of doing their own. The report also cited another former employee as saying that the company's finance team was "a small, overstretched team with few checks in place." The report also claimed that Hercules understated its significant exposure to the debt of software companies and that the company valued the software debt at 100 cents on the dollar even though the debt across the software industry was "falling into distressed territory."

According to the complaint, the company's share price declined nearly 8% on this news.

### *The Lawsuit*

On March 20, 2026. A plaintiff shareholder filed a securities class action lawsuit in the Northern District of California against Hercules and certain of its directors and officers. The complaint purports to be filed on behalf of investors who purchased the securities of Hercules during the period May 1, 2025 through February 27, 2026.

The complaint alleges that during the class period, the defendants failed to disclose that: "(1) the Company overstated the due diligence with which it conducted its deal sourcing and/or loan origination process; (2) the Company overstated the due diligence with which it conducted its portfolio valuation process; (3) the Company reported misclassified portfolio investments; (4) as a result of the foregoing, the Company overstated and/or misrepresented its portfolio valuations; and (5) that as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis."

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*

As I noted at the outset, beginning late last year, a host of questions began to surround the private credit markets. According to a March 18, 2026, memo from the K&L Gates law firm ([here](#)), the financial press recently has reported on “a wave of investor withdrawals hitting major funds simultaneously, firms publicly announcing mark downs in the valuation of certain loans,” and that “various firms are capping redemptions to maintain adherence to pre-established limits.” Securities analysts have warned that the private credit sector “may be entering a ‘reckoning’ following years of ostensible aggressive lending and weaker underwriting standards.”

The short seller involved here delivered its report into this already febrile atmosphere, fraught as the industry already was with concerns that the industry growth may have been due to lax standards. The short seller’s report, attributing statements to anonymous ex-employees raising questions about the company’s lending processes and practices was sure to hit the company’s share price (which of course is the objective of a short seller putting out an attack report like the one involved here). Reasonable minds could differ about whether a manufactured share price drop of less than eight percent reflects a perception that confidence in the company has been entirely undercut, but it was at least a large enough drop to attract the attention of at least one plaintiffs’ law firm.

As I have detailed in previous posts on this site (most recently [here](#)), there are reasons why courts should be skeptical of securities class action lawsuits based solely on allegations from financially motivated short seller reports, particularly where the short seller reports are based solely on alleged statements of anonymous former employees. Indeed, some court have recognized these concerns; for example, the Ninth Circuit [said in one recent case](#) that “we should not credit anonymous posts on a website notorious for self-interested short-sellers trafficking in rumor for their own pecuniary gain.” All of these reasons for caution are present here, and undoubtedly will become relevant in this case at the motion to dismiss phase.

In any event, this case does represent the latest in a series of securities class action lawsuits filed against private credit lenders; there have already been several securities suits against private credit lenders.

For example, and as discussed [here](#), in December 2025, Blue Owl Capital, one of the largest private credit lenders, was sued in a securities class action lawsuit, in a case alleging that Blue Owl and the other defendants misrepresented the firm’s liquidity, redemption conditions, and the merger risks involving its private credit

vehicles. A different investor filed a separate lawsuit against Blue Owl in January 2026, as discussed [here](#), alleging that the company had misrepresented the level of investor redemptions the company was facing.

In addition, as discussed in detail [here](#), in early February 2026, a plaintiff shareholder filed a securities class action lawsuit against BlackRock TCP Capital Corp., the private credit arm of finance giant BlackRock, alleging that the company's investments were not being appropriately valued and that the company's unrealized losses were understated. Interestingly, the corporate defendant in that case, like the corporate defendant in the Hercules case, operated as a Business Development Company (as indeed to many of the private credit lending firms).

In addition, prior high profile corporate failures involving private credit *borrowers* — including for example, Tricolor and First Brands — have resulted in D&O claims against the firms and their executives, as discussed [here](#) and [here](#).

Signs are that problems in the private credit market are likely to continue in the months ahead, with the potential for further securities litigation and other D&O claims against both private credit borrowers and private credit lenders.

There is also the possibility that the problems (and potential D&O claims) could spread beyond just the immediate private credit borrowers and lenders. As a recent *Wall Street Journal* article noted ([here](#)), the stock prices of traditional banks are also getting beat up over the problems in the private credit sector. The problem is that the private credit lenders are themselves borrowers, often from traditional banks. In light of the distress in the private credit markets, banks are reexamining their lending commitments to the private credit funds.

The *Journal* article attributed a recent drop in banks' share prices to concerns that banks could be "left holding the bag" as the private credit market becomes increasingly disrupted. These concerns are heightened by revelations that some of the private credit loans (for example, with respect to Tricolor and First Brands), which were used to collateralize bank loans, were fraudulent. All of these questions arise at a time when some private credit funds, facing unexpectedly high redemption requests, are drawing further on their bank lines of credit.

In light of all of these factors, at least some observers have [raised the question](#) whether the problems in the private credit sector could become a banking industry contagion event, the possibility of which is even further heightened by

the ever-lengthening list of adverse macroeconomic factors (such as inflation, the war in Iran, disruption to global trade due to U.S. tariffs, and so on).

The bottom line is that there is much more of this story to be told, and there appear to be reasons to be concerned that the story in the months ahead could involve further D&O claims related to the private credit sector.

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# Judge bars settlement evidence ahead of Vaxart securities trial

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DJ [dailyjournal.com/articles/390394-judge-bars-settlement-evidence-ahead-of-vaxart-securities-trial](https://www.dailyjournal.com/articles/390394-judge-bars-settlement-evidence-ahead-of-vaxart-securities-trial)

U.S. District Judge Vince G. Chhabria

How can a jury apportion liability when the parties can't mention that several defendants have already settled?

Ahead of a trial with the remaining defendants, U.S. District Judge Vince G. Chhabria granted plaintiffs' motion this month to exclude evidence of their settlement with Vaxart, a biotech company they allege lied about receiving federal government funds during the Operation Warp Speed effort to develop a COVID-19 vaccine in 2020.

Vaxart, which develops vaccines that can be administered by pill, saw its stock price double after it put out a June 2020 press release saying it had been selected to participate in Operation Warp Speed, but reports later emerged that it wasn't part of the program.

The plaintiffs, represented by Hagens Berman Sobol Shapiro LLP and Scott & Scott Attorneys at Law LLP, proposed a set of jury instructions that asked jurors to apportion liability for Vaxart, without mentioning any of its employees who had settled, before moving on to the remaining defendants.

The defense proposed an instruction that includes each of the defendants who settled, including Vaxart and several employees. *In re: Vaxart, Inc. Securities Litigation*, 3:20-cv-05949 (N.D. Cal., filed Aug. 24, 2020).

The remaining defendants, hedge fund Armistice Capital and two of its employees, are represented by Akin Gump Strauss Hauer & Feld LLP. The plaintiffs allege Armistice knew about Vaxart's purported scheme to raise its stock price. They pointed to a former employee who became an executive at Vaxart and the fund's sale of Vaxart shares before its stock price fell.

In most cases, Chhabria said, the court avoids mentioning to the jury that a defendant settled or gives them an additional instruction that they're "not to read anything into" the settlement. When it comes time for damages to be apportioned, he said, the jury determines the plaintiffs' total damages and then the court subtracts the settlement amount.

"The judgment is offset by whatever the settling defendants paid," Chhabria said at a pretrial conference Tuesday.

The defense objected, arguing that the Armistice defendants could be found liable but far less responsible than the Vaxart defendants who settled. They said it would be unfair to hold them liable for total damages minus the settlement amount.

Instead, they argued that case law allows damages to be reduced by either the settlement amount or the percentage of fault assigned to settling defendants.

Chhabria questioned how liability could be apportioned among defendants if some were no longer part of the case. He also raised concerns about whether the Armistice defendants could fairly compete over fault while sharing the same counsel.

Defense attorneys said they had discussed the issue with their clients, who were not concerned about it.

Chhabria asked for further briefing but indicated it may be difficult to separate the relative liability of each Vaxart employee who settled.

"That seems impossible to do," he said.

He added that his main concern is how to distinguish the Armistice defendants' share of liability from both the settlement amount and any eventual verdict.

"My only lingering concern is, do we need to break out the Armistice defendants?" he said.

Despite the plaintiffs' earlier proposal to exclude evidence related to the settlement, at Tuesday's hearing they argued it would be important for the jury to know why the Vaxart defendants aren't on trial, with the right instruction.

The defense said that information could be prejudicial to their clients.

"Any sort of notion that Vaxart has settled could raise questions in the jurors' minds," Akin partner Stacey H. Mitchell said.

Chhabria said that he was surprised that the issue came up again after his order.

"I will admit I scratched my head a bit as to why there should be any reference to the settlement at all," Chhabria said.

The trial is slated for mid-April. Chhabria tentatively told each side to expect 16 hours of trial time. The defense asked for more time, since they effectively have to put on a case for Vaxart in addition to the Armistice defendants.

They pointed to the recent trial in a securities lawsuit against Elon Musk, which took over 50 hours on the same floor of the San Francisco federal courthouse. How much of that time was spent presenting evidence, Chhabria asked, and how much was spent on arguments between Senior U.S. District Judge Charles R. Breyer and Musk's Quinn Emanuel Urquhart & Sullivan LLP lawyers?

The judge then said he'd consider allocating a few more hours to each side.

He plans to seat nine jurors so that they have some wiggle room if a juror decides after being sworn in that they're unable to attend trial.

"It seems like jurors are getting a little flakier," Chhabria said.

#390394

## **Daniel Schrager**

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## Securities Litigation

### Second Circuit Declines to Revive Investors' Challenge to Barclays' Reverse-Split Notes

A three-judge panel explained that the transaction wasn't a sale subject to the Securities Act, as holders of Barclays' exchange-traded notes had neither gained nor lost anything when Barclays forced them to trade four for one. The panel said the financial services company had an "ironclad right" to split the notes.

March 24, 2026 at 04:13 PM By **Alyssa Aquino**



Barclays signage. Photo: Shutterstock

The U.S. Court of Appeals for the Second Circuit wouldn't revive litigation seeking to force Barclays PLC to rescind certain exchange-traded notes, ruling Tuesday that a reverse-split transaction involving the securities wasn't a "sale" under federal securities law.

A three-judge panel explained that the transaction wasn't a sale subject to the Securities Act, as holders of Barclays' iPath Series B S&P 500 VIX Short-Term Futures exchange-traded notes had neither gained nor lost anything when Barclays forced them to trade four for one.

"Barclays had an ironclad right to split the ETNs '[o]n any business day,'" according to a [per curiam decision](#). "When it exercised that right, the Investors did not lose, or gain, anything: they simply

traded in four ETNs for one ETN worth the same amount ... even the most skilled verbal manipulation cannot transform such an involuntary and immaterial swap into a 'sale.'"

Barclays was represented by Sullivan & Cromwell. The noteholders were represented by Sbaiti & Company PLLC. Counsel for both parties didn't respond to requests for comment.

The notes traded under the ticker "VXX," according to the decision.

The decision upholds an order from U.S. District Judge Lewis Liman for the Southern District of New York [dismissing the case](#), which was one of several to hit the courts after Barclays lost its status as a Well-Known Seasoned Issuer.

With that status, Barclays was able to issue unlimited amounts of securities under open-ended shelf registration statements filed with the U.S. Securities and Exchange Commission. Following an enforcement action in 2017, Barclays lost the filing privilege and could only offer preregistered securities.

In 2022, the bank admitted to accidentally issuing more securities than preregistered between July 2019 and October 2021, and initiated a rescission offer to recall the excess debt. The reverse-split at the center of the circuit case occurred in April 2021, and VXX ETN holders attempted to sell their notes through the process. The bank rejected their claims, prompting the litigation.

The investors argued that Barclays violated two provisions of the Securities Act by conducting the reverse-split—Section 12 by selling notes without proper registration, and Section 11 for alleged misstatements on a registration statement.

Liman rejected both claims, ruling that the reverse-split wasn't a sale and that the investors hadn't linked their notes to the disputed filing. The circuit upheld Liman on both counts.

The panel noted that the reverse-split was mandatory, meaning that investors had no choice in the matter. Section 12, the appellate judges stressed, was designed to promote the disclosure of information necessary for investors to make informed decisions.

"Subjecting such compulsory splits to the Securities Act thus would do nothing to advance its 'purpose,'" according to the decision.

The panelists further agreed that investors hadn't traced their post-split notes to the faulty registration, an April supplement.

"That supplement's own terms show that it does not cover those ETNs but rather governs the 'initial sale of the [post-split] ETNs' that Barclays still held in its inventory, and which it had thus not distributed via the split," the panel said.

Circuit Judges John Walker Jr., Richard Sullivan and Joseph Bianco sat on the panel.

**Page printed from:** <https://www.law.com/newyorklawjournal/2026/03/24/second-circuit-declines-to-revive-investors-challenge-to-barclays-reverse-split-notes/print/>

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## Securities

# Barclays Defeats Investors' Appeal Over Reverse-Split Notes (2)

March 24, 2026, 9:22 AM PDT; Updated: March 24, 2026, 1:18 PM PDT

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Barclays PLC prevailed Tuesday against investors seeking to revive their lawsuit alleging the bank sold unregistered exchange-traded notes and included misleading information in a registration statement in violation of securities laws.

The investors didn't acquire the volatility-linked ETNs in a "sale" subject to certain securities law provisions, the US Court of Appeals for the Second Circuit said in a novel ruling. At issue was whether the noteholders gave up any value when their VXX ETNs underwent a 4:1 reverse split.

When Barclays exercised its right to split the ETNs, the investors didn't "lose, or gain, anything: they simply traded in four ETNs for one ETN worth the same amount," the appellate panel said in an unsigned opinion. Even "the most skilled verbal manipulation cannot transform such an involuntary and immaterial swap into a 'sale,'" it said.

The Second Circuit additionally held the investors failed to adequately plead claims for misrepresentations in a supplemental pricing statement—which they said constituted a registration statement—under Section 11 of the Securities Act because they can't trace their shares to that document.

The panel addressed on first impression both the reverse-split "sale" question for unregistered-sale liability and the traceability question in the context of the post-split securities.

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 allegedly withheld the deal from these noteholders because they purchased VXX ETNs in the secondary market and the 2021 reverse split wasn't a securities sale.

The US District Court for the Southern District of New York dismissed the case, and the noteholders appealed.

The investors argued that Barclays itself had characterized the split as a sale at the time. While not every reverse split is a sale for purposes of securities laws, this particular one—which involved debt instruments rather than common stock—was, they argued.

At oral argument, an attorney 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.

### **No Value Change, No Sale**

The Second Circuit agreed with Barclays that the split wasn’t a sale, sparing it from claims that it sold unregistered securities under Section 12 of the Securities Act without reaching the damages question.

In doing so, the court rejected the investors’ argument that the reverse split took value from the ETNs because they became less liquid. The ETNs could be redeemed only in blocks of 25,000 or more, leaving many noteholders with unsellable assets following the notes’ consolidation into one-fourth of their former volume, the investors said.

“As the Investors themselves allege, the secondary market for VXX is ‘efficient’ and ‘highly liquid’—meaning that the Investors could simply sell their notes on the New York Stock Exchange, without needing to exercise their redemption rights,” the court said. And although they said there was a problem with secondary sales, they didn’t argue that point in the district court, the panel said, declining to consider it.

As to the false registration statement claim, the investors’ logic for tying their shares to the pricing supplement through incorporation of previous documents doesn’t work, the appeals court said. The “supplement’s own terms show that it does not cover those ETNs but rather governs the ‘initial sale of the [post-split] ETNs’ that Barclays still held in its inventory, and which it had thus not distributed via the split,” the court said.

Judges John M. Walker Jr., Richard J. Sullivan, and Joseph F. Bianco served on the panel.

Barclays declined to comment on the decision. Attorneys for the investors didn’t immediately respond to an email requesting comment.

Sbaiti & Co. PLLC represented the investors. Sullivan & Cromwell LLP represented Barclays.

The case is Knapp v. Barclays PLC , 2d Cir., No. 25-1631, 3/24/26 .

(Updates story with response from Barclays in sixteenth paragraph.)

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## Securities

# Kyverna Therapeutics Defeats Claims It Omitted Data From Its IPO

March 24, 2026, 3:16 PM PDT

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Kyverna Therapeutics Inc. investors didn't adequately allege the drug developer misled the public by omitting adverse clinical data about a lupus therapy from its initial public offering documents, a federal court ruled.

The investors failed to show that Kyverna, its leadership, and four underwriters "actually knew about or reasonably could have discovered the adverse clinical data omitted from the offering documents" at the time of the IPO, Judge P. Casey Pitts said Monday for the US District Court for the Northern District of California.

A claim for misstatements in a prospectus additionally fails because that section of the Securities Act requires a securities purchase directly from the company, rather than in the secondary market, Pitts said.

Kyverna, which develops cell therapies for autoimmune diseases, had started two clinical trials of its lead product candidate, KYV-101, to test treating a lupus-related kidney disorder well before its February 2024 IPO, the investors said.

The first study, the focus of the suit, enrolled two patients. But between the time Kyverna issued its offering documents, when the patients were doing well, and the time of the IPO on Feb. 8, 2024, one patient's lupus nephritis recurred, and the second patient showed a recurrence of a biomarker for the disease, a complication of lupus, according to the complaint. The company allegedly disclosed the adverse data in June of that year.

### Shares Fall

On the day of the disclosure, Kyverna's stock fell from \$14.44 per share to a closing price of \$9.53 per share. It fell again to \$7.89 at the close of the next trading day. The suit was filed in December 2024.

Former employee accounts don't establish that anyone knew of the adverse data before the IPO, Pitts said. But to the extent the complaint implies intentional concealment within the company, in which management "locked down" the information, it's inconsistent with the investors' non-fraud theory, he said.

"In light of the amended complaint's express disclaimer of 'any allegation sounding in fraud,' the Court finds implausible any suggestion that Kyverna executives learned of the adverse clinical data before the IPO yet withheld such information from employees who would ordinarily receive it," the judge said.

The investors will have a chance to re-plead their complaint.

A parallel derivative suit, also before Pitts, is on pause while dismissal requests play out in the proposed class action.

Scott+Scott Attorneys at Law LLP and the Schall Law Firm were lead counsel for the investors.

The case is *Matthys v. Kyverna Therapeutics, Inc.*, N.D. Cal., No. 5:24-cv-08869, 3/23/26 .

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Securities

# Retirees Advance Pension Loss Suit Over Allianz Fund Collapse

March 24, 2026, 7:03 AM PDT

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Retirees who say their pension plan lost millions after the collapse of Allianz SE's Structured Alpha funds advanced part of their class action against plan trustees and investment adviser Callan LLC.

US District Judge John H. Chun greenlighted the retirees' claim of fiduciary imprudence under the Employee Retirement Income Security Act, saying the US Court of Appeals for the Ninth Circuit already deemed this claim viable when it considered the case in 2024. The defendants argued this ruling was called into doubt by the appeals court's intervening decision in *Anderson v. Intel Corp. Investment Policy Committee*—which held that challenges to retirement funds must be based on sound comparisons to other investments if they aren't based on allegations of flawed fiduciary processes—but Chun disagreed.

In addition to arguing that the challenged funds were too risky for the plans, the retirees included details of another pension plan that ditched these funds because of their "significant risk," along with allegations that virtually no other plans invested in these funds, Chun said. This is enough to state a valid claim under ERISA, he said in an order issued Monday in the US District Court for the District of Washington.

In *Intel*, the Ninth Circuit adopted a version of the "meaningful benchmark standard," which several circuits—including the Sixth, Seventh, Eighth, and Tenth—use to assess whether employees alleging fiduciary imprudence in their 401(k) plans have identified a better alternative that's sufficiently similar to the fund or fee structure being challenged. In January, the US Supreme Court announced it will review the Intel case, giving it an opportunity to embrace or reject this standard.

## Fund Collapse

The instant lawsuit against the Carpenters of Western Washington Board of Trustees is fallout from the collapse of Allianz's Structured Alpha funds, which were designed to provide protection against a market crash but instead lost billions of dollars during tumultuous market conditions early in the Covid-19 pandemic. Allianz ultimately agreed to a global settlement worth billions, and one of its units pleaded guilty to fraud and agreed to pay fines and restitution in connection with the collapse.

The Carpenters trustees sued Allianz over their plans' losses, negotiating a \$110 million settlement. Retirees covered by the Carpenters plans then filed their own lawsuit against the trustees, saying the deal wasn't enough.

A federal judge dismissed the lawsuit in 2023 but the Ninth Circuit revived the case, saying the retirees had both suffered an injury giving them standing to sue and stated viable claims under ERISA by making valid comparisons to other investments.

In the latest ruling, Chun allowed the retirees' ERISA claim to move forward but rejected their state law negligence claims against Callan as preempted by the federal statute.

The retirees are represented by Engstrom Lee LLC, Skiermont Derby LLP, and DeBofsky Law Ltd. The defendants are variously represented by DLA Piper, Gordon Rees Scully Mansukhani LLP, and Groom Law Group.

The case is *Johnson v. Carpenters of W. Wash. Bd. of Trs.*, 2026 BL 98761, W.D. Wash., No. 2:22-cv-01079, 3/23/26.

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# Jury finds Meta and Google liable in social media addiction trial

 [reuters.com/legal/litigation/jury-reaches-verdict-meta-google-trial-social-media-addiction-2026-03-25](https://www.reuters.com/legal/litigation/jury-reaches-verdict-meta-google-trial-social-media-addiction-2026-03-25)

Dawn Chmielewski

March 25, 2026

Item 1 of 3 Lawyer Mark Lanier, of the plaintiff Kaley G.M., arrives at court in a key test case accusing Meta and Google's YouTube of harming children's mental health through addictive social media platforms, in Los Angeles, California, U.S., March 25, 2026. REUTERS/Mike Blake

**[1/3]** Lawyer Mark Lanier, of the plaintiff Kaley G.M., arrives at court in a key test case accusing Meta and Google's YouTube of harming children's mental health through addictive social media platforms,... [Purchase Licensing Rights, opens new tab](#) Read more

- Verdict could affect thousands of similar cases against tech companies
- Plaintiffs' focus on platform design may make liability harder to avert for companies
- Mounting criticism over child safety shifts debate to courts, state governments

LOS ANGELES, March 25 (Reuters) - A Los Angeles jury found Alphabet's [\(GOOGL.O\)](#)  [, opens new tab](#) Google and Meta [\(META.O\)](#)  [, opens new tab](#) liable on Wednesday in a landmark social media addiction lawsuit. The outcome could influence thousands of similar cases against the tech companies brought by parents, attorneys general and school districts. At least half of American teens use YouTube or Instagram daily, according to the [Pew Research Center](#)  [, opens new tab](#) .

Sign up [here](#).

The Los Angeles case involves a 20-year-old [woman](#) who said she became addicted to the apps at a young age because of their attention-grabbing design. The plaintiffs in the Los Angeles proceeding focused on platform design rather than content, making it harder for the companies to avert liability. Snap and TikTok were also defendants in the trial. Both [settled](#) with the plaintiff before it began. Terms of the agreements were not disclosed.

## MOUNTING CRITICISM

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Large technology companies in the U.S. have faced mounting criticism in the last decade over child and teen safety. The debate has now shifted to courts and state governments. The U.S. Congress has declined to pass comprehensive legislation regulating social media.

At least 20 states enacted laws last year on social media usage and children, according to the nonpartisan National Conference of State Legislatures, an organization that tracks [state laws](#)  , [opens new tab](#).

The legislation includes bills that regulate the use of cellphones in schools and require users to verify their ages to open a social media account. NetChoice, a trade association backed by tech companies such as Meta and Google, is seeking to invalidate age verification requirements in court.

A separate social media addiction [case](#) brought by several states and school districts against technology companies is expected to go to trial this summer in federal court in Oakland, California.

Another state trial is slated to begin in Los Angeles in July, said Matthew Bergman, one of the attorneys leading the cases for the plaintiffs. It will involve Instagram, YouTube, TikTok and Snapchat.

Separately, a New Mexico jury on Tuesday [found](#) Meta violated state law in a lawsuit brought by the state's attorney general, who accused the company of misleading users about the safety of Facebook, Instagram and WhatsApp and of enabling child sexual exploitation on those platforms.

Reporting by Dawn Chmielewski in Los Angeles, Courtney Rozen in Washington, Jody Godoy in New York; Editing by Nia Williams, Rod Nickel

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## Jurors Hit Meta With \$375M Verdict in Groundbreaking Case in New Mexico

Tuesday's verdict, in the 1st Judicial Circuit in Santa Fe, comes less than a day after jurors began deliberating in the state of New Mexico's case against Meta.

March 24, 2026 at 04:55 PM By  **Amanda Bronstad**



**Meta Headquarters along 1 Hacker Way in Menlo Park, CA. Photo: Marc Olivier Le Blanc for ALM**

A New Mexico jury hit Meta Platform Inc. with a \$375 million verdict on Tuesday, the first-ever holding a social media company liable for harm to its adolescent users.

Jurors in the 1st Judicial Circuit in Santa Fe deliberated for less than a day before awarding civil penalties to the state of New Mexico, according to the livestream of the verdict by Courtroom View Network. New Mexico is one of several states that sued Meta, owner of Instagram and Facebook, for misleading young users, some of whom have become victims of child exploitation.

The jury found Meta liable for misleading consumers about the safety of its platforms, particularly to children.

“The jury’s verdict is a historic victory for every child and family who has paid the price for Meta’s choice to put profits over kids’ safety,” said New Mexico Attorney General Raúl Torrez. “Meta executives knew their products harmed children, disregarded warnings from their own employees, and lied to the public about what they knew. Today, the jury joined families, educators, and child safety experts in saying enough is enough.”

He added, “The substantial damages the jury ordered Meta to pay should send a clear message to big tech executives that no company is beyond the reach of the law. Policymakers and law enforcement officials across the country can help make this verdict a turning point in the fight for children’s safety. This is a watershed moment for every parent concerned about what could happen to their kids when they go online—and this victory belongs to them.”

On May 4, the state will argue an additional claim for public nuisance, seeking injunctive relief against Meta in a bench trial.

“In the next phase of this legal proceeding, we will seek additional financial penalties and court-mandated changes to Meta’s platforms that offer stronger protections for children,” Torrez said.

State attorney Linda Singer, a Washington, D.C., partner at Motley Rice, asked jurors in closing arguments on Monday for more than \$2 billion, according to the Courtroom View Network livestream. Meta was represented by Kevin Ruff of Kellogg, Hansen, Todd, Figel & Frederick in Washington, D.C.

“We respectfully disagree with the verdict and will appeal,” a Meta spokesperson said in a statement. “We work hard to keep people safe on our platforms and are clear about the challenges of identifying and removing bad actors or harmful content. We will continue to defend ourselves vigorously, and we remain confident in our record of protecting teens online.”

The trial is separate from a bellwether case in Los Angeles Superior Court against Meta and YouTube, owned by Google, that is on the eighth day of jury deliberations on Tuesday. Both cases featured some of the same witnesses, including Meta CEO Mark Zuckerberg, and addressed internal documents at Meta.

But the Los Angeles case, brought on behalf of an individual plaintiff named Kaley, or K.G.M., brings negligence and failure-to-warn claims against the social media defendants, while the state of New Mexico brought two claims under the state’s unfair business practices law, which has statutory damages of up to \$5,000 per violation.

The jury decided Meta should pay the maximum statutory damages for 37,500 violations per count, according to Courtroom View Network livestream.

# Meta ordered to pay \$375 million in New Mexico trial over child exploitation, user safety claims

 [reuters.com/sustainability/boards-policy-regulation/jury-orders-meta-pay-375-mln-new-mexico-lawsuit-over-child-sexual-exploitation-2026-03-24](https://www.reuters.com/sustainability/boards-policy-regulation/jury-orders-meta-pay-375-mln-new-mexico-lawsuit-over-child-sexual-exploitation-2026-03-24)

Diana Jones

March 24, 2026

- Meta to appeal
- New Mexico attorney general accuses Meta of enabling child exploitation
- Meta claims First Amendment, Section 230 shields it from liability

March 24 (Reuters) - A New Mexico jury on Tuesday found Meta Platforms [\(META.O\)](#)  [opens new tab](#) violated state law in a lawsuit brought by the state attorney general, who accused the company of misleading users about the safety of Facebook, Instagram and WhatsApp and of enabling child sexual exploitation on those platforms.

After deliberating less than a day, the jury found that Meta violated New Mexico's consumer protection law and ordered the company to pay \$375 million in civil penalties.

The verdict marks the first time a jury has ruled on such claims against Meta, as the company faces a wave of lawsuits over how its platforms affect young people's mental health.

"We respectfully disagree with the verdict and will appeal," a Meta spokesperson said in a statement. "We work hard to keep people safe on our platforms and are clear about the challenges of identifying and removing bad actors or harmful content."

In a statement, New Mexico Attorney General Raúl Torrez, a Democrat, called the verdict "a historic victory for every child and family who has paid the price for Meta's choice to put profits over kids' safety."

"The substantial damages the jury ordered Meta to pay should send a clear message to big tech executives that no company is beyond the reach of the law," he said.

In a second phase of the trial in May, Torrez said his office will ask the court to order Meta to make changes to its platforms to protect children and to impose additional financial penalties.

Meta shares were up 0.8% in after-hours trade following the verdict. The state had asked the jury to award more than \$2 billion in damages.

## META FACES BROAD CHALLENGE RELATED TO YOUTH MENTAL HEALTH

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The jury's decision capped [a six-week trial](#) in Santa Fe. Torrez had accused the company of allowing predators unfettered access to underage users and connecting them with victims, often leading to real-world abuse and human trafficking.

"Over the course of a decade, Meta has failed over and over again to act honestly and transparently," Linda Singer, an attorney for the state, told the jury during closing arguments on Monday. "It's failed to act to protect young people in this state."

Meta denied the allegations, saying it has extensive safeguards in place to protect younger users.

Instagram app icon is seen on a smartphone in this illustration taken October 27, 2025. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

"What the evidence shows is Meta's robust disclosures and tireless efforts to prevent harmful content. And these disclosures mean that Meta did not knowingly and intentionally lie to the public," Kevin Huff, an attorney for Meta, told the jury on Monday.

Reuters viewed the trial on Courtroom View Network.

Meta has come under increasing scrutiny in recent years over its handling of child and teen safety, spurred in part by whistleblower [testimony before Congress](#) in 2021 that alleged the company knew its products could be harmful but refused to act.

Separately, Meta is facing thousands of lawsuits accusing it and other social media companies of intentionally designing their products to be addictive to young people, leading to a nationwide mental health crisis. Some of the lawsuits, which have been filed in both state and federal courts, seek damages in the tens of billions of dollars, according to Meta's filings with financial regulators.

A state court jury in Los Angeles is [currently deliberating](#) in the first trial over the addiction claims.

Meta has argued the company [is shielded from liability](#) in both the addiction and the New Mexico lawsuits by the free-speech protections of the U.S. Constitution's First Amendment and Section 230 of the Communications Decency Act, which generally bars lawsuits against websites over user-generated content. The company has said the state's allegations of harm cannot be separated from the content on the platforms, because its algorithms and design features serve to publish content.

The judge in New Mexico rejected Meta's arguments on Section 230, allowing the case to go to trial.

## NEW MEXICO'S INVESTIGATION

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The New Mexico lawsuit grew out of an undercover operation, which Torrez, a former prosecutor, and his office ran in 2023. As part of the case, investigators created accounts on Facebook and Instagram posing as users younger than 14. The accounts received sexually explicit material and were contacted by adults seeking similar content, leading to criminal charges against multiple individuals, according to Torrez's office.

The state claims Meta told the public Instagram, Facebook and WhatsApp are safe for New Mexico teens and children, while hiding the truth about how much dangerous and harmful content the company hosts. According to the state, internal company documents acknowledged problems with sexual exploitation and mental health harm. Yet the company, the state says, did not institute basic safety tools such as age verification and insisted it was safe.

The state also accused Meta of designing its platforms to maximize engagement despite evidence they were harming children's mental health. Features such as infinite scroll and auto-play videos keep kids on the site, fostering addictive behavior that can lead to depression, anxiety and self-harm, the lawsuit claims.

On Tuesday, the jury found that Meta had violated the state's consumer protection law by knowingly engaging in an unfair or deceptive trade practice. The jury also found that the company's actions were unconscionable, meaning Meta knowingly took advantage of a lack of knowledge in New Mexico residents. The jury found 75,000 violations and awarded \$5,000 per violation.

In May, Judge Bryan Biedscheid is slated to hold a trial without a jury on the state's claims that Meta created a public nuisance that harmed state residents' health and safety. The state will ask Biedscheid to direct Meta to make changes to

its platforms, including adding effective age verification and removing predators, it said Tuesday.

Reporting by Diana Novak Jones; Editing by Alexia Garamfalvi, Rod Nickel and Lisa Shumaker

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[Diana Novak Jones](#)

Thomson Reuters

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

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## California Brief

# Meta Owes \$375 Million in New Mexico Teen-Safety Verdict (2)

March 24, 2026, 2:01 PM PDT; Updated: March 24, 2026, 4:30 PM PDT

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A jury found that Meta Platforms Inc. misled New Mexico teenagers about the safety of its social networks, even when it knew platforms like Facebook and Instagram had become breeding grounds for sexual predators.

The 12-person panel in Santa Fe New Mexico state court determined Meta's liable for violating two state consumer protection laws, and awarded civil penalties totaling \$375 million.

The jury spent only a day of deliberations before siding with the state's attorney general Raúl Torrez who'd accused the social media giant of prioritizing profits over safety for years while deceiving teenage users and their parents about the risks of sexual exploitation. The trial is the first to reach a verdict among a wave of litigation targeting Meta and other social media companies including Snap Inc., TikTok Inc., and Google LLC's YouTube over harms to teenage users.

The \$375 million penalty is far less than the \$2 billion fine New Mexico asked of the jury in closing arguments. The next phase of the trial will be decided by Judge Bryan Biedscheid, who could determine that Meta acted as a public nuisance and force the company to undergo policy changes.

Torrez's lawsuit, filed in 2023, stems in part from an undercover investigation conducted by his office that created decoy Facebook and Instagram accounts posing as child users. The lawsuit alleged the accounts were served sexually explicit material and were solicited for sex trafficking.

In one case, Meta failed to flag a decoy account of a mother who sought to sell her daughter for trafficking, the lawsuit alleged.

During trial, New Mexico argued that Meta ignored internal data indicating its platforms were being used to connect children with sexual predators and that the networks had become a digital marketplace for trading child sexual abuse material.

Meta countered that it never guaranteed complete safety to all teenage users on its platforms and consistently disclosed to parents and teenagers that bad actors can misuse the social networks.

The jurors heard six-weeks of testimony from top Meta executives, including a recorded video deposition of CEO Mark Zuckerberg, who said the company has worked to improve safety.

"I'm not sure that there is a need for us to communicate about every single thing that we're trying to improve in our products," he said in a deposition played to the jury.

A Meta spokesperson said in a statement that the company disagrees with the verdict and will appeal. "We work hard to keep people safe on our platforms and are clear about the challenges of identifying and removing bad actors or harmful content," the statement said.

Torrez said in a statement that the verdict is a "historic victory for every child and family who has paid the price for Meta's choice to put profits over kids' safety."

"The substantial damages the jury ordered Meta to pay should send a clear message to big tech executives that no company is beyond the reach of the law," the statement said.

Meanwhile, jurors in Los Angeles were on their eighth day of deliberations in a separate lawsuit by a 20-year-old woman who blames compulsive use of Meta's Instagram and Google's YouTube for her mental health struggles. Online safety advocates, including parents of children who died by suicide allegedly stemming from social media use, erupted in cheers in the Spring Street Courthouse as they watched the New Mexico verdict on a computer.

Jurors in Los Angeles told state court Judge Carolyn Kuhl on Monday that they were struggling to come to a consensus on the allegations against one of the companies, although they did not identify which one.

Meta still faces a lawsuit in federal court in California from a coalition of over 30 state attorney's general that allege the company has caused a youth mental health crisis and has violated federal child internet privacy laws. That case is expected to go to trial this summer.

The case is State of New Mexico v. Meta Platforms Inc., N.M. Dist. Ct., No. D-101-CV-2023-02838, 3/24/26 .

(Adds statement from Meta spokesperson in tenth paragraph.)

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## Critical Mass With Law.com's Amanda Bronstad: New Mexico Jurors Hit Meta With \$375M Verdict, How \$7.25B Roundup Settlement's Deadlines Intersect With SCOTUS

March 25, 2026 at 10:12 AM By  Amanda Bronstad



Meta sign, logo in front of Facebook headquarters on 1 Hacker Way. Facebook is changing name to Meta Platforms - Menlo Park, California, USA - October 28, 2021

**Welcome to Law.com Class Actions: Critical Mass**, a weekly briefing for class action and mass tort attorneys.

**This week:** The state of **New Mexico** won a groundbreaking \$375 million verdict against **Meta** over alleged misstatements that harmed adolescent users. Class members have until June 4 to object to the \$7.25B **Roundup** settlement, but will the **U.S. Supreme Court** rule by then? Find out who represents the **University of Phoenix** in data breach class actions.

I'm **Amanda Bronstad**. Feel free to reach out to me with your input. My email is amanda.bronstad@alm.com. Follow me on [LinkedIn](#) or X: [@abronstadlaw](#).



Linda Singer,.

## Jury Deliberations in Social Media Addiction Trial: ‘Uncharted Territory’

Jurors in New Mexico hit **Meta Platforms** with a \$375 million verdict on Tuesday, the first-ever to hold a social media giant liable for harms to adolescent users.

[Here's my coverage](#) of Tuesday's verdict, which awarded far less than the \$2 billion+ sought by the state of New Mexico, represented by [Donald Migliori](#) (**Motley Rice**) and [Linda Singer](#) (**Motley Rice**), in its consumer fraud case against Meta, whose lead counsel was [Kevin Huff](#) (**Kellogg Hansen**). But jurors, after deliberating less than a day, found Meta liable for misleading consumers about the safety of its platforms, particularly to children, and awarded statutory penalties under the state's unfair business practices law.

**The case isn't over.** On May 4, the state returns to a bench trial for its public nuisance claim, under which it plans to seek injunctive relief against Meta. New Mexico is one of several states that sued Meta, owner of **Instagram** and **Facebook**, for misleading young users, some of whom have become victims of child exploitation.

The trial in the 1st Judicial Circuit in Santa Fe is separate from a bellwether case in Los Angeles Superior Court against Meta and YouTube, owned by Google, which [ended its eighth day of jury](#)

[deliberations](#) on Tuesday. That jury, in total, sent 10 notes to **Judge Carolyn Kuhl**, including one on Friday that asked about the verdict form for compensatory damages and punitive conduct.

Then, on Monday, Kuhl ordered the lawyer who brought the case, [Matthew Bergman](#) (**Social Media Victims Law Center**), [to pay a \\$1,100 sanction](#) for taking a selfie and an interview in the courthouse. Jurors also sent another note that said they were “having difficulty coming to a consensus with one defendant,” prompting Kuhl to read a deadlocked jury admonition.

At the end of the day Tuesday, [Mark Lanier](#) (**The Lanier Law Firm**), who represents plaintiff Kaley, or K.G.M., told the press his case was different than the one in New Mexico, which focused on content, not features, and sexual exploitation, not addiction. He called the lengthy jury deliberations in his case “uncharted territory,” but insisted:

*“I’m not worried about a mistrial.”*



Aimee Wagstaff of Wagstaff Law Firm

## ‘Unique Circumstances’ of Roundup Settlement

A St. Louis judge’s March 4 preliminary approval of **Bayer’s** \$7.25 billion settlement to resolve the

**Roundup** litigation [triggered a series of upcoming deadlines](#). Among them is a June 4 deadline to opt out or object to the deal, and a final approval hearing on July 9.

But it's not just the settlement that class members must consider. Bayer and the plaintiffs' lawyers supporting the settlement insist the U.S. Supreme Court could wipe out most of the Roundup claims if it sides with Monsanto in a key federal preemption case. Monsanto, in *Durnell v. Monsanto*, has insisted that the **Federal Insecticide, Fungicide, and Rodenticide Act** preempted claims that it failed to warn about Roundup ingredient glyphosate's link to non-Hodgkin lymphoma. The Supreme Court hears oral arguments on April 27.

The settlement already has critics, including more than a dozen firms claiming to represent 20,000 Roundup plaintiffs. But one of them, [Aimee Wagstaff](#) (**Wagstaff Law Firm**), who was co-lead counsel in the Roundup multidistrict litigation in the **Northern District of California**, has switched sides. In an emailed statement on Monday, Wagstaff said she no longer objected to the settlement, despite continuing to oppose the "class action vehicle to resolve personal injury litigation," adding:

*"I have been in this litigation since its inception 12 years ago and I know this litigation and defendant better than most anyone. Under the unique circumstances of this particular litigation, I will be recommending to my clients that they remain in the class resolution."*



## Who Got the Work?

The **University of Phoenix** brought in [Lindsay Nickle](#) (**Constangy Brooks**) to represent the online school in at least 10 data breach lawsuits. The University of Phoenix announced a 2025 breach of its version of **Oracle's** E-Business Suite, and plaintiffs' lawyers have moved before the **U.S. Judicial Panel on Multidistrict Litigation** to coordinate the cases in the **District of Arizona**. [John Nadolenco](#) (**Mayer Brown**) appeared for additional defendants Oracle, and [Oliver Kiefer](#) (**ZwillGen**) for WP Company, owner of **The Washington Post**.

Here's what else is happening:

**Lefkowitz Leaves:** Jay Lefkowitz, the partner at **Kirkland & Ellis** who represented **Jeffrey Epstein**, has [resigned from the firm](#) after his name surfaced amid the latest dump of documents tied to the deceased convicted sex offender. Lefkowitz, who represented Epstein in his 2008 plea agreement for procuring a minor for sex and soliciting prostitution, will retire this spring after more than 30 years at Kirkland & Ellis, according to a firm announcement. Lefkowitz, in a statement, said that "knowing what we all know now, I would not have taken on the matter," and a Kirkland & Ellis spokesperson said "it was clearly a mistake" to represent Epstein. In the product liability space, Lefkowitz obtained **U.S. Supreme Court** victories for generic pharmaceutical companies: in 2011 for **Teva** and **Actavis** in *Pliva v. Mensing*, and in 2013 in *Mutual Pharmaceutical Co. v. Bartlett* for **Sun Pharmaceuticals**.

**PACER Approval:** The **U.S. Court of Appeals for the Federal Circuit** approved a \$125 million class action settlement over **PACER** fees—and upheld incentive awards to class representatives. [Eric Alan Isaacson](#) (**The Law Office of Eric Alan Isaacson**), who won a groundbreaking decision in 2020 by the **U.S. Court of Appeals for the Eleventh Circuit**, had appealed the 2024 approval of the PACER fee settlement, which distributes up to \$350 per class member, in part due to the \$30,000 in incentive awards. "We join the clear majority of our sister circuits in holding that district courts are permitted to approve incentive awards," the panel wrote in its March 20 decision.

**Philly Verdict:** A Philadelphia jury [awarded \\$108 million](#) to the family of a child who suffered a brain injury during birth. Doctors at **Albert Einstein Medical Center** and **Einstein Pediatrics**, now owned by **Jefferson Health**, failed to treat K.F.'s injuries for six months following bilateral subdural brain hemorrhages at birth, according to attorney [E. Meritt Lentz](#) (**Gilman & Bedigian**). [Claire Neiger](#) (**Goldberg Miller & Rubin**) represented the defendants, which also included Dr. Kavita Gupta-Shah.

*Thanks for reading Critical Mass! I'll be back next week.*

# Baltimore sues Elon Musk's xAI over Grok sexual 'deepfakes'

 [reuters.com/legal/government/baltimore-sues-elon-musks-xai-over-grok-sexual-deepfakes-2026-03-24](https://www.reuters.com/legal/government/baltimore-sues-elon-musks-xai-over-grok-sexual-deepfakes-2026-03-24)

Jonathan Stempel

March 24, 2026

A 3D-printed miniature model of Elon Musk and xAI logo are seen in this illustration created on February 16, 2025. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

- Baltimore says Grok generates nonconsensual explicit images
- Grok faces regulatory probes in multiple countries
- xAI, parent SpaceX not available for comment

March 24 (Reuters) - The city of Baltimore sued [Elon Musk's](#) xAI on Tuesday, claiming its Grok chatbot illegally generates nonconsensual sexually explicit images, including of children.

Baltimore, with a population of about 568,000, is the largest city to sue xAI over "deepfakes" attributed to Grok, its lawyers said.

Sign up [here](#).

Musk launched Grok in 2023 and distributes it through his social media platform X, which like xAI is now part of his rocket and space exploration company SpaceX.

Neither SpaceX nor xAI immediately responded to requests for comment.

The Maryland city said in a complaint filed in Baltimore Circuit Court that xAI is violating its consumer protection statute by promoting Grok as a safe, general-purpose artificial intelligence assistant for everyday people.

Baltimore said Grok has flooded X users with objectionable content, becoming one of the largest distributors of material depicting nonconsensual sexual activity and child sexual abuse despite promising it bans such content and permits only consensually produced adult nudity.

The city also said X, formerly known as Twitter, generated an estimated [3 million](#)  [, opens new tab](#) realistic-looking sexualized images --including more than 23,000 of children -- over 11 days around the start of the year.

"We're talking about tech companies enabling the sexual exploitation of children," Baltimore Mayor Brandon Scott said in a statement. "It's a threat to privacy, dignity and public safety, and those responsible must be held accountable."

## REGULATORS IN SEVERAL COUNTRIES PROBING GROK

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Musk's xAI faces [regulatory probes](#) in several countries in the Americas, Europe, Asia and in Australia over Grok.

In mid-January, xAI said it restricted image editing in Grok, and blocked users from generating images of people in revealing clothing in "jurisdictions where it's illegal."

Musk [said](#) at the time he was "not aware of any naked underage images generated by Grok. Literally zero."

The complaint includes a Grok-generated image that Musk shared on December 31, 2025, depicting the 54-year-old in a blue string bikini. Baltimore called it a "public endorsement" of Grok's ability to generate revealing edits of real people.

The 3 million estimate came from the Center for Countering Digital Hate, based on a random sample of 20,000 images that Grok generated.

Baltimore is seeking an injunction requiring xAI to change Grok's "exploitative" design features, and pay unspecified fines.

Last month's combination of SpaceX and xAI created the world's most valuable private company, worth about \$1.25 trillion at the time.

Reporting by Jonathan Stempel in New York Editing by Bill Berkrot

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## Class Action

### Manage Newsletters

## **Musk Deepens Feud With Delaware Judge, Alleging Bias on LinkedIn**

March 25, 2026, 8:50 AM PDT

### **Summary by Bloomberg AI**

AI Generated



- Elon Musk's lawyers are urging Judge Kathaleen St. J. McCormick to step aside from lawsuits involving him and his companies, alleging she has shown bias against him.
- The lawyers point to a LinkedIn screenshot that they say shows McCormick "supports" a post celebrating Musk's defeat in a California civil fraud trial.
- McCormick says she does not support the post and may have hit the "support" button accidentally, and will review the request that she recuse herself from the cases.

Elon Musk's lawyers are urging the Delaware Chancery Court's chief judge to step aside from lawsuits involving him and his companies, alleging she has shown bias against the billionaire after ruling against him in high-profile cases.

In a filing concerning Judge Kathaleen St. J. McCormick, Musk's attorneys pointed to a LinkedIn screenshot that they said shows she "supports" a post on the network celebrating Musk's defeat in a California civil fraud trial as "the little guy" prevailing over "the richest man in the world."

McCormick, in a letter to lawyers, wrote that she does not support the post and while she may have hit the "support" button accidentally, she doesn't think she did. The judge said she reported "suspicious activity" to LinkedIn and was locked out of her account when she tried to log in and check the status of that report. She said she prepared the letter prior to receiving the request that she recuse, which she said she will review.

Musk's attorneys claimed in their filing that the activity on McCormick's LinkedIn account shows her predisposition to rule against him in violation of Delaware's Judicial Code of Conduct, which requires judges to refrain from showing bias or prejudice.

McCormick should recuse herself from the handful of Musk-related cases she is overseeing, the lawyers at Quinn Emanuel Urquhart & Sullivan LLP said in the filing.

A spokesman for the judge said she declined to comment beyond the letter.

### LinkedIn Post

Musk's lawyers said in the filing that the LinkedIn post that McCormick endorsed was written by a jury consultant who worked with lawyers for the Twitter investors who prevailed in some of their claims against Musk in a trial this month in California. "It was a pleasure working against you," the consultant wrote in the post that was included in the filing.

In the filing, Musk's attorneys included a screenshot of the post saying that a heart hovering in an outstretched hand, referring to the support button, required "deliberate selection" and showed that the judge supported it.

Musk has openly complained before about McCormick, who in 2024 twice voided his Tesla Inc. pay package – which had set a record for executive compensation in the US when the electric-vehicle maker's board approved the plan in 2018.

The judge reasoned in her January 2024 ruling that the company's directors were too beholden to Musk. He posted the next month on X that McCormick "has done more damage to the state of Delaware than any judge in modern history." When McCormick again struck down the pay plan that December, Musk posted "absolute corruption."

The Delaware Supreme Court in December 2025 overruled McCormick and [reinstated](#) the pay plan.

### Twitter Case

Musk again spoke out about McCormick when he took the stand this month in San Francisco federal court to defend himself in the Twitter investor case.

He testified that back in 2022, his lawyers advised him that he was destined to lose his Delaware court battle with Twitter's board over his refusal to follow through with buying the platform because McCormick, who was handling the case, was "biased" against him.

Musk said that's the only reason he agreed to pay the full price of \$44 billion that he had originally offered for the company.

McCormick is still assigned some investor suits against Musk, including one that [claims](#) he sold more than \$7 billion in Tesla shares after obtaining insider information; another that [accused](#) him of diverting resources from the car company in his move to buy Twitter; and a third [alleging](#) that he improperly steered artificial intelligence talent and hardware from Tesla to his xAI startup, maker of the Grok chatbot.

Those [cases](#) were ongoing or filed shortly before Musk began moving the legal homes of his companies, including SpaceX and Neuralink, out of Delaware.

Musk's attacks on Delaware's courts helped fuel an overhaul to the state's corporate statutes, making it more difficult for smaller shareholders to challenge company founders and insiders. The Delaware Supreme Court in February upheld the constitutionality of the changes.

--With assistance from Michael Leonard.

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Peter Blumberg, Ben Bain

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**California Brief**

Insight

# Downstream Tariff Refund Suits Face Hurdles From Antitrust Law

March 25, 2026, 1:30 AM PDT

Downstream purchasers—distributors, retailers, or end consumers—are now asking if they can claim a share of about \$170 billion in potential refunds after the US Supreme Court's landmark decision invalidating tariffs imposed under the International Emergency Economic Powers Act.

The Supreme Court held Feb. 20 that the statute doesn't authorize tariffs—a revenue-raising measure historically within the province of Congress under the Import Clause and the Taxing and Spending Clause.

The decision had immediate practical consequences. US Customs and Border Protection had collected billions of dollars in tariffs before the ruling, yet the Supreme Court didn't prescribe a specific remedy or direct refunds of tariffs already paid. Importers of record moved swiftly to recover, pursuing administrative relief from CBP and filing suit in the US Court of International Trade.

So can downstream purchasers share in those refunds on the theory that the importer of record passed on some or all of the tariff costs through higher prices? Drawing on decades of antitrust jurisprudence—principally the Supreme Court's decisions in *Hanover Shoe, Inc. v. United Shoe Machinery Corp* and *Illinois Brick Co. v. Illinois*—we explain why importers of record should retain any tariff refunds and why downstream parties face formidable legal and practical barriers to recovery.

Downstream purchasers advance several common arguments. First, they contend importers passed on tariff costs through higher prices and were effectively made whole, such that retaining both the price increase and the refund would be unjust enrichment. Second, they argue they are the real parties-in-interest because they ultimately bore the economic burden. Third, some assert contractual or quasi-contractual rights to share in refunds.

Each argument, while superficially appealing, encounters serious legal and practical obstacles. As a matter of customs law, tariff liability attaches to the importer of record, and refunds are payable to the party that paid the duties. More fundamentally, these pass-on theories are the same theories the Supreme Court has repeatedly rejected in the antitrust context.

## Antitrust Guidance

Antitrust law provides the most developed precedent on the pass-on question through two complementary doctrines. *Hanover Shoe* bars defendants from raising a “pass-on” defense to reduce damages owed to a direct purchaser. *Illinois Brick* bars indirect purchasers from suing for overcharges allegedly passed on through the distribution chain. Together, these doctrines confine damages claims to the first purchaser—the party that dealt directly with the alleged wrongdoer.

The reasoning is directly applicable to tariff refund disputes. In both contexts, tracing the economic incidence of a cost increase through multiple levels of a supply chain involves inherently speculative inquiries, requiring analysis of pricing decisions, market conditions, competitive dynamics, cost structures, and demand elasticity at every distribution level. The Supreme Court found these inquiries beyond the practical competence of courts and juries.

In the tariff context, the importer of record transacted directly with CBP and paid the unlawful tariffs; downstream purchasers claiming to have borne those costs indirectly assert the same type of pass-on theory the Supreme Court has rejected.

## Class Action Considerations

The class action mechanism presents additional obstacles. Under Federal Rule of Civil Procedure 23(b)(3), a plaintiff must demonstrate for class certification that common questions predominate over individual ones.

In pass-on cases, predominance is particularly hard to establish because the amount of any overcharge passed on to a given purchaser depends on specific contractual arrangements, pricing practices, and competitive conditions. Courts have repeatedly held that purchaser-by-purchaser analysis defeats predominance. They have also expressed skepticism about the manageability of class trials involving pass-on theories, providing an independent basis for denying certification.

## Potential Claims, Obstacles

**Unjust enrichment.** A downstream purchaser might argue that an importer retaining a refund after passing the tariff cost to customers is unjustly enriched. However, proving that the tariff was passed on to a particular purchaser requires the same speculative, individualized analysis that *Hanover Shoe* and *Illinois Brick* counsel against. Class certification is also problematic where alleged enrichment arises from varied transactions.

**Breach of contract.** Some purchasers may contend that their supply agreements required the importer to pass through tariff refunds. The viability of such a claim depends on the specific contract terms.

*Illinois Brick* acknowledged a narrow exception for pre-existing cost-plus contracts, which could apply if a supply agreement includes an explicit pass-through provision. However, this exception is narrowly construed, and most commercial contracts don't mechanically tie pricing to input costs or require sellers to share government refunds. Classwide resolution is impracticable where contracts differ in pricing mechanisms and cost-risk allocation.

**Tort and statutory claims.** Downstream purchasers might frame claims as fraud, negligent misrepresentation, or state consumer protection actions. These theories face the same fundamental pass-on problem: Proving quantifiable injury requires tracing the tariff's economic incidence through the supply chain.

Fraud-based claims additionally require proof of individualized reliance, long recognized as a significant obstacle to class certification. Even where a statute relaxes the reliance requirement, plaintiffs must still demonstrate classwide damages through the same speculative, purchaser-by-purchaser analysis.

The Supreme Court's decision created a potential opportunity for importers of record to recover unlawfully imposed tariffs, but it didn't create a right of recovery for downstream purchasers. Practitioners defending importers in potential class actions or individual claims by downstream purchasers will find in the *Hanover Shoe* and *Illinois Brick* antitrust framework a well-developed body of law that supports limiting refunds to the party that paid the tariff. The speculative nature of pass-on proof, the risk of duplicative recovery, and the impracticability of classwide adjudication all weigh heavily against extending refund recoveries beyond the importer of record.

The case is *Learning Resources, Inc. v. Trump*, U.S., No. 24-1287, decided 2/20/26.

*This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.*

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# Exclusive: Susman Godfrey Rejects Biglaw's Broken Recruiting Model - And Isn't Looking Back

**A** [abovethelaw.com/2026/03/exclusive-susman-godfrey-rejects-biglaws-broken-recruiting-model-and-isnt-looking-back](https://abovethelaw.com/2026/03/exclusive-susman-godfrey-rejects-biglaws-broken-recruiting-model-and-isnt-looking-back)

Staci Zaretsky

March 25, 2026

Biglaw recruiting has been on an unsustainable trajectory for years. Timelines have crept earlier and earlier, exploding offers have become routine, and law students are increasingly [asked to make career-defining decisions](#) before they've had a meaningful chance to understand the profession.

Susman Godfrey has decided to take a different approach.

For its 2027 2L summer class, the elite trial firm is abandoning the accelerated playbook. Applications will remain open through June 30, 2026, and the firm will not review any submissions until after that deadline. No early reads, no informal pre-screening, and no pressure to apply before students are ready. And notably, no exploding offers. In an era defined by precruiting panic, that's not just different — that's borderline radical.

The move is a direct response to what Susman sees as a misalignment between current Biglaw hiring trends and how law students develop.

"We've watched the recruiting timeline compress year after year, and at a certain point we had to ask ourselves: who does this really serve?" said partner [Nick Spear](#), co-chair of the firm's employment committee. "Law students are being asked to make career-defining decisions with only one semester of grades and almost no exposure to practice."

That model, he noted, may be workable for firms hiring at scale. It doesn't work here.

"Susman Godfrey is a trial firm," Spear said. "We need people who have demonstrated sustained academic excellence and who have a genuine interest in courtroom work. You simply can't evaluate that based on a partial record."

Instead, the firm has designed a process that allows students to complete their first year, assess their interests, and apply with a full academic record. Under this model, all candidates are evaluated on the same timeline, with complete 1L grades, and, critically, without the pressure that has come to define the current recruiting cycle.

"It's about both fairness to students and better hiring outcomes for our firm, and they are inseparable," said [Hunter Vance](#), partner and co-chair of the firm's employment committee. "Asking 1Ls to make career-altering decisions while juggling exams and adapting to the pressure of law school is just asking for poor matches. That doesn't help law students. And it doesn't work for Susman Godfrey."

As Vance explained, the firm is focused on "finding the superstars who want to be real trial lawyers—not just litigators." He went on, noting, "We need the time and information to properly evaluate students, just like the students need the time and information to properly evaluate firms."

If eliminating exploding offers wasn't bold enough, Susman is also embracing something that borders on heresy in Biglaw: encouraging students to split their summers. "I speak from experience," Vance said. "I split-summured at Susman Godfrey and the quality of the work and close relationships with my future colleagues sealed the deal."

Susman is approaching its new hiring model with confidence — the firm "loves" betting on itself. "Our summer associate experience has always been unique because we treat our summer associates just like our associates. We integrate them into our trial teams and give them real substantive work that we actually intend to use," Vance said. "We are confident that we offer a summer program unlike any other."

There is, of course, risk in stepping outside the prevailing Biglaw recruiting cycle. While Susman waits until July, competitors may secure commitments from top candidates months in advance. The firm, however, is comfortable with that tradeoff.

"Susman Godfrey is not afraid of the competition because we offer an unmatched opportunity," Vance said, citing top-of-market compensation, a defined path to equity partnership, and early stand-up experience in litigation. "We want students to comparison shop, and we're willing to bet that we'll come out on top."

Whether this approach signals a broader shift in Biglaw recruiting remains to be seen. "Honestly, we don't know," Spear said. "What we do know is that the current system does not work." Susman has built an alternative — at least for itself.

For now, the firm is focused on aligning its hiring process with both its institutional needs and the realities facing law students.

"If other firms see our model and adopt something similar, that would be a great outcome for law students," Spear said. "But Susman Godfrey never minds doing things its own way."

If Susman's new model proves successful, it may do more than reshape one firm's recruiting strategy. It could challenge the assumption that Biglaw's accelerated recruiting cycle was the correct course, rather than a dynamic in need of correction. It's a bold bet — and one that could leave the rest of Biglaw with some explaining to do.



***[Staci Zaretsky](#) is the managing editor of *Above the Law*, where she's worked since 2011. She'd love to hear from you, so please feel free to [email](#) her with any tips, questions, comments, or critiques. You can follow her on [Bluesky](#), [X/Twitter](#), and [Threads](#), or connect with her on [LinkedIn](#).***

## Class Action

### Manage Newsletters

## **Takeda, Lilly Rejected by Supreme Court on Actos Fraud Lawsuit**

March 23, 2026, 6:32 AM PDT

### **Summary by Bloomberg AI**

AI Generated



- The US Supreme Court refused to consider Takeda Pharmaceutical Co. and Eli Lilly & Co.'s contention that a racketeering lawsuit against them shouldn't go forward as a class action.
- The lawsuit accuses the companies of marketing the Actos diabetes drug without disclosing its link to bladder cancer and seeks to represent tens of thousands of insurers and other third-party payers.
- The case covers third-party payers that reimbursed the cost of five or more separate Actos prescriptions and accuses the companies of violating the US Racketeer Influenced and Corrupt Organizations Act.

The US Supreme Court cleared the way for a multibillion-dollar racketeering lawsuit that accuses Takeda Pharmaceutical Co. and Eli Lilly & Co. of marketing the Actos diabetes drug without disclosing its link to bladder cancer.

In a one-line order Monday, the high court refused to consider the companies' contention that the case shouldn't go forward as a class action on behalf of tens of thousands of insurers and other so-called third-party payers who covered the cost of Actos prescriptions. The drug companies said a federal appeals court improperly approved the group suit without a viable way of excluding class members who hadn't suffered any harm.

Business groups had eyed the case as a way to put new limits on class actions. The US Chamber of Commerce and industry-backed Pharmaceutical Research and Manufacturers of America joined the companies in urging Supreme Court review.

The appeals court ruling "threatens manufacturers with enormous class action exposure whenever a plaintiff alleges that purported misstatements or omissions in marketing materials or drug labeling may have resulted in additional prescriptions or higher prices," the trade groups argued.

The union health care fund pressing the case urged the Supreme Court to reject the appeal. The fund told the court that the vast majority of class members covered the cost of more Actos prescriptions than they would have had the cancer risks been adequately disclosed.

"The probability that any given class member was injured exceeds 98% and the injury-producing conduct and its economic effects are provable through common, admissible evidence," the Minnesota-based Painters and Allied Trades District Council 82 Health Care Fund argued. The suit accuses the companies of violating the US Racketeer Influenced and Corrupt Organizations Act.

The class covers all third-party payers that reimbursed the cost of five or more separate Actos prescriptions. Takeda and Lilly said the plaintiffs provided no way to determine "which of the millions of prescriptions at issue in fact would not have been made, let alone which TPPs paid for each of those prescriptions."

The companies in their appeal described the case as a "multibillion-dollar" dispute covering millions of prescriptions. Takeda [agreed](#) in 2015 to pay \$2.37 billion to resolve US lawsuits from patients accusing it of hiding Actos' cancer risks.

The case is Takeda v. Painters and Allied Trades District Council, 25-625.

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## Securities

# JPMorgan Asset Arm Fronts Fees in Mass Tort Firm Investments

March 25, 2026, 2:00 AM PDT

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JPMorgan Asset Management is dabbling in legal finance as institutional investors seek returns uncorrelated to the stock market.

The JPMorgan Chase & Co. division advanced two mass tort law firms money tied to expected attorneys' fees, according to public documents. The amount of the deals with Seeger Weiss and Simmons Hanly Conroy and the returns the asset manager expects weren't disclosed.

The filings from 2024 and 2025 are a rare public example of how large investors are growing more comfortable with a legal industry investment that typically has been the terrain of dedicated litigation funders and alternative investment firms. JPMorgan's asset arm managed \$4.2 trillion as of Dec. 31.

Mass tort law firms are a popular area for funders due to the large number of cases and structured payouts. The firms transacting with JP Morgan Asset Management have been involved in suits over the opioid crisis and cases against Ozempic manufacturer NovoNordisk and Norfolk Southern, among others.

Commercial litigation funders deployed \$2.8 billion in new commitments last year, according to a recent report by Westfleet Advisors. Fortress Investment Group, BlackRock Inc., and Davidson Kempner Capital Management are among the multi-strategy investment managers, hedge funds, and private equity operations pouring money into legal assets.

Investors in attorney fee transactions typically pay law firms up front an amount lower than lawyers expect to collect for a case. When the fees eventually arrive, the investors aim to reap a profit by collecting more than they fronted the firm.

Returns on these structures vary but they are typically in the low double digits, according to a person who's done the transactions but declined to be named discussing private details. Investors are attracted to legal industry investments because they can gain returns that are uncorrelated to the stock market.

For Seeger Weiss, the transaction with JPMorgan "involved the firm monetizing legal fees it had already earned to receive payment on an accelerated basis," Stephen Mallenbaum, the law firm's executive director, said in a statement.

JP Morgan Asset Management declined to comment. Simmons Hanly Conroy did not immediately respond to a request for comment.

Seeger Weiss is a major player in the mass tort space. The firm in 2024 won the position of lead counsel in consolidated litigation against Novo Nordisk A/S's Ozempic and similar drugs over side effect warnings as well as injectable contraceptive Depo-Provera and its connection to brain tumors.

Seeger Weiss and Simmons Hanly Conroy have also been involved in opioid litigation. A court-appointed panel recommended Simmons Hanly Conroy receive 11.4% of the \$2.14 billion fee fund resolving litigation from local governments over drugmakers, distributors, and pharmacies' roles in fueling the opioid crisis.

Simmons Hanly Conroy was also one of the lead attorneys in the class action lawsuit against Norfolk Southern for the train derailment in East Palestine, Ohio.

### **'Sooner Rather Than Later'**

Attorney fee transactions with investors typically occur after large lawsuits have been resolved but before attorneys who worked on the cases are compensated for their time. Post-settlement investments are lower risk than funding lawsuits whose outcomes are still uncertain and timelines for resolution are not clear.

"This is a way for a law firm, just like any other business that has collections coming over some period of time, to accelerate that revenue and have it come in sooner rather than later," said Boris Ziser, a partner at McDermott Will & Schulte and global head of structured finance, CLOs, and alternative assets.

For the investors, "it's a good investment where the risk is pretty minimal," Ziser said, speaking generally about the transactions. "They determined that the return they're getting for that risk is attractive." Ziser, who has worked on these types of transactions, said he didn't handle the JP Morgan Asset Management investment.

Post-settlement deals are a growing part of the legal finance landscape, said Justin Brass, co-founder of JBSL Legal Finance, which has done a number of transactions involving the purchase of attorneys fees.

Attorneys fees, especially for those in mass tort leadership, can be quite large, at times in excess of nine figures, Brass said. "Why shouldn't this avenue be available to lawyers who have already settled something and now they're just waiting for a payment stream?"

### **JP Morgan's Transaction**

JP Morgan Asset Management's transaction with Seeger Weiss and Simmons Hanly Conroy were executed with a Lynstone Special Situations Fund, according to the filings.

The asset manager closed on a \$2.4 billion fund in June 2022 after raising capital from pension funds, insurance companies, foundations, endowments, and wealth managers, according to a press release at the time.

The fund is managed by the Global Special Situations Team which is part of the alternative investment arm of JP Morgan Asset Management.

It was the firm's second closing of the fund after announcing a \$1.06 billion capital raise in October 2019. The firm invested those proceeds in stressed, distressed and event driven situations across North American and European private and public credit markets, it said in a 2019 press release.

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**California Brief**

# Judge Primed to Remand Reddit's Anthropic AI Scraping Suit

March 24, 2026, 5:23 PM PDT

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A federal judge appeared hesitant to reverse her tentative order remanding Reddit Inc.'s lawsuit accusing Anthropic PBC of illegally scraping user posts to train its AI models.

Parties argued Tuesday, during a hearing in San Francisco, over whether Reddit's ban on scraping in its terms of use is enough to distinguish the social media company's allegations from copyright claims. Judge Trina L. Thompson pressed Anthropic's counsel, Ragesh Tangri of Morrison & Foerster LLP, over his argument that scraping data is equivalent to copying that opens the door to federal jurisdiction under the Copyright Act.

Thompson pointed out that Reddit's terms don't allow bot scraping, which her tentative order said demonstrates the social media company's claims differ from copyright claims because they arise from contractual violations. Tangri responded that Reddit itself defines scraping as copying and downloading.

A win for Reddit would send the case back to San Francisco Superior Court.

Reddit's counsel, Corey Worcester of Quinn Emanuel Urquhart & Sullivan LLP, drew on his own experience as a user to argue the lawsuit belongs in state court.

"At the risk of doxxing myself, I'm active in the Pride & Prejudice forum," he said. After Thompson laughed and commented that she was having flashbacks to her law school days, Worcester continued to say Reddit's terms of use allow him to retype other users' posts and blog about them, but ban him from scraping everything that's ever been said in the forum.

Reddit's breach of contract claim is distinct from a copyright one because it's about Anthropic's violation of that prohibition, he said.

Thompson continued to question Tangri but rarely queried Worcester. She didn't rule from the bench but said she hopes to issue an order soon.

Reddit initially sued Anthropic in San Francisco Superior Court in June 2025, alleging the AI company breached its rules to scrape and exploit users' personal data without their consent. Unlike Google LLC and OpenAI Inc., Anthropic hadn't struck a licensing deal with Reddit for access to user-generated content such as posts, images, and polls.

The complaint differs from the dozens of other lawsuits over unauthorized AI training because Reddit lodged California breach of contract and unfair competition claims instead of federal copyright infringement allegations.

Anthropic removed the lawsuit to the US District Court for the Northern District of California that July, arguing the social media platform's claims are preempted by federal copyright law. Scraping is a "quintessential" copyright claim, Anthropic said.

Reddit argued its state-law claims aren't completely preempted by US copyright law. Each contains an element that isn't required for a copyright claim or "asserts qualitatively different rights," the company pushed back in a motion to return the case to state court.

Reddit "seeks only to enforce its contract with Anthropic," the motion said, and the preemption analysis isn't changed by the fact that the agreement includes scraping.

Conrad Metlitzky Kane LLP also represents Anthropic.

Reddit Inc. v. Anthropic PBC, N.D. Cal., No. 25-cv-05643, hearing held 3/24/26 .

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News from Bloomberg Terminal

## Goldstein Seeks Acquittal, New Trial on Tax, Loan Fraud Charges

March 24, 2026, 1:36 PM PDT

### Summary by Bloomberg AI

AI Generated



- Tom Goldstein is asking the judge to toss the jury's verdict, challenging the court's jury instructions on accessory liability and willful blindness.
- Goldstein claims the error in the instructions on accessory liability requires a retrial on every count, and that the instructions failed to advise the jury of certain requirements for aiding and abetting liability.
- Goldstein also argues that the jury was permitted to find him guilty on legally impermissible theories of liability for multiple counts, and that key evidence corroborating his testimony was improperly excluded as self-serving hearsay.

By Holly Barker

(Bloomberg Law) --

Tom Goldstein, the US Supreme Court advocate and ultra high-stakes poker player convicted of tax and loan-related offenses in late February, is asking the judge who presided over the six-week trial to toss the jury's verdict.

Goldstein's motion for acquittal or, in the alternative, a new trial challenges, among other things, the court's jury instructions on accessory liability and willful blindness. It was filed Monday in the US District Court for the District of Maryland.

The error in the instructions on accessory liability alone requires a retrial on every every count, Goldstein claims. General "charging instructions" failed to advise the jury that aiding and abetting liability required finding another guilty principal; willful conduct by Goldstein; and an affirmative act, not merely an omission, the motion says.

The instructions also failed to advise the jury that finding him guilty for causing "an act that would be an offense if directly performed by him or another" required it to find that Goldstein intended that the substantive offenses be committed.

Further, Judge Lydia Kay Griggsby granted the government's request to eliminate the accessory instructions detailing aiding and abetting requirements after the parties delivered their closing arguments. It's a violation of a procedural rule that Goldstein says was "undoubtedly prejudicial" in this case.

Doing so "changed accessory liability from essentially a non-issue in the case to a serious basis on which to convict," the motion argues. If defense counsel had known the jury would be permitted to find accessory liability without finding that some other principal committed every element of the substantive offense, they would have taken the issue on at closing, the motion said.

### **Insufficient Evidence, Impermissible Theories**

Goldstein also argues the jury was permitted to find him guilty on legally impermissible theories of liability for multiple counts.

For example, he's innocent as a matter of law on charges that he willfully failed to pay his taxes for tax years 2019, 2020, and 2021 because the government alleged the wrong due dates for the tax payments for each of those years, he says.

Based on a recent decision by the US Court of Federal Claims, the correct due date for all three years was July 10, 2023—after the date on which Goldstein says he paid his taxes in full for those tax years.

Even if Griggsby disagrees with that holding, the convictions are invalid, Goldstein argues.

Because a criminal tax conviction requires the violation of a clear duty, all that matters is that the question is disputed among the courts. Where a court has "squarely considered and rejected the IRS's position in detail, that clarity is missing as a matter of law," the motion argues.

Goldstein additionally says key evidence corroborating his testimony at trial was improperly excluded as self-serving hearsay.

The excluded communications—contemporaneous text messages regarding his 2016 gambling activities in Asia that included a ledger of his wins and losses—would have established that he had a good faith belief that he didn't under-report his gambling winnings for that year, the motion argues.

Goldstein also challenged the sufficiency of the evidence on four counts of assisting in the preparation of false tax returns.

Goldstein was found guilty on one count of tax evasion for failing to report all of his gambling income in 2016, one count each of willful failure to timely pay taxes for four tax years, three counts of making a false statement on a loan application, and four out of eight counts of aiding and assisting in preparation of a false tax return. He was found not guilty on the other four counts.

Goldstein is represented by Munger Tolles & Olson LLP.

The case is *United States v. Goldstein*, D. Md., No. 8:25-cr-00006, corrected motion filed 3/24/26.

# Freeport-McMoRan Discloses FCPA Scrutiny

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 [fcpaprofessor.com/freeport-mcmoran-discloses-fcpa-scrutiny](https://fcpaprofessor.com/freeport-mcmoran-discloses-fcpa-scrutiny)

March 25, 2026

Freeport-McMoRan Inc., headquartered in Phoenix, is one of the world's largest publicly traded copper producers.

It's portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits.

The company recently [disclosed](#):

"We are required to comply with a wide range of laws and regulations in the countries where we operate or do business. For example, our international operations must comply with the U.S. Foreign Corrupt Practices Act (FCPA) and similar anti-corruption and anti-bribery laws of the other jurisdictions in which we operate. We are investigating whether activities of PT Smelting may have violated aspects of the FCPA or other laws, including laws of non-U.S. jurisdictions.

The disclosure continues:

"PT Smelting is an Indonesian joint venture between PTFI [PT Freeport Indonesia] and Mitsubishi Materials Corporation (MMC), and an affiliate of MMC serves as operator of PT Smelting. As previously reported, we voluntarily notified the SEC and DOJ that we engaged outside counsel to conduct the investigation of PT Smelting's activities. Any determination that operations or activities are not in compliance with existing laws, including the FCPA, could result in the imposition of fines, penalties and equitable remedies. We cannot currently predict the outcome of our investigation."

## Securities

### Manage Newsletters

## **Beyond Meat Delays 4Q Earnings Due to Material Weaknesses**

March 25, 2026, 5:41 AM PDT

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Beyond Meat delayed reported its fourth quarter and full year 2025 financial results until March 31, 2026, after identifying material weaknesses in internal controls related to inventory accounting.

Company found errors in 2025 quarterly statements that understated costs and overstated losses

Material weakness specifically relates to controls for accounting inventory provision and obsolescence

Management believes errors are immaterial to previous quarterly statements

Company will correct errors prospectively when filing quarterly reports in 2026

Conference call rescheduled for March 31 at 5:00pm ET

To view the source of this information, click [here](#)

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## 2nd Circ. Won't Recharge Solar Panel Co. Investor Suit

By **Emilie Ruscoe**

Law360 (March 24, 2026, 9:04 PM EDT) -- The Second Circuit won't revive a proposed investor class action alleging solar panel infrastructure company Array Technologies failed to convey the impact of certain heightened costs stemming from the COVID-19 pandemic.

In a **Tuesday summary order**, a three-judge panel affirmed a New York federal court's 2023 dismissal of the lawsuit, finding that the investors hadn't shown that the company's disclosures about the risks of rising steel prices were false or misleading.

"The investors do not allege 'with specificity why and how' the risk disclosures were false when they were made," the appeals court said, pointing out that the suit didn't include reference to the nature, or extent, of any steel price increases or how those increases affected the company's margins.

The lawsuit, which was initially filed in May 2021, alleges that Array "shocked the market" that same month when it reported disappointing earnings that it attributed to increased steel and shipping costs. The company saw its share price fall 46% afterward, the proposed class action by the Plymouth County Retirement Association says.

According to the complaint, Array painted "a false picture of the company's margins and business prospects" during the proposed class period, which began when the company went public in October 2020, by "systematically and knowingly" using outdated steel and logistics prices as it estimated its costs.

However, on Tuesday, the Second Circuit found that the investors failed to show how certain earnings call statements by Array's former chief financial officer were false or misleading.

The investors alleged that those statements, made in March 2021 by Array's then-CFO Nipul Patel, created the misleading impression that the company was insulated from increased commodity and freight costs.

For example, the investors claimed, Patel said the company's contracts "allow [it] to pass on [increased commodity and freight] costs to [its] customers."

On Tuesday, the appeals court said that "Patel's remarks — when taken in context — hardly suggested that Array had the ironclad ability to pass on its costs in all circumstances."

"No reasonable investor would have construed Patel's remark as a watertight (and commonsense-defying) guarantee regarding all of Array's contracts," the Second Circuit said, adding that the earnings call "made abundantly clear that Array faced serious risks from rising steel prices."

The appeals court also rejected claims brought under sections 11 and 12 of the Securities Act seeking to hold the defendants liable for misleading registration statements, finding that "the total mix of information provided investors with clear notice of the typical risks connected to fluctuations in global steel prices."

U.S. District Judge Victor Marrero rightly dismissed the suit without granting the investors leave to amend, the circuit court said, siding with the finding that the investors' proposed amendments wouldn't fix the complaint's shortcomings.

When he dismissed the claims, Judge Marrero told plaintiffs that it's not "actionable under the

securities law for corporate officers to paint a rosy view of the future based on accurate data."

U.S. Circuit Judges Denny Chin, Richard J. Sullivan and Beth Robinson sat on the panel for the Second Circuit.

Representatives for Array and counsel for the pension fund didn't immediately respond to requests for comment Tuesday.

The Plymouth County Retirement Association is represented by Michael P. Canty, James T. Christie and Thomas G. Hoffman Jr. of Labaton Keller Sucharow LLP and Andrew Love of Robbins Geller Rudman & Dowd LLP.

Array Technologies Inc. is represented by Lisa Heather Bebchick and Peter L. Welsh of Ropes & Gray LLP.

The case is Plymouth County Retirement Association v. Array Technologies Inc., case number 23-1122, in the U.S. Court of Appeals for the Second Circuit, and the originating case is Plymouth County Retirement Association v. Array Technologies Inc. et al., case number 1:21-cv-04390, in the U.S. District Court for the Southern District of New York.

--Editing by Michael Watanabe.

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## Drug Co. Atara Hit With Investor Suit Over FDA Denial

By **Sydney Price**

Law360 (March 24, 2026, 8:27 PM EDT) -- Drug company Atara Biotherapeutics Inc. has been hit with a proposed class action accusing it of harming investors by not disclosing certain manufacturing problems and research study deficiencies that made it unlikely the U.S. Food and Drug Administration would approve its new drug application.

In a **complaint filed Monday**, shareholder Jeremy Chin Zhi Kuang said Atara's shares fell nearly 57% in January when investors learned the FDA had once again rejected a biologics license application Atara resubmitted last July due to problems associated with a study over the company's lead product candidate is tabelecleucel, a treatment for a lymphatic disease

A significant portion of Atara's operations are funded by milestone payments — issued when Atara reaches certain development goals for tabelecleucel — from its partner, French pharmaceutical company Pierre Fabre Médicament, according to the suit.

"Defendants' advancement of tabelecleucel towards regulatory approval and commercialization directly translated to potentially tens of millions of dollars in milestone payments from Pierre Fabre, further incentivizing Defendants to provide an unrealistic assessment of tabelecleucel's regulatory prospects," Kuang said.

The suit's proposed class period begins May 20, 2024, the day Atara announced it had submitted its initial biologics license application for tabelecleucel to the FDA. The company's press release at the time stated the application was "supported by pivotal and supportive data covering more than 430 patients treated with tab-cel," according to the suit.

For several months after, Atara continued to make positive statements about the application, Kuang alleged. In July 2024, Atara announced the FDA had accepted the application for priority review, and the following month, Atara told investors it was "making significant progress with the agency towards the target action date of January 15, 2025," the suit said.

Then, on Jan. 16, 2025, Atara announced it had received a "complete response letter" from the FDA informing the company the application would not be approved as-is. Atara told investors the denial was "solely related to observations as part of a standard pre-license inspection of a third-party manufacturing facility," Kuang alleged.

The shareholder said the market's reaction was "immediate and severe," and shares of Atara declined \$5.33 each, or about 41%, to close at \$7.83 per share on Jan. 16, 2025.

The next week, on Jan. 21, 2025, Atara told investors the FDA had placed a hold on Atara's active new drug applications due to the company's insufficiently addressed compliance issues at its third-party manufacturing facility.

Following the announcement, shares of Atara declined 52 cents each, or about 8%, to close at \$6.05 per share on Jan. 21, 2025, according to the complaint.

After announcing it had resubmitted the drug application in July, Atara assured investors the drug was on the path for FDA approval for several months, Kuang said.

Then, in January, Atara announced the FDA had issued the company another complete response letter rejecting the application for tabelecleucel and that the clinical trial for the drug was "no longer

considered to be adequate to provide evidence of effectiveness for accelerated approval," according to the complaint.

The news "shocked" the market, Kuang alleged, and shares of Atara declined \$7.79, or about 57%, to close at \$5.88 per share on Jan. 12, 2026.

In addition to Atara, the suit's individual defendants include Atara CEO AnhCo Thieu "Cokey" Nguyen, Chief Accounting Officer Yanina Grant-Huerta, former CEO Pascal Touchon and former Chief Financial Officer Eric Hyllengren. The complaint accuses the defendants of violating the Exchange Act and acting with scienter.

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

Kuang is represented by Jennifer Pafiti of Pomerantz LLP.

Counsel information for Atara and the individual defendants was not available Tuesday.

The case is Kuang v. Atara Biotherapeutics Inc. et al., case number 2:26-cv-03083, in the U.S. District Court for the Central District of California.

--Editing by Lakshna Mehta.

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## 2nd Circ. Says Barclays Noteholders' Appeal Fails 'Slack' Test

By **Jessica Corso**

Law360 (March 24, 2026, 6:32 PM EDT) -- The Second Circuit on Tuesday upheld the dismissal of a lawsuit accusing Barclays PLC of selling unregistered securities following its loss of well-known seasoned issuer status, saying in a case of first impression that investors couldn't meet a test set out by the U.S. Supreme Court in 2023's Slack decision.

A three-judge panel said that investors who purchased an exchange-traded note issued by Barclays could not revive their lawsuit accusing it of failing to register the ETNs and of making misleading statements in the lead-up to a reverse split that left the investors in the lurch.

Those supposedly misleading statements were made via a document the company issued the same day in April 2021 that it effected the split and, therefore, couldn't be tied to the share issuance itself, the Second Circuit said.

The investors, therefore, failed the U.S. Supreme Court's 2023 **traceability test** in **Slack Technologies v. Pirani** , the court ruled. The test requires investors to demonstrate that the shares they purchased were issued under a registration statement containing allegedly misleading information.

"The investors have ... failed to plead any facts tracing their ETNs — which they acquired via the reverse split — to the April supplement," the panel said in an unsigned **opinion**.

"[T]he supplement's own terms show that it does not cover those ETNs but rather governs the 'initial sale of the [post-split] ETNs' that Barclays still held in its inventory, and which it had thus not distributed via the split," the court said.

The opinion presented a case of first impression to the court on both the traceability issue and on whether the debt securities that Barclays issued were unregistered.

The proposed class action lawsuit, filed in 2023, accused the bank of selling unregistered securities as part of a reverse split sale of an ETN known as VXX that tracked an S&P 500 short-term futures index.

The reverse split forced investors to hand over four outstanding VXX notes for one of equal value, which the lawsuit claims left some unable to redeem their notes before maturity.

The investors said the new VXX shares were issued following the loss of Barclays' well-known seasoned issuer status, which allowed it to issue new securities without first registering them with the U.S. Securities and Exchange Commission.

The bank lost its status following a **\$97 million settlement** with the SEC in 2017 over claims that it overcharged thousands of investors for services it never actually provided.

In **upholding a decision** issued by U.S. District Judge Lewis J. Liman, the panel said the reverse split did not constitute a sale for the purposes of proving a Section 12 claim.

"Barclays had an ironclad right to split the ETNs '[o]n any business day,'" it said. "And when it exercised that right, the investors did not lose, or gain, anything: they simply traded in four ETNs for

one ETN worth the same amount."

Representatives and counsel for the parties did not respond to requests for comment Tuesday.

U.S. Circuit Judges John Walker, Richard Sullivan and Joseph Bianco sat on the panel for the Second Circuit.

The Investors are represented by Mazin Sbaiti, Jonathan Bridges and Griffin Rubin of Sbaiti & Co. PLLC.

Barclays is represented by Jeffrey Scott, Matthew Porpora, Julia Malkina and Jacob Cohen of Sullivan & Cromwell LLP.

The case is May v. Barclays PLC, case number 25-1631, in the U.S. Court of Appeals for the Second Circuit.

--Editing by Adam LoBelia.

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# Agenus Escapes Investor Fraud Suit Over Cancer Drug

By Carolyn Muyskens

Law360 (March 24, 2026, 8:45 PM EDT) -- A Massachusetts federal judge on Tuesday tossed securities fraud claims against Agenus Inc., saying the biotech company did not conceal the risk that a colorectal cancer therapy it was developing might face roadblocks.

U.S. District Judge Angel Kelley dismissed a proposed class action accusing Agenus of misleading investors about the efficacy of the immunotherapy it was preparing to submit to the U.S. Food and Drug Administration for accelerated approval in 2024.

The company pushed back the timeline due to weaker clinical trial results it made public in 2024, prompting the suit.

In **Tuesday's opinion**, Judge Kelley said plaintiff Byron Olsen failed to show that the drop in Agenus' share price was due to a "corrective disclosure" revealing some previously hidden truth.

Although Olsen had pointed to a July 2024 announcement that the FDA was putting the brakes on the drug's approval, that wasn't a corrective disclosure because it didn't contradict previous information the company had released about the drug, the ruling found.

The company had disclosed in regulatory filings the risk that the FDA might deny accelerated approval and had warned that initial positive results in the first clinical trial phase might not predict success in subsequent clinical trials, the judge said.

The new clinical data that caused the FDA to discourage Agenus from applying for fast-track approval also couldn't be characterized as a "corrective disclosure," the judge said.

"Defendants had not previously reported the Phase 2 results, so the statements regarding dosage effectiveness did not correct, contradict, or revise any prior data," Judge Kelley said. "Even if defendants had previously made optimistic statements about the data, that does not equate to contradicting the new information."

Olsen claimed Agenus in its public statements touting the early clinical trial results for the drug misled investors about the prospects of the FDA granting accelerated approval, which requires only one clinical trial instead of the standard two.

Agenus first announced promising results from early clinical trials of the drug on Jan. 23, 2023, after a small trial with cancer patients.

Later that year, Agenus decided to concentrate solely on developing the drug and obtaining accelerated approval after being granted a "fast-track" designation from the FDA.

The company told investors it was planning to seek FDA approval for the drug in mid-2024 and continued to promote its positive results from Phase 1 clinical trials in the early months of 2024.

But in July 2024, the company disclosed that it had met with the FDA to review Phase 2 trial data and the agency expressed concerns about the treatment's effectiveness based on those results. The agency advised Agenus not to apply for accelerated approval.

The stock price fell by 58.83% after Agenus' disclosure in a July 18 press release, according to the suit.

Olsen sought to represent investors who had purchased Agenus stock between Jan. 23, 2023, and July 18, 2024.

The company is separately facing at least three shareholder derivative lawsuits related to the cancer treatment. The lawsuits have been consolidated into a single proceeding, which is also before Judge Kelley.

Representatives for the parties did not immediately respond to request for comment Tuesday.

Olsen is represented by Brian Calandra and Jeremy A. Lieberman of Pomerantz LLP and Brian Schall of The Schall Law Firm.

Agenus is represented by Daniel V. McCaughey, James R. Drabick, Chimso O. Okoji and Anne E. Conroy of Ropes & Gray LLP.

The case is Olsen v. Agenus Inc. et al., case number 1:24-cv-12299, in the U.S. District Court for the District of Massachusetts.

--Editing by Stephen Berg.

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## Delaware Court Tosses Allied Gaming Suit, Awards \$5.9M Fees

By Jarek Rutz

Law360 (March 24, 2026, 7:57 PM EDT) -- The Delaware Chancery Court on Tuesday dismissed a stockholder challenge to a disputed share issuance at Allied Gaming & Entertainment Inc. as moot, while ordering the company to pay nearly \$5.94 million in attorney fees and expenses after finding that the litigation prompted the company to reverse course.

Vice Chancellor J. Travis Laster said there were no remaining issues for the court to resolve and directed Allied to pay the full fee award within 14 days to counsel for plaintiff Knighted Pastures LLC. The ruling formally closes the case following the company's earlier commitments to unwind the challenged transaction and implement related governance changes.

The case **centers on a challenge** by Knighted to a transaction in which Allied issued shares to an affiliate of Yellow River Global Capital Ltd., allegedly diluting other investors and entrenching the company's controlling stockholder ahead of a proxy contest. The litigation was fast-tracked for trial in April 2025, but the defendants reversed the deal and agreed to governance changes just days before trial, including rescinding the stock issuance and removing a board designee tied to the transaction, effectively mooting the dispute.

The fee award stems from a March 10 decision in which the court found that Knighted was entitled to recover its fees under both a contractual fee commitment and Delaware's common-benefit doctrine. The court concluded that Knighted's claims were meritorious when filed and that the defendants' actions delivered meaningful benefits to stockholders, including restoring voting rights in advance of a contested election.

In rejecting the defendants' opposition, the court emphasized that a case does not avoid fee liability simply because it becomes moot, particularly where the defendants' own actions resolve the dispute. The court also found that the benefits achieved were shared broadly among stockholders, not just the plaintiff, supporting the nearly \$6 million award tied to the results of the litigation.

Knighted Pastures LLC is represented by David J. Teklits and Thomas P. Will of Morris Nichols Arsht & Tunnell LLP and Sarah F. Kirkpatrick, Patrick Bradley and Russell Mendelson of Williams & Connolly LLP.

Allied Gaming & Entertainment Inc., Yangyang Li and other individual defendants are represented by Sean A. Meluney and William M. Alleman Jr. of Meluney Alleman & Spence LLC.

Ourgame International Holdings Ltd. and Primo Vital Ltd. are represented by Jamie L. Brown, Samuel T. Hirzel II and Brendan Patrick McDonnell of Heyman Enerio Gattuso and Hirzel LLP.

The case is Knighted Pastures LLC v. Yangyang Li et al., case number 2024-1158, in the Delaware Chancery Court.

*Correction: This article has been updated with correct counsel information for Knighted Pastures LLC.*



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## AI Tools May 'Disrobe' Meta Of Section 230 Shield, Judge Says

By **Dorothy Atkins**

Law360 (March 24, 2026, 9:51 PM EDT) -- A California federal judge trimmed Tuesday a proposed class action alleging Meta Platforms Inc. knowingly participated in a Chinese pump-and-dump scheme advertised on social media, but found there's a factual dispute over whether Meta's AI tools materially contributed to the "facially ridiculous" ads.

In a **19-page order**, U.S. District Judge Richard Seeborg granted in part Meta's motion to dismiss the suit, trimming state civil rights and contract claims with leave to amend, but keeping alive other claims of negligence, unjust enrichment and aiding and abetting fraud.

The judge said even a cursory review of the "preposterous" ads at issue, which feature top banking executives and celebrities promising daily returns of 30% to 40%, would warrant suspicion from Meta that they are fraudulent.

"Meta cannot, with a straight face, claim otherwise," Judge Seeborg said.

The judge also found there's a legitimate factual dispute over whether Meta's ad enhancing tools, including its Advantage+ Creative tool, contributed materially to the alleged illegality of the ads and, therefore, whether Section 230 of the Communications Decency Act immunity applies.

"At bottom, the question in this case — as in most Section 230 cases — is whether plaintiffs are attempting to hold Meta vicariously liable for the actions of its users. They are not," Judge Seeborg said. "They do not aver that Meta 'passively acquiesc[ed]' to the fraud; they allege Meta worked with the scammers to gin up the offending posts. ... If those averments are borne out by the evidence, it will be enough to disrobe Meta of Section 230 immunity."

The ruling keeps alive a **proposed class action** filed in June by victims of a pump-and-dump scheme involving the publicly traded stock for China Liberal Education Holdings Ltd. Over the course of only a few days in January 2025, scammers advertised CLEH on Instagram and Facebook, predicting returns of up to 380% in 20 to 30 days, and promising to reimburse investors for any losses up to 80%, according to the suit.

Meanwhile, scammers unloaded 280 million shares in a secret offering, which diluted the CLEH stock's value, the proposed class said. Once the nine-figure offering hit the public market, CLEH's share value plunged from \$7.90 to 15 cents, quickly wiping out \$300 million and the proposed class' investments, the plaintiff investors said.

The pump-and-dump scheme was run by an organized criminal network operating out of China, Taiwan and Malaysia, and over the past year, prosecutors **have charged** seven individuals in Illinois federal court over their purported roles in it, according to court documents.

But in the current suit, investors have claimed scammers used Meta's advertising tools — including its artificial intelligence ad design features — to customize ads and specifically target the victims, including a lieutenant colonel in the U.S. Air Force, a Los Angeles County fire captain and a retired tech executive.

The AI-altered ads purportedly claimed the investment clubs were associated with Charles Schwab or other reputable financial advisory firms, as well as well-known celebrity businessmen like Shark

Tank's Kevin O'Leary, podcast host Dave Portnoy and conservative political commentator Tucker Carlson, the suit says.

The scam victims who clicked on ads were then added to groups on Meta's WhatsApp messaging app, where scammers posed as financial advisers and encouraged victims to purchase CLEH shares at prices the scammers were manipulating, according to the suit.

The investors have accused Meta of materially altering the ads and raking in ad sales while failing to take meaningful action to monitor or prevent fraudulent advertisements, despite knowing scammers regularly post bogus ads that fraudulently impersonate celebrities and others. The complaint asserts claims of aiding and abetting fraud, breach of contract, negligence, unjust enrichment and violating California's Unruh Civil Rights Act.

In early January, the investors amended their suit, but shortly after, Meta asked Judge Seeborg to throw out the case for good. The company argued it's shielded from liability under Section 230, and even if it weren't, the claims are insufficiently pled to survive the pleading stage.

But on Tuesday, Judge Seeborg noted the suit alleges the scammers specifically used a variety of Meta ad tools to deploy "an array of advertisements" to target victims, including ad tools that created at least 86 different variations of ads featuring Savita Subramanian, Bank of America's head of U.S. equity and quantitative strategy.

In light of those allegations, there is a factual dispute over whether Meta can claim immunity under Section 230, the judge said.

"Plaintiffs have averred that Meta participated in the construction of the ads by literally generating, using artificial intelligence, the images and text in the advertisements," Judge Seeborg said. "That degree of participation is not protected by Section 230."

Judge Seeborg also rejected Meta's defense that it used automated tools to review the ads and therefore could not have known the ads were fraudulent.

"It was Meta's decision to use technological review tools to screen ads, and it does not now get to claim it had no idea what was going on because it tasked some software program with doing the first pass," the judge said.

Regardless, the judge said, the investors additionally alleged that Meta's AI tools altered the ads, and that's enough to create a viable dispute over whether Meta knew it was aiding the fraud.

"At the moment a scammer asked Advantage+ Creative to generate an ad using a celebrity, a secret chat room, and the promise of unfathomable riches, there is at least a fact question on whether Meta acquired knowledge that it was aiding and abetting a fraud," Judge Seeborg said.

Judge Seeborg, however, tossed the investors' allegations that Meta breached its contract and violated the state civil rights law, finding Meta's terms of service don't obligate the company to do anything and that the users only claimed they were targeted, not excluded from anything, due to their race or national origin.

The investors' counsel, Andrew W. Robertson of Morris Kandinov LLP, told Law360 on Tuesday that he and his co-counsel are pleased with Judge Seeborg's "thorough and well-reasoned decision, and we look forward to obtaining justice for victims of Meta's scam marketing machine."

Counsel and representatives for Meta didn't respond to requests for comment Tuesday.

Meta is also in the midst of fighting a similar lawsuit filed in 2022 by Australian billionaire Andrew Forrest, who has claimed Facebook failed to remove scam cryptocurrency ads using his name for false endorsements.

Although a California judge initially paused that case while parallel litigation played out in Australia, the California court lifted the stay in October, and since then, the parties have been fiercely fighting over discovery.

Judge Seeborg noted in his ruling Tuesday that the judge presiding over Forrest's case similarly rejected Meta's Section 230 immunity defense at the motion to dismiss stage.

Forrest filed a motion last month seeking sanctions against Meta for allegedly failing to preserve crucial discovery, despite being on notice of the claims. On Monday, Meta opposed the sanctions bid, and a hearing on the dispute is currently scheduled for April 2 before U.S. District Judge P. Casey Pitts in San Jose.

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

Meta is represented by Sonal N. Mehta, Jessica Lewis, Ari Holtzblatt, Allison Schultz and Nathaniel W. Reisinger of WilmerHale.

The investor case is Joshua Bouck et al. v. Meta Platforms Inc., case number 3:25-cv-05194, and the Forrest case is Andrew Forrest v. Meta Platforms Inc., case number 5:22-cv-03699, both in the U.S. District Court for the Northern District of California.

--Additional reporting by Rae Ann Varona, Celeste Bott and Abigail Harrison. Editing by Lakshna Mehta.

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## Beasley Allen Says NJ Justices Review Of Talc DQ 'Essential'

By **George Woolston**

Law360 (March 24, 2026, 4:32 PM EDT) -- Beasley Allen urged the New Jersey Supreme Court to hear its appeal of a lower court's decision to disqualify it from representing plaintiffs in multicounty litigation over Johnson & Johnson's talc-based baby powder, arguing that the court's immediate review of the interlocutory order is "essential."

The Alabama-based Beasley Allen Law Firm said Friday that the high court's intervention is necessary to prevent injury to the firm, its clients and "the administration of justice more broadly" given the first bellwether trial is scheduled to begin on April 14, and that the lower court's Feb. 6 **ruling** is causing confusion in the separate but concurrent federal multidistrict litigation.

"For these federal and state plaintiffs and their families, further delay means that even more victims will succumb to death from cancer before seeing their day in court. This court's immediate review of the Appellate Division's order disqualifying Beasley Allen is therefore essential," the firm said in its **brief** supporting its motion for leave for an interlocutory appeal.

Beasley Allen further argued the Appellate Division's decision disqualifying it from representing 435 clients who claim that their ovarian cancer was linked to J&J talc-based baby powder adopted "the broadest conceivable definition of 'associated'" under New Jersey's Rules for Professional Conduct 5.3, claiming that the ruling effectively makes it responsible for an alleged conflict of an unaffiliated entity as if it worked for the firm.

"The practical consequences of the Appellate Division's holding are far-reaching and troubling. Under its reasoning, any attorney who participates in court-ordered mediation or engages in settlement discussions could be deemed 'associated' with other parties, vendors, or consultants present in those proceedings, simply by virtue of working toward a common resolution," the firm said.

Beasley Allen said no legal authority in the United States supports such an interpretation, and that the relevant cases and disciplinary rulings reflect that the established understanding for "associated" under RPC 5.3 pertains to nonlawyers who are retained by or work for the lawyer in question.

As interpreted by the lower appeals court, the rule would have a chilling effect on participation in settlement and mediation efforts and "allow the ethics rules to become tools for litigation gamesmanship rather than professional regulation," Beasley Allen said.

A group of law professors filed an **amicus brief** in support of Beasley Allen's bid for an interlocutory appeal, arguing that the Appellate Division's decision stretches RPC 5.3 "beyond the breaking point."

The professors — Charles Silver of the University of Texas-Austin School of Law, Anthony Sebok of Cardozo School of Law, Jeffrey Hammond of Faulkner University, David Freeman Engstrom of Stanford Law School, Susan Donovan of the University of Alabama School of Law, John Browning of Faulkner University, and professor emerita Nancy Moore of Boston University School of Law — said the appellate court applied RPC 5.3 to someone who was neither a law firm employee nor under the firm's supervision for the first time in any tribunal. Onetime J&J outside counsel James Conlan and Beasley Allen only provided input on a settlement proposal during court-ordered mediation, the professors said, yet the appellate court treated Conlan as an assistant the firm should have supervised.

"And then, based on the actions of this unassociated non-assistant, the Appellate Division disqualified the firm — which represented more than 400 plaintiffs (some for more than a decade), had invested more than 50,000 hours in the litigation, and had two bellwether trials scheduled to occur in just seven weeks (now six weeks). If that is to be the law, the word should come from this court," the amicus brief said.

Earlier this month, J&J **argued** that the New Jersey Supreme Court should reject Beasley Allen's bid for leave to appeal to the high court, arguing that the firm cannot show it will be irreparably harmed if such an appeal is not granted.

It pointed to the number of other firms currently representing plaintiffs in the multicounty litigation and those that are readily able to do so.

The Appellate Division **denied** the firm's motion to stay its Feb. 6 decision disqualifying Beasley Allen from the multicounty litigation and the trial court's Feb. 9 order implementing the decision, as well as its motion for leave to appeal the trial court's Feb. 20 order denying the stay of its Feb. 9 order last week.

"To have Beasley Allen litigate cases in our trial courts when they have been disqualified would not be in the interest of justice," Appellate Judge Mark K. Chase said in the order.

J&J has been fighting since 2023 to remove Beasley Allen from the multicounty litigation, accusing firm attorney Andy Birchfield of having worked with former Faegre Drinker Biddle & Reath LLP lawyer James Conlan, a onetime J&J outside counsel, on the case.

Conlan had worked closely with J&J's vice president of litigation, Erik Haas, as outside counsel in the talc litigation, billing 1,600 hours on the sprawling case before departing Faegre Drinker to establish his own company, J&J argued.

Beasley Allen and firm attorney Andy Birchfield have argued that J&J is blaming them for the company twice failing to address thousands of talc injury claims through a Chapter 11 filing, and that Conlan has never shared any confidential or privileged information to them.

Atlantic County Superior Court Judge John Porto sided with Beasley Allen in July 2024, holding that, without evidence showing Conlan shared confidential information, he could not remove the firm from the case.

The Appellate Division reversed the trial court's ruling in February, holding that Conlan's access to J&J's privileged information, followed by his collaborative efforts with Beasley Allen, "leaves us with clear concern for the preservation of trust intrinsic to the attorney-client relationship," the opinion said.

Counsel for Beasley Allen, Jeffrey M. Pollock, said in a statement to Law360 on Tuesday that they believe the state high court will consider the case "because the Appellate Division's opinion significantly changed the Rules of Professional Conduct in a manner neither any other state nor the [American Bar Association] has agreed to."

"This was not a logical extension of the law, rather the Appellate Division created an RPC out of whole cloth," Pollock said.

A J&J spokesperson declined to comment Tuesday.

Birchfield and Beasley Allen are represented by Jeffrey M. Pollock of Pollock Law LLC.

The J&J parties are represented by Peter G. Verniero of Sills Cummis & Gross PC, Jessica L. Brennan of Barnes & Thornburg LLP and Stephen D. Brody of O'Melveny & Myers LLP.

The multicounty litigation appeal is In re: Talc-Based Powder Products Litigation, case number 091773, in the Supreme Court of the State of New Jersey.



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# Iowa Asks 5th Circ. To Ax 'Uncertain' Schwab Antitrust Deal

By **Hailey Konnath**

Law360 (March 24, 2026, 9:55 PM EDT) -- Iowa's attorney general Monday pressed the Fifth Circuit to reject investors' deal with The Charles Schwab Corp. in an antitrust suit over its merger with TD Ameritrade, arguing it offers only uncertain and hypothetical relief to class members while giving named plaintiffs and class counsel a "windfall."

Iowa Attorney General Brenna Bird asks the Fifth Circuit "whether hypothetical injunctive relief that offers, at best, uncertain benefits for class members can justify nearly \$9 million in attorneys fees and costs."

"The district court said yes," Bird says. "But that is only possible by disregarding warnings from plaintiffs' experts, this court's precedent, and the requirements of Rule 23 [of the Federal Rules of Civil Procedure]."

The investors' settlement didn't include any of their initial proposed key remedies, forgoing damages, creating no control over trade executions and doesn't attempt divestiture or segregation, the attorney general says.

"This case illustrates the harm that can befall consumers when a district court defers to class counsel and so fails to fulfill its required fiduciary rule in scrutinizing a proposed class action settlement and attorney fee award," Bird contends.

Plaintiffs Jonathan Corrente, Charles Shaw and Leo Williams initially sued in 2022, claiming that Schwab's 2020 merger "has, had and will have, the effect of substantially lessening the competition and tending to create a monopoly in the relevant market for retail order flow," in violation of the Clayton Act. They say they had to pay increased transaction costs for trades following the merger.

The appeal centers on a settlement **approved last November** despite Iowa's argument that the deal shouldn't be approved until it "reflects fair and adequate relief to the class." There were roughly 70 objectors, but none appeared at an August 2025 fairness hearing, the court noted last year.

Iowa filed a notice of appeal in December 2025 though it didn't share its rationale at that time. The investors have argued that Iowa is not a class member, nor does it argue it has ever maintained a Schwab or TD Ameritrade brokerage account.

"It does not contend that it has suffered, or will suffer, any concrete or particularized injury as a result of the settlement it challenges," they say in **a January filing**.

"Instead, Iowa seeks to appear as a self-appointed overseer of a private federal class action, advancing generalized grievances about the adequacy of relief for unnamed class members and invoking broad assertions of state authority untethered from any cognizable injury to the state itself. Article III does not permit this maneuver," the investors say.

Earlier this month, Iowa **pushed back**, arguing that the state's duty to protect consumers allows it to challenge the deal. The settlement "impairs the economic well-being of Iowan consumer class members," warranting the state's objection and appeal, it says.

In Monday's brief, Bird notes that the deal gives \$5,000 to each named plaintiff along with \$50 in

brokerage account credits. Notably, it also authorized \$8.25 million in attorney fees and \$686,000 in expenses, she says.

Bird argues offering class members such "uncertain, hypothetical value while giving tangible monetary relief to named plaintiffs and class counsel is an abuse of discretion." Awarding class counsel nearly \$9 million while members came away with only the hypothetical relief is also an abuse of discretion, she contends. And Iowa didn't get adequate notice of the settlement information as is required by the Class Action Fairness Act, she adds.

"The district court did not uphold its fiduciary duty under Rule 23 and this court's precedent when it approved hypothetical injunctive relief for class members while giving class counsel and named plaintiffs a windfall," Bird says.

She states that the investors' own experts are uncertain that the settlement's "unwritten antitrust monitoring plan" will actually benefit consumers.

"The district court abused its discretion and failed to properly apply Rule 23 when it approved class relief," Bird argues. "It also abused its discretion when it failed to conduct the proper attorney fee analysis and instead rubber stamped class counsel's hours and rates."

Brian J. Dunne, who represents the investors, told Law360 on Tuesday that Iowa "lacks constitutional standing to appeal."

The Iowa Attorney General's Office didn't immediately respond to a request for comment late Tuesday.

Iowa is represented by Eric Wessan, Brenna Bird and Breanne A. Stoltze of the Iowa Attorney General's Office.

The investors are represented by Brian J. Dunne, Edward M. Grauman and Yavar Bathaee of Bathaee Dunne LLP.

Charles Schwab Corp. is represented by Jason J. Mendro, Jeffrey Liu, Cynthia Richman and Daniel G. Swanson of Gibson Dunn & Crutcher LLP, Alan E. Schoenfeld, Jennifer Milici and David C. Marcus of WilmerHale, Harry L. Gillam Jr. and Andrew T. Gorham of Gillam & Smith LLP, and Veronica S. Moyé of King & Spalding LLP.

The case is Jonathan Corrente et al. v. The Charles Schwab Corp., case number 25-40774, in the U.S. Court of Appeals for the Fifth Circuit.

--Additional reporting by Sydney Price and Katryna Perera. Editing by Kristen Becker.