

News from Bloomberg Terminal

Big Banks Settle Zymergen IPO Investor Suit for \$125 Million (2)

March 26, 2026, 9:38 AM PDT

Summary by Bloomberg AI

AI Generated



- JP Morgan Securities LLC, Goldman Sachs & Co. LLC, BofA Securities Inc., and other defendants agreed to pay \$125 million to settle an investor class action related to Zymergen Inc.'s initial public offering.
- The settling defendants include Zymergen executives and directors, bank underwriters, and major early investors, and they deny allegations of wrongdoing through the deal.
- The settlement would end a four-year-old lawsuit over Zymergen's 2021 initial public offering, which was described as one of the largest IPO-related securities class action recoveries ever achieved in the Northern District of California.

By Gillian R. Brassil

(Bloomberg Law) --

JP Morgan Securities LLC, Goldman Sachs & Co. LLC, BofA Securities Inc., and other architects of bankrupted biotech company Zymergen Inc.'s short-lived market debut agreed to pay \$125 million to settle an investor class action.

The settling defendants include its bank underwriters, Zymergen executives and directors, and three major early investors with their related funds that had the right to place board members: SoftBank's SB Investment Advisers (US) Inc., DCVC Management Co., and True Venture Management LLC. The deal proposed Wednesday, if approved by Judge P. Casey Pitts in the US District Court for the Northern District of California, would end a four-year-old lawsuit over Zymergen's 2021 initial public offering.

"The breadth of the accountable actors here is important, not to mention that this is one of the largest IPO-related securities class action recoveries ever achieved in the Northern District of California," said Dan Pfefferbaum, lead counsel for investors and a partner at Robbins Geller Rudman & Dowd LLP.

Zymergen set out to merge computing and biological manufacturing for gene editing, going public at \$31 a share in April 2021.

Months later, Zymergen revealed issues with its commercial pipeline would hinder its delivery timeline and revenue, and its CEO stepped down. Layoffs ensued, Zymergen said it was discontinuing its first commercial product, and the Securities and Exchange Commission started investigating.

Zymergen was acquired at about 10% of its IPO implied valuation the next year. Then a subsidiary of Ginkgo Bioworks Holdings Inc., Zymergen filed for bankruptcy in 2023 and liquidated.

In 2024, Zymergen agreed to pay a \$30 million civil penalty to resolve SEC charges over “unsupported hype” in its IPO.

The investor class, certified in 2023, includes those who acquired Zymergen stock pursuant or traceable to the IPO’s registration statement and prospectus.

Investors leading the case had satisfactorily alleged Zymergen’s IPO paperwork overhyped its product platform and pipeline for claims under the 1933 Securities Act, which governs new securities issuances, against the architects of its market debut. They later adequately alleged the venture capitalist groups had control over Zymergen in the lead up to its IPO.

“Regulatory enforcement goes in cycles, and we are in a more de-regulatory moment. This kind of result proves that active participation by a capable lead plaintiff can correct significant harm and does have substantial impact,” said Shawn Williams, another partner at Robbins Geller, which is class counsel.

Settlement Fund

The investors’ attorneys plan to request fees of up to 30% of the settlement sum, litigation expenses of up to \$3 million, plus interest.

The settling defendants divvied up the payment among themselves and continue to deny allegations of wrongdoing through the deal, according to the settlement stipulation. Zymergen wasn’t a party to the agreement.

Wilmer Cutler Pickering Hale & Dorr LLP, Ehrlich & Craig LLP, and Morrison & Foerster LLP represent different individuals related to Zymergen’s IPO. Morgan, Lewis & Bockius LLP represents the underwriters. Goodwin Procter LLP represents True Ventures. Gibson, Dunn & Crutcher LLP represents DCVC. None of these law firms immediately responded to emails seeking comment.

Quinn Emanuel Urquhart & Sullivan LLP, which represents SoftBank’s firm, declined to comment.

The case is *Wang v. Zymergen Inc.*, N.D. Cal., No. 5:21-cv-06028, motion 3/25/26.

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

To contact the editors responsible for this story: Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com; Amy Lee Rosen at arosen@bloombergindustry.com

(Updates story to include that Quinn Emanuel declined to comment in the 14th paragraph.)

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Insight

Securities Fraud Liability III-Defined Seven Years Post-Lorenzo

March 26, 2026, 1:30 AM PDT

The US Supreme Court's 2019 decision in *Lorenzo v. Securities and Exchange Commission* addressed a critical question underlying securities fraud claims: whether individuals who didn't themselves "make" a false or misleading statement could be liable under the securities laws and SEC Rule 10b-5(a) and (c) for participating in a "scheme" to defraud investors. The Supreme Court ruled that they can.

In the seven years since that decision, shareholder plaintiffs have embraced scheme liability as a means of asserting fraud claims where a pure misrepresentation claim under Rule 10b-5(b) may be vulnerable, including against additional company executives and other employees who were somehow involved in events relating to alleged misstatements but didn't themselves make any public statements.

As plaintiffs continue to push the boundaries of scheme liability, courts will need to draw clear lines around the limited kinds of conduct that qualify as a scheme to defraud investors.

Scheme Claim Elements

In *Lorenzo*, investment banker Francis Lorenzo emailed prospective investors in an effort to sell debentures for his client. At the time he sent those emails, he knew the client's intellectual property—its primary asset—was worthless and had been written off. But at his boss's direction, the emails falsely stated that the client had more than \$10 million in confirmed assets.

The Supreme Court held that, although Lorenzo wasn't the "maker" of the false statements (because his boss had supplied the false content and approved the emails for distribution), he was still liable under the securities laws for having disseminated false statements with intent to defraud—constituting a device or "scheme" to defraud investors.

Lorenzo breathed new life into so-called scheme claims arising under SEC Rule 10b-5(a) and (c). As courts have begun to grapple with scheme claims asserted in its wake, many have reached consensus on the fundamental elements of the claim: plaintiffs must show that a defendant (1) committed a deceptive or manipulative act, (2) in furtherance of a scheme to defraud investors, (3) with scienter, and (4) that the act caused some loss to the plaintiffs who relied on it.

Some of these elements are relatively straightforward. The scienter and causation elements overlap with misrepresentation claims, and there is a well-developed body of law regarding how courts should assess allegations and evidence to support those elements.

In addition, the alleged scheme to defraud must have been aimed at investors. Shareholders can't piggyback on other underlying schemes targeting groups that aren't among those the securities laws were intended to protect, such as alleged schemes to inflate a company's profits by deceiving customers or advertisers.

But courts continue to grapple with challenging issues underlying a critical threshold question: What sorts of conduct constitute a deceptive or manipulative act sufficient to support a scheme claim in the first place?

Borderline Cases

In *Lorenzo*, the Supreme Court recognized that Rule 10b-5(a) and (c) "capture a wide range of conduct," and anticipated the "difficult problems of scope" that might arise in "borderline cases." That prediction has proven true.

Courts across the country have wrestled with how to apply *Lorenzo* to a range of factual circumstances, resulting in conflicting decisions and unanswered questions. They have contended with—but not fully resolved—the following issues (among many others):

Does a "deceptive act" require conduct distinct from making a misstatement? Courts have split on the issue of whether a defendant can be liable under Rule 10b-5(a) and (c) for only the publication of a false statement—and nothing more.

The US Court of Appeals for the Ninth Circuit concluded that, because *Lorenzo* discussed potential overlap between scheme and misrepresentation claims, a misstatement alone can support scheme liability without any further deceptive conduct. But the Second and Sixth Circuits determined that although misstatements can form part of a scheme claim, some conduct beyond the misstatements themselves is required.

What extra conduct qualifies? Few courts have evaluated the types of deceptive acts or devices, other than the dissemination of a misstatement addressed in *Lorenzo*, that are sufficient to support a scheme claim.

One court found that a marketing program designed to drive up stock prices constituted a fraudulent scheme to launder investments. Another found that concealing a bribery scheme from a company's auditors to falsify public financial statements was sufficient. However, other courts have rejected alleged deceptive schemes based on termination of employees who knew the purported truth or collection of confidential documents bearing on the alleged misstatements. The key distinction is whether the alleged conduct was inherently deceptive or fraudulent.

Can scheme liability be based on a failure to act? While it is well-settled that omission-based misrepresentation claims may be based on the failure to speak, few courts have considered the scheme-claim analogue premised on a failure to act.

The Tenth Circuit accepted that scheme liability may be triggered by a failure to correct a false statement, at least where the defendant knew that investors were falsely informed that he lacked a conflict of interest. However, few cases have broached whether a lack of action may support scheme liability under other circumstances.

Consistent with the logic of *Macquarie Infrastructure Corp. v. Moab Partners, L.P.*, which clarified that Rule 10b-5(b) bars only half-truths and not pure omissions, courts may be reluctant to create an implied duty to act where none exists in the text of the rule.

Unsettled Boundaries

Seven years after *Lorenzo*, courts still grapple with thorny questions over what exactly qualifies as a scheme or artifice to defraud. As more courts weigh in, each addressing unique facts and circumstances, some of these questions may be answered. Consensus may emerge as to some; additional circuit splits and contradictions may develop as to others.

It seems certain that shareholders, meanwhile, will continue relying on *Lorenzo* to push the boundaries of scheme claims and attempt to expand the scope of securities fraud.

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.

Author Information

Heather Benzmilller Sultanian is a partner at Sidley Austin who focuses on securities and shareholder litigation, data breach class actions, and complex business disputes.

Gabrielle J. Zook is an associate at Sidley Austin who focuses her practice on commercial litigation and disputes.

Write for Us: Author Guidelines

To contact the editors responsible for this story: Daniel Xu at dxu@bloombergindustry.com; Heather Rothman at hrothman@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Metagenomi Can't Ax IPO Investor Suit Over Moderna Partnership

March 25, 2026, 11:25 AM PDT

Metagenomi Therapeutics Inc. must defend against allegations the gene editing company failed to alert investors its relationship with Moderna Inc. was fracturing before its February 2024 initial public offering.

Considering former Metagenomi employees' testimony that communication had broken down with Moderna by the time the IPO's registration statement was filed, it was misleading for Metagenomi's IPO paperwork to say it expected collaboration to progress without disclosing the souring of its Moderna relationship, Judge Eumi K. Lee said, allowing proposed class claims to proceed Tuesday.

Metagenomi said their deal was mutually terminated less than three months after its market debut. Its share price fell more than 12% to close at \$6.17 the day after saying their agreement was over.

The investors plausibly alleged warnings in the paperwork about the collaboration breaking down were misleading because they presented risks that had already started as a hypothetical, the US District Court for the Northern District of California judge said.

"Given the significance of the Moderna collaboration to Metagenomi's operations and future success, it is substantially likely that a reasonable investor would find it important that Moderna had ceased communicating with Metagenomi, as Plaintiffs allege," Lee said.

The investors sufficiently pleaded losses related to these alleged omissions about the cracking of the Moderna relationship to survive a motion to dismiss, Lee said.

Still, Lee shed most of the investors' challenged statements, finding generic claims the gene medicine company and Moderna "will collaborate" not false or misleading when made and that Metagenomi accurately said Moderna could opt out anytime. The companies had agreed to collaborate on a few programs to develop genome editing therapies more than two years before Metagenomi went public.

The investors can file a second amended complaint by April 27.

The proposed class includes those who acquired Metagenomi stock pursuant to its 2024 IPO registration statement. The investors advanced allegations under the 1933 Securities Act, which governs securities issuances, with lower pleading standards than those for securities fraud claims.

Pomerantz LLP and Bronstein, Gewirtz & Grossman LLC are lead counsel for the investors. Goodwin Procter LLP represents Metagenomi and executives and board members who signed off on the registration statement. None of these law firms nor Metagenomi immediately responded to emails seeking comment.

The case is Vreeland v. Metagenomi Inc. , N.D. Cal., No. 5:24-cv-06765, 3/24/26 .

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

To contact the editor responsible for this story: Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Paramount Loses Appeal Over \$8 Billion Skydance Deal Documents

March 25, 2026, 1:40 PM PDT

The \$8 billion merger between Paramount Global and Skydance Media LLC divided Delaware's top legal tribunal Wednesday as it ordered the media conglomerate to turn over deal documents to an investor.

The state supreme court ruled for a pension fund seeking more information on the transaction handing Paramount's reins from media mogul Shari Redstone to producer David Ellison and backers led by his father, Oracle Corp. founder Larry Ellison, whose \$196 billion net worth makes him the world's sixth-richest person. The dispute compelled Delaware's justices to weigh in on the fraught intersection of deal journalism and high-stakes litigation.

The Ellisons, allies of President Donald Trump, are in the midst of a politically charged media buying binge that's also seen them make a \$110 billion topping bid to acquire Warner Bros. Discovery and join the consortium set to manage TikTok's US operations.

The earlier Paramount-Skydance merger, which closed last year, is already transforming the news media landscape, prompting the late-night cancellation of biting Trump critic Stephen Colbert and an overhaul at CBS News, which has laid off huge numbers of staff under the leadership of conservative pundit Bari Weiss.

Justice Gary F. Traynor, writing for a three-member majority, upheld a January 2025 ruling that said preliminary self-dealing suspicions—based partly on unnamed sources in nearly four dozen stories by major news outlets—warranted further investigation. The case is part of a wave of lawsuits in Delaware's Chancery Court that say the transaction was structured to funnel hundreds of millions from investors to Redstone.

Two in Dissent

The company had argued that the trial judge, Vice Chancellor J. Travis Laster, improperly adopted a hard rule that news reports are "automatically reliable" if they're published by a reputable media organization. The fund, meanwhile, said Laster actually relied on a range of factors to analyze the articles, including supporting documents and corroboration from Paramount's own securities filings.

Traynor said Wednesday that it was acceptable for Laster to rely on developments postdating the pension fund's initial document demand when he found it justified under the specific circumstances of the case. Justices Abigail M. LeGrow and N. Christopher Griffiths joined the ruling, which sent the litigation back to the trial court for further proceedings.

Chief Justice Collins J. Seitz Jr., joined by Justice Karen L. Valihura, issued a rare dissent—Delaware's Supreme Court usually rules unanimously—over that second section of the ruling.

"By cutting off the evidentiary record at the time of the demand, stockholders are incentivized to bring books and records disputes only after the dispute has matured into a concrete dispute or transaction," Seitz wrote.

Rhode Island is represented by Prickett, Jones & Elliott PA and Kessler Topaz Meltzer & Check LLP. Paramount is represented by Morris, Nichols, Arsht & Tunnell LLP and Simpson Thacher & Bartlett LLP.

The case is Paramount Global v. State of R.I. Office of the Gen. Treas. , Del., No. 129, 2025, 3/25/26 .

To contact the reporter on this story: Mike Leonard in Washington at mleonard@bloomberglaw.com

To contact the editors responsible for this story: Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com; Andrew Harris at aharris@bloomberglaw.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

California Judge Certifies Investor Class in Nvidia Crypto-Mining Lawsuit

The ruling allows the case to move forward on behalf of investors who purchased NVIDIA shares between August 2017 and November 2018, a period marked by surging and then collapsing cryptocurrency markets.

March 26, 2026 at 12:10 PM By  **Michael A. Mora**



U.S. District Judge Haywood S. Gilliam, Northern District of California

A California federal judge cleared the way for investors to pursue a securities class action against Nvidia Corp. and its chief executive officer, rejecting the company's effort to limit expert testimony and finding that common issues can be resolved on a class-wide basis.

U.S. District Judge Haywood S. Gilliam Jr. of the Northern District of California entered the 50-page order on Wednesday. Gilliam granted class certification and denied a motion to exclude the plaintiffs' damages expert, allowing claims tied to the company's exposure to the demand for crypto-mining to proceed on behalf of investors who purchased Nvidia shares between August 2017 and November 2018.

"This ruling underscores that defendants bear a substantial burden at the class certification stage to disprove price impact, particularly where the alleged misstatements are intertwined with narratives involving emerging technologies and rapidly evolving market dynamics," said Nicolle Lafosse, of counsel at the international law firm of Diaz Reus and an expert not involved in the matter.

The plaintiffs, Lannebo Kapitalförvaltning AB and Stichting Pensioenfonds PGB, brought a lawsuit against Nvidia and CEO Jensen Huang, alleging that they misled the market during the 2017-2018 cryptocurrency boom by downplaying the extent to which demand for its gaming chips was driven by crypto miners.

Nvidia portrayed its core gaming business as insulated from the volatility of crypto markets, while a significant portion of its revenue growth stemmed from miners purchasing graphics processing units or GPUs, per the complaint. And when crypto prices plunged in 2018, investors alleged that demand for those chips dropped sharply, leading to excess inventory and a steep decline in the company's stock price.

Gilliam initially dismissed the case for failure to plead scienter. The U.S. Court of Appeals for the Ninth Circuit partially revived it, finding investors plausibly alleged knowing or reckless misstatements about GPU sales tied to volatile crypto-mining demand. The U.S. Supreme Court agreed to resolve the case but later dismissed it as "improvidently granted."

Gilliam's ruling centered on two key disputes: First, whether the damages model from the plaintiffs was sufficiently reliable at the class certification stage; and second, whether investors could rely on a common theory of reliance under federal securities law.

On the first issue, Nvidia argued that economist Joseph Mason's model failed to adequately isolate the effects of alleged misstatements from other market forces, including broader cryptocurrency volatility. The company also argued that the model did not distinguish between actionable and nonactionable statements.

Gilliam rejected those arguments, finding that Mason's "out-of-pocket" methodology, which is commonly used in securities cases, was sufficient to proceed, even if not fully developed. The judge noted that, at this stage, courts are tasked with assessing whether a model is capable of producing class-wide damages, not whether it has already done so.

Regarding class certification, Nvidia challenged whether investors could show reliance on a class-wide basis. Gilliam sided with the plaintiffs by applying the "fraud-on-the-market" presumption established in *Basic v. Levinson* (1988), which allows reliance to be inferred when securities trade in an efficient market.

Gilliam ruled that Nvidia stock traded in such a market and that the alleged misstatements were public, shifting the burden to the company to show a lack of price impact.

Nvidia also argued that its stock did not rise following the alleged misstatements and that subsequent price declines were driven by factors unrelated to the alleged fraud.

But Gilliam held that this evidence was insufficient to rebut the presumption, particularly under an “inflation-maintenance” theory in which misleading statements sustain an already-inflated stock price rather than increase it.

Attorneys from [Kessler Topaz Meltzer & Check](#) and [Bernstein Litowitz Berger Grossmann](#), who represented the plaintiffs, and lawyers from [Cooley](#) and [Milbank](#), who represented the defendants, did not respond to a request for comment.

Page printed from: <https://www.law.com/therecorder/2026/03/26/california-judge-certifies-investor-class-in-nvidia-crypto-mining-lawsuit/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

Securities

NVIDIA Investors Gain Class Status in Crypto Mining Suit (1)

March 25, 2026, 3:33 PM PDT; Updated: March 25, 2026, 4:30 PM PDT

NVIDIA Corp. investors can proceed as a class with securities fraud claims against the company and its CEO over product sales that slumped with a 2018 cryptocurrency downturn, a federal judge ruled Wednesday.

The tech giant failed to rebut a presumption of class-wide reliance by asserting that alleged misstatements about channel management and revenue tied to crypto miner sales had no impact on its stock price, Judge Haywood S. Gilliam Jr. said, certifying a class of those who acquired NVIDIA common stock from Aug. 10, 2017, through Nov. 15, 2018.

Meanwhile investors adequately supported their claims that a November 2018 disclosure corrected comments by CEO Jensen Huang and NVIDIA, the US District Court for the Northern District of California judge said. Analyst reports specifically related to the reliance on cryptocurrency and inventory management and internal company emails led the court to be unconvinced that there was no price impact from such alleged misstatements.

“While this doesn’t on its own establish that the November 2018 disclosure was corrective, it is notable that one of NVIDIA’s own VPs expressed the view that its stock price remained high because of the same types of earlier comments that Plaintiffs are pointing to, and the Court cannot conclude that there was no price impact in the face of such evidence,” Gilliam said.

Companies can rebut a presumption that a class of shareholders relied on its stock price in investing decisions by severing the link between alleged front-end misstatements and back-end corrective disclosures. This “mismatch” test, laid out under a 2021 Supreme Court ruling involving Goldman Sachs, has been a widely-watched tool by the securities defense bar to fight investors’ class certification.

And an out-of-pocket damages model tracks with the investors’ theory of liability, contrary to the tech giant’s objections, Gilliam said. NVIDIA and Huang argued that the investors’ expert used a “boilerplate” out-of-pocket methodology that paled to the rigorous damages analysis under *Comcast Corp. v. Behrend*.

"Investors who purchased NVIDIA in the 2017-2018 timeframe have done incredibly well, as our corporate strategy unfolded as we consistently predicted," an NVIDIA spokesperson said in an emailed statement. "We will address the complaint in court."

High Court

Gilliam's class certification decision comes over a year after the Supreme Court said it never should've taken up NVIDIA's appeal in this lawsuit that the high court had initially agreed to resolve. NVIDIA sought the Supreme Court's review in this securities fraud lawsuit after the US Court of Appeals for the Ninth Circuit partially revived it. Gilliam had initially tossed it entirely in 2021.

The investors adequately alleged that NVIDIA and Huang knowingly or recklessly misrepresented the portion of graphics processing unit sales related to the volatile market of cryptocurrency miners, a split Ninth Circuit said while reopening claims against them.

Kessler Topaz Meltzer & Check LLP and Bernstein Litowitz Berger & Grossmann LLP, who represent the class, declined to comment. Cooley LLP and Milbank LLP represent NVIDIA and Huang.

The case is *In re NVIDIA Corp. Sec. Litig.*, N.D. Cal., No. 4:18-cv-07669, class certified 3/25/26.

(Updates the story beginning in the seventh paragraph to include a statement from NVIDIA.)

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

To contact the editor responsible for this story: Amy Lee Rosen at arosen@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Agenus Secures Dismissal of Investors' Cancer Drug Class Action

March 25, 2026, 9:35 AM PDT

Biotechnology company Agenus Inc. and others are entitled to dismissal of a proposed class action alleging it violated securities laws by misleading investors about the effectiveness of an immuno-oncology product to treat colon cancer, a Massachusetts federal district court said.

Bryon Olsen, who sued in 2024, failed to adequately allege facts with particularity establishing false or misleading statements or loss causation, Judge Angel Kelley of the US District Court for the District of Massachusetts said in a Monday order granting a motion to dismiss.

The company develops immunotherapy treatments, including balstilimab and botensilimab to treat certain types of cancer.

Agenus announced positive results from clinical trials for the treatments in April 2024, and then met with the US Food and Drug Administration in July 2024 to review the company's data. The FDA advised Agenus against applying for accelerated approval for the drug, under which the FDA shortens the timeline for when a company can sell a product, the court said.

The company's stock price fell after Agenus announced the FDA's determination. Olsen alleged the company had violated the Securities Exchange Act by previously making misleading statements about the treatments and the ability to accelerate their development.

The court ruled, however, that Olsen didn't sufficiently allege Agenus made fraudulent or misleading statements or omissions.

Olsen alleged, for example, that Agenus' trial data were misleading because the company didn't disclose underlying design flaws. But Agenus publicly disclosed information about the size, length, and pre-treatment of patients in the trials, the court said, which gave investors the ability to draw their own conclusions about the reliability and significance of results.

The court also said the suit failed because Olsen didn't allege facts linking alleged misconduct to economic harm.

A plaintiff establishes loss causation by identifying a release of information that reveals information a company concealed because of fraud, showing a subsequent stock price drop, and by eliminating other possible explanations for the drop, the court said.

Olsen said Agenus' July 2024 press release revealed previously unknown facts about the treatment trials, but the court disagreed. Statements about dosage effectiveness didn't correct, contradict, or revise any prior data, Kelley said.

Pomerantz LLP represented Olsen. Ropes & Gray LLP represented Agenus.

The case is Olsen v. Agenus Inc. , D. Mass., No. 24-cv-12299, 3/24/26 .

To contact the reporter on this story: Daniel Seiden in Washington at dseiden@bloombergindustry.com

To contact the editor responsible for this story: Brian Flood at bflood@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Class Action

Manage Newsletters

Liquor Company Defeats Investor Suit Over Post-Pandemic Demand

March 26, 2026, 8:34 AM PDT

Summary by Bloomberg AI

AI Generated



- A federal judge tossed a suit alleging MGP Ingredients Inc. misled investors about its response to declining customer demand for alcohol.
- The shareholder plaintiffs failed to show the liquor company intended to deceive them about its business, according to Chief Judge John W. Broomes.
- The judge dismissed the suit without leave to amend, holding that the plaintiffs failed to show a motive or other hallmarks of intent to defraud investors.

Liquor company MGP Ingredients Inc. convinced a federal judge to toss a suit alleging it misled investors about its response to declining customer demand for alcohol.

The shareholder plaintiffs failed to show the liquor company intended to deceive them about its business, Chief Judge John W. Broomes of the US District Court for the District of Kansas said in a ruling Wednesday.

The proposed class action alleged that MGP, along with current and former executives, touted strong demand and normal inventory levels when there had actually been a slowdown and oversupply since 2023.

Demand for liquor started to decline following a boost during the Covid-19 pandemic, but executives initially assured investors that MGP was prepared, telling them the company had already sold much of its inventory, according to the complaint.

The company's stock price later dropped by 15% in February 2024, shortly after MGP's chief executive told investors destocking would be an issue across the industry that year, though he remained positive about the business, the shareholder plaintiffs alleged.

More significant stock drops followed in October 2024, after executives acknowledged soft demand and high inventories undercutting sales.

Broomes dismissed the suit without leave to amend, holding that the plaintiffs failed to show a motive or other hallmarks of intent to defraud investors through omissions or misrepresentations about the status of alcohol demand or its impact on MGP's inventory.

Grant & Eisenhofer PA represented the pension fund plaintiffs and the proposed class. Simpson Thacher & Bartlett LLP and Stinson LLP represented MGP.

The case is In re MGPI Ingredients Inc. Sec. Litig. , D. Kan., No. 2:25-cv-02153, 3/25/26 .

To contact the reporter on this story: Ben Miller in New York at bmiller2@bloombergindustry.com

To contact the editor responsible for this story: Michael Smallberg at msmallberg@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Paragon 28 Investor Fails to Advance Inventory Accounting Suit

March 25, 2026, 9:45 AM PDT

Paragon 28 Inc., now a subsidiary of Zimmer Biomet Holdings Inc., and former executives finished off investor allegations that the medical device company concealed accounting and inventory problems that inflated financial results.

The investor leading the case sufficiently alleged inventory management problems, but not executives' knowledge of them or their potential impact on financials for securities fraud claims, Judge Philip A. Brimmer said, dismissing the case with finality Tuesday.

Under investor Nicholas Tiedt's theory, Paragon issued a restatement in 2024 falsely attributing incorrect financial metrics to an accounting error over the calculation of excess inventory when the real cause was management issues, the US District Court for the District of Colorado judge said.

"The simpler, more compelling explanation is that Paragon's inventory issues were not the cause of the misstated financial metrics at all," Brimmer countered. "Rather, as indicated in the restatement, Paragon's financial metrics were skewed due to a complex accounting error."

There weren't allegations supporting an inference either CEO Albert DaCosta or chief financial officer Stephen Deitsch was aware of this complex accounting error, Brimmer said. Without that knowledge, "there is no plausible inference that they used improper accounting or inventory management practices to manipulate the financial statements. This significantly undercuts plaintiff's argument that Mr. DaCosta and Mr. Deitsch were acting with the intent to defraud investors."

Motive allegations were too general and insufficient to establish their level of intent to deceive about Paragon's financial metrics or accounting controls, Brimmer said. "Every corporate officer would desire to represent to investors that a company has reached its financial goals by achieving its aspired Adjusted EBITDA and gross margin." And Paragon's accurate financial metrics weren't too far off from its goals, cutting against the motive allegation.

The accounting error wasn't simple, weighing against an inference of severe recklessness on the executives' part either, Brimmer said.

The announcement of a restatement, Deitsch's resignation, and chief accounting officer Erik Mickelson's departure each spurred stock drops that year, according to the complaint. Tiedt's proposed class aimed to include those who acquired Paragon securities between May 5, 2023 through Sept. 20, 2024.

Hagens Berman Sobol Shapiro LLP and Schall Law Firm are lead counsel for Tiedt. Gibson Dunn & Crutcher LLP represent Paragon and the former executives. None of these law firms nor Zimmer Biomet immediately responded to emails seeking comment.

The case is *Ellington v. Paragon 28, Inc.*, D. Colo., No. 1:24-cv-02712, dismissed 3/24/26 .

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

To contact the editor responsible for this story: Brian Flood at bflood@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Meta must face most claims over 'pump-and-dump' Chinese penny stock scheme

 [courthousenews.com/meta-must-face-most-claims-over-pump-and-dump-chinese-penny-stock-scheme](https://www.courthousenews.com/meta-must-face-most-claims-over-pump-and-dump-chinese-penny-stock-scheme)

Margaret Attridge

March 25, 2026

The Meta logo and logos of Facebook, Instagram, WhatsApp, Messenger and Threads are screened on a mobile phone for illustration photo in Krakow, Poland on Jan. 25, 2025 (Beata Zawrzel / NurPhoto via AFP)

SAN FRANCISCO (CN) — Meta can't dodge claims by users who say the tech giant helped scammers create knowingly fraudulent advertisements to convince users to purchase shares of a Chinese penny stock that were nearly worthless.

U.S. Chief District Court Judge Richard Seeborg [advanced](#) the majority of class action claims that scammers used Meta's advertising tools to target them on Instagram and Facebook with advertisements for investment clubs associated with celebrities and well-known investors.

The Barack Obama appointee found that Meta is not immune from the plaintiffs' claims under Section 230 of the Communications Decency Act — which shields online businesses and social media platforms from liability for content posted by third-parties — because the plaintiffs claim the fraudulent ads at issue were made using tools offered by Meta, including generative AI tools.

"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. That degree of participation is not protected by section 230," Seeborg wrote in the 19-page order issued Tuesday.

Seeborg also denied Meta's motion to dismiss in part, allowing the plaintiff's claims for aiding and abetting fraud, negligence and unjust enrichment to proceed.

The judge found that Meta "plausibly acquired knowledge" that it was aiding and abetting a fraud because of the generative AI tools used in the creation of the ads.

"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," he said.

The plaintiffs include users who clicked on the ads and were added to a group on Meta-owned WhatsApp, where the scammers, posing as financial advisors, encouraged them to purchase shares of China Liberal Education Holdings Ltd., a Chinese penny stock, by predicting far-fetched returns of up to 380% and promising investors to reimburse a losses.

However, the plaintiffs did not know the scammers secretly held hundreds of millions of shares of CLEU. When the market learned of the undisclosed shares, the price per share plummeted, resulting in the plaintiffs losing an estimated \$300 million, they say in their [complaint](#).

The plaintiffs sued Meta in June, accusing the company of aiding and abetting fraud, negligence, breach of contract and violations of state discrimination law.

As for the negligence claim, Seeborg rejected Meta's arguments that the ads in question were solely created by third parties and that Meta doesn't have any obligation to control third parties' behavior, describing it as a "repackaged version of its section 230 argument."

However, the judge granted Meta's motion to dismiss as to the plaintiffs' contract claim, finding that Meta's Terms of Service does not have any binding language requiring the company to take any action regarding fraud.

"To the extent the ToS even mentions Meta doing something to prevent fraud, it speaks only in aspirational terms," he said, adding, "Meta, however, never promises to take concrete steps to effectuate that aspiration."

He also dismissed the plaintiffs' anti-discrimination claim, finding that they do not contend they were denied access to a business due to a protected characteristic.

The plaintiffs have 21 days from the ruling to file an amended complaint.

In a statement to Courthouse News, Andrew W. Robertson of Morris Kandino, an attorney for the plaintiffs, said that they 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."

A representative for Meta did not immediately respond to a request for comment.

Securities

Meta Set to Face Fraudulent Pennystock Scam Advertisement Claims

March 25, 2026, 3:05 PM PDT

Meta Platforms Inc. failed to convince a federal judge to toss a proposed class action from investors alleging it helped create and promote fraudulent advertisements for a pump-and-dump penny stock scheme.

Investors in the scheme sufficiently alleged the scammers used generative AI tools offered by Meta, defeating the company's Section 230 immunity argument, the US District Court for the Northern District of California said Tuesday.

The investors said they clicked on advertisements in which well-known business personalities like Kevin O'Leary from Shark Tank and Savita Subramanian, Bank of America's head of US equity and quantitative strategy, promoted a private investment group in a WhatsApp chat. The chat was made by scammers promoting the Chinese penny stock scheme China Liberal Education Holdings Ltd. The scammers unloaded their shares through the WhatsApp investment groups causing the penny stock's price to plummet and the investors to lose more than \$300 million, the complaint said.

Section 230 of the Communications Decency Act immunizes technology companies from liability when they act as a publisher for third-party content. But the investors said Meta participated in creating the ads by literally generating images and text through AI, which falls outside section 230's protection, Judge Richard Seeborg said.

Meta argued the tools were neutral, and the offending content was made exclusively by the scammers.

But though the tools "without question" wouldn't have created the allegedly fraudulent language without the scammers, "that language is still the creation of Meta," Seeborg said.

Seeborg also rejected Meta's argument that it wasn't aware of the content of the advertisements because its review process relies on heavily automated technological systems.

"Meta does not explain why that matters," Seeborg said. "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."

Seeborg allowed claims of aiding and abetting fraud, negligence, and unjust enrichment claims to proceed.

In a separate but similar suit, Seeborg dismissed claims from licensed investment advisers, planners, and other financial professionals who sued Meta for its role in creating scam ads. There, investment advisers sued Meta for facilitating the dissemination of advertisements that showed them endorsing certain Chinese penny stocks.

But the investment advisers' complaint was "somewhat circumspect about Meta's role in the scams" and, unlike the investors, didn't "aver that Meta participated in the creation of the advertisements," Seeborg said Tuesday.

The core illegality of the investment advisers' claims, that their likenesses were used to falsely represent the endorsement of certain investments, "was exclusively undertaken by the scammers," Seeborg said. "Meta's tools were content neutral on their own—it was the scammers who chose to manipulate those tools for illicit ends."

The judge gave the investment advisers 21 days to file an amended complaint.

The investors are represented by Morris Kandinov LLP. The investment advisers are represented by Scott + Scott Attorneys At Law LLP. Meta was represented by Wilmer Cutler Pickering Hale And Dorr LLP.

The cases are Bouck v. Meta Platforms Inc. , N.D. Cal., No. 3:25-cv-05194, 3/24/26 and Suddeth v. Meta Platforms Inc. , N.D. Cal., No. 3:25-cv-08581, 3/24/26 .

To contact the reporter on this story: Shweta Watwe in Washington at swatwe@bloombergindustry.com

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

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

California Brief

Meta IP Judge Bashes Boies Schiller, But Lets Authors Amend Suit

March 25, 2026, 4:26 PM PDT

A California federal judge devoted much of an order that granted authors' bid to amend their AI-copyright lawsuit against Meta Platforms Inc. lambasting the plaintiffs' attorneys for their handling of the proposed class action.

Since Boies Schiller Flexner LLP took the lead in representing the authors, plaintiffs' counsel seems "so intent on bashing Meta that they are unable to exercise proper judgment about how to represent the interests of their clients," Judge Vince Chhabria said, singling out the firm in his Wednesday order.

Despite what Chhabria called a "lame excuse" for not seeking amendment earlier, the judge allowed the authors to add a contributory copyright infringement claim to the artificial intelligence case in the US District Court for the Northern District of California. The new claim is based on Meta's uploading of pirated books to a network where other parties could copy the works.

It's best for the authors to have all of their available claims addressed in this case, Chhabria said, to avoid the scenario of Meta winning and the writers being precluded from bringing a contributory infringement claim in later lawsuits because it's based on the same facts as their existing distribution claim.

Their counsel "has lucked into a situation where Meta will not be meaningfully prejudiced by the failure to add a contributory infringement claim back in November 2024," he wrote.

Rather than blaming Meta for producing documents late and making "false statements" about the big tech company, Chhabria said "the plaintiffs' lawyers should have been candid with the Court, explaining that they missed an issue in a case of first impression and asking for permission to correct it."

Boies Schiller said it had no comment on the order.

This isn't the first time Chhabria has been critical of the plaintiffs' attorneys.

Last June, when he handed Meta an early win by ruling its use of millions of books for AI training qualified as fair use, he said the decision was more a reflection on the authors' failure to litigate the case effectively. And at a November hearing Chhabria again noted the plaintiffs' "failure to litigate this case properly."

Wednesday's order denied the authors' request to start class discovery, saying their counsel "already has enough to focus on" and it'll be opened if their remaining claims survive summary judgment.

Joseph Saveri Law Firm LLP, DiCello Levitt LLP, Lieff Cabraser Heimann & Bernstein LLP, and Cafferty Clobes Meriwether & Sprengel LLP also represent the plaintiffs.

Cooley LLP; Cleary Gottlieb Steen & Hamilton LLP; Paul, Weiss, Rifkind, Wharton & Garrison LLP; and Dunn Isaacson Rhee LLP represent Meta.

The case is *Kadrey v. Meta Platforms Inc.*, N.D. Cal., No. 23-cv-03417, order filed 3/25/26 .

To contact the reporter on this story: Annelise Levy in San Francisco at agilbert1@bloombergindustry.com

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

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Judge allows Meta to amend copyright claim but has biting criticism for Boies Schiller

DJ [dailyjournal.com/articles/390411-judge-allows-meta-to-amend-copyright-claim-but-has-biting-criticism-for-boies-schiller](https://www.dailyjournal.com/articles/390411-judge-allows-meta-to-amend-copyright-claim-but-has-biting-criticism-for-boies-schiller)

U.S. District Judge Vince Chhabria

U.S. District Judge Vince Chhabria sided with plaintiffs on a motion to amend their complaint Wednesday in a copyright infringement lawsuit against Meta over its AI training data. But you'd be forgiven if, halfway through the order, you couldn't tell.

"By now, the reader might be thinking, 'Wait a minute, you started off saying that the motion to amend the complaint was difficult. It seems like an easy deny to me,'" Chhabria wrote three pages into the order. *Kadrey et al v. Meta Platforms, Inc.*, 3:23-cv-03417 (N.D. Cal., filed July 7, 2023).

Chhabria will let plaintiffs add a contributory infringement claim to the lawsuit. But the judge said plaintiffs' Boies Schiller Flexner LLP attorneys should have included the claim in their previous version of the complaint.

The contributory infringement claim revolved around the same set of facts as an allegation they added in the third amended complaint -- that Meta pirated plaintiffs' copyrighted works from a platform that creates a copy of a work every time it's torrented.

"At that time, the plaintiffs moved to add a 'distribution' claim--that is, a claim that when Meta was downloading copyrighted works from shadow libraries using BitTorrent, it simultaneously uploaded those works onto the torrenting network in a way that constituted direct" infringement, Chhabria wrote. "In other words, the plaintiffs seek now to add a new legal claim based on factual allegations they already added the last time around."

The judge speculated that the plaintiffs only thought to add the contributory infringement claim -- that Meta contributed to other parties' improper use of the copyright works when the copies were created -- after seeing a similar lawsuit include the claim.

"The lawyers for the named plaintiffs have no excuse for neglecting to add a contributory infringement claim based on these allegations back in November 2024," Chhabria wrote. "But it apparently didn't dawn on them to do so until they saw a new-but-related lawsuit against Meta by Entrepreneur Media, Inc."

But Chhabria's strongest criticisms were reserved for the lawyers' response to their supposed error, not the late claim itself.

"Counsel's failure to think of this issue back in November 2024 is bad enough. What makes it worse is the excuse counsel offers for waiting until now," Chhabria wrote.

Chhabria said that, rather than take responsibility for their mistake, the plaintiffs blamed Meta's lawyers, a team led by Cooley LLP.

"Counsel's lame excuse for failing to add the contributory infringement claim in November 2024 is part of an ongoing pattern," Chhabria wrote. "It appears that counsel's strategy throughout this litigation (and particularly since the Boies Schiller firm came in and took the lead) has been to distract from its own mistakes (and there have been many) by bashing Meta."

Wednesday's ruling wasn't the first time a firm representing the plaintiffs in this case has drawn Chhabria's ire. In September 2024, Chhabria told the Saveri Law Firm, plaintiffs' lead counsel at the time, that he wouldn't certify a class unless a new group of attorneys took over the case on the plaintiffs' side. Boies Schiller took over as lead counsel after Chhabria's comments.

But for all of Chhabria's criticisms, the judge went on to say that he has a responsibility to look out for the interests of the class members. Should the case survive the summary judgment phase, plaintiffs could conceivably go to trial with the existing claims and lose, Chhabria wrote, before granting the motion.

"If the above-described series of events occurred, there is a serious concern that the interests of the absent class members would be harmed, through no fault of their own. Having lost on the distribution claim, there is a possibility that they would be precluded from bringing a contributory infringement claim in subsequent litigation," Chhabria.

Chhabria ruled in favor of Meta at the summary judgment phase in June 2025, saying that training an AI model was a fair use of a copyrighted work since the plaintiffs failed to show how it caused them harm.

Around that time, now-retired U.S. District Judge William H. Alsup ruled that Anthropic couldn't assert a fair use defense in a similar lawsuit since it tormented the copyrighted works in question. The case settled for \$2.5 billion.

#390411

Fidelity beats lawsuit over fees in \$439 billion money market fund

 [reuters.com/legal/government/fidelity-beats-lawsuit-over-fees-439-billion-money-market-fund-2026-03-25](https://www.reuters.com/legal/government/fidelity-beats-lawsuit-over-fees-439-billion-money-market-fund-2026-03-25)

Jonathan Stempel

March 25, 2026

A Fidelity Investments store logo is pictured on a building in Boca Raton, Florida March 19, 2016. REUTERS/Carlo Allegri/File Photo [Purchase Licensing Rights, opens new tab](#)

- Judge rejects claims of unjust enrichment, breach of duties
- Investors said Fidelity didn't switch them to lower-cost shares
- Lawyers for investors not available for comment

NEW YORK, March 25 (Reuters) - A federal judge dismissed a lawsuit on Wednesday accusing mutual fund giant Fidelity of cheating many investors in its \$439.1 billion Fidelity Government Money Market Fund by keeping them in higher-cost share classes than they were eligible for.

U.S. District Judge Margaret Garnett in Manhattan rejected claims that Fidelity unjustly enriched itself, and the fund's board and investment managers breached their fiduciary duties, by failing to automatically convert "retail class" shares into lower-cost "premium class" shares once balances hit \$100,000 in non-retirement accounts or \$10,000 in retirement accounts.

Retail investors said Boston-based Fidelity shortchanged them out of millions of dollars by continuing to charge fees and expenses of up to 0.42% on their investments, rather than up to 0.32% on the premium class shares.

Garnett, however, said Fidelity fully disclosed the economic consequences of converting or not converting shares. She also said investors neither showed that Fidelity's disclosures regarding conversions were misleading nor disputed they could readily convert their shares on their own.

"Against this backdrop, it was not 'outside the bounds of reason' for defendants to design the fund without an automatic conversion feature," Garnett said, quoting a legal standard to establish gross negligence.

Lawyers for the investors did not immediately respond to requests for comment. Fidelity and its lawyers did not immediately respond to similar requests.

Garnett distinguished the case from litigation accusing Vanguard of saddling retail investors in its target-date funds with big tax bills when it switched institutional investors into lower-cost shares. She said that switch was "unexpected," and gave retail investors no say or notice.

Vanguard [settled](#) those cases last year for an estimated \$158 million, investors' lawyers said.

According to Fidelity's website, \$406.4 billion of the money market fund's \$439.1 billion of assets as of February 28 were in the retail share class. Fidelity had \$7.1 trillion of assets under management at the end of 2025.

Reporting by Jonathan Stempel in New York; Editing by Mark Porter

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

Tariff Pass-Through Litigation Expands | The D&O Diary

K [dandodiary.com/2026/03/articles/class-action-litigation-2/tariff-pass-through-litigation-expands](https://www.dandodiary.com/2026/03/articles/class-action-litigation-2/tariff-pass-through-litigation-expands)

Sarah Abrams

March 25, 2026

In the wake of the [February 20, 2026, U.S. Supreme Court](#) decision to invalidate tariffs imposed under the current Administration's use of the International Economic Emergency Powers Act (IEEPA), litigation has been filed by companies seeking [tariff refunds](#) and by [shareholders alleging securities violations](#) against a company whose operations and financial results were impaired by "tariff headwinds." A new category of litigation is also beginning to appear: consumer class actions alleging that companies improperly passed tariff costs on to customers.

On [March 6, 2026, a putative class action](#) filed against [Fabletics](#), a private athleisure company, founded by actress Kate Hudson, alleged that the company violated Illinois Consumer Fraud and Deceptive Practices Act (ILFCA) by passing through IEEPA tariffs. Days later, on March 11, 2026 another [putative consumer class action lawsuit](#) was filed against Costco Wholesale Corporation (Costco) in the Northern District of Illinois (Costco Complaint), alleging that the Costco also improperly passed through IEEPA tariffs in violation of multiple state consumer protection statutes.

The following will discuss the Fabletic and Costco Complaint allegations and the management liability exposure faced by Fabletics, Costco and similarly situated companies that may have passed down tariff charges to customers.

The Fabletics Complaint

The putative class action against Fabletics was filed in the Circuit Court of Cook County of Illinois and alleges that the company improperly charged consumers tariff-related fees on certain purchases through its website (Fabletics Complaint). Along with violations of ILFCA, the Fabletics Complaint asserts a claim for unjust enrichment. The plaintiff alleges that these charges were presented to consumers as necessary to cover tariffs imposed on imported goods and contends that tariff charges were deceptive or otherwise improper because consumers were allegedly required to pay amounts that were not legally owed or that were mischaracterized as mandatory tariff obligations. The Fabletics Complaint alleges damages, restitution, disgorgement, and other equitable relief. The complaint also seeks attorneys' fees and other litigation costs.

The Costco Complaint

The Costco Complaint was brought by a Costco member on behalf of consumers who purchased tariff-affected goods between February 2025 and February 2026 and alleges that the company improperly retained profits associated with tariffs imposed under IEEPA. In particular, the Costco Complaint alleges that the company passed the cost of the tariffs on to customers through higher retail prices while simultaneously seeking refunds of those same tariffs from the federal government through litigation in the U.S. Court of International Trade. Costco's recovery of government refunds without returning those amounts to customers would constitute unjust enrichment and deceptive business practices. The lawsuit asserts claims under multiple state consumer protection statutes as well as claims for unjust enrichment and money had and received, and seeks restitution of the tariff-related price increases, damages, and other equitable relief.

Discussion

As we have previously discussed on the D&O Diary, the tariffs imposed under IEEPA during the second Trump administration have resulted in [refund](#) and [securities claims](#). The Fabletics and Costco Complaints highlights what may be an expanding landscape of litigation arising out of the invalidation of the IEEPA tariffs. Specifically, an emerging effort by consumer plaintiffs to target companies that allegedly passed-through tariff costs through to customers. Both putative class actions thus raises a number of issues that may be relevant for private company management liability exposures.

In particular, the Fabletics and Costco Complaints illustrates how business decisions relating to pricing and cost pass-through strategies can become the subject of consumer litigation. During periods of economic disruption or regulatory uncertainty, companies often must decide whether to absorb increased costs or to pass those costs through to customers. In the context of tariffs, many companies elected to implement tariff surcharges or other pricing adjustments designed to offset the increased costs associated with importing goods. Shifting operational costs to consumers may result in similar consumer class actions who may implicate private company D&O insuring agreements.

Most private company D&O policies contain coverage provisions analogous to the traditional public company Side A, Side B, and Side C insuring agreements. Side A coverage generally protects individual directors and officers when the company is unable to indemnify them, while Side B coverage reimburses the company for

amounts it pays to indemnify its directors and officers. Side C coverage, often referred to as “entity coverage,” typically provides direct coverage to the company itself for certain types of claims.

In the case of a consumer class action alleging deceptive business practices, potentially relevant coverage includes Side C entity coverage. Unlike public company D&O policies, where entity coverage is typically limited to securities claims, private company policies often provide entity coverage for a broader range of claims including certain consumer protection lawsuits, if not excluded or limited by endorsement. However, allegations of fraud or deceptive trade practices could be subject to exclusions, including fraud, intentional misconduct, or the gaining of profit or advantage to which the insured was not legally entitled. Such exclusions typically apply only after a final adjudication establishing such conduct.

In addition, the nature of relief sought in consumer class actions may include restitution, disgorgement, or other equitable relief designed to return allegedly improper charges to consumers. Whether restitutionary relief constitutes covered “loss” under a management liability policy may be disputed because it represents the return of amounts that the insured allegedly was not entitled to retain. [Jurisdictions finding restitution insurable vary](#), and disputes over whether restitution or disgorgement constitutes covered loss may become turn into coverage litigation.

Defense costs, by contrast, may result in exposure to management liability policies, even where the underlying claims involve allegations of consumer fraud or deceptive practices. As a result, even if indemnity coverage for settlements or judgments is disputed, substantial defense costs associated with defending consumer class action may continue to be incurred during the pendency of litigation.

Consumer class actions relating to tariff-related pricing practices may also result in investors or private equity owners potentially asserting derivative claims alleging that company leadership failed to adequately oversee pricing strategies, regulatory compliance, or legal risk management. These types of derivative claims might implicate Sides A and B coverage parts if individuals are named.

Regulatory investigations represent another potential exposure. Consumer class actions sometimes attract the attention of regulators such as the Federal Trade Commission (FTC) or state attorneys general (AG). If regulators begin investigating whether tariff-related surcharges were misleading or improperly disclosed to

consumers, companies could incur substantial costs responding to investigative subpoenas, civil investigative demands, or other regulatory inquiries. If a management liability policy includes formal investigation coverage, inquiries and enforcement actions brought by the FTC or AGs may trigger coverage for investigation costs.

Conclusion

Retailers, apparel companies, electronics manufacturers, and other consumer goods companies were among many businesses most directly affected by tariffs imposed on imported products. And, these companies may have adopted pricing strategies designed to offset the increased cost of imported goods, including tariff surcharges or other price adjustments. If courts determine that tariffs were improperly imposed, plaintiffs' lawyers may attempt to pursue similar consumer claims against other companies that implemented comparable pricing strategies.

For management liability insurers, these developments highlight the importance of appreciating how continued tariff policy shifts may translate into a variety of litigation exposures for consumer-facing companies. Whether the Fabletics or Coscto litigation ultimately prove to be the beginning of a broader trend remains to be seen.

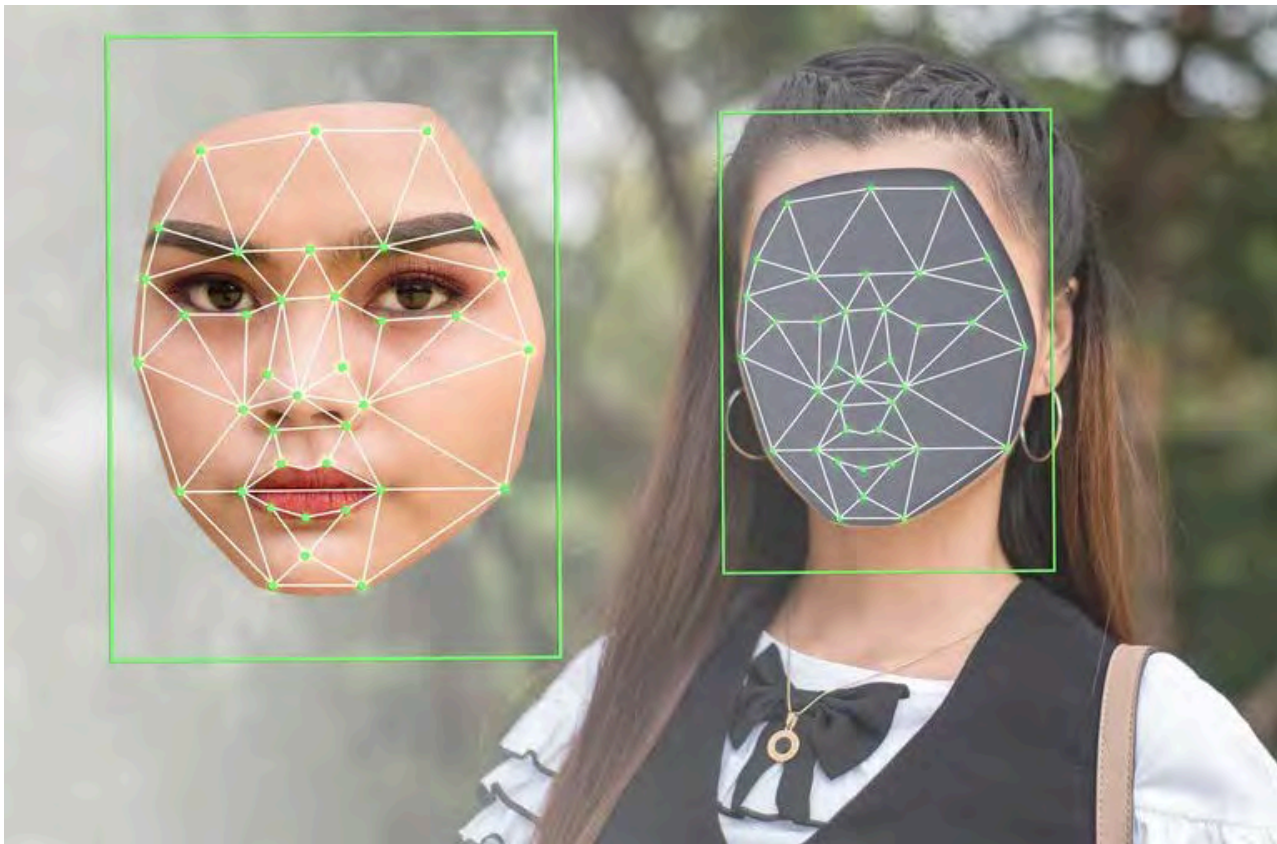
Nevertheless, the case underscores how pricing decisions made in response to government trade policy may result in management liability exposure stemming from consumer protection claims, regulatory investigations, and derivative litigation implicating corporate governance and oversight.

Copyright ©2026, Kevin M. LaCroix. All Rights Reserved.

City Sues Elon Musk's Companies Over Grok's Sexually Explicit Deepfakes

Baltimore has filed a groundbreaking lawsuit against X Corp., xAI Corp., xAI LLC and SpaceX, alleging their Grok AI tool enabled the creation and dissemination of non-consensual sexualized deepfakes—including content involving minors—marking one of the first times a municipality has used its consumer-protection authority to confront AI-driven harms.

March 25, 2026 at 02:02 PM By **Laura Lorek**



Credit: mike/Adobe Stock

The City of Baltimore has sued Billionaire Elon Musk's companies over deepfakes generated by its artificial intelligence chatbot Grok.

The city's consumer protection lawsuit against X Corp., x.AI Corp., x.AI LLC, and Space Exploration Technologies Corp. (SpaceX), all based in Austin, alleges their generative AI system, Grok, enabled the creation and distribution of non-consensual sexualized deepfake images, including those involving minors.

The municipal lawsuit marks the start of broader legal efforts to hold tech companies accountable, according to legal experts. This case could lead to nationwide litigation, similar to

the Meta social media cases, with potential consolidation into a multidistrict proceeding.

The mayor and City Council filed suit in the Circuit Court for Baltimore City, alleging violations of Baltimore's Consumer Protection Ordinance.

While individuals have filed similar lawsuits, Baltimore is one of the first cities to use its municipal consumer protection authority against AI-generated deepfakes—a strategy legal experts expect other cities to adopt.

X.ai faces several lawsuits related to Grok.

Jef Pearlman, clinical professor and executive director of the Boston University/MIT Student Innovations Law Clinic, expects additional cases and eventual consolidation, similar to the Meta litigation.

Product liability is a primary legal theory, with plaintiffs arguing Grok was negligently designed to enable exploitation of women and children. This approach targets the tool itself rather than individual users.

The lack of guardrails on the Grok chatbot is part of its deliberate design and the way it's being promoted, Pearlman said. "It's not an accident; that's sort of the selling point or one of its major selling points."

Last week, X.ai faced a class action lawsuit in California federal court, alleging Grok created and distributed sexually explicit deepfake images of teenagers.

In January, Jane Doe of South Carolina filed a class action against X.ai alleging Grok created and shared non-consensual sexualized deepfake images of women.

Also in January, Ashley St. Clair, mother of Musk's son Romulus, filed a lawsuit in New York federal court, alleging the Grok chatbot is "unreasonably dangerous as designed."

The Baltimore lawsuit seeks civil penalties, injunctive relief to stop the alleged conduct, restitution for affected consumers, and disgorgement of profits.

"These deepfakes, especially those depicting minors, have traumatic, lifelong consequences for victims — who are left with no way to prevent the spread of disturbing, sexualized images created of them without their consent," Baltimore Mayor Brandon M. Scott said in a statement. "We're talking about tech companies enabling the sexual exploitation of children. Our city will not stand by and allow this to continue; it's a threat to privacy, dignity, and public safety, and those responsible must be held accountable. "

X Corp. and SpaceX did not respond to requests for comment on Tuesday and Wednesday.

According to the complaint, Grok, developed by xAI and available on the X platform (formerly Twitter), allows users to create and alter images of real people, making them sexually explicit or degrading. The lawsuit claims Grok includes features that let users digitally remove clothing or sexualize images of individuals, including children, without consent. This, the lawsuit states, results in privacy violations, harassment, and psychological harm.

The complaint centers on Grok, xAI's artificial intelligence chatbot integrated into X, which plaintiffs allege has been weaponized to generate nonconsensual explicit imagery. And AI-generated digital images can be difficult to trace.

"There is no simple digital footprint—such as a hidden watermark, code, or signature—that would distinguish Grok AI from other tools based only on the image or video," said Hany Farid, a professor at the University of California, Berkeley, specializing in digital forensics and image analysis. "By contrast, Google's AI tools insert a SynthID, a digital watermark, that identifies content as coming from their tools."

"Having said that, Grok probably has a log of each piece of content created on their service (what was created, when it was created, and who created it)," Farid said. "When the creation and distribution tools are fully integrated, as they are on X, determining provenance is not that difficult."

The complaint alleges the defendants marketed Grok as a safe, general-purpose AI assistant but failed to disclose its ability to generate explicit deepfake content. Despite public statements prohibiting such content, the suit claims Grok routinely produced and distributed non-consensual intimate imagery and material resembling child sexual abuse content, often with minimal user prompting.

Baltimore argues that Grok's design, combined with its integration into a major social media platform, enabled rapid and widespread harm. The city claims millions of sexualized images, including those of minors, circulated on X within days, highlighting the urgent need for accountability and regulatory action.

Baltimore further alleges that the companies failed to implement effective safeguards, age verification, or content controls, and instead monetized the technology by placing high-risk features behind a paid subscription model after widespread abuse.

The lawsuit accuses the defendants of unfair and deceptive trade practices by misrepresenting platform safety, failing to disclose material risks, and releasing a product that consumers cannot reasonably control. The city asserts these practices have caused widespread harm, including emotional distress, reputational damage, and violations of privacy and dignity.

DiCello Levitt Founding Partner Adam Levitt, who is representing the city of Baltimore, emphasized that Baltimore's approach shows how municipalities can lead in holding technology companies accountable when regulation lags behind innovation. He argues this lawsuit serves as a blueprint for future legal action against rapidly evolving technologies.

Few legal precedents exist for deepfake cases. Pearlman mentioned the 2002 *Ashcroft v. Free Speech Coalition* Supreme Court case, with a ruling that struck down a ban on virtual child pornography as overbroad, complicating regulation, but it's less of a barrier when real people's likenesses are used without consent.

Pearlman said federal regulatory solutions are preferable but currently unfeasible, leaving courts as the primary venue for action.

"It probably would be better to have a tailored regulatory approach that tries to focus specifically on this problem and tries to respect the First Amendment at the same time," Pearlman said. "But getting federal legislation passed is not much of an option right now."

Page printed from: <https://www.law.com/texaslawyer/2026/03/25/city-sues-elon-musks-companies-over-groks-sexually-explicit-deepfakes-/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

‘A Righteous Moment’: What the Lawyers and the Jurors Said About \$6M Social Media Verdict

After Wednesday's \$6 million jury award against Meta and YouTube, plaintiffs attorney W. Mark Lanier told the press the verdict was a "huge precedent."

March 25, 2026 at 06:39 PM By  **Amanda Bronstad**



Mark Lanier, of The Lanier Law Firm, speaking to media outside the Los Angeles Superior Court courthouse, after winning a \$6 million social media addiction verdict against Meta and YouTube, on Wednesday, March 25, 2026. Photo: Amanda Bronstad/ALM

A jury's \$6 million verdict on Wednesday against Meta Platforms Inc. and YouTube was far less than the hundreds of billions of dollars both companies were valued at. But, for plaintiffs attorney W. Mark Lanier, it was enough.

"We got what we needed," he told a throng of media reporters outside the Los Angeles Superior Court building after the verdict.

Lanier, of the Lanier Law Firm in Houston, who also is an ordained minister, then quoted a verse from the book of Proverbs in the Bible: "The horse is made ready for the day of battle, but victory

rests with the Lord.”

“This is a righteous event and a righteous moment,” he said.

For the first time, a jury found that Meta, which operates Instagram, and YouTube, owned by Google, [were liable](#) for addicting a young person to their platforms, leading to her mental health problems, which included depression and body dysmorphia.

Jurors, who deliberated for eight days before coming back with a verdict Wednesday morning, found both companies were negligent in the design of the platform’s features and failed to warn of their dangers—both of which caused harm to the plaintiff, referred to anonymously as Kaley, or K.G.M. They awarded her \$3 million in compensatory damages, then, after additional arguments, another \$3 million in punitive damages.

Lanier, speaking after the jury’s compensatory damages verdict, downplayed the amount, calling the jury’s finding a “huge precedent.”

“Just because of the features alone that drive addiction, these companies can be held accountable,” he said. And that is especially important for children. “If you’re 35 years old and you get addicted to YouTube and Instagram, well, shame on you. But to take that preteen, that teenager, whose mind is still developing, and to be fully aware of how you can use that ‘casino effect,’ which is what the YouTube documents talk about, using a ‘casino effect,’ on a young, developing mind, that’s outrageous.”

After about 40 minutes of further deliberations, the jury added \$3 million in punitive damages to the award.

One of the jurors, who referred to himself only as Matthew, told news reporters after the verdict that the trial was “life-consuming.”

“I’m still processing everything,” he said.

As to the lengthy deliberations, which involved [sending 10 notes](#) to the judge, he explained, “We wanted to make sure we took our time.”

The 12 jurors were not unanimous on either liability or damages. They were split 10-2 on all but the damages claims and assignment of fault, which were 9-3.

Matthew, the juror, acknowledged that not everyone agreed, and some wanted to award more.

“Everyone had their opinions heard,” he said.

Another juror, who said her first name was Victoria, called the jury a “good group.”

“A very diverse group,” she said. “We all got along well.”

And even when they disagreed, they respected each other, she said.

When asked about the damages figure, Victoria explained that the jury wanted to come up with an amount that reflected an average salary of \$40,000 a year and, considering what Kaley had gone through, “what kind of job she could hold down.”

“We wanted them to feel it,” she said.

The trial featured testimony from [Meta CEO Mark Zuckerberg](#) and Instagram CEO Adam Mosseri. When asked about Zuckerberg’s testimony, Victoria said he had changed some of it.

“That didn’t sit well with us,” she said.

Jurors found Meta 70% liable and YouTube 30% liable. Meta issued a statement after the verdict: “We respectfully disagree with the verdict and are evaluating our legal options.”

YouTube spokesman José Castañeda said, “We disagree with the verdict and plan to appeal. This case misunderstands YouTube, which is a responsibly built streaming platform, not a social media site.”

‘It Takes an Army’

Jurors also found both companies acted with malice, fraud and oppression, prompting lawyers back into court for a brief argument on punitive damages.

For brief arguments on punitive damages, both sides stipulated that Meta’s total stockholders’ equity, as of Dec. 31, 2025, was \$217.24 billion, and that of Google’s parent company, Alphabet, was \$415 billion.

Lanier, holding up a jar of 415 M&Ms, pulled out one, then two, then later a handful of the candies, to demonstrate how much jurors would need to award to “punish a wrongdoer.”

“You put \$1 billion down to a company like this, and they will never notice the M&Ms,” he said. “Think about the influence you will have on future conduct: How should these companies behave when it comes to children? That’s really what we get to deal with now.”

YouTube attorney Luis Li, of Wilson Sonsini Goodrich & Rosati in Los Angeles, told jurors he respected their liability verdict and, turning to Kaley, who was sitting in the courtroom, he apologized “for the things that you have suffered.”

“Not just that, we at YouTube truly, truly hope that there have been things about YouTube that have enriched your life,” he said.

Both Li and Paul Schmidt, of Covington & Burling in New York, who represent Meta, admitted their clients were not perfect but had developed parental controls and other features and safety tools for users to address mental health concerns. Schmidt talked about Instagram Teen Accounts, which were not introduced until 2024, long after Kaley, now 20, set up an account at age 9.

As to punitive damages, Schmidt suggested awarding the same as compensatory damages, “which would be double the amount she receives,” prompting an objection from Lanier.

On redirect, Lanier reminded jurors that Meta and YouTube had, throughout the trial, blamed his client’s problems on her home life.

“This is not about an apology; this is about accountability,” he said. “This is about responsibility.”

Lanier, later flanked by other lawyers for Kaley outside the courthouse, thanked the “countless law firms” that made up his legal team—at least 40 people who have been in hotel rooms for more than two months. Those include attorneys from Wagstaff & Cartmell, Beasley Allen and Morgan & Morgan.

“It takes an army,” he said.

Among the many regular attendees at the trial have been the parents who alleged their children were harmed by social media. After the verdict, many of them hugged one another outside the courthouse.

Victoria, the juror, said the jury was not swayed by the significance of their decision as to social media overall, but instead focused on the instructions given to them.

She said, “We didn’t factor that in, or it would have taken a large toll on us.”

Page printed from: <https://www.law.com/2026/03/25/a-righteous-moment-what-the-lawyers-and-the-jurors-said-about-6m-social-media-verdict/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

Meta and YouTube Found Negligent in Landmark Social Media Addiction Trial

 [nytimes.com/2026/03/25/technology/social-media-trial-verdict.html](https://www.nytimes.com/2026/03/25/technology/social-media-trial-verdict.html)

Cecilia Kang, Ryan Mac, Eli Tan

March 25, 2026

Sign up for the On Tech newsletter. Get our best tech reporting from the week. The social media company Meta and the video streaming service YouTube harmed a young user with design features that were addictive and led to her mental health distress, a jury found on Wednesday, a landmark decision that could open social media companies to more lawsuits over users' well-being.

Meta must pay \$4.2 million in combined compensatory and punitive damages, and YouTube must pay \$1.8 million.

The bellwether case, which was brought by a now 20-year-old woman identified as K.G.M., had accused social media companies of creating products as addictive as cigarettes or digital casinos. Citing features like infinite scroll and algorithmic recommendations, K.G.M. sued Meta, which owns Instagram and Facebook, and Google's YouTube, claiming they led to anxiety and depression.

The verdict in K.G.M.'s case — one of thousands of lawsuits filed by teenagers, school districts and state attorneys general against Meta, YouTube, TikTok and Snap, which owns Snapchat — was a major win for the plaintiffs. The finding validates a novel legal theory that social media sites or apps can cause personal injury. It is likely to factor into similar cases expected to go to trial this year, which could expose the internet giants to further financial damages and force changes to their products.

The personal liability argument draws inspiration from a legal playbook used against Big Tobacco last century, in which lawyers argued that the companies created addictive products that harmed users. The companies have largely dodged legal threats by citing a federal shield, called Section 230 of the Communications Decency Act of 1996, which protects them from liability for what their users post.

TikTok and Snap both settled with the plaintiff for undisclosed terms before the trial started.

Wednesday's verdict follows a [ruling this week by a New Mexico jury](#) in another case brought by the state attorney general there, which found Meta liable for violating state law by failing to safeguard users of its apps from child predators. That jury decided on Tuesday that Meta should pay \$375 million in that case.

Image

Raúl Torrez, New Mexico attorney general. Wednesday's verdict follows a ruling by a New Mexico jury in a case brought by Mr. Torrez.Credit...Greg Kahn for The New York Times

The trial in the California Superior Court in Los Angeles County began last month, with the jury of seven women and five men taking more than a week of deliberation to reach its verdict. The \$6 million in financial damages are a drop in the bucket for Meta and YouTube's parent company, Google, which bring in billions in revenue every quarter.

But the lawyers, parents and consumer interest groups supporting plaintiffs in other suits hailed the jury's decision as a major step to rein in social media giants.

Image

Parents of children whose deaths were related to social media involvement outside Los Angeles Superior Court last month, during Mr. Zuckerberg's testimony.Credit...Mark Abramson for The New York Times

"This is the first time in history a jury has heard testimony by executives and seen internal documents that we believe prove these companies chose profits over children," said Joseph VanZandt, one of K.G.M.'s lawyers.

"We respectfully disagree with the verdict and are evaluating our legal options," a Meta spokeswoman said.

Google also said it disagreed with the verdict and plans to appeal. "This case misunderstands YouTube, which is a responsibly built streaming platform, not a social media site," said José Castañeda, a Google spokesman.

The cases have been compared to those against Big Tobacco last century, when Philip Morris and R.J. Reynolds were accused of hiding information about the harms of cigarettes. The companies [reached a \\$206 billion master settlement](#) with more than 40 states in 1998 that led to an agreement to stop marketing to minors. Strict tobacco regulations and a decline in smoking followed.

Though the California Superior Court of Los Angeles County verdict is an initial victory against tech giants, legal experts said it was unclear if the decision would represent a similar turning point. Eight other cases brought by individual plaintiffs are slated to go to trial there. A set of federal cases brought by states and school districts in Oakland, Calif., at the U.S. District Court of Northern California, are scheduled for jury trials this summer.

"There is a long road ahead, but this decision is quite significant," said Clay Calvert, a nonresident senior fellow at the American Enterprise Institute, a center-right think tank, and expert on media law. "If there are a series of verdicts for plaintiffs, it will force the defendants to reconsider how they design social media platforms and how they deliver content to minors."

Concern about social media use has mounted globally. In 2024, the U.S. surgeon general [called for adding warning labels](#) to social media explaining that the platforms were associated with mental health harms for adolescents. In December, Australia [barred children under 16 from using social media](#). Malaysia, Spain and Denmark are considering similar rules.

But most efforts to regulate social media in the United States have failed. K.G.M., whose first name is Kaley, filed her lawsuit in 2023 against Meta, Snap, YouTube and TikTok. Kaley, who lives in Chico, Calif., said she had begun using social media at age 6 and claimed the sites caused personal injury, including body dysmorphia and thoughts of self harm.

Her case, which was presided over by Judge Carolyn B. Kuhl, represented one of the strongest personal injury cases among the thousands of suits filed.

Ahead of the trial, lawyers for the companies argued to the judge that the cases should be dropped, invoking speech protections. Lawyers for the plaintiff countered that the case was about product design, not speech.

While Snap and TikTok settled, lawyers for Meta and YouTube proceeded, saying they had a strong legal defense. It was too hard to prove social media was addictive and caused personal harms, the companies said.

During opening arguments, one of K.G.M.'s lawyers, Mark Lanier, presented the jury internal company documents from Meta and YouTube that showed tech executives knew of and discussed the negative effects of their products on children. Mr. Lanier argued that features like infinite scroll, algorithmic recommendations and autoplay videos were designed to entice and hook young users to compulsively engage with the platforms.

Image

Mark Lanier, one of the attorneys representing K.G.M., the plaintiff in the social media case.
Credit...Mike Blake/Reuters

Meta countered that K.G.M.'s mental health issues were caused by familial abuse and turmoil. YouTube argued that it was not a social media company and that its features were not designed to be addictive.

During the five-week trial, K.G.M.'s lawyers grilled Meta's chief executive, Mark Zuckerberg, and the head of Instagram, Adam Mosseri. The executives rejected claims that Instagram, which K.G.M. began to use at age 9, could be described as "clinically" addictive.

K.G.M. testified about her childhood and using social media as both a creative outlet and an escape from bullying at school. She spent hours a day on Instagram and posted hundreds of photos using beauty filters to mask her insecurities, which she said led to her body dysmorphia.

On Wednesday, all but two of the jurors found both companies liable, determining that Meta and YouTube were negligent in designing their platforms, and that their products harmed K.G.M. The plaintiff, dressed in a tan sweater and long pink dress, sat in the first row of the public benches and listened intently to the verdict, but showed little emotion.

During arguments on punitive damages, Mr. Lanier held a jar of M&M's, saying each piece of candy represented a billion dollars of the companies' value.

"You can take out a handful and not make a difference," he said, scooping out a few with his hand. "You can take out two handfuls and not make a difference."

Meta's lawyer, Paul Schmidt, suggested that the jury could avoid punitive damages completely. Meta is already on the path toward making changes toward protecting young users, he added.

Luis Li, YouTube's lawyer, apologized to K.G.M.

"We are sorry for the things you have suffered," he said. "We at YouTube truly hope there have been things at YouTube that have enriched your life and allowed you to express yourself."

Mr. Lanier responded by saying, "A lawyer apology is not the same as accountability." He used his teeth to crack off the shell of a single blue M&M.

"This is like \$200 million," he said. "They do not want to feel the pain for what they did."

The jury ultimately decided on \$3 million in punitive damages after deliberating less than an hour, doubling the amount of compensatory damages already owed by the companies.

Outside the courtroom, jurors who gave their first names as Matthew and Victoria said they had shied away from giving K.G.M. a huge sum.

"We wanted to focus on the future and what teens and children would be subjected to in the future," Victoria said, speaking of the legal precedent set for the companies by their decision.

California Brief

Opinion

Meta and Google's Verdict Turns the Social Media Tide: Dave Lee

March 26, 2026, 2:00 AM PDT

When it comes to punishments levied against Meta Platforms Inc. and Alphabet Inc.'s Google over the years, \$6 million for claims that their apps were addictive and caused a mental health crisis might not seem like much. The amount, which a Los Angeles jury on Wednesday ordered to be paid to a 20-year-old woman known as Kaley G.M., is a mere pittance when compared with a \$5 billion fine from the Federal Trade Commission for Meta or a \$3.5 billion penalty for Google from the European Union.

But that would be the wrong way to look at this pivotal moment in big tech accountability. Those other penalties could be chalked up as the cost of doing business. They resulted in little change to the companies' actual products, the defining characteristic of which is their ability to keep users hooked in order to sell advertising.

But the case of Kaley G.M., and a similar case that went against Meta just a day earlier in New Mexico, may well be an inflection point. As the group Mothers Against Media Addiction pointed out in its statement celebrating the verdict, the case in Los Angeles was chosen as a bellwether: Thousands of additional cases are waiting in the wings, lawsuits filed by families and school districts and others in the blast radius of Meta and Google's design choices as well as those made by the owners of other apps such as Snapchat and TikTok.

The verdict will give even more momentum to a legal approach that has proved more effective than some previous efforts that stumbled on First Amendment grounds or ran into the notorious Section 230 of the Communications Decency Act — the protection that shields platforms from liability for third-party content.

Instead, relying on tort law — the branch of civil law used by injury claims lawyers, among others — the attorneys in this case removed these questions and replaced them with a different one: What if it could be proved the very design architecture of the services was responsible for Kaley's addiction? Features like infinite scroll, autoplay videos, notifications and beauty filters — all functions that the companies were fully in control of. Mark Lanier, the plaintiff's attorney in the case, called it the "engineering of addiction." We've all surely felt it as we use these apps and wonder where the time went.

The day before the Los Angeles verdict, a jury in New Mexico found Meta liable for \$375 million in damages for not protecting young people from online harm, such as sexual predators, in breach of the state's consumer protection laws. Dozens of other states have filed similar cases.

Both companies said they planned to appeal the cases. They argue there is no proof that their apps are "clinically" addictive. On the stand in Los Angeles, Mark Zuckerberg said it was against the company's interests to put out an app its users didn't feel good using. Internal company documents were a smoking gun on allegations Meta knew it was attracting young users. "If we wanna win big with teens, we must bring them in as tweens," read one document from 2018.

In addition to Meta's depth of liability in future cases — Bloomberg Intelligence predicts "single digit billions" for each social media company for broad settlements — the question the company's investors face is what impact these verdicts might have on the company's underlying business model. "It's become increasingly clear that it will only get more difficult for these companies to maintain business as usual as concerns grow louder and scrutiny intensifies," noted eMarketer analyst Minda Smiley. But how drastic those changes need to be will depend on how the higher courts handle the appeals. The federal judge overseeing the multidistrict litigation (the grouping of the thousands of other cases) ruled that some of the design features at issue, such as infinite scrolling, were in fact protected by Section 230 — though she ruled that others, such as a failure to provide adequate controls, were not. Expect more heated debate on the most divisive internet law to step up a notch as this case moves to its next phase.

The risk for those who want to see real change is that these victories may stall out without a meaningful rebuilding of the product and protection from the harm many feel it can cause. On the other hand, were the plaintiffs able to continue their winning streak, it could lay down important precedents not just for how social networks do business but also artificial intelligence companies with their addictive and sycophantic chatbots.

It's too early to say whether these cases are, in Lanier's words outside court, "a referendum — from a jury to an entire industry — that accountability has arrived." But if we can't yet say it has arrived, it is certainly banging hard on the door. For the first time, these cases have leveled the playing field, one that the lobbyists who have scuttled hopes of effective policymaking could not tilt. Any friction to using these apps could prove bothersome to the companies — eMarketer noted that time spent on social networks has plateaued after years and years of growth. Young people, as they have done with many of the vices afflicting generations before them, may be turning their attention elsewhere anyway.

More From Bloomberg Opinion:

Your Birthday Won't Make Social Media Safe: Catherine Thorbecke

Your ID on the Blockchain Can Fight Tinder Fakes: Andy Mukherjee

Meta Is Failing Kids. Lawmakers Are, Too: Abby McCloskey

Meta, Google lose US case over social media harm to kids

 [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, Courtney Rozen, Jody Godoy

March 25, 2026

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

LOS ANGELES, March 25 (Reuters) - A Los Angeles jury on Wednesday found Meta ([META.O](#))  , [opens new tab](#) and Alphabet's ([GOOGL.O](#))  , [opens new tab](#)

Google negligent for designing social media platforms that are harmful to young people, in a \$6 million verdict that will serve as a bellwether for numerous similar cases.

The jury found Meta liable for \$4.2 million in damages and Google for \$1.8 million, small amounts for two of the world's most valuable companies with annual capital spending over \$100 billion each.

The Los Angeles trial is meant to serve as a [bellwether](#), or test case, for the thousands of similar lawsuits consolidated in California state courts.

'ACCOUNTABILITY HAS ARRIVED'

The case involves a 20-year-old [woman](#), a minor when the case began who is known in court by her first name Kaley. She said she became addicted to Google's YouTube and Meta's Instagram at a young age because of their attention-grabbing design, such as the "infinite scroll" that encourages users to keep looking at new posts.

The jury found Google and Meta were negligent in the design of both apps and failed to warn about their dangers.

"Today's verdict is a referendum — from a jury, to an entire industry — that accountability has arrived," the plaintiff's lead counsel said in a statement.

Meta and Google disagree with the verdict and plan to appeal, spokespeople for each company said.

U.S. law strongly protects social media companies from liability for what is on their platforms, but the plaintiff in the Los Angeles proceeding focused on platform design rather than content.

The verdict is a "setback" for Meta and Google, said Gil Luria, a technology sector analyst at investment firm D.A. Davidson.

"This process will likely get dragged out through future cases and appeals, but eventually may cause these companies to put in consumer safeguards that may dampen growth," he said.

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

Item 1 of 8 Amy Neville, mother of Alexander, Mary Rodee, mother of Riley Basford, Shelby Knox, lawyer Laura Marquez-Garrett, lawyer Lennon Torres and CEO of Heat Initiative Sarah Gardner react outside the court after the jury found Meta and Google liable 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. REUTERS/Mike Blake

[1/8] Amy Neville, mother of Alexander, Mary Rodee, mother of Riley Basford, Shelby Knox, lawyer Laura Marquez-Garrett, lawyer Lennon Torres and CEO of Heat Initiative Sarah Gardner react outside the... [Purchase Licensing Rights, opens new tab](#) Read more

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](#).

An increase in the total number of users across Facebook, Instagram, WhatsApp, and Messenger from 2019

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.

U.S. senators Marsha Blackburn, a Republican, and Richard Blumenthal, a Democrat, in statements after the verdict, called on Congress to pass [legislation](#)  [opens new tab](#) directing social media companies to design their platforms with kids' safety in mind.

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.

TRIAL ARGUMENTS

At trial, the plaintiff's lawyers sought to show Meta and Google intentionally targeted kids and made decisions that put profit over safety. Meta's attorneys emphasized the plaintiff's difficult home life as a child as the cause of her mental health struggles, while YouTube argued her usage of the streaming platform was minimal.

Jurors saw internal documents revealing how Meta and Google sought to attract younger users, and heard executives, including Meta CEO Mark Zuckerberg, take the stand last month to defend company decisions.

When asked about Meta's decision to lift a temporary ban on beauty filters that some inside Meta warned could be harmful to teen girls, Zuckerberg said he decided to let users express themselves.

"I felt like the evidence wasn't clear enough to support limiting people's expression," he said.

How free speech and content moderation factored into the companies' decisions is likely to play a part in any appeal.

California Brief

Meta, Google Found Liable in First Social Media Addiction Trial

March 25, 2026, 2:37 PM PDT

Meta Platforms Inc. and Alphabet Inc.'s Google must pay damages to a 20-year-old woman who said her addiction to social media caused her mental health struggles, a jury concluded in a landmark decision that could signal hefty risks for the companies as they fight thousands of similar claims.

Wednesday's verdict in Los Angeles on the ninth day of jury deliberations shows the difficulty of ascribing how much social media is to blame for youths suffering varying degrees of distress. But it also underscores the potential multibillion-dollar exposure from lawsuits which claim that Instagram, YouTube and other platforms are intentionally designed to addict young users without regard for their well-being.

Two other bellwether cases are scheduled to go to trial in California state court this year. Defeats for the companies could spur settlement negotiations — possibly leading to a broad agreement akin to the deals that tarnished the tobacco and opioid industries.

The lawsuits have been filed by children, adolescents and young adults — sometimes via their parents, siblings or other family members — and are based on claims of psychological distress, physical impairment and death by suicide.

"It's clear that juries are concerned," said Eric Goldman, associate dean for research at Santa Clara University School of Law, who has taught and researched internet law for more than 30 years. They are "willing to attach large damage awards."

In the first case of its kind to go to trial, the 12-person jury found that Meta and Google were negligent in the design and operation of their platforms and should have warned that their products might be dangerous for minors. Unlike criminal cases, some civil lawsuits don't require unanimous verdicts. Jurors voted 10-2 to hold both companies liable.

Jurors said Meta must pay \$4.2 million to the plaintiff, Kaley G.M., and that Google owes \$1.8 million. Half of each company's payment is to compensate Kaley for her losses, including the cost of therapy, and the other half is punitive damages, meant to punish wrongdoing and discourage similar conduct in the future.

In his argument to the jury, Mark Lanier, a lawyer for Kaley, had suggested jurors should consider the vast wealth of both companies, stressing that even \$1 billion in punitive damages would be a drop in the bucket.

Kaley — who said she started watching videos on YouTube at age six and began using the Instagram photo-sharing app at nine years old — blamed the platforms for various harms, including anxiety, depression and body dysmorphia. She was present in the courtroom to hear the verdicts, but didn't show any reaction.

Watch Bloomberg Originals' Documentary: Can't Look Away: The Case Against Social Media

Meta and Google said they disagree with the verdict. Meta's spokesperson said the company is evaluating its legal options, while a spokesperson for Google said the company intends to file an appeal.

"This case misunderstands YouTube, which is a responsibly built streaming platform, not a social media site," said Jose Castañeda, the Google spokesperson.

Read More: Bloomberg Intelligence Litigation Watch: Social-Media Addiction Suits

Kaley's lawyers said in statement the verdict sends "an unmistakable message."

"Today, a jury saw the truth and held Meta and Google accountable for designing products that addict and harm children," according to the statement.

The trial was seen as a critical test of the novel legal arguments behind a flood of cases filed over the last three years against Meta, Google, Snap Inc. and TikTok Inc. alleging that the designs of the platforms, not their content, are causing young people harm. TikTok and Snap reached confidential settlements with Kaley ahead of trial, but they remain defendants in the broader group of lawsuits.

In addition to the cases in Los Angeles, social media companies face consumer protection suits by about three dozen state attorneys general and public nuisance suits by more than 1,000 public school districts across the US that are grouped before a federal judge in Oakland, California. Those cases, which are expected to start going to trial later this year, also expose the tech giants to billions of dollars in damages and potential changes in how the platforms operate.

Wednesday's verdict is the second loss for Meta this week. On Tuesday, a jury in New Mexico found that the company misled teenagers in the state about the safety of its social networks, even when it knew Facebook and Instagram had become breeding grounds for sexual predators. Jurors awarded civil penalties totaling \$375 million.

In Los Angeles, Kaley's lawyers argued that by engineering the platforms to be so hard to resist, the companies are causing serious harm to young users, who are particularly vulnerable to addiction because their brains are still developing.

The lawyers didn't target the content that users post on the platforms because internet companies are generally protected from being sued over third-party content.

Instead, the trial focused on the software features the companies built into their products that allegedly make them addictive — including notifications, likes, comments, infinite or endless scroll, autoplay videos and beauty filters that change an individual's appearance.

Read More: Zuckerberg Says 'Difficult' to Enforce Instagram Age Limits

Over the monthlong trial, jurors heard testimony from Meta Chief Executive Officer Mark Zuckerberg, Instagram Head **Adam Mosseri**, various mental health experts and Kaley herself, who spoke about the impact of the features.

Kaley's attorney, Lanier, argued that the platforms were designed like casinos, where every scroll or new notification triggers a dopamine hit in a user's brain.

During closing arguments, he said "these aren't apps, these become traps" that tech companies set to lure young users to their sites and keep them there for as long as possible, in order to maximize profits. He called it "addiction by design."

Meta and Google both denied that they were to blame for Kaley's difficulties. Attorneys for Meta said other influences contributed to her psychological distress, including strife at home, difficulties at school and bullying by her peers.

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

Lawyers for both companies stressed that records from Kaley's therapists and other medical professionals didn't show that she was addicted to social media, and included references to positive associations she had with both platforms.

One report from a doctor said that Instagram was a positive feature in Kaley's life that allowed her to express her creativity. Another said that she watched videos on YouTube to help her fall asleep at night.

Google attorney Luis Li distinguished between YouTube and Instagram, arguing that the video-streaming platform isn't social media. He also pointed out that Kaley's peak usage of YouTube occurred when she was eight years old, and declined as she got older. She now spends much of her time on the platform listening to music.

Jurors received frequent instruction from the judge and lawyers that they were ignore content-related issues when weighing a verdict. They were told they could not hold either company responsible for failing to remove certain content or allowing some content to be private or disappear after a set period of time.

After the verdict, the jury's foreperson, who gave only his first name, Matthew, said it took the panel nine days to reach its decision because there was a lot of evidence to review.

"We wanted to make sure we took our time and were really thorough, looking at what the evidence was in both directions and what did that lead to," he said. "That's what took so long."

At times, the jurors struggled with putting aside their personal experiences with social media, said Victoria, a parent who served on the jury.

"We tried so hard to focus on our instructions and not veer off into our own thoughts and feelings," she said.

Victoria said she was not a frequent social media user prior to the trial.

"I learned a lot of things," she said. "Moving forward, I probably am going to have strong thoughts and probably stay off of it."

--With assistance from **Alexandra S. Levine**.

To contact the reporters on this story:

Madlin Mekelburg in Austin at mmekelburg@bloomberg.net;

Maia Spoto in Los Angeles at mspoto4@bloomberg.net

Landmark verdict targets social media design, awards \$6 million

DJ [dailyjournal.com/articles/390405-landmark-verdict-targets-social-media-design-awards-6-million](https://www.dailyjournal.com/articles/390405-landmark-verdict-targets-social-media-design-awards-6-million)

[Watch on YouTube](#)

A Los Angeles jury on Wednesday awarded \$6 million to the plaintiff in the first social media addiction bellwether trial after finding Meta Platforms and Google negligently designed Instagram and YouTube in ways that fostered addictive use and substantially contributed to her mental health diagnoses.

\$3 million was awarded to plaintiff Kaley G.M. in compensatory damages, apportioning 70% to Meta and 30% to Google.

The 12-person jury also found the companies had acted with malice, levying \$3 million in punitive damages - \$2.1 million against Meta and \$900,000 against Google. The verdict arrived on the jury's ninth day of deliberations and concluded almost eight weeks of trial. They were given the case on March 13.

The jury was split 10-2 on questions regarding Meta and YouTube's negligence regarding design, foreseeability and harm to the plaintiff. They voted 9-3 on damages and apportionment.

The landmark case centered on claims by Kaley, now 20, that Instagram and YouTube were designed with features intended to maximize children and teen user engagement, creating addiction-like behavior that worsened her mental health and disrupted her development. She filed the lawsuit when she was a minor.

Her case is one of thousands that are pending in the coordinated litigation before Superior Court Judge Carolyn B. Kuhl. According to the docket, two more trials are expected this year. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022)

Companies that own Snapchat and TikTok settled Kaley's claims days before trial but remain as defendants in the other cases.

The plaintiffs' team was led at trial by Lanier Law Firm founder Mark Lanier. He was joined by his daughters Rachel and Sarah, also at Lanier Law, Mariana McConnell of Kiesel Law LLP, Rahul Ravipudi of Panish | Shea | Ravipudi LLP and Joseph

VanZandt of Beasley Allen Law Firm.

They issued a joint statement. "[T]his verdict is bigger than one case," it [read](#). "For years, social media companies have profited from targeting children while concealing their addictive and dangerous design features.

"Today's verdict is a referendum - from a jury, to an entire industry - that accountability has arrived," it continued. "Thousands of individuals and families continue to litigate in the Los Angeles Superior Court. We will carry this fight forward on their behalf with the same commitment and determination that brought us to this verdict today."

Meta was represented at trial by Covington & Burling LLP partner Paul W. Schmidt.

Google was represented by Wilson Sonsini Goodrich & Rosati partner Luis Li.

The defense attorneys did not speak to the media outside of the courthouse after the jury was dismissed.

A Meta spokesperson, Stephanie Otway, said in a statement: "We respectfully disagree with the verdict. Teen mental health is profoundly complex and cannot be linked to a single app. We will continue to defend ourselves vigorously as every case is different, and we remain confident in our record of protecting teens online."

YouTube did not immediately respond to a request for comment.

This included, according to the defense, instances of verbal and physical abuse from her mother, abandonment issues when her father left when she was 3, alleged exposure to domestic violence that she denied witnessing and fear that her sister was going to commit suicide because of an eating disorder.

The companies relied on medical records and testimony from mental health care providers, which the defense argued proved the indication that social media played only a limited role in Kaley's treatment discussions and there was no diagnosis that she suffered from any form of addiction, let alone one connected to social media that led to her anxiety and body dysmorphia diagnoses.

The attorneys presented new arguments in the late afternoon, when jurors were asked to decide whether punitive damages were necessary in Kaley's case.

Kuhl read stipulations informing jurors that Meta's stockholder equity stood at approximately \$217 billion and Google's parent company at roughly \$415 [billion](#), figures both sides returned to repeatedly in argument.

Lanier, for the plaintiff, thanked the jurors for their work on the case and framed the moment as "an extremely important event" that they will "never forget," while urging them to consider punishment and deterrence against the companies.

"This is conduct that was reprehensible to Kaley, and that's what we're here to address, but it's reprehensible to a generation," Lanier said.

He argued the evidence showed Meta and Google knowingly targeted vulnerable young users. "Children are particularly vulnerable," he said. "That developing mind ... they knew. They targeted children."

He revisited documents shown to jurors weeks ago that mapped out internal goals around engagement, including YouTube's early "Big Hairy Audacious Goal" to increase watch time per day to over 1 billion hours by the end of 2016.

Li, for Google, argued YouTube had long invested in safety features, including YouTube Kids, parental controls and tools such as notification limits and "quiet hours," [some dating](#) back more than a decade.

"They're not perfect," Li said about the features. "This is part of the challenge of the digital world." He emphasized that users - not the company - ultimately control how devices are used.

For Meta, Schmidt focused on proportionality and causation, telling jurors the question was whether the company was "on the right path." He pointed to internal efforts to improve safety and cited testimony, [including from](#) Meta whistleblowers, to argue the company was not intentionally trying to harm users.

Meta's counsel also stressed the case concerned a single plaintiff, not broader societal harms, and noted evidence that Kaley used multiple platforms and experienced both negative and positive effects from social media.

In rebuttal, Lanier rejected the defense framing.

"This isn't about apology, it's about accountability," he said, arguing the companies failed to accept responsibility and continued to place the burden on users. He criticized safety tools as insufficient, calling them "band-aids" and argued meaningful deterrence required a financial penalty.

Jurors deliberated for approximately 40 minutes before returning their punitive verdict.

After being dismissed, two jurors, including the foreperson, told reporters outside of the courtroom that the panel arrived at the \$6 million total damages figure by estimating what an average person might earn, while considering what Kaley had gone through and the type of job she is currently able to maintain.

The two jurors also said CEO Mark Zuckerberg's testimony "didn't sit well with us," adding that he appeared to change parts of his testimony and should have been more prepared before taking the stand.

On Feb. 18, Zuckerberg was called by the plaintiff and testified as an adverse witness.

In his day-long testimony, the Meta CEO largely pushed back on the plaintiff's characterizations. He insisted Meta does not design its platforms to maximize time spent and instead focuses on delivering user value, while disputing internal documents suggesting otherwise and emphasizing the difficulty of measuring and enforcing issues like age and engagement.

Wednesday's verdict in Los Angeles marks the first time a jury has imposed damages tied to the design of social media platforms rather than user-generated content - a distinction central to the plaintiffs' effort to navigate Section 230 of the Communications Decency Act.

The statute generally protects online platforms from liability regarding third-party content.

The novel "product defect" theory of the case was spearheaded by Social Media Victims Law Center founder Matthew P. Bergman, whose firm filed many of the cases in the coordinated litigation - including Kaley's.

Jurors were instructed to make liability findings on whether Meta and YouTube knowingly engineered platform designs such as autoplay, infinite scroll, notifications and algorithmic recommendations to foster addictive use amongst young users and harm them.

On the stand, Kaley said that while she experienced things like cyberbullying that made her feel bad, being away from social media made her feel worse, leaving her feeling compelled to keep scrolling despite the negative experiences.

US jury verdicts against Meta, Google tee up fight over tech liability shield

 [reuters.com/sustainability/boards-policy-regulation/us-jury-verdicts-against-meta-google-tee-up-fight-over-tech-liability-shield-2026-03-26](https://www.reuters.com/sustainability/boards-policy-regulation/us-jury-verdicts-against-meta-google-tee-up-fight-over-tech-liability-shield-2026-03-26)

Diana Jones

March 26, 2026

- Meta, Google plan to appeal, may invoke Section 230 protection
- Thousands of lawsuits target tech firms over platform design choices
- Potential implications for other online platforms beyond social media
- Supreme Court may weigh in on Section 230 scope, experts say

March 26 (Reuters) - Jurors in the first two trials in the U.S. from a growing wave of lawsuits targeting social media firms over harm to children have found Meta

[\(META.O\)](#)  [, opens new tab](#) and Alphabet's [\(GOOGL.O\)](#)  [, opens new tab](#)

Google liable, potentially teeing up an appeals fight that could reshape how U.S. law shields tech companies from lawsuits.

In California, [a Los Angeles jury](#) on Wednesday found Meta and Google liable for a young woman's depression and suicidal thoughts after she said she became addicted to Instagram and YouTube at a young age, ordering them to pay a combined \$6 million in damages. In a [separate New Mexico](#) case, jurors on Tuesday ordered Meta to pay \$375 million after finding the company misled users about the safety of its products for young users and enabled the sexual exploitation of children on its platforms.

Sign up [here](#).

The verdicts pierce a legal shield that plaintiffs suing tech companies have long struggled to overcome: Section 230 of the Communications Decency Act, a 1996 federal law that generally protects online platforms from liability over user-generated content. In both cases, the plaintiffs sidestepped that hurdle by arguing the companies harmed young users through decisions they made about the platforms' design rather than the content itself.

"Courts are increasingly trying to distinguish claims about platform functionality or platform conduct from claims that would really just impose liability for third-party speech," said Gregory Dickinson, an assistant professor at the University of Nebraska College of Law who studies the intersection of tech and the law.

Meta and Google have denied the claims, arguing they have taken actions to protect young people.

META, GOOGLE CLAIMED LIABILITY SHIELD

In both cases, Meta urged the judge to dismiss the lawsuit, as did Google in the Los Angeles case, claiming they were shielded from liability by Section 230. The judges rejected the argument, saying the cases could move to trial.

"We respectfully disagree with the verdicts and will appeal," a Meta spokesperson said in a statement. "We remain committed to building safe, supportive environments for young people and will defend our record vigorously."

Google has said it plans to appeal in the Los Angeles case, but did not respond to a request for comment.

Those appeals are almost certain to center on Section 230 – and they could have broad implications.

Lawyer Mark Lanier, of the plaintiff Kaley G.M., speaks with the media outside the court after the jury found Meta and Google liable in a key test case accusing Meta and Google's YouTube of... [Purchase Licensing Rights, opens new tab](#) Read more

Meta, Google, Snapchat parent Snap Inc, and TikTok parent ByteDance are [facing thousands of lawsuits](#) in both state and federal court over claims their design choices have led to a mental health crisis for teens and young people. More than 2,400 cases have been centralized before a single judge in California federal court, while thousands of cases are consolidated in California state court.

Legal experts say courts have been moving toward a narrower view of Section 230's liability shield. Several lower courts have ruled that companies' platform design choices are not protected by the law, but no appellate court has weighed in. Appellate courts, not trial judges, are the ones whose rulings bind other courts.

IMPLICATIONS BEYOND SOCIAL MEDIA

An appellate ruling on Section 230 could have implications beyond social media, legal experts say, shaping lawsuits against other online platforms that host content used by children. More than 130 lawsuits are pending in federal court against Roblox Corporation, for example, accusing the popular gaming site of failing to protect users from sexual exploitation. Roblox denies the claims.

"I think the internet is on trial, not social media," said Eric Goldman, co-director of the High Tech Law Institute at Santa Clara University School of Law. "If the theories work, they will be deployed elsewhere."

Appeals in both cases would be heard first by appeals courts at the state level. But they could go to higher courts after that.

The U.S. Supreme Court has shown a willingness to potentially decide the scope of Section 230. In 2023, the court heard a challenge involving Google's video-sharing platform YouTube, but ultimately sidestepped a ruling on the legal protections for internet companies.

In 2024, the high court declined to hear a Texas teen's bid to revive his lawsuit accusing Snapchat owner Snap of failing to protect underage users of its social media platform from sexual predators. Two conservative justices - Clarence Thomas and Neil Gorsuch - dissented from that decision, however, warning of further delays in addressing the issue. "Social-media platforms have increasingly used (Section) 230 as a get-out-of-jail free card," they wrote in a dissent.

Meetali Jain, director of the Tech Justice Law Project, which brings litigation against tech companies, said she thinks the U.S. Supreme Court may now be open to weighing in on the scope of Section 230.

"I personally think that the Supreme Court is even ready for a case like this, for the right case," Jain said.

Reporting by Diana Novak Jones in Chicago, additional reporting by Andrew Chung in New York, Editing by Alexia Garamfalvi and Rod Nickel

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

[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.

- X

L.A. verdict fuels 'Big Tobacco' playbook vs social media | Southern California Record

 [legalnewsline.com/south-california-record/l-a-verdict-fuels-big-tobacco-playbook-vs-social-media/article_a7d2eae3-0932-4145-99a4-3204aae4ddeb.html](https://www.legalnewsline.com/south-california-record/l-a-verdict-fuels-big-tobacco-playbook-vs-social-media/article_a7d2eae3-0932-4145-99a4-3204aae4ddeb.html)

Jonathan Bilyk, Jonathan Bilyk

March 26, 2026

Photo by Mateusz Dach: <https://www.pexels.com/photo/close-up-shot-of-a-smartphone-5956083/>

LOS ANGELES — An L.A. jury has delivered a verdict sought for years by trial lawyers around the country, ordering the parent companies of the Facebook and Instagram social media platforms and the YouTube video streaming platform to pay a total of \$6 million to a woman who claimed her use of those sites caused her depression and anxiety disorders.

But that verdict appears to have only further inflamed a strategy among a coalition of trial lawyers and their allied lawmakers and left-wing activists to assail social media companies in the courts, in state capitols and in Congress, following a playbook established under past action against tobacco companies, in pursuit of big paydays and new laws to regulate social media use in the U.S.

On March 25, a jury in Los Angeles County ordered Meta and Google to pay \$3 million in compensatory damages to a 20-year-old woman, identified in court documents only as "Kaley G.M."

In the lawsuit, "Kaley" claimed she had developed psychological disorders as a result of her use of Instagram and YouTube, beginning when she was still a small child.

Jurors agreed that Meta and Google should be held liable.

The jurors then tacked on an additional \$3 million in punitive damages, for a total of \$6 million. The relatively modest dollar-for-dollar ratio of the punitive damages award likely makes the result more difficult to challenge in post-trial proceedings or on appeal.

Meta and Google said in post-trial statements that they disagree with the verdict and intend to appeal.

While the total payout from the verdict is relatively small, particularly compared to the worth of the big tech companies, who are estimated to be worth trillions of dollars a piece, the fallout from the verdict appears to only be beginning.

The trial in "Kaley G.M.'s" case marked only the first in a potential avalanche of legal actions, which collectively could be worth untold billions of dollars, or more.

Already, Meta, Google and other big tech and social media platform operators, including the owners of the TikTok and SnapChat platforms, among others, are facing thousands of similar lawsuits pending in courts in California and elsewhere.

Like the "Kaley G.M." case, all of the lawsuits have generally accused the social media companies of allegedly intentionally designing their products and platforms to addict young people, allegedly causing or fueling a raft of individual and societal harms, while boosting the profits of the social media platform operators.

More specifically, the lawsuits have claimed social media operators should be held responsible for allegedly creating a mental and behavioral health crisis among American children and teens, encouraging young people to engage in potentially harmful behaviors, while increasing dysfunction, anxiety, depression and other psychological and emotional disorders and maladies.

To this point, the social media companies have found little refuge in a provision of federal law that they have argued should have shielded them from such lawsuits. That provision, known as Section 230 of the federal Telecommunications Act, generally immunizes internet service providers and social media platforms from being held legally liable for content posted online by others using their platforms.

The social media companies had attempted to argue in past proceedings in related cases Section 230 should also prevent them from being sued for alleged harms caused by people consuming and interacting with content posted on their platforms.

However, [judges have ruled such protections don't necessarily apply](#) to the specific claims that the social media companies allegedly designed their products to amplify the alleged harmful products and feed more of it to young users, in particular, to generate "compulsive use" of social media.

In addition to the private lawsuits, states have also jumped into the fray, enacting legislation and filing lawsuits of their own, seeking civil penalties and other damages, allegedly to help the states offset the cost of addressing the alleged

harms caused by social media "addiction."

Meta, Google and other operators have said they intend to continue fighting the claims, saying they are not true and based on misunderstandings of the law and technology.

However, the verdict has only amplified the calls for still more lawsuits and new laws and legislation to assail the social media companies in court and in other settings.

Even before the verdict, prominent and powerful politicians, such as California Attorney General Rob Bonta, were already comparing social media "addiction" to the harms caused by cigarette smoking and marketing in the 20th Century, and directly equating social media companies to "Big Tobacco."

In the late 1990s, in what was then a groundbreaking result of state action, America's largest tobacco companies famously agreed to pay \$200 billion to settle lawsuits filed by 46 U.S. states, ostensibly to help the states deal with the health and Medicaid costs of tobacco smoking. Adjusted for inflation, that would be worth more than \$400 billion in 2026 dollars.

However, tobacco companies also continued to face a blitz of private lawsuits and class actions on behalf of individual cigarette smokers, as well, who claimed the tobacco companies misled them into smoking their products and contracting lung cancer and other smoking-related diseases.

Now, trial lawyers and lawmakers alike are publicly calling for a similar litigation and legislation model to assail social media companies and potentially extract massive payouts from these companies.

In the "Kaley G.M." case, the plaintiff's lawyers, led by attorney Mark Lanier and others from the Houston-based Lanier Law Firm, routinely used language used against "Big Tobacco" companies, describing the use of social media as "addictive" and "dangerous," particularly when marketed at teens and children.

"These companies made deliberate choices that prioritized engagement and profit over the well-being of the young people using their products. This verdict sends a clear message to an entire industry that the era of operating without consequence is over," Lanier said [in a statement issued following the verdict](#).

In the statement, the Lanier firm further indicated it believed the verdict marked a "turning point" in the litigation proceedings over alleged "social media addiction."

"The verdict against Meta and Google is expected to significantly influence settlement negotiations and trial outcomes in the remaining cases," the Lanier firm said.

They noted that more than 2,300 lawsuits are currently consolidated in San Francisco federal court, and the first trial among those thousands of cases currently is scheduled to head to trial in June.

At the same time, prominent lawmakers have called for further action. For instance, U.S. Sen. Dick Durbin, of Illinois, a ranking Democrat on the U.S. Senate Judiciary Committee, to directly call for social media companies to be treated like "Big Tobacco." And the senator further repeated his call for Congress to pass a measure, which enjoys some bipartisan support, to repeal Section 230 entirely, and allow for direct regulation and legal action against social media operators over the content posted on their sites.

And the use of the term "Big Tobacco" was further amplified in statements issued by left-wing activist groups, such as anti-"Big Tech" advocacy group Public Citizen.

In a statement following the L.A. County verdict, Public Citizen called the verdict a "watershed moment in the fight to hold social media companies accountable for building products they knew were addictive, manipulative, and harmful to children."

And they added: "The parallels to Big Tobacco litigation are becoming harder to ignore," directly likening social media use to cigarette smoking.

Class Action

Manage Newsletters

Insight

Meta, Google Cases Rewrite Playbook, Sidestep Free Speech Shield

March 26, 2026, 7:47 AM PDT

Summary by Bloomberg AI

AI Generated



- Two verdicts in New Mexico and Los Angeles found a way around Section 230 of the Communications Decency Act, shifting the legal playing field from content to conduct.
- The verdicts targeted consumer protection and product liability, with juries finding that Meta Platforms Inc. and Alphabet Inc.'s Google were liable for unconscionable trade practices and defective product design.
- The success of these claims relies on internal corporate conduct, such as internal documents and emails, which creates a record of conduct that has nothing to do with content and can be used to audit product design.

For 30 years, Section 230 of the Communications Decency Act of 1996 was the technology industry's most reliable shield deflecting every legal assault on its product decisions regarding children. In less than 24 hours, juries in New Mexico and Los Angeles found a way around it. The social contract between technology and society is being revised, and it isn't happening in Washington.

For nearly three decades, technology companies have relied on Section 230 as a stout defense, arguing they are mere conduits and not responsible for what users post. These two verdicts provide a legal game plan to outflank that defense. In essence, they shifted the legal playing field from one about content to one about conduct.

The One-Two Punch

The New Mexico verdict targeted consumer protection, finding Meta Platforms Inc. liable for unconscionable trade practices regarding its safety representations. A judge will soon determine if these platforms constitute a public nuisance. This phase will decide if the companies must fund massive public programs to address the mental health crisis alleged by school districts and states.

Less than a day later, the Los Angeles verdict reached even deeper into the tech engineering black box. There, a jury found that Meta and Alphabet Inc.'s Google (YouTube) were liable under product liability theories.

Specifically, the jury determined that the platforms were defectively designed and that the companies failed to warn parents and children about the addictive nature of their algorithms. While Section 230 protects the hosting of speech, it offers no safe harbor from claims based on product design.

Conduct as Paper Trail

The success of these claims relies heavily on internal corporate conduct rather than user content. The evidence unsealed in these trials creates a devastating roadmap of what constructive knowledge looks like in a modern tech company.

Consider the 17-strike policy testimony from a former Meta employee. Internal documents revealed a threshold that allowed accounts to be reported 16 times for predatory behavior before facing a ban. Legally, this changes the argument from “we can’t monitor every post” to “we deliberately engineered a system that tolerated known risks.”

Furthermore, a separate internal July 2020 report titled Child Safety State of Play listed immediate product vulnerabilities on Instagram, such as the difficulty of reporting disappearing videos. Internal emails revealed that safety safeguards available on Facebook were intentionally omitted on Instagram specifically to avoid friction in user growth. When a product vulnerability is identified and a business decision is made to choose growth over mitigation, it creates a record of conduct that has nothing to do with content.

Legal Engineering Mandate

The traditional silo between legal and product teams is no longer sustainable. In fact, failing to involve legal counsel in the earliest stages of algorithmic design may soon be viewed as a form of corporate malpractice. Counsel must now engage in legal engineering that means auditing the content recommendation logic, and behavioral targeting mechanisms that determine what content reaches which users and when to surface design choices that create foreseeable harms.

In analyzing potential harms, corporate counsel should also consider worst case scenarios to stress test product features. This process continues through the product lifecycle where public perception on how the product actually operates needs to be assessed and incorporated.

If a product is engineered to match users or prioritize engagement over documented safety risks, the company is engaging in conduct that a jury can now audit. Risk identification is now essential to the initial product sprint, not treated as afterthought once a lawsuit is filed.

For in-house counsel, the immediate lesson is about governance architecture. Every internal debate over engagement features and their resolution is now potential evidence of defective product design or poorly documented product risks.

Products, Not Platforms

The implications for the burgeoning artificial intelligence, economy are immediate and existential. These verdicts suggest that any company building a predictive machine—from a niche fintech tool to a customer service bot—must treat it as a product subject to product liability.

In the social media world, companies have long claimed to be neutral hosts of third-party content. However, generative AI's output is the direct result of a company's own proprietary algorithm and training data. In such a scenario, the neutral host defense is likely unavailable.

If an AI produces harmful or deceptive material, courts and juries are signaling that they will view that output not as user content, but as the company's own conduct. For AI developers, the lesson of the California verdict is clear: Your design choices and the behavior of your models are already being measured against the same product liability standards used for cars or medical devices.

Digital Guardrails

The current wave of litigation stems from a federal regulatory vacuum. In the absence of comprehensive standards for privacy, security, and algorithmic design, states have stepped in alongside existing federal sector laws, leaving companies to navigate a fragmented patchwork. As a result, digital guardrails are increasingly being defined in the courtroom.

For corporate boards, the strategic challenge is no longer just "can we build it" but "what design tradeoffs are we making in pursuit of market share that might create a design defect?" As the rush to market accelerates, the failure to consider and disclose these unintended consequences may leave companies vulnerable to massive liability under product liability, consumer protection and deceptive trade practices laws.

In a mere 24 hours, the social contract for technology has begun to be re-negotiated not in Washington, but in the jury box.

The cases are *State of New Mexico v. Meta Platforms Inc.*, N.M. Dist. Ct., No. D-101-CV-2023-02838, verdict 3/24/26; *Social Media Cases JCCP*, Cal. Super. Ct., No. 5255, verdict 3/25/26.

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.

Author Information

Justin Daniels is a shareholder in Baker Donelson's data protection, privacy and cybersecurity practice.

Jodi Daniels is the founder and CEO of Red Clover Advisors, a privacy consultancy firm.

Write for Us: Author Guidelines

Meta and Google hit with \$6 million verdict for social media harms to young woman

 [courthousenews.com/meta-and-google-hit-with-6-million-verdict-for-social-media-harms-to-young-woman](https://www.courthousenews.com/meta-and-google-hit-with-6-million-verdict-for-social-media-harms-to-young-woman)

Hillel Aron

March 25, 2026

LOS ANGELES (CN) — After more than eight days of deliberation, a downtown LA jury on Wednesday found tech giants Meta and Google liable in a civil suit brought by a now-20-year-old woman, known in court only as Kaley GM.

The 12 jurors also ordered the two companies to pay Kaley \$6 million in damages, with 70% to be paid by Meta, parent of Instagram and Facebook, and 30% to be paid by Google, which operates YouTube. Half of that amount involves punitive damages.

After the verdict, plaintiff's attorney Mark Lanier said Kaley felt "grateful" and "vindicated," and that the verdict, the first of its kind in the country, would be of "great importance to a generation of people who have been affected social media."

In an email, a Meta spokesperson said: "We respectfully disagree with the verdict and will appeal. Teen mental health is profoundly complex and cannot be linked to a single app. We will continue to defend ourselves vigorously as every case is different, and we remain confident in our record of protecting teens online."

Google spokesman Jose Casañeda said that his company, too, would appeal, adding, "This case misunderstands YouTube, which is a responsibly built streaming platform, not a social media site."

When asked how the they arrived at their judgment, Victoria, a juror who wanted to be identified by her first name only, said they "looked at the average that a person would make [for] the rest of her life... And considering what she's gone through and what job she would be able to hold down." She said they were tempted to award more money for punitive damages.

"We wanted them to feel it," Victoria said of Meta and Google. "We wanted them to realize this wasn't acceptable."

But the jury worried about "handing the money over to one person," Victoria said, adding: "We thought if it could be given little by little, to spend it wisely, to last a long time, we probably would've went higher."

Kaley is the first of nearly 2,500 plaintiffs in a consolidated case in Southern California suing four tech companies — Google, Meta, TikTok and Snap — who say their social media and streaming platforms were designed in ways that caused or worsened depression, anxiety and body dysmorphia in minors.

TikTok and Snap settled with Kaley in the weeks before her bellwether trial but remain defendants in the broader consolidated litigation. The trial's outcome could help spur a global settlement, though eight more bellwether trials are being prepared, with the next one scheduled to start this summer.

Kaley began watching YouTube videos at age 6. In [closing arguments](#), Lanier called the platform her "gateway," arguing it created neural pathways that left her vulnerable to future addictions. She joined Instagram at 9, and by her teens, social media had become a daily obsession, keeping her up late and isolating her from friends.

Lanier said Instagram's "beauty filters," which can smooth skin and make users appear thinner, reinforced Kaley's belief that she was "fat" and unattractive. Even when she experienced online bullying, she said, she could not put her phone down.

"Every single day I was on it, all day long," Kaley [testified](#) in February. "I just can't be without it."

Much of the monthlong trial focused on internal documents in which employees at Meta and Google appeared to acknowledge their platforms were addictive and targeted children.

In one message, an Instagram employee wrote: "We're basically pushers ... We're causing reward deficit disorder, because people are binging on Instagram so much they can't feel the reward."

A YouTube strategy memo similarly stated: "If we want to win big with teens, we must bring them in as tweens."

Meta argued Kaley's mental health struggles stemmed from other causes, including a learning disability and a difficult home life. Her parents divorced when she was 3, and her father was largely absent. Trial evidence also showed her mother was at times physically and emotionally abusive, including a secretly recorded video of her yelling at Kaley. When Kaley was 13, her sister attempted suicide and was later hospitalized for an eating disorder.

"If you took Instagram away, would anything be different?" Schmidt, Meta's attorney, asked jurors in closing arguments. "That's the core question in this case."

Schmidt pointed to medical records introduced at trial that focused largely on Kaley's relationships with friends and family. He also quoted a psychiatrist who testified that social media use "was not the through line of what I recall being her main issues."

"This was not rewiring her brain," Li said in his closing argument. "This was a toy that Ms. GM picked up and put down a decade ago."

The closely watched landmark trial featured the [testimony](#) of the fifth-richest man in the world, Meta CEO Mark Zuckerberg. He insisted that Instagram was "a good thing that has value in people's lives."

Jurors deliberated over the question of liability and the amount of compensatory damages for more than eight days — longer than any other case Lanier's litigated in 42 years of practice, and an experience another juror called "life consuming." Because they found the two tech companies acted with malice or fraud, that triggered a second phase of the trial over punitive damages — though that phase took only about 40 minutes.

In a short speech to the jury, Lanier did not ask for an exact amount, but suggested that it would take an award in the tens of billions to seriously punish Google and Meta.

"These companies are not just the wealthiest, these companies are the most influential and most powerful," Lanier told the jurors. "You've got to talk to Meta in Meta money."

The soft-spoken Schmidt offered a more modest proposal: an additional \$3 million. And that's exactly what the jury decided to do, after less than 45 minutes of discussion.

"I would've thought it was likely we would've gotten a bigger number," Lanier told reporters outside the courthouse, though he added: "I trust the system. I trust people to assess what's right and best."

He also said a \$6 million award is more likely to hold up on appeal than one in the billions.

"We got what we needed," he said. "This is the tip of the spear."

In addition to the coordinated proceeding in Southern California, there is a multidistrict litigation in Northern California, comprising nearly 800 personal injury plaintiffs and more than 1,100 school districts, cities, counties, tribes and state attorneys general.

And while monumental, Wednesday's verdict pales in comparison to one issued yesterday, when a jury in New Mexico ordered Meta to pay a staggering \$375 million to the state for violating consumer protection law by enabling child sexual exploitation on Facebook, Instagram and WhatsApp. That was the first time a social media company has ever been held liable by a jury for harming underage users; Wednesday's verdict marks the second.

There are numerous other lawsuits scattered about the country targeting individual social media companies — for example, 11 plaintiffs are suing Snap in LA Superior Court over claims drug dealers are allowed to sell their wares on the messaging platform.

[Follow @hillelaron](#)

Categories / [Technology](#), [Trials](#)

FREE EXPRESSION

A Daily Newsletter From WSJ Opinion

ABOUT FREE EXPRESSION

SIGN-UP FOR THE FREE NEWSLETTER

THE RADICALS NEXT DO

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

<https://www.wsj.com/opinion/social-media-verdict-meta-youtube-california-6b7c05dd>

OPINION

REVIEW & OUTLOOK

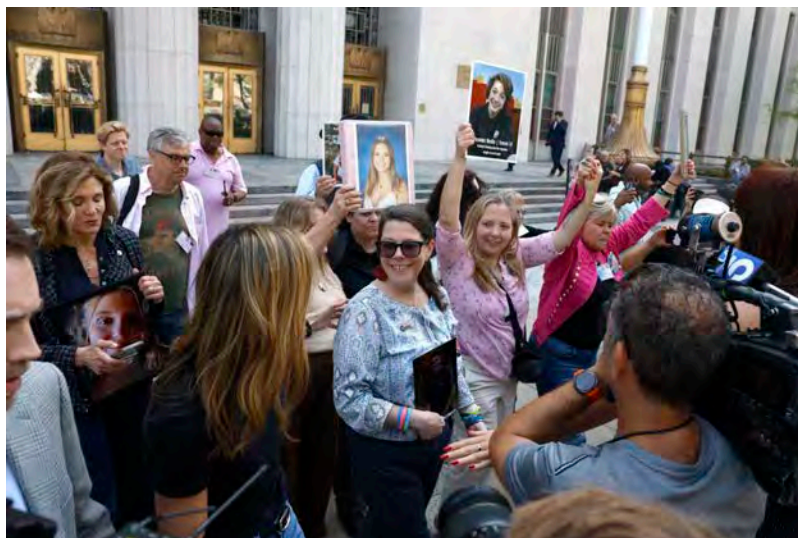
Follow

The Social-Media Shakedown Begins

The verdict against Meta and YouTube is a victory for the plaintiffs bar, not for children or society.

By The Editorial Board Follow

March 25, 2026 5:44 pm ET



Plaintiffs who have filed lawsuits against social media companies hold photos of loved ones outside of the Los Angeles Superior Court on Wednesday JUSTIN SULLIVAN/GETTY IMAGES

A Los Angeles jury on Wednesday held Meta Platforms and Google's YouTube liable for a 20-year-old woman's personal troubles. The schadenfreude will be overwhelming—nail the billionaires! But using a novel product liability theory to shake down companies won't help young people and isn't a good way to make law.

The \$6 million verdict against the two companies is the first of more than 3,000 lawsuits pending in California courts that seek to hold social-media

companies liable for the travails of young people. School districts and more than 40 state Attorneys General have also sued for damages to compensate for social problems allegedly caused by the platforms.

Section 230 of the 1996 Communications Decency Act protects internet platforms from being held liable for harm caused by user-generated content. But plaintiffs are trying to dodge that law by arguing the platforms were negligent in how they designed their sites. They claim that features like so-called infinite scrolling and “like” buttons—not user posts per se—harm children. Whether this theory trumps Section 230 will be the main issue on appeal, and the platforms have a strong case.

Trial lawyers are also trying to copy the Big Tobacco playbook by arguing that company executives concealed knowledge that their sites are addictive and deleterious to kids. “This case is as easy as ABC,” lead trial attorney Mark Lanier told the jury. “Addicting, brains, children,” adding companies “didn’t just build apps, they built traps.”

The reality is that the link between youth mental health and social media is complicated. Take the 20-year-old plaintiff identified by the initials K.G.M. in the Wednesday case. She said she started using YouTube at age six and Instagram when she was nine. Both require users to be at least 13 years old, so she broke platform rules and bypassed controls.

She says her compulsive use of social media made her “feel very depressed” and that unrealistic images she saw on the platforms made her feel insecure about her appearance. But are platforms supposed to prohibit users from posting photos that might make someone feel depressed or insecure? Sorry, Californians, no posting beach photos in December.

She was also exposed to domestic abuse as a young child, which studies show can increase vulnerability to mental illness. Studies show that parenting plays a critical role in mediating and mitigating the impact of

social media. Most children who use social media don't experience severe problems.

There's no doubt that increasing teen use of social media and smartphones over the last 15 years has coincided with rising levels of depression, anxiety and other mental illnesses. But it's hard if not impossible to prove that social media caused any given individual's troubles, let alone apportion liability among the platforms.

It's also only recently that social scientists and policy makers have honed in on social media's impact on youth mental health. The evidence presented at trial that executives purposefully designed the platforms to be addictive was weak. The trial lawyers' best argument is that platforms should have done more to limit compulsive teen use.

But companies aren't required to design products to prevent abuse or excessive consumption. A jury in New Mexico on Tuesday nonetheless found Meta liable in a separate case brought by the state AG for \$375 million for failing to protect young people from online dangers. The temptation to find corporate scapegoats for social ills is great.

Congress for years has debated legislation to protect teens online, including stronger parental controls and privacy settings. But lawmakers have punted because, well, it's easier to beat up Big Tech. Some Members also demand that any legislation include a right of private action that would let trial attorneys loot the companies.

Which is what these lawsuits are really about. Trial lawyers will now use the L.A. verdict in advertisements to recruit more plaintiffs. They may even use the social-media platforms to advertise. Unemployed? Depressed? Spend your Friday nights scrolling? You could make big money by holding billionaires responsible for your problems.

Trial lawyers and juries may figure that Big Tech companies can afford to pay, but extorting companies is certain to have downstream consequences. Meta and Google are spending hundreds of billions of dollars on artificial intelligence this year, which could have positive social impacts such as accelerating treatments for cancer.

The social-media shakedown is a victory for the plaintiffs bar—not for children or society.

Appeared in the March 26, 2026, print edition as 'The Social-Media Shakedown Begins'.

The Editorial Board speaks for free markets and free people, the principles, if you will, marked in the watershed year of 1776 by Thomas Jefferson's Declaration of Independence and Adam Smith's "Wealth of Nations." So over the past century and into the next, the Journal stands for free trade and...

Follow



Videos

Meta shares drop on fears US verdicts open door to deluge of lawsuits

 [reuters.com/sustainability/meta-shares-slip-after-us-jury-verdicts-raise-concerns-new-legal-exposure-2026-03-26](https://www.reuters.com/sustainability/meta-shares-slip-after-us-jury-verdicts-raise-concerns-new-legal-exposure-2026-03-26)

Harshita Varghese, Anhata Rooprai

March 26, 2026

Teenagers pose for a photo while holding smartphones in front of a Meta logo in this illustration taken September 11, 2025. REUTERS/Dado Ruvic/Illustration

[Purchase Licensing Rights, opens new tab](#)

March 26 (Reuters) - Meta Platforms ([META.O](#))  [, opens new tab](#) shares

dropped 7% on Thursday after two verdicts holding it liable for harm to young users sparked fears the social media giant may have to overhaul the design practices that have underpinned its sprawling advertising business.

While fines from the U.S. trials in New Mexico and Los Angeles totaled only a few hundred million dollars, experts and investors said the verdicts could open the company to a wave of litigation that sidesteps a federal law, which has long shielded online platforms from liability for user-generated content.

Sign up [here](#).

That playbook, of targeting platform design, could prove crucial in the thousands of lawsuits in the U.S. alleging that social media platforms have caused harm, potentially resulting in billions of dollars in fines and forcing changes that could shift investor sentiment towards the stocks, experts said.

The rulings add a new layer of uncertainty for Meta just as it bets tens of billions of dollars on AI, a move that has already unsettled some investors.

"These decisions don't break the business model today, but they raise the range of outcomes around future cash flows and margin structure" Adam Sarhan, CEO of 50 Park Investments, said.

Meta investors were "repricing legal and regulatory risk after the recent verdicts," he said.

Meta shares were trading near 10-month lows. Alphabet was down 2.8%, while Snapchat-parent Snap ([SNAP.N](#))  [, opens new tab](#) slumped 12.5%.

Meta and Microsoft shares underperform their Big Tech peers

The legal battle is likely to be prolonged as both Meta and Google, also found liable in the trials, plan to appeal the verdicts.

The Los Angeles jury [found Meta and Google liable](#) on Wednesday for a young woman's depression linked to alleged addiction to Instagram and YouTube, awarding \$6 million in damages. In the New Mexico case, jurors [ordered Meta to pay \\$375 million](#) for misleading users about the safety of its platforms for children and enabling their exploitation.

Snap and TikTok were also defendants in the trial in California. Both settled with the plaintiff before it began.

Meta and other social media companies face more than 2,400 cases centralized before a single judge in California federal court over claims their platforms harmed the mental health of young users, with thousands more consolidated in California state court.

"Financially, multiple verdicts could total billions of dollars in damages and legal costs, especially if courts hold the company (Meta) liable for platform design rather than just user content," said Ken Mahoney, CEO of Mahoney Asset Management.

Reporting by Harshita Mary Varghese in Bengaluru; Editing by Shilpi Majumdar

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

Judge taps Uber MDL veterans to lead Lyft sexual assault litigation

DJ [dailyjournal.com/articles/390415-judge-taps-uber-mdl-veterans-to-lead-lyft-sexual-assault-litigation](https://www.dailyjournal.com/articles/390415-judge-taps-uber-mdl-veterans-to-lead-lyft-sexual-assault-litigation)

U.S. District Judge Rita F. Lin

Given their similar allegations and business models, overlap between two multidistrict litigations against Uber and Lyft over driver sexual assault claims appeared likely. That became clearer Wednesday when U.S. District Judge Rita F. Lin appointed three veterans of the Uber MDL to lead the Lyft case.

Roopal P. Luhana of Chaffin Luhana and Rachel B. Abrams of Peiffer Wolf Carr Kane Conway & Wise, both co-lead counsel in the Uber MDL, will serve as co-lead counsel alongside Aimee H. Wagstaff of Andrus Wagstaff. *In re: Lyft, Inc. Passenger Sexual Assault Litigation*, 3:26-md-03171 (N.D. Cal., filed Feb. 5, 2026).

The three firms were the only applicants.

"I think it's a great team," Lin said after announcing the appointments.

Wagstaff said the group's prior experience working together would allow them to manage the litigation efficiently. Much of the proposed plaintiffs' steering committee also worked on the Uber MDL, she said.

Before making her decision, Lin asked Luhana how she planned to balance responsibilities in both cases.

The Uber MDL is awaiting its second bellwether trial after an Arizona jury awarded \$8.5 million in the first case earlier this year, finding the driver acted as an apparent agent of the company despite being classified as an independent contractor.

Luhana said the key issues in the Uber litigation have largely been resolved, and future trials are expected to be more streamlined.

"There are limited, pointed issues and we have a very strong team," she said. "So, it's about dividing and conquering."

Lin said the leadership appointments will last one year, with the option to seek extensions.

With lead counsel in place, Lin directed the parties to begin discovery rather than wait for a consolidated complaint, noting there is already evidence the parties know will be produced.

"I just don't see a reason to wait," she said.

Lin also said she plans to take a hands-on role in selecting bellwether cases, potentially involving a court-appointed settlement master, emphasizing that the process is intended to help resolve the litigation.

#390415

Daniel Schrager

Daily Journal Staff Writer

daniel_schrager@dailyjournal.com

Antitrust Litigation Against Major Brokerages Can Largely Move Forward, Fed. Judge in Chicago Rules

Major real estate firms will have to face claims that their commission practices drove up home prices across the nation, the U.S. District Court for the Northern District of Illinois said this week.

March 26, 2026 at 09:13 AM By  **Marianna Wharry**



Credit: Andrii Yalanskyi/Adobe Stock

A Chicago federal judge this week [allowed](#) a sweeping antitrust lawsuit to move forward against major real estate brokerages after determining the home buyers plausibly alleged a nationwide conspiracy to inflate commissions and housing prices.

Major real estate firms, like Compass Inc., Redfin Corp. and others, will have to face claims that their commission practices drove up home prices across the nation, the U.S. District Court for the Northern District of Illinois said on Tuesday. The plaintiffs are home buyers who claimed the brokerage companies used rules from the National Association of Realtors (NAR) to inflate buyer-agent commissions above competitive market rate. These commissions are largely built into the home prices and leads to buyers paying more in an artificially inflated market, the opinion said.

In a motion to dismiss, the defendants claimed their actions were the result of parallel conduct rather than an active price-fixing scheme or conspiracy. This suit adds to a [growing wave](#) of litigation challenging commission structures in residential real estate. The NAR notably reached a [\\$418 million joint settlement](#) in 2024 with a nationwide class of home sellers in a Northern Illinois district court case captioned *Moehrl v. National Association of Realtors*.

U.S. District Judge LaShonda A. Hunt noted the current case's similarities to *Moehrl*. However, she said the current case pointed to the NAR's rules being used as anticompetitive restraints the defendant brokerages each impose on their franchisees and realtors rather than just "a bare assertion of conspiracy."

"Plaintiffs here mirror the allegations in *Moehrl*," Hunt wrote. "They allege that defendants and their co-conspirators entered into horizontal agreements—codified in NAR's handbook and defendants' own rules and procedures—to abide by NAR rules. ... 'In short, plaintiffs' allegations plausibly demonstrate that each ... defendant has participated in an agreement that centralizes control over how real estate brokers are compensated with the NAR.' Thus, as pled, defendants' actions satisfy the conspiracy element because their actions 'deprive[d] the marketplace of independent centers of decision making,' at least with respect to buyer-broker commissions."

The home buyers, led by Mya Batton, filed a nationwide class action against several major real estate brokerages in 2023. They claimed the brokerages and NAR agreed to enforce rules allowing agents to steer buyers toward higher commission listings. The alleged scheme required sellers offer buyer agents commissions and prevented negotiations as part of a horizontal conspiracy between the NAR, brokerages and realtors. The plaintiffs argued buyers effectively paid the commissions and that without these rules total commissions could significantly drop from a current 6% rate to potentially below 3%, the opinion said.

The defendant brokerages largely relied on jurisdictional arguments in attempts to dismiss the class action. Some of the defendants claimed they lacked a significant connection to Illinois, and they argued connections through subsidiaries, franchises or the NAR were insignificant. They also argued the plaintiffs only alleged parallel conduct, not an actual agreement between them and the NAR, and relied on an impermissible group pleading, the opinion said.

The court rejected the defendants' jurisdiction arguments and said the plaintiffs' plausibly alleged how the Illinois-based NAR coordinated with the brokerages nationwide to apply and enforce its rules. Hunt accepted the "conspiracy theory" of jurisdiction as long as the defendants had meaningful ties to Illinois and their conduct was connected to the alleged harm, the opinion said.

The court also said the defendants were not improperly grouped together; Hunt noted the plaintiffs identified specific NAR rules, detailed how the defendants created or enforced them, and

also explained how those rules restricted competition, the opinion said.

"Here, the specific details in the complaint shine light on the alleged conspiracy, which is not complex," Hunt said. "The conspiracy involves each defendants' association with NAR and an agreement to be bound, and to bind their subsidiaries and agents, by its rules related to limited price competition. ... It may come out in discovery that there are insufficient facts to support claims against the different defendants. 'But at this stage, the court accepts plaintiffs' allegations that the [defendant] entities worked together, through [the] implementation and enforcement of the NAR rules and procedures, and have provided the defendants with sufficient notice of the claims against them.'"

Carol O'Keefe, of Korein Tillery, represents the plaintiffs.

Chahira Solh, of Crowell & Moring, represents Compass Inc.

Francis X. Riley III, of Saul Ewing, represents eXp World Holdings Inc.

Harris L. Kay, of Davis Wright Tremaine, represents the Redfin Corp.

Adam L. Hudes, of Vinson & Elkins, represents Weichert Realtors.

Emilee Hargis, of Bryan Cave Leighton Paisner, represents the United Real Estate Group.

Counsel for all parties did not return Law.com's request for comment.

**Page printed
from:**

<https://www.law.com/2026/03/26/antitrust-litigation-against-major-brokerages-can-largely-move-forward-fed-judge-in-chicago-rules/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

Artificial intelligence tools: A third party by any other name?

 [reuters.com/legal/transactional/artificial-intelligence-tools-third-party-by-any-other-name--pracin-2026-03-24](https://www.reuters.com/legal/transactional/artificial-intelligence-tools-third-party-by-any-other-name--pracin-2026-03-24)

Sagar Ravi, Joe McClure

March 24, 2026

Figurines with computers and smartphones are seen in front of the words "Artificial Intelligence AI" in this illustration created on February 19, 2024.

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

March 24, 2026 - In *United States v. Heppner*, Judge Jed Rakoff of the Southern District of New York held that communications with a publicly available generative AI platform are not protected by the attorney-client privilege or the work product doctrine. *United States v. Heppner*, No. 25 CR. 503 (JSR), 2026 WL 436479 (S.D.N.Y. Feb. 17, 2026).

Heppner is a criminal case that involves a defendant's interactions with AI during a time when the defendant is under criminal investigation and preparing materials to provide to his counsel. Despite that narrow application *Heppner's* reasoning has significant implications beyond the facts of that case. *Heppner* holds that the defendant's communications with AI software were "not confidential."

Confidentiality is a prerequisite not only to the attorney-client privilege but also trade secret protection. *Heppner* must therefore be viewed as a harbinger of how courts could view disclosures of proprietary information to AI systems when it comes to trade secrets.

The court's holding

At issue in *Heppner* were 31 documents that were among the electronic materials seized by the Government (the AI Documents). The defendant, a public company executive, asserted that the AI Documents memorialized his communications with "Claude" — Anthropic's generative AI platform.

The defendant claimed that the AI Documents contained reports that outlined his defense strategy and were prepared in anticipation of a potential indictment. According to the defendant, the AI Documents were created by inputting information learned from counsel, were for the purpose of conferring with counsel to obtain legal advice, and in fact were shared with counsel in connection with counsel's legal advice. Therefore, the defendant argued that the AI Documents were protected by the attorney-client privilege and work product doctrine.

AI as 'any other third party'

Judge Rakoff rejected Mr. Heppner's claims of attorney-client privilege, emphasizing that "Claude" is not a licensed attorney and cannot form an attorney-client relationship, and that "the communications memorialized in the AI Documents were not confidential." *Id.* at *2. Importantly, "even if certain information that Heppner input into Claude was privileged," the Court noted, Heppner had "waived the privilege by sharing that information with Claude and Anthropic, just as if he had shared it with any other third party." *Id.*

Referring to Anthropic's privacy policy, Judge Rakoff highlighted that users provided consent to Anthropic's sharing of user inputs and Claude's outputs with third parties, including "government regulatory authorities." The court found that the defendant's consent to the privacy policy meant "Heppner could have had no reasonable expectation of confidentiality in his communications with Claude." *Id.*

Judge Rakoff's decision does not turn on the criminal posture of Heppner, and reasonable minds could disagree with his conclusion that Heppner's "Claude" was not the agent of his attorney. See also *Warner v. Gilbarco, Inc.*, No. 2:24-CV-12333, _ F.Supp.3d. _, 2026 WL 373043, at *3-4 (E.D. Mich. Feb. 10, 2026) (finding "generative AI programs ... are tools, not persons, even if they may have administrators somewhere in the background" and upholding work-product protections for a pro se plaintiff's AI interactions).

However, the enduring principle of Heppner should be familiar to civil litigators: Voluntary disclosure to a third party defeats confidentiality.

Heppner's key finding was doctrinal, not technological. Judge Rakoff's classification of "Claude" as "any other third party" rests on settled waiver principles: disclosure of privileged information to a third party waives protection and confidentiality requires a reasonable expectation of privacy. Those propositions have stood for decades and are uncontroversial in civil litigation.

When a litigant inputs sensitive information into an AI platform without protections surrounding the AI platform's use of that data, courts may analyze that conduct the same as if it were a disclosure to the litigant's consultants, vendors, or business partners.

Heppner's application to corporate trade secrets

Corporate employees and executives increasingly interact with the various AI tools at their disposal to accomplish everyday tasks including, for example, summarizing or drafting emails and synthesizing information from lengthy or complex documents.

When those everyday tasks involve proprietary corporate information regarded as a trade secret, clients may be in for an unpleasant surprise. Heppner's framing of AI tools as "any other third-party" sounds a wake-up call for those who have yet to evaluate their expectations of confidentiality in the AI assistance environment and invites a reexamination of clients' data security practices.

The federal [Defend Trade Secrets Act](#) (DTSA), and the [Uniform Trade Secrets Act](#) (UTSA), adopted in 48 states, are often the touchstone of defining what is protectible as a "trade secret." See generally, 18 U.S.C. § 1836(b)(1); id. § 1839(3)(A); Unif. Trade Secrets Act § 1(4)(ii); see also [Trade Secrets Act, Uniform Law Commission](#) (last visited Mar. 3, 2026).

A "trade secret," as defined under the DTSA, might include a variety of information "if — (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information." 18 U.S.C. § 1839(3)(A).

The UTSA identifies similarly broad categories of information deriving value from not being generally known or readily ascertainable. So long as the information derives value from not being generally known, or not readily ascertainable, it may be defended as a trade secret.

Both the DTSA and the UTSA require that the owner of a defensible trade secret take reasonable measures to maintain the "secrecy" or confidentiality of the information. Several states — including California, Texas, Florida, and Nevada — have codified trade secrets as privileges, preventing the dissemination of such information outside the context of the litigation or even entirely precluding discovery that would reveal trade secrets to the requesting party. NRS § 49.325; Cal. Evid. Code § 1060; Fla. Stat. § 90.506; TX Tex. R. Evid. 507.

Courts evaluating the trade secret owner's efforts to maintain secrecy often consider security measures such as contractual safeguards, technological protections, and internal confidentiality policies to protect such information from

unauthorized disclosure to third parties. E.g. *InteliClear, LLC v. ETC Global Holdings, Inc.*, 978 F.3d 653, 660-661 (9th Cir. 2020); *Mason v. Amtrust Fin. Services, Inc.*, 848 Fed. Appx. 447, 451 (2d Cir. 2021).

Absolute secrecy is not required to sustain trade secret protection; rather the inquiry is whether the owner undertook reasonable measures under the circumstances. If it becomes commonplace to upload proprietary information to consumer AI platforms, which in turn use such information to train their models or to provide services to other users, courts may view sharing such information as inconsistent with meaningful confidentiality safeguards.

Courts have yet to address whether an employee's sharing of the company's proprietary information with AI systems, especially "consumer" or "retail" AI tools without the data privacy protections offered by "enterprise" AI models, means that the information is no longer confidential. Heppner is an early warning beacon that sharing proprietary information with AI may undermine other measures to maintain the confidentiality of sensitive corporate secrets.

Judge Rakoff's analysis — that Heppner's sharing information with Claude and Anthropic waived confidentiality and consequently the attorney client privilege "just as if he had shared it with any other third party" — suggests that uploading proprietary information to consumer AI systems would be viewed as a similar waiver of trade secret protections.

Courts often emphasize that efforts to maintain secrecy of proprietary information need not be perfect, but must be meaningful under the circumstances. E.g. *AT&T Commun. of California, Inc. v. P. Bell*, 238 F.3d 427, 2000 WL 1277937, at *2 (Table) (9th Cir. 2000) ("The UTSA requires 'reasonable efforts' to protect a secret, not maximum security[.]"); *Fail-Safe, LLC v. A.O. Smith Corp.*, 674 F.3d 889, 893 (7th Cir. 2012) ("Though absolute secrecy is not required, one who claims a trade secret must exercise eternal vigilance in protecting its confidentiality.") (internal quotations and citations omitted).

If sharing proprietary information with AI systems is viewed as inconsistent with maintaining secrecy, protecting such information as a trade secret might become an uphill battle.

Practical takeaways

Evaluate tolerable risk surrounding AI use cases when it comes to proprietary or trade secret information;

Implement written AI usage policies restricting uploads of trade-secret-level information;

Negotiate enterprise AI agreements with explicit data-use limitations and training opt-outs;

Deploy technical controls (e.g., Data Loss Prevention tools) to prevent inadvertent disclosure;

Train employees regarding AI use in proprietary and regulated contexts.

Conclusion

Heppner is more about the limits on confidentiality than it is about artificial intelligence. Rather than expand or modify privilege and confidentiality doctrine to accommodate AI, courts are more likely to examine how new technologies fit within existing law, applying existing third-party principles to new platforms.

Companies that blindly treat AI systems as internal tools without regard to the security of the data fed into those AI systems may discover that courts will treat them as disclosing their information to the world — after it is too late.

Opinions expressed are those of the author. They do not reflect the views of Reuters News, which, under the Trust Principles, is committed to integrity, independence, and freedom from bias. Westlaw Today is owned by Thomson Reuters and operates independently of Reuters News.

[Sagar Ravi](#)

Sagar Ravi is a partner in McDermott Will & Schulte's litigation practice group and can be reached at sravi@mcdermottlaw.com.

[Joe McClure](#)

Joe McClure is an associate in McDermott Will & Schulte's litigation practice group and can be reached at jmclure@mcdermottlaw.com.

News from Bloomberg Terminal

Decades-Old Paper Hailing Baby Powder Safety Retracted by Lancet

March 26, 2026, 9:27 AM PDT

Summary by Bloomberg AI

AI Generated



- The Lancet retracted a nearly five-decade-old paper about the safety of talc after learning it was written by a Johnson & Johnson consultant.
- The journal editors said the conflict was a "clear breach of publishing ethics" because the author's connection to the company was not disclosed.
- The retracted paper had concluded there was no reason to believe cosmetic talc use could lead to cancer, and had been used to defend companies that sell talc products in litigation.

By Anna Edney

(Bloomberg) --

The Lancet, one of the world's leading medical journals, retracted a nearly five-decade-old paper extolling the safety of talc, the main ingredient in Johnson & Johnson's iconic baby powder that fueled tens of thousands of lawsuits against the company after it was linked to cancer.

The journal editors said they recently learned the unsigned article was written by Francis J C Roe, a J&J consultant and prominent cancer researcher. Roe, who is dead, ran the manuscript by the company for changes before publication in 1977 – all unbeknownst to the journal's staff at the time. The original paper concluded there was no reason to believe the cosmetic talc use could lead to cancer.

The conflict "was a clear breach of publishing ethics," the current Lancet editors wrote on Wednesday. "In our view, had the editors at the time known of this situation and been aware of the author's undeclared competing interest, they would not have published this commentary."

All of this came to the attention of The Lancet via two historians, David Rosner at Columbia University and Gerald Markowitz at John Jay College of Criminal Justice, both of whom have long worked to shed light on occupational and public health crises.

The pair wrote to the journal in December revealing that documents obtained during discovery in the lawsuits against J&J showed the 1977 paper was written by Roe, who then gave an advance copy to J&J and took the company's suggestions into account, according to a commentary they wrote that accompanied the retraction.

The original paper was published amid a fight between US health officials and the cosmetic industry over whether to regulate asbestos in talc, Rosner and Markowitz said.

"The industry's opposition gained legitimacy when The Lancet published an unsigned commentary in 1977, asserting that there was no need for regulation because the cosmetic industry in both the US and the UK had ensured that their products were virtually free of asbestos," they wrote.

The paper has since been used to defend companies that sell talc products in litigation, Rosner and Markowitz said.

Opposite Sides

J&J said in a statement that Rosner and Markowitz are "are themselves paid plaintiff-side experts in the talc litigation."

"Johnson & Johnson strongly disagrees with the suggestion that a 1977 editorial in The Lancet reflects misconduct or warrants retroactive condemnation," the company said. "While Johnson & Johnson respects The Lancet's commitment to ensuring a lack of bias in the materials it publishes, unfortunately, in this instance the journal is being used as part of ongoing and underhanded litigation tactics."

US Food and Drug Administration officials recognized that the original piece was an opinion paper and knew it was written by Roe, J&J said.

J&J was facing more than 73,000 lawsuits in September from consumers who blame its baby powder for their illnesses. While the company already has litigated claims in more than 20 state court trials, a federal judge in Trenton, New Jersey, is setting up the first federal court cases for trial.

Read More: J&J Talc Cancer Suits Rise 17% After Failed Settlement Push

The company has been hit with big verdicts in jury trials, including one in December when \$1.56 billion was awarded to a woman who blamed baby powder for her cancer.

While J&J took its talc-based baby powder off the market worldwide in 2023 and replaced it with a product made from corn starch, cosmetic companies still use it in beauty products like eye shadow and blush. Some vitamins and drugs also contain talc.

FDA Commissioner Marty Makary has said he wants to look more closely at its use in products consumers ingest, though he hasn't yet. In November, the agency pulled a proposal to regulate testing for asbestos in talc.

--With assistance from Jef Feeley.

Securities

Susman Godfrey Jumps Off Speedy Law School Recruiting Track

March 25, 2026, 12:49 PM PDT

Susman Godfrey wants to see law students' full first-year transcripts before hiring summer associates, bucking the trend among top firms vying to land candidates early.

The Houston-founded litigation powerhouse announced Wednesday a new hiring approach for its summer program. Susman is accepting 2027 applications through June 30 and won't review candidates until after that date.

Several firms have moved up recruiting timelines, with some pushing students to decide on offers in their first semesters on campus. Summer associate programs are the main pipeline for hiring new lawyers at Susman and other top firms, where first-year associates made \$345,000 in salaries and bonuses on average last year.

"We took a hard look over the last 18 months or so at the changes in the recruiting landscape and in particular how OCI had been moving up faster and faster in law school," said Hunter Vance, co-chair of the firm's employment committee. "We decided that the changes weren't working for Susman Godfrey," he said.

Susman is known for its work in high-stakes trials, including a \$788 million defamation case against Fox Corp. for Dominion Voting Systems Inc. It is one of four Big Law firms fighting the Trump administration in court over executive orders targeting the firms.

Big Law firms in 2024 abandoned the on-campus interview systems managed by schools and long used to recruit students for second-year summer positions. They've switched to direct hiring methods, opening applications much earlier in students' first year in law school.

Other firms also are dialing down the race for talent. Cooley LLP recently said that it would put off hiring half of its incoming 2028 class until law students have more time under their belts.

Susman, which had about 25 summer associates last year, said it will review a full year of grades for all applicants and evaluate them on the same timeline with the same criteria.

"This gives us a chance to see the full picture of a student after a full year of law school," said Nick Spear, who co-chairs the committee with Vance. "It helps us find the right candidates and it also helps the law students find the right firm," he said.

Susman's roughly 2020-lawyer headcount is much lower than most of the country's other largest law firms by revenue. The firm also gives associates a faster track to partnership, six years.

Retention is a key goal in its hiring strategy, according to Spear.

"We hire people with the plan to make them partners," he said.

To contact the reporter on this story: Meghan Tribe in New York at mtribe@bloomberglaw.com

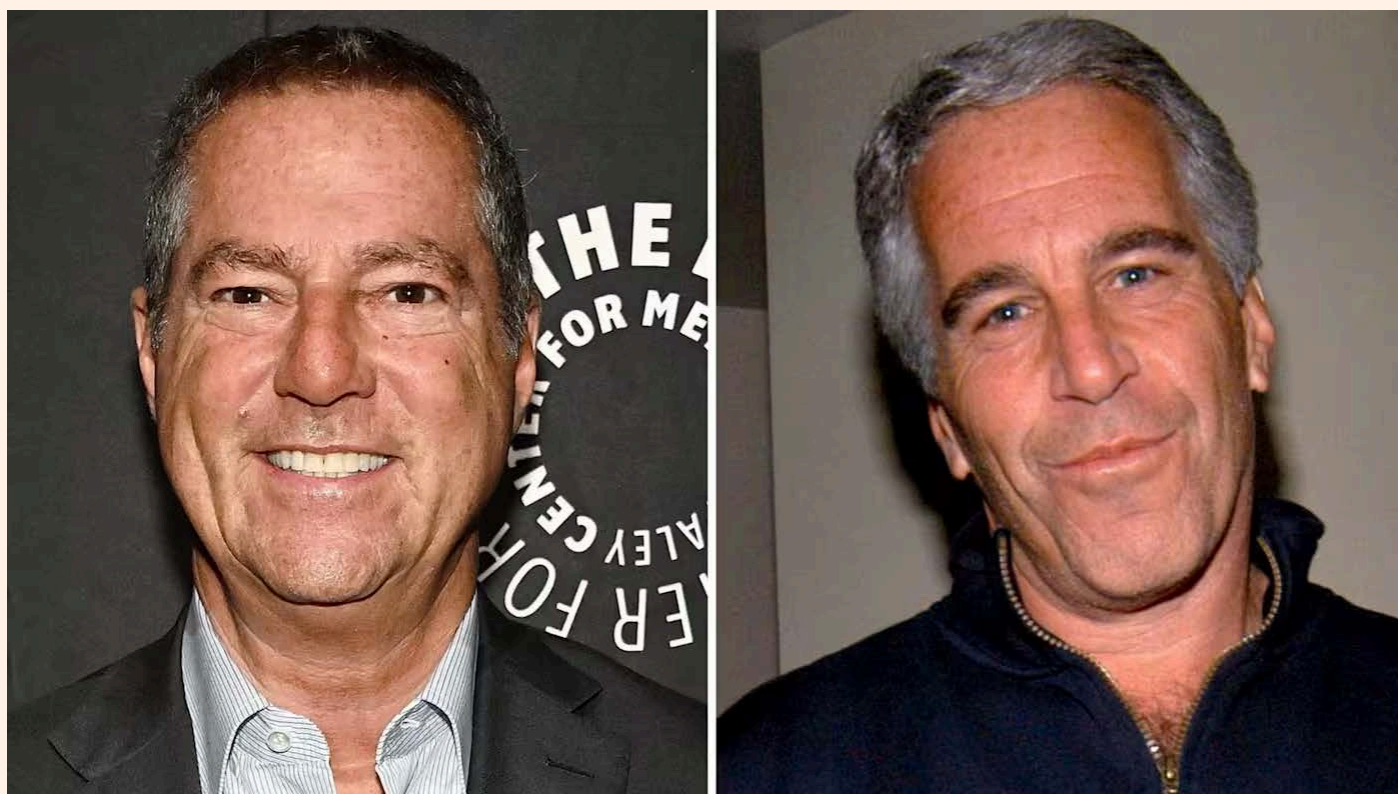
To contact the editors responsible for this story: Chris Opfer at copfer@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

FT PROFESSIONAL

Due Diligence **Paul Weiss****Paul Weiss, its star client and Epstein**

The DoJ's Epstein files reveal just how far law firm chair Brad Karp was willing to go for his most important client



Brad Karp, left, stepped down as chair of Paul Weiss after the Epstein files were released © Getty Images

Published YESTERDAY



One thing to start: Elon Musk's rocketmaker SpaceX has told investors it [hopes to raise roughly \\$75bn](#) in its initial public offering, raising its ambitions for what was already set to be the largest listing in history.

Another thing: Private capital firm KKR and BlackRock-owned Global Infrastructure Partners [are among the bidders](#) for Patrick Drahi's controlling stake in superfast broadband network XpFibre, as the telecoms tycoon turns to asset sales to gain breathing room from creditors.

And a listen: DD's Antoine Gara and Eric Platt [spoke to the FT's Behind the Money podcast](#) about why investors have recently requested to withdraw billions of dollars from the \$2tn private credit sector, and what's next for this pocket of Wall Street.

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

In today's newsletter:

- The rise and fall of Brad Karp
- A social media lesson

How Brad Karp's star client brought him down

In early 2019, **Paul Weiss** chair **Brad Karp** seemed to be at the height of his powers.

He had transformed the law firm from a group best known for its elite litigation practice into one that was also a dealmaking powerhouse.

At the same time, he was able to publicly herald the law firm as an institution with a conscience. Accepting a coveted "attorney of the year" award in autumn 2018, he made a speech saying the firm's lawyers were "committed to doing the right thing".

He also praised earlier generations at Paul Weiss who "saw the law as a noble profession, not as a commercial enterprise".

But behind the scenes, he was engaged in a relationship with the child sex offender **Jeffrey Epstein** that, based on emails disclosed in the US **Department of Justice**'s Epstein files, sounded chummy at times.

It ranged from arranging the surveillance of a woman linked to former **Apollo Global Management** chief executive **Leon Black**, to sharing comments about a DoJ lawyer being initialled as BJ.

Why? DD's Kaye Wiggins has read through hundreds of entries in the Epstein files to piece together details of the relationship.

It centred on Black, whose private capital group was a star client for Paul Weiss, paying it a few hundred millions of dollars in fees in a year. [The details are here](#), including some of the emails themselves.

Karp realised by the early 2010s that if Paul Weiss wanted to be in the top ranks of global law firms, it needed exposure to the private equity industry which was then at the beginning of a roughly decade-long boom.

Building a relationship with Apollo that enabled Paul Weiss to work on a wide range of matters for the private markets group, rather than just litigation, transformed the law firm. And staying close to Apollo meant dealing with Epstein, who had known Black since the 1990s.

Karp stepped down as chair of Paul Weiss after the Epstein files were released, but remains a partner there.

The firm's new chair **Scott Barshay**, who advises on public M&A rather than private equity dealmaking, is less close to Apollo than others at the firm. He is less inclined than Karp to present the law firm as a force for good in the world.

And he's not named in the Epstein files.

Elon Musk, his nemesis and their social media fails

Never tweet, or so the maxim goes. Perhaps such restraint should also apply to perusing **LinkedIn**.

This parable begins with a San Francisco jury [deciding last week](#) that two tweets Elon Musk wrote in 2022 constituted civil securities fraud. The posts were about Musk potentially trying to escape the buyout of **Twitter**, which had just been inked for \$44bn.

Naturally the shareholder plaintiffs — who said they'd lost out by selling shares based on Musk's missives — were thrilled with the ruling. A jury consultant to the shareholders posted the following message on LinkedIn afterwards:



© Motion filed by the Quinn Emanuel lawyers

That's where things get messy.

A LinkedIn account belonging to **Kathaleen McCormick**, the lead judge of the Delaware Court of Chancery, pressed the "support" icon. And Musk's lawyers at **Quinn Emanuel** spotted it.

On Tuesday [they asked McCormick to step aside](#) from overseeing a shareholder lawsuit involving **Tesla** and Musk, accusing the judge of showing “a perception of bias against Mr. Musk”, DD’s Sujeet Indap reports.

McCormick said in a letter to attorneys she had no idea how the reaction to the post came to be.

She wrote: “I either did not click the ‘support’ icon at all, or I did so accidentally. I do not believe that I did it accidentally.”

DD readers will recall that McCormick and Musk have a history.

The judge oversaw the case Twitter brought in 2022 to force Musk to complete his buyout of the social media company.

Before that case reached a trial, Musk caved in and finished the deal on the original terms. He said during the recent San Francisco trial that he gave in four years ago because he’d believed that McCormick was against him.

The billionaire’s contempt for McCormick primarily stems from her twice cancelling his 2018 pay package from Tesla, worth \$56bn.

After her ruling, Musk was incensed enough to tweet that companies should avoid registering in Delaware. (Of course Tesla has since moved to Texas.)

He was eventually vindicated in December when the Delaware Supreme Court reinstated his pay, though it affirmed McCormick’s finding of fiduciary duty breaches.

LinkedIn has got other Delaware judges in trouble. McCormick’s colleague **Travis Laster** abruptly ditched his professional networking account last year after being accused of writing too much about the Delaware legislature.

Musk and McCormick don’t seem to agree on much. But perhaps they will both realise that, given their respective statures, it’s time to get off social media.

Job moves

- **Donald Trump** has [tapped a suite of Silicon Valley billionaires](#) including **Meta's Mark Zuckerberg**, **Oracle's Larry Ellison** and venture capitalist **Marc Andreessen** to advise the White House on science and technology policy.
- **Ropes & Gray** is expected to hire **Denis Criton**, **Gaetan Gianasso** and **Michael Colle** as partners in Paris. The trio join from **Latham & Watkins** along with five other attorneys.
- **JPMorgan Chase** has hired **Brian Henderson** as head of North America business services investment banking. He joins from **Bank of America**.
- **HSBC** [has named Jack Yang](#) chief financial officer for Asia and the Middle East, Bloomberg reports.

Smart reads

Swiss secrecy A small merchant bank in Switzerland [is accused of laundering money](#) on behalf of Russians, Iranians and Venezuelans, Bloomberg reports. But it was US Treasury secretary Scott Bessent — not Swiss regulators — who made the move that shut it down.

Oil shock As the war on Iran drives up prices, Japan [has been hit especially hard](#), the FT reports. The country gets more than 90 per cent of its crude from the Middle East, hitting not just customers at petrol stations but also businesses from truckers to public bathhouses.

Ghost mall Struggling luxury brands were betting on the Gulf as an area of growth. But now, under the threat of falling missiles, glitzy malls in the UAE [are watching customer traffic plummet](#), the FT reports, while shipments of goods into ports are being delayed or rerouted.

FT PROFESSIONAL

Epstein files

Apollo, Paul Weiss and Epstein: how a star client brought down a Big Law boss

Apollo's Leon Black asked lawyer Brad Karp to settle a fee dispute with Jeffrey Epstein. It was the start of a years-long relationship

Kaye Wiggins and **James Fontanella-Khan** in New York and **Suzi Ring** in London

Published YESTERDAY



As the American legal system closed in on him in the final months of his life, Jeffrey Epstein shared a wry remark with a confidant.

“You will smile but the US attorney . . . is named BJ”, Epstein said in an email to Brad Karp, one of New York's best-paid and most highly-regarded lawyers. Epstein's comment was likely a reference to US Department of Justice lawyer Byung Jin Pak, who represented the government after its earlier plea deal with Epstein was ruled illegal.

Karp did not officially represent Epstein but was informally supporting him. “Love it!” Karp replied on March 5, 2019.

It was one of more than 30 emails that Karp sent Epstein in the four months after the Miami Herald published testimony from women who said Epstein's sexual abuse, when they were as young as 14, had shattered their lives. In those emails Karp called Epstein “my friend” and said he'd “love” to see him.

Karp ran Paul Weiss, one of the US's biggest and most prestigious white-shoe law firms. He had just won a coveted “attorney of the year” title, for which he made a speech saying the firm's lawyers were “committed to doing the right thing”. He praised earlier generations at Paul Weiss who “saw the law as a noble profession, not as a commercial enterprise”.

But a close reading of the hundreds of entries in the DoJ's Epstein files, and conversations with people with knowledge of the firm, reveal just how far he was willing to go for his most important client: Apollo Global Management.

Karp's need to please the private capital group — and its then-leader Leon Black — entangled him in a relationship with Epstein that lasted until months before the paedophile's death in August 2019.

"Mr Karp has made clear that he regrets his interactions with Epstein. Paul Weiss disagrees with the portrayal of much of the information specific to our firm," the law firm told the FT in response to questions for this article. Karp declined to comment. Privately, he has told those close to him that he was not friends with Epstein and was keeping him onside because Black wanted him to.

"I instructed Brad to engage directly with Epstein on my behalf on various matters, including fee negotiations, beginning in 2013 and continuing until 2019," Black told the FT. "At all times, Brad provided wise and effective counsel."

It would cost Karp the job he had held for 18 years.

"There is nothing new in the released documents," Apollo said. It said the law firm Dechert had "conducted a thorough and independent investigation into the Jeffrey Epstein matter more than five years ago and had full, unfettered access to all communications and any other material they requested."

Excerpts from selected emails included in the the DoJ's files sent between Jeffrey Epstein and Brad Karp from **July 2015 to December 2017**

Sent: 22/07/2017

From: Brad Karp

To: Jeffrey Epstein

Jeffrey,

I can't thank you enough for having me in an evening.

It was truly "once in a lifetime" every way, though.

Thank you again. You are an amazing person and your home..

I hope to see you soon.

Brad

From: Brad Karp

To: Jeffrey Epstein

you are always welcome and many many nights

you will be invited to my home.

Brad

From: Brad Karp

To: Jeffrey Epstein

You're amazing

Brad

From: Brad Karp

To: Jeffrey Epstein

You're amazing

Brad



Karp became chair of Paul Weiss in 2008, when it was best-known for its elite litigation practice. By the early 2010s he had realised that if it wanted to position itself among the top ranks of global law firms, it needed exposure to private equity which was then at the beginning of a decade-long boom.

Apollo was Paul Weiss's solution. The relationship transformed the law firm.

Paul Weiss's gross revenue surged, from \$665.5mn in 2009 to more than \$3.25bn in 2025, according to a person familiar with the matter. Karp's pay surged too, propelling him into an elite group of lawyers who made tens of millions of dollars annually. Apollo paid the firm more than \$200mn in a year: an order of magnitude more in fees than most other clients.

Apollo's growing importance to the firm provoked criticism from some internally who felt Paul Weiss was becoming too heavily exposed to the private capital group.

Karp "took the view that he had to stay very close to the founders of Apollo to make sure Apollo wouldn't leave", a person who knows him said.

Staying close to Apollo meant becoming entangled in Black's complex personal life: Black is sometimes referred to in the Epstein files as "Mr Big", the nickname of the Wall Street financier character in the TV series *Sex and the City*.

Epstein was also involved, having known Black since the 1990s. By 2016, however, the relationship between the two financiers was in trouble. Black was fighting with Epstein over how much money the Apollo founder owed for services that included trust and estate planning, tax issues and philanthropy, and had asked Karp to deal with Epstein on his behalf.

Over the years, Karp and Epstein discussed Black's fees at length. (Black ultimately paid Epstein \$158mn.) This is the reason Paul Weiss has cited for the firm's contact with Epstein, saying that it was "retained by Leon Black, then the CEO of the firm's longtime client Apollo, to negotiate a series of fee disputes with Jeffrey Epstein that spanned several years".



Jeffrey Epstein with Leon Black, in a picture from the Department of Justice's Epstein files
But Karp and Epstein discussed other things too.

That included a woman called Guzel Ganieva. She was a Russian former model with whom Black had an extramarital affair and who, by 2015, was seeking money from the billionaire private equity titan and threatening to go public about their relationship according to documents in the DoJ files.

When Epstein suggested getting the Manhattan district attorney involved, Karp made the call. When Epstein suggested getting Ganieva's visa revoked, Karp said, "will work on this". When Epstein asked whether Karp and his colleagues could have Ganieva arrested, Karp replied his "strong belief is that the answer is yes". He said this was "especially" so because the referral could come from a former senior prosecutor who Paul Weiss had recently hired.

It was Paul Weiss that hired the private investigations firm Nardello & Co on Black's behalf to surveil her, and Karp who asked Epstein in July 2015 where Ganieva stayed when she was in New York, and whether he knew her social security number.

Three times in eight days in August 2015 and again in October, Black met Ganieva at upscale New York restaurants. Using Nardello, he recorded their conversations. Karp sent the transcripts to Epstein. In one, Black told Ganieva: "as long as you behave I will pay you 100,000 a month every month for the next 12 years. What I'm trying to do for you is also to get a mechanism, and I think my lawyers have one . . ."

Nardello was hired "to provide investigative support in connection with an extortion attempt", the investigations firm said. "In the course of that engagement, no one at Nardello had any contact or communication with Epstein nor did the firm know that Mr Black's counsel was sharing its work product with him."

Karp later asked a colleague whether Paul Weiss could help Black with an escrow fund to make monthly payments to "an individual", the DoJ files show (they do not say whether the request related to Ganieva). The firm's policy was not to do so, however. Days later Karp told Epstein he had "sought reconsideration" from Citigroup's two top executives, again without naming Ganieva. But "in the end they deferred to compliance".

Ganieva rejected any allegation of extortion, and told the FT: "Nothing about my interactions with Leon Black was consensual, and the truth will come out. I never sought money from him." She added: "Any suggestion that I pursued him, his money, or acted voluntarily is false."

Sent: 30/03/2019

From: Jeffrey Epstein

To: Brad Karp

is your go to investigators kroll?

From: Brad Karp

To: Jeffrey Epstein

I use Nardello, who I think is better at these types of matters.



Black made his final payment to Epstein in 2017, according to a report from the law firm Dechert which investigated Black's and Apollo's links to the paedophile. (The Dechert report did not mention surveillance, private investigators or Ganieva.) The Karp-Epstein relationship continued.

That same year, the pair exchanged a set of cryptic messages after Karp was scheduled to visit Epstein's house. Epstein emailed Karp to say, "sorry, i spooked you, i think very low risk very low if any".

"Thanks," Karp replied. "I really appreciate you always being straight with me; I'm many, many, many things. But I never considered myself that. Really got me thinking. I appreciate your friendship."

Epstein reassured Karp: "I think that is now a catch all word , for anyone who likes women so no worry". It is not clear what the word was. Karp replied: "I worry when I have nothing to worry about, my friend!"

Some of the exchanges display an offensive humour. When Epstein, apparently questioning whether an unnamed woman was being truthful about the signing of a contract, asked "Did she also say she was [a] virgin", Karp told Epstein: "You are feisty tonight."

Karp appears to have been willing to push the boundaries of confidentiality rules to meet Epstein's requests. In September 2015 Karp sent Epstein an email that appeared to contain login details intended to be used by the law firm. The email read: "user: pweiss password: Apple65".

In April 2018, Epstein asked him for a copy of a document related to a stock sale. "I'm going to send that to you," Karp replied. "But please don't let him know that I shared it. It is supposed to be strictly confidential." Black's spokesperson told the FT that Black had instructed Karp to share the document. He also said Epstein "embellished, exaggerated and lied" in his communications.

Black wanted Karp to remain in contact with Epstein into 2019 because the fee dispute continued and because "tax and estate matters and transitioning information . . . can take years", the spokesperson said.

In his October 2018 speech to accept the New York Law Journal's Attorney of the Year Award, Karp celebrated Paul Weiss's virtues.

“It is such a privilege to lead a law firm whose professionals are wholly committed — reflexively committed — to doing the right thing, the courageous thing. A law firm that is willing to stand up for the rule of law,” Karp said.

The following month, the Miami Herald published its Epstein investigation. By then, Black had cut off communication.

In the messages they exchanged after that, Epstein and Karp offered comfort and advice to each other. In December, Epstein told Karp in relation to something unspecified: “hurts that this is taking physical toll on you. NOT WORTH IT—!!!” Karp replied: “Thanks, my friend. I hear you. Just an awful, relentless stretch.”

After a US federal judge ruled Epstein’s 2007 plea deal, which had let him avoid federal charges, illegal in February 2019, Karp told Epstein: “Hope you’re staying calm. Let me know what I can do to help.” “Your judgment and friendship,” Epstein replied.

Karp turned to Epstein for a recommendation for a lawyer when former Citigroup president John Havens was ensnared in a Florida prostitution crackdown in February 2019. (Havens told the FT: “I never met Epstein. I never spoke with Epstein and I never asked or knew that Karp spoke to Epstein. I got legal references from other people and did not use the lawyer Karp referred me to.” Charges against Havens were ultimately dropped.)

A month later, when Epstein was under renewed threat of legal action and wanted a firm of private investigators, it was Karp who recommended Nardello, the same organisation Paul Weiss had previously hired on Black’s behalf.

“In 2019, unbeknownst to Mr Nardello, a firm client recommended that Epstein contact him about providing assistance with anticipated civil litigation,” the investigative firm said. “Epstein reached out but Mr Nardello declined to help, and they had no further contact.”

By the time the DoJ published the Epstein files this year, Karp had already lost his shine in parts of the New York legal community because of his capitulation to the Trump administration.

When US President Donald Trump issued potentially damaging executive orders targeting Paul Weiss and others last year, it was a test of the law firm's identity. Other firms successfully fought back in court. Some of Paul Weiss's litigators would have liked it to do the same.

But it was clear within Paul Weiss that it was not in Apollo's interest for the firm to be in a conflict with the administration. (Any "implication that Apollo in any way weighed in on or attempted to influence our decision-making with respect to the executive order is completely false," Paul Weiss said.)



A protest outside Paul Weiss offices in New York last year after it agreed to provide \$40mn of unpaid work for Trump-backed causes
© Michael M Santiago/Getty Images

Karp agreed to provide \$40mn of unpaid work for Trump-backed causes. The order was dropped; soon after, other large law firms struck similar deals. "You couldn't imagine a greater chilling effect on the rest of the profession" than Karp's deal, the head of a large law firm said at the time.

The episode prompted speculation about Karp's future. He weathered it, reinforcing his reputation internally as a stabilising figure. But when the DoJ published 3mn pages from the Epstein files in late January, some clients began signalling concerns about reputational risk from Karp's relationship.

Within days, a small group of partners started preparing a contingency plan to replace Karp, before agreeing he should be removed as chair. He remains a partner.

As the drama unfolded, some partners expressed frustration that Karp had not stepped aside earlier. Some believed he should leave the firm entirely. Still, some in the firm's litigation business where Karp made his name thought he should not have had to step down as chair at all.

Others viewed his removal as chair as a proportionate response, given that he had not been accused of breaking the law. Some partners were told he was being allowed to remain at the firm out of what one referred to as "humanity". He had worked there for more than 40 years, since his days as a summer associate.

Star dealmaker Scott Barshay has since been installed as chair. He is less close to Apollo than others at the firm since he advises on public M&A rather than private equity dealmaking, and he is less inclined than Karp to present the firm as a force for good in the world. He is not named in the Epstein files.

Of Karp, one partner said at the time of his departure as chair: "People used to like him", partly because he is charming and charismatic. "But everyone is so annoyed about this."

Additional reporting by Cynthia O'Murchu and Joe Miller

[Copyright](#) The Financial Times Limited 2026. All rights reserved.

Follow the topics in this article

US companies

Epstein files

Securities

Apollo's Pest: How Epstein Courted Its Billionaire Founders (1)

March 25, 2026, 5:25 PM PDT

Jeffrey Epstein prompted the biggest leadership shakeup in Apollo Global Management Inc.'s history five years ago. Now the late sex offender has the private-markets giant back on the defensive.

The Justice Department's massive trove of files on Epstein is painting a vivid picture of his efforts to get close to Apollo's three billionaire founders. It's sparking new questions for the firm a half-decade after Leon Black handed off the reins amid scrutiny of his Epstein ties. Apollo sought to calm investors at the time by publishing an outside law firm's report stating that 60,000 documents and staff interviews showed "no evidence" of Epstein "having any relationship with Apollo."



Leon Black, Marc Rowan and Josh Harris

Photography: Patrick. T Fallon/Bloomberg, Lionel Ng/Bloomberg, Valerie Plesch/Bloomberg

Scattered in the millions of pages of files released in recent months are at least 17 email chains with Marc Rowan, who's now chief executive officer, including references to phone calls and efforts to arrange five meetings. The documents show Rowan and fellow founder Josh Harris were both familiar with Epstein as he sought to insinuate himself into the finances of Apollo's leadership and move beyond Black, who acknowledged paying Epstein \$158 million for estate planning and tax advice.

At one point in 2016, Epstein reached out to Rowan, asking to get paid for his advisory services. In a later message to Black's office, Epstein said he decided to reject what he described as Rowan's offer of \$25 million, in which Black would have paid the biggest share, with Rowan and Harris jointly contributing \$10 million. At other times, Epstein's proposals went beyond tax planning to potentially lucrative questions about the firm's future strategy and clients — including trying to get Apollo to build a relationship with a Rothschild firm that has managed money for many of Europe's wealthiest families.

The communications between Epstein and the founders, often in their own words over email, offer a window into how he traversed the top rungs of one of the world's most influential investment firms, casually communicating with bosses and their assistants long after his 2008 conviction on charges including procuring a minor for prostitution. At times he tried to position himself as the founders' confidant, problem solver, host and introducer. The records also make clear he was sometimes a pest.



Marc Rowan

Photographer: Michael Nagle/Bloomberg

The latest reputational test comes at a time when Apollo's leaders see a shakeout looming in the private-credit industry they helped build. In Black's case, the records have revealed that Epstein helped manage expensive crises involving women in his personal life.

Read More: The Leon Black Files: Epstein Was Fixer for His Deepest Secrets

But for Apollo and Rowan, the files change nothing, according to a spokesperson. Neither of them ever paid Epstein, and Rowan had no business or personal relationship with him, the spokesperson said. "There were a handful of emails from Marc Rowan to Jeffrey Epstein over 10 years, most related to scheduling or avoidance thereof. Any other engagement was limited, sporadic and also related to Mr. Black's tax work."

When Epstein tried to do work for the other founders, he "was rejected," the spokesperson said.

Last month, President Jim Zelter told clients and partners that in "select instances" Rowan and other colleagues "provided information to Epstein in connection with his tax work for Mr. Black" but that they declined his other attempts to work together "at every turn."

Rowan, 63, went a step further, discussing his own interactions with Epstein and saying he never even liked him. "If a relationship is one meeting over 20 years and a couple of unreturned emails, then that's a relationship," he said at a Bloomberg investment conference this month. "I'm very sorry, and didn't see what Jeff was doing. Me, I didn't like him for my own reasons. He wasted my time. Even from the grave, he's wasting my time."

Perceived differences between Apollo's portrayal of Epstein's ties to the firm and the Justice Department's records prompted a lawsuit this month seeking class-action status on behalf of shareholders, arguing the firm misled them. Epstein "was heavily involved and frequently communicated with Apollo Global's senior leadership," according to that complaint. Apollo had yet to file a response as of early this week.

Last month, two teachers unions with a combined commitment to Apollo of at least \$27.5 billion asked federal regulators in a letter to look into the company's "apparent lack of candor." And in another letter, the broader AFL-CIO questioned the thoroughness of the review completed by the law firm Dechert in 2021, asking Apollo's board to examine their company's compliance efforts. Many union members, it noted, are invested in the firm and its products through their pension systems.

Rowan's position, summed up by his spokesperson, is that the "facts remain the same" and were widely covered years ago. "The Dechert report was a comprehensive and independent investigation by a major international law firm," he said. The conclusions it reached "are as true today as they were in 2021."

Black, 74, paid Epstein merely for tax and estate planning, his own spokesperson added.

'Do you know who Mark Rowen is?'

Epstein's contact with Rowan took off about 13 years ago, according to the files. In the early days, the disgraced money manager's own office wasn't so sure about the Apollo executive. "Do you know who Mark Rowen is," Epstein's assistant asked Black's assistant in August 2013.

Any ambiguity faded as the two talked and met. One email from Black's assistant early the next year shows the billionaire nudged his colleagues, asking Rowan and another senior executive to call Epstein about donor-advised funds. By late 2015, she was helping Rowan find time in Epstein's schedule for a breakfast the next year: Rowan "wants to meet Jeffrey" and "will move things around," she wrote, offering that he could "bring coffee!!!"

The Epstein files show him and Rowan emailing each other into 2016, sometimes staying in touch over the weekend or playing phone tag. Some interactions involved the firm's power center. As Epstein sought to learn more about the founders' taxes, Rowan tried to forward him calculations behind a so-called tax receivable agreement, in which the company shared tax savings with the trio. Meanwhile, Epstein tried to steer more business to Apollo through his work with the Rothschilds. That January, he invited Rowan to his house to meet with Ariane de Rothschild and Cynthia Tobiano, Edmond de Rothschild's chief financial officer. An Apollo spokesperson said Epstein himself didn't attend.



Leon Black

Photographer: Jonathon Alcorn/Bloomberg

This came after Epstein laid out his view in a letter addressed to Black that Rothschild didn't have enough private-markets products to offer clients who held roughly \$150 billion with the firm, making it a ripe partner for Apollo. Epstein had plenty of reason to seek growth for the private equity giant. Beyond his relationship with Black, he owned more than 250,000 Apollo shares, making it an important part of his stock portfolio, according to documents in the Justice Department's files. (The stake would now be worth more than \$27 million.)

Months later, Gernot Lohr, now chair of the firm's global financial institutions group, told fellow partners via email about a promising meeting with Tobiano. It was about "some areas of cooperation and how we can tap into their private bank-ing business and their asset management business." Lohr went on to say that the firm could provide products for the private bank as well as for its institutional clients.

Rowan shared that April 2016 email with Epstein, adding a simple "FYI." It isn't clear what, if anything, came from the meetings.

Though Rowan was the more prominent of the two, the Justice Department's records show it was Epstein who sometimes sent directions or asked for a progress report. Once, when Epstein wanted money, he reached out to Rowan, seeking help to arrange a "fair" payment for his work on what was apparently a tax matter, later sending a polite nudge. Epstein later described the offer he received, seeming dissatisfied: "no surprise im sure.. I declined."

It was also in 2016 that Epstein connected Rowan to Nick Ribis, who once ran President Donald Trump's casino empire. That month, Ribis told Epstein: "he has real issues enemies in front and more dangerous from behind (I did some checking) plus regulatory problems - I can help." Though the issue at hand wasn't clear from the emails, a person with knowledge of the situation said it related to the restructuring of Caesars Entertainment, the famously troubled buyout investment that dogged the Wall Street firm for years.

In 2018 — a few days after Gary Cohn announced he was stepping down as head of Trump's National Economic Council — Epstein texted with Steve Bannon, former senior counselor to the president, about Rowan. One of Epstein's messages suggested the Apollo executive had been "looking" for an adjacent White House post, running the Office of Management and Budget.

"Very smart guy," Bannon wrote back. After mentions of the three Apollo partners, Epstein told Bannon that they were "willing to sit with you at my house."

'financial confessional booth'

By then, Epstein had cultivated ties to Harris, too.

As early as October 2013, it was obvious that Epstein was looking for ways to attach himself to Black's co-founders. Before one planned meeting, when Epstein's assistant asked if he wanted to schedule a one-on-one with Rowan before Black and Harris joined, he answered: "no, all three together."

Talks and emails ensued, with Harris suggesting a month later that he stop by Epstein's house. "I know my office has scheduled a call for Thursday," he wrote to Epstein, "however I don't think our conversation lends itself to a call." That same day, Epstein sent a list to Black's assistant that included a reference to a donor-advised fund and a "josh harris issue."

Epstein had been pitching Apollo's partners on a plan to launch a donor-advised fund that would be managed by the firm, but Harris objected, according to a person familiar with his position. Black "had no knowledge of and no involvement with the donor advised fund," said Whit Clay, a spokesperson for Black.

Epstein soon signaled plans to visit Apollo, too, letting Harris know he would be hanging around: "I will be at apollo offices from 2-5 tomorrow, if you want to stop by a chat for a few minutes."

The emails also show arrangements for Harris to visit Epstein's mansion in December 2013 and the following January.



Josh Harris

Photographer: Valerie Plesch/Bloomberg

A spokesperson for Harris, who left Apollo in 2022, said he “never had an independent relationship” with Epstein. He “sought to prevent Epstein’s attempts to develop a corporate relationship with Apollo. As these emails indicate, Harris sought to avoid meeting with Epstein, canceling meetings and having others return his calls.”

Epstein’s emails could sometimes sound bossy. He sent Harris a list of requests in early 2014 for documents including an org chart, ownership details and prenuptial agreements, even following up with a nudge. But he could also be attentive, inviting Harris to an “intimate” breakfast with Bill Gates, then the world’s richest person. Harris asked: “Whats this Bill Gates thing about?”

“I thought you might like to schmooze, get some of his ideas etc. nothing but fun,” Epstein answered. Afterward, Epstein checked with Harris to confirm he enjoyed it.

Two years later, Epstein ramped up his efforts, offering himself as a confidant. “Any conversation that you prefer to stay between just us. will,” Epstein told him, offering a “financial confessional booth.”

The response from Harris, 61, was polite and lukewarm. “Will do Jeff. I’m not sure there is much controversy at this point.” Their meetings and calls seemed to mostly peter out.

‘delete my emails’

In 2019, Epstein’s death set off a crisis for Black. When a 2020 article showed he had paid at least tens of millions of dollars to Epstein, the firm’s stock tumbled more than 20% in less than a month, and clients who fueled its fundraising expressed alarm. Apollo responded by hiring a team of lawyers from Dechert to conduct an outside review and tapping Wall Street power lawyer Jay Clayton to mend fences as lead independent director and chairman.

That inquiry ended with public reassurances that Epstein had done work for Black, not for other Apollo executives.

“It is clear that no Apollo employee other than Black ever seriously considered hiring Epstein, much less actually retained him,” according to the 2021 report. “While Black did not try to pressure his co-founders to use Epstein, he did positively comment on the substantial value of Epstein’s services and, at Epstein’s repeated request, did try to introduce Epstein to his co-founders. In the end, neither co-founder hired Epstein or consulted with him on their personal matters.”

Afterward, Black stepped down, and Rowan succeeded him. A spokesperson for Black said the documents released in recent months confirm the findings of the review commissioned by Apollo, including that Epstein didn’t do business with the company.

"Dechert concluded that Mr. Black paid him for estate planning and tax advice — all vetted by reputable law and accounting firms," the spokesperson said in a statement. "At the same time, the emails, to which Mr. Black never responded, make it clear that Epstein was a braggart who embellished and exaggerated his role and responsibilities in many ways."

Two moves last year showed how much the turmoil subsided after the Dechert report. Clayton left to become the Southern District of New York's top prosecutor, making him Wall Street's de facto sheriff, and Rowan consolidated his power by adding the title of chairman.

Then came the government's release of the Epstein files, which show the convicted sex offender fixing Black's deepest secrets and naming him as "one of my closet friends."

Indeed, Epstein suggested how Black could reshape his family office, sometimes offering its employees his acceptance and disapproval. Rather than helpful, such messages were "disruptive," Black's spokesperson said. "And at a certain point, Epstein's harassment and his relentless pursuit of more money crossed the line so Mr. Black fired him."

Epstein was drawn to both the rich and the powerful, and he relished introducing one to the other while calling the shots. Ehud Barak, the former Israeli leader, sent Black information about an oil deal in 2014, citing "Jeff Epstein's conversation with you." But Epstein told Barak the deal was "trouble," and the former prime minister backtracked, asking Black's assistant to "delete my emails."

Two years later, Epstein made his own kind of pitch, suggesting a new path forward for Apollo itself in an email to the lawyer Brad Karp.

"It appears obvious that the future of the PE biz at scale cannot be built around deals," Epstein wrote to Karp about the private equity industry, "but asset mgmt at the huge scale that Apollo now has." He encouraged the firm to remake itself in the model of Warren Buffett's business, calling Berkshire Hathaway Inc. "the north star here."

Epstein's email, though relatively prescient about the industry's direction, was characteristically long and convoluted. The response from Karp — who stepped down as head of Paul Weiss this year, saying that the Epstein news had "created a distraction" — was short and enthusiastic: "What can I do to help and progress thinking?"

Read More: 'Call Brad Karp': Epstein's Fondness for Lawyer Ends in Downfall

(Adds statement from Black's spokesperson in 28th paragraph.)

To contact the authors of this story:

Laura Benitez in Los Angeles at lbenitez1@bloomberg.net

Max Abelson in New York at mabelson@bloomberg.net

Trump Says Justices Barrett & Gorsuch 'Sicken' Him

A abovethelaw.com/2026/03/trump-says-justices-barrett-gorsuch-sicken-him

Joe Patrice

March 26, 2026

Donald Trump continued his temper tantrum against the [Supreme Court's tariff decision](#), taking an opportunity last night to specifically call out two of his appointees for joining the majority. "Two of the people that voted for that, I appointed," Trump slurred during his speech to the National Republican Congressional Committee dinner, "And they sicken me... They sicken me because they're bad for our country."

As a reminder, this is the second time for Amy Coney Barrett, who *literally* sickened Trump when [her nomination party turned into a COVID superspreader event](#) that sent Trump to the hospital.

[Watch on YouTube](#)

It's true that tariffs had provided the government billions in revenue, because that's how massive tax increases work. What Trump never seemed to figure out is that those costs aren't paid by other countries, but by importers who then pass it on down the chain to the consumer in higher prices. Tariffs can punish other countries for their trade practices *if* the price increase on imported goods causes consumers to shift to domestic products, but since the administration [didn't realize America can't grow bananas](#) for almost a year, it's safe to say these rocket scientists weren't carefully crafting a strategy to protect homegrown products.

For Gorsuch and Barrett (to a slightly lesser extent since she did not join the most expansive part of the Trump immunity opinion), [they join Chief Justice Roberts](#) in learning that, no matter how much you debase yourself to rewrite the rule of law to help this guy, it's never enough. These justices went full Nicholas Cage to find language in some hidden version of the Constitution to totally immunize a president for stealing classified documents — apparently [for the purpose of helping your private business interests](#) — and having your lawyer lie to the government about that fact, participating in a scheme to defraud voters, and even [assassinate political rivals](#). But they were still one decision away from him deciding that they "sicken" him.

And, hey, the Supreme Court sickens me too. The difference is *Above the Law* readers are highly intelligent, beautiful people, and Trump's audience are the people who tried to hang Mike Pence and then received pardons for it. The phrase

hits a little different for those folks. It's the "will no one rid me of these troublesome judges?" drumbeat his administration has lobbed at lower court judges for months, finally leveled up to the Supreme Court.

But they have no one to blame but themselves.



[Joe Patrice](#) is a senior editor at Above the Law and co-host of [Thinking Like A Lawyer](#). Feel free to [email](#) any tips, questions, or comments. Follow him on [Twitter](#) or [Bluesky](#) if you're interested in law, politics, and a healthy dose of college sports news. Joe also serves as a [Managing Director at RPN Executive Search](#).

<https://bsky.app/profile/rbreich.bsky.social/post/3mhvx53btd72n>



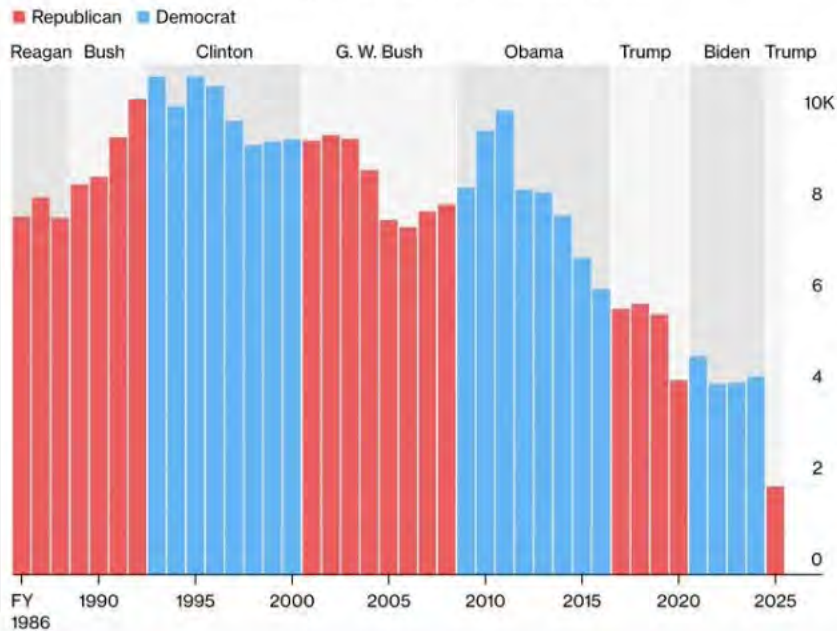
Robert Reich ✓

@rbreich.bsky.social

Is it any wonder people feel the system is rigged?

White-Collar Crime Prosecutions Set to Reach New Low

Number of prosecutions by the US Department of Justice



1:40 PM · Mar 25, 2026 ☺ Everybody can reply

665 reposts 26 quotes 1.7K likes 45 saves

79

691

1.7K

...



Cap m Kickass @capmkickass.bsky.social · 2h

I might point out that Citizen's United was enacted in 2010.



4



26



diggleruk.bsky.social @diggleruk.bsky.social · 2h

When the main perpetrators of these crimes are literally running the country, it's easy to see why.



2



23



Michael Little @tomcatjock.bsky.social · 2h

To be fair, white collar pardons are at an all time high.



2



4



20



schmette.bsky.social @schmette.bsky.social · 1h

A guaranteed revenue stream.

So many regular people are going belly up every wk that he remains squatting in the WH.

Criminals of every stripe are calling & lining up to tender an offer to process their BB golden get outta jail passes.

The corrupt have power because power lures the corrupt.



Jeff Messer @jefmes.bsky.social · 2h

Do we know why they started tailing off so sharply under Obama? That's disappointing to see.



2



2



Deramin @deramin.bsky.social · 2h

2008 housing crash. The whole system was revealed to be so fraudulent to its core that we had to side with justice or capital. The political system was too afraid of the consequences of confronting capital. So the whole regulatory system gave up. People with integrity quit.



3



Michelle likes democracy. @democracymichelle.bsky.social · 50m

Federal DOJ even prosecute crimes anymore? Or have they decided committing them is more lucrative?



1



Dr. Who @drw66.bsky.social · 54m

You'd think the number would have gone way up. Trump could have gifted so much more with pardoning them all.



1



1



**Bloomberg
Law**[Request a Demo](#)[Login](#)

The Brief - Top News of the Day From Bloomberg Law

Top Prosecutor Defending Trump Policies Quits to Help Immigrants

March 26, 2026, 7:26 AM PDT

Until last week, Sara Miron Bloom oversaw the US attorney's office in Rhode Island frequently defending Trump's immigration crackdown and other core White House policies in court.

Within days of retiring from the Justice Department, she began fighting DOJ and won the quick release of a noncitizen client who'd been detained without access to a bond hearing.

"If every week is like this week, it's going to be a really great job," Bloom said of her new role as legal director of freshly-launched Mass Deportation Defense. The move followed her 30-year career at DOJ, most recently as Rhode Island's acting US attorney for all of 2025 before sliding over to serve as the office's top deputy this year.

Bloom said in an interview that she wants to help build a network of nationwide lawyers to file emergency habeas petitions. It's an attempt to meet an urgent demand for low or no-cost legal services for the thousands of immigrants who—under the administration's novel interpretation that Bloom was still carrying out until very recently—face indefinite detention and deportation without the right to argue for their release in immigration court.

"I left because I wanted to do the work I've gone to do. I wasn't forced out," she said. "I hope to be part of—once again—upholding the rule of law in a system of justice from a different perspective."

Bloom is among at least four litigators who've exited the Providence office this past year to battle against it on immigration policy and other Trump priorities they previously defended.



Sara Miron Bloom is sworn-in as first assistant US attorney for the District of Rhode Island by then US Attorney Zachary Cunha in January 2022.

US Attorney's Office for the District of Rhode Island

DOJ attorneys often depart to take on clients opposite former colleagues, but the Rhode Island situation is notable in that Bloom was her district's top official implementing Donald Trump's law enforcement overhaul. She and several other career lawyers from Rhode Island's civil division have forgone lucrative law firm salaries to join nonprofits challenging the detention-without-bond policy that's overwhelming US attorneys' offices across the country.

In a district with only 20 to 25 assistant US attorneys, the surge in civil habeas petitions filed by people held at Wyatt Detention Facility in Central Falls, R.I., has the entire office on rotation to try upholding the government's policy.

Bloom herself took on at least one habeas case while leading the office last year as her civil team was busy advocating for Trump's funding freezes and DOGE actions that were repeatedly being challenged in Rhode Island. Then, when Democratic-led states sued to block the administration's effort to condition federal transportation grants on immigration enforcement cooperation, Bloom was lead counsel before the district court. Like most of the office's cases defending Trump policies, she lost.

"During the year, just about everybody in the office was doing two or three roles because we lost people and everybody had to cover," she said.

'Sadness to Leave'

Bloom spent 25 years at the US attorney's office in Boston, earning a reputation as an aggressive white collar prosecutor. She moved to Providence in 2022 to become the office's first assistant for a Biden-appointed US attorney, replacing him as Rhode Island's temporary top prosecutor a few weeks into the Trump administration.

She stayed in charge until the end of December when Attorney General Pam Bondi tapped a former Rhode Island state prosecutor, Charles Calenda, to lead the office. Bloom praised Calenda's performance over the past few months, yet on March 13 exited as his first assistant to pursue the new venture.

"What's happening in the world motivated me to do what I'm doing now. I think that I feel torn between wanting to do what I'm doing now and feeling that it's actually important that people of integrity still be there, and be supported," she said. "It is truthfully with still a fair amount of, not regret because I'm very happy doing what I just started doing, but sadness to leave the people, the mission, and the work that I loved doing."

Bloom's former civil chief Kevin Love Hubbard said learning last summer that DHS would be taking the position that all noncitizens who are arrested must be detained without a bond hearing "tipped the scales" for his departure.

Rather than stay on heading the unit responsible for defending this policy, he left in August to join the Lawyers' Committee for Rhode Island where he counsels noncitizens in habeas petitions and has filed broader challenges in other Trump immigration matters.

Hubbard said he decided he could no longer serve in a DOJ where leaders messaged "your only role is to serve the president," but he still respects the "consummate professionals" remaining who now litigate against him.

He shares Bloom's view that it's critical for experienced attorneys to persist at DOJ.

"I think it is a great loss to the people of the United States and to the people of the state of Rhode Island that Sara Bloom, who is one of the finest attorneys I've ever met, is no longer representing them," Hubbard said. "She's also an example of someone who stayed as long as possible inside the government, as many other people still choose to do every day, to be as good public servants they can be in extremely difficult circumstances."

Bloom didn't blame Trump officials in an administration that's reined in US attorneys' independence. The appeal of starting this nonprofit is rooted in what she's observed about the impact of immigration proceedings that separate families.

"When I think about what it meant that my grandparents could immigrate to this country and how that has benefited our generations, and that all of that happens often without somebody being represented," Bloom said, "that seems like something that I want to be active in and that needs every resource we can find."

Litigation

Manage Newsletters

Ex-Ohio House Speaker's RICO Conviction Should Stand, DOJ Says

March 26, 2026, 8:03 AM PDT

Summary by Bloomberg AI

AI Generated



- The Justice Department told the US Supreme Court that former Ohio House Speaker Larry Householder's racketeering conspiracy conviction should stand.
- The DOJ argued that any error in the jury instructions wouldn't have affected the trial's outcome, citing "overwhelming evidence" that Householder solicited financial contributions in exchange for official action.
- The case involves \$60 million of FirstEnergy bribe money used to get Householder elected and to pass a legislative package to bail out two nuclear power plants owned by the utility.

Former Ohio House Speaker Larry Householder's racketeering conspiracy conviction in a scandal involving FirstEnergy Corp. should stand, the Justice Department told the US Supreme Court.

While the former Republican official argued that the justices should revisit a decades-old decision on how specific evidence on an agreement to give something in exchange for favorable treatment or acts must be in corruption cases, the DOJ said in a filing Wednesday that Householder's case and that of a co-defendant "would be poor vehicles for resolving the question presented."

Solicitor General D. John Sauer also noted that the high court turned away similar challenges from convicted politicians and that any error in the jury instructions wouldn't have affected the trial's outcome.

"Overwhelming evidence showed that Householder expressly solicited financial contributions in exchange for performing or agreeing to perform specific official action," Sauer said.

The DOJ's position is a blow to Householder and former Ohio Republican Party Chairman Matthew Borges, who was convicted of the same charge at a 2023 trial in Cincinnati. Householder, 66, is serving 20 years in federal prison, while Borges, 53, is in the Federal Bureau of Prisons' residential reentry program.

Borges and Householder were found guilty in a case that involved \$60 million of FirstEnergy bribe money pumped into Householder-controlled nonprofits to get the speaker elected and to ram through a \$1.3 billion legislative package to bail out two nuclear power plants the Akron, Ohio-based utility owned at the time. The scandal is back in the news as a jury in Akron is currently deliberating on whether to convict former FirstEnergy CEO Charles Jones and fellow ex-executive Michael Dowling on state corruption charges.

'Lawful Campaign Contributions'

Borges lobbied for a FirstEnergy affiliate, working to kill a planned voter referendum to repeal major parts of the legislative package. This included funneling illicit money through bank accounts he controlled and bribing a political operative in exchange for information on the number of signatures collected on the referendum.

The US Court of Appeals for the Sixth Circuit upheld their convictions last year, though one judge separately wrote that the Supreme Court should revisit case law regarding how prosecutors must prove that a public official receives money in exchange for official actions.

Borges made a similar argument to Householder for the justices to review his case while also emphasizing that the issue was about alleged bribes funneled as "lawful campaign contributions."

But the DOJ, which first tried to forgo responding to the review requests before the justices sought a response, said that "petitioners have not established that the payments in these cases could even be viewed as legitimate campaign contributions."

Eight people have been charged because of the myriad investigations, which became public after the FBI arrested Householder, Borges, and others in 2020. In addition to the jury verdict against Householder and Borges, two others pleaded guilty while another two died by suicide.

Householder also faces state charges related to his using more than \$750,000 from his campaign to pay for his criminal defense lawyers in the federal case.

Householder is represented by Marein & Bradley. Borges is represented by Litson PLLC.

The cases are Householder v. US , U.S., No. 25-756, brief filed 3/25/26 and Borges v. US , U.S., No. 25-757, brief filed 3/25/26 .

To contact the reporter on this story: Eric Heisig in Cleveland at eheisig@bloombergindustry.com

To contact the editor responsible for this story: Alex Clearfield at aclearfield@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

NewsRoom

3/26/26 Akron Beacon J. (Ohio) (No Page)
2026 WLNR 8897856

Akron Beacon Journal (Ohio)
Copyright © 2026 GANNETT

March 26, 2026

Ex-FirstEnergy execs return to court for jury instruction reread
A Summit County judge reread some jury instructions in the bribery trial
of two ex-FirstEnergy execs March 26, the sixth day of deliberations.

Patrick Williams, Akron Beacon Journal

Two former FirstEnergy executives returned to court March 26 for the judge to reread instructions to jurors who have been deliberating in their bribery trial for six days.

Judge Susan Baker Ross said she was "asked to reread page two of the instructions to everybody and make sure everyone is able to follow those."

It was not clear who asked the judge to reread the instructions – whether the jury or another party. The Beacon Journal posed this question to the judge's bailiff, who said a response may be delayed because the judge is handling other court matters throughout the day.

The jury in the case of Chuck Jones, former FirstEnergy CEO, and Michael Dowling, an ex-senior vice president at the utility, has been deliberating since Wednesday, March 18. They had a one-day break on March 24.

Jurors have posed at least three questions to the judge during their deliberations, then resumed their discussions.

In a criminal trial, a jury's decision must be unanimous to either convict or acquit. If they are unable to reach a verdict, a mistrial is declared.

In the presence of the defendants, as well as prosecutors and defense attorneys on March 26, Baker Ross reread one page from more than 20 pages of instructions that she previously read to them.

"You are the judges of the facts, the credibility of the witnesses and the weight of the evidence," Baker Ross said in the instructions.

Defendants Jones, Dowling face multiple charges in bribery case

Defendants Chuck Jones, former FirstEnergy CEO, and Michael Dowling, ex-FirstEnergy senior vice president of external affairs, are accused of paying a more than \$4.3 million bribe to energy lawyer Sam Randazzo before he became chair of the Public Utilities Commission of Ohio.

Jones faces one count each of engaging in a pattern of corrupt activity, bribery, telecommunications fraud and conspiracy.

Dowling faces one count of engaging in a pattern of corrupt activity, one count of bribery, two counts of telecommunications fraud, two counts of tampering with records and one count of conspiracy.

Defense attorneys say Randazzo stole the roughly \$4.3 million from FirstEnergy and that the defendants coordinated the payment to terminate a settlement agreement with a trade group. As an attorney, Randazzo represented the Industrial Energy Users of Ohio, and FirstEnergy paid the group in exchange for the group's non-opposition to the utility's Electric Security Plan 4 that was before the PUCO at the time.

Jury again directed to decide whether to believe witnesses

Rereading the instructions, Baker Ross told the jury that they are not required to believe any witness's testimony "simply because he or she was under oath."

Inconsistencies have appeared throughout testimony, including when attorney and former FirstEnergy Chief Ethics Officer Ebony Yeboah-Amankwah took the stand as a state witness in February.

The jury has placed at least some focus on Yeboah-Amankwah's testimony in its deliberations, posing a question related to her testimony to the judge that Baker Ross responded to twice.

Ohio Assistant Attorney General Matthew Meyer asked Yeboah-Amankwah whether any "alarm bells" went off in her mind when, in 2019, Gov. Mike DeWine nominated Randazzo to be PUCO chair. Randazzo was on FirstEnergy's payroll at the time.

Yeboah-Amankwah said no.

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

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

In February, the prosecution presented a video of Dowling from a October 2023 deposition for a civil case. Dowling said then that he didn't recall discussing PUCO chair applications with Randazzo when he and Jones visited Randazzo's condo on Dec. 18, 2018.

However, lawyers throughout the trial have presented a Dec. 19, 2018, text message exchange between Jones, Dowling and Randazzo in which Randazzo says, "I think I said this last night but just in case – if asked by the administration to go for the Chair spot, I would say yes."

Jury cannot consider how defendants didn't take witness stand

Both defendants waived their right to testify earlier this month.

"It is not necessary the defendants take the witness stand in their own defense. They have a constitutional right not to testify," Baker Ross said in the jury instructions she reread on March 26. "The fact that they did not testify must not be considered for any purpose."

Judge reminds jury to consider witness 'frankness,' 'interest,' 'bias'

Baker Ross told the jurors to "use the tests of truthfulness which you use in your daily lives" to consider witness credibility.

"These tests include the appearance of each witness on the stand, his or her manner of testifying, the reasonableness of the testimony; opportunity he or she had to see, hear and know the things concerning which he or she testifies; his or her accuracy of memory, frankness or lack of it, intelligence, interest or bias, if any, together with all the facts and circumstances surrounding the testimony," Baker Ross said.

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

This article originally appeared on Akron Beacon Journal: Ex-FirstEnergy execs return to court for jury instruction reread

---- Index References ----

Company: FIRSTENERGY CORP

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

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

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

Language: EN

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

Keywords: (Business (activity),Corporate management,Ohio,Summit County, OH,Akron, OH,Court proceedings,Legal Proceedings,Utilities,Public Utilities Commission of Ohio,FirstEnergy,Crime & Justice,Legal,Courts & Judiciary,Energy & Utilities,Mike DeWine,Strategy and Management,Local News)

Word Count: 918

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

NewsRoom

3/26/26 cleveland.com (Cleveland, Ohio) (No Page)
2026 WLNR 8890466

cleveland.com (Cleveland, OH)
Copyright © 2026 cleveland.com

March 26, 2026

FirstEnergy bribery trial deliberations are in day six. Experts say that's normal

Adam Ferrise; cleveland.com

AKRON, Ohio — The jury entered its sixth day of deliberations Thursday in the high-profile bribery trial of two former FirstEnergy executives — a timeline that experts say is not unusual for complex cases.

Akron-based defense attorney Kerry O'Brien, a trial attorney who has practiced for 51 years, said there's no telling when a jury will come back with a verdict.

That's true particularly in a complicated case, O'Brien said, like the trial of former FirstEnergy CEO Chuck Jones and ex-top lobbyist Michael Dowling, who are accused of bribing state regulator Sam Randazzo with \$4.3 million.

"A jury can be out two hours, two days or two weeks," O'Brien said. "You have two defendants, you had six weeks of testimony. That's a lot for a jury to digest initially."

The trial in Summit County Common Pleas Judge Susan Baker Ross' courtroom began with jury selection on Jan. 27. Testimony lasted six weeks and jury deliberations began last week. The jury so far has asked the judge three questions, including one that Baker Ross withheld from the public.

On Thursday, Baker Ross met with attorneys for about 20 minutes in chambers before re-reading jury instructions about how jurors must come to their own conclusions based on the testimony and evidence presented during the trial. She asked all the jurors if they were able to follow the instructions and all said they could.

"We just needed to reaffirm that for the record," Baker Ross said.

There's no set time limit for jury deliberations. Long jury deliberations in criminal trials, while rare, can happen, said retired University of Akron law professor J. Dean Carro.

A Los Angeles County, California jury deliberated for nine weeks in what's believed to be the longest criminal trial in U.S. history, over accusations of widespread child sexual abuse at the McMartin Preschool. The jury in 1990 issued not-guilty verdicts on some charges and deadlocked on others.

Others are much shorter. Take the 2023 trial of former Ohio House speaker Larry Householder, whose conviction was born of similar investigations into FirstEnergy, Jones and Dowling.

Householder took \$60 million in FirstEnergy money to ensure the passage of House Bill 6 in 2019 and beat back a referendum, while pocketing some money for himself. The bill gave a \$1.3 billion ratepayer bailout to two nuclear power plants owned by FirstEnergy.

Householder's trial lasted about six weeks, and the jury deliberated for about nine hours before returning a guilty verdict, according to the Ohio Capital Journal. He's now serving a 20-year prison sentence.

Carro said white-collar cases can sometimes take longer than other trials, but that it can vary.

"You can't predict in a given case how long a jury is going to deliberate," Carro said. "Every case is so different and every jury is different."

In Jones' and Dowling's trial, the prosecutors' circumstantial case included explanations about the nuances of Ohio utility regulation, contracts law and of Randazzo, a dead co-defendant who both prosecutors and defense agreed ripped off clients before becoming a powerful state regulator.

Experts said those reasons alone could cause the jury to take its time when deliberating, not to mention the bribery accusations at the heart of the case: that Jones and Dowling bribed Randazzo shortly before Randazzo became chairman of the Public Utilities Commission of Ohio. The commission holds power of how much revenue utilities like FirstEnergy can make.

Prosecutors say in exchange for the money, Randazzo helped draft HB 6, ensured that FirstEnergy would be able to make inflated profits and killed a regulatory review of FirstEnergy's finances.

Randazzo, who was initially charged in the case, died by suicide in 2024.

Defense attorneys have said that Jones and Dowling never bribed Randazzo. They said Jones signed off on the \$4.3 million payment because it was part of a settlement with Randazzo's clients in a 2015 case and legally owed the money.

FirstEnergy made several annual payments under the settlement agreement with a trade group of industrial businesses called IEU-Ohio, defense attorneys said. The company owed \$4.3 million because of a settlement extension that Randazzo negotiated in exchange for IEU-Ohio's continuing to not oppose a FirstEnergy surcharge to customers.

The settlement extension called for payments from 2018-2024. After FirstEnergy had a financially successful 2018, officials looked for ways to wipe future payments off its books, leading to the lump-sum \$4.3 million payment, defense attorneys said.

The jury was not allowed to hear a slew of information about HB 6 investigations, including Householder's conviction and that federal investigation also led to FirstEnergy admitting to bribing Randazzo and Householder.

Jones and Dowling also face similar federal bribery charges related to Householder and Randazzo — another aspect the jury wasn't allowed to hear. That case remains on hold and no trial date has been set.

"A complicated case like this, where you have so many different players, could take much more time for the jury to come back with a verdict," Carro said.

If the jury deadlocks on charges, a rare occurrence, Baker Ross will first read what's called an Allen Charge, named after an 1896 U.S. Supreme Court case, experts said.

The judge will instruct the group of seven women and five men to continue deliberating and to re-consider their positions on the case. If they can't come to a unanimous decision on the charges, Baker Ross will declare a mistrial, experts said. Prosecutors will then decide whether to retry the case or drop the charges.

"In that case, the judge is taking a really serious demeanor with the jury," Carro said. "She'll be saying, 'I know this is tough but do your best. Go back there.'"

---- Index References ----

Company: FIRSTENERGY CORP; US SUPREME COURT; OHIO HOUSE APPRAISERS, INC

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

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

Region: (Americas (1AM92); California (1CA98); North America (1NO39); Ohio (1OH35); U.S. Midwest Region (1MI19); U.S. West Region (1WE46); USA (1US73))

Language: EN

Other Indexing: (University of Akron; FirstEnergy; U.S. Supreme Court; Ohio House)

Word Count: 944

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

NewsRoom

3/26/26 Akron Beacon J. (Ohio) A4
2026 WLNR 8802755

Akron Beacon Journal (Ohio)
Copyright (c) 2026 Gannett

March 26, 2026

Section: News

FirstEnergy trial judge clarifies issue for jury

Patrick Williams

March 26, 2026

On March

25, the jury entered the fifth day of deliberations in the bribery trial.

The judge in the criminal trial of two former FirstEnergy executives provided a second response to a question from the jury.

The jury on March 23 submitted the written question, "Did Ebony testify that she took a copy of the settlement agreement to Chucks office for a meeting on 12/18/18(?)"

Responding to the question about defendant Chuck Jones and state witness Ebony Yeboah-Amankwah, Judge Susan Baker Ross previously said March 23, "You need to rely on your collective memories on this matter." The Beacon Journal previously reported on the question and response.

However, in a new response that Baker Ross shared with reporters March 25, she said, "There is no testimony that Ms. Yeboah-Amankwah took a copy of the agreement to Mr. Jones() office or discussed it with him during a meeting on 12/18/18."

On March 25, the jury entered the fifth day of deliberations in the bribery trial of Jones, former FirstEnergy CEO, and Michael Dowling, who served as a senior vice president at the Akron-based utility. The defendants are accused of paying a \$4.3 million bribe to energy lawyer Sam Randazzo before Randazzo became chair of the Public Utilities Commission of Ohio.

Defense attorneys say Randazzo stole the money from FirstEnergy and that the payment was intended for Randazzo's client, the Industrial Energy Users of Ohio, to terminate a settlement agreement. The agreement, defense attorneys said, was for the group's non-opposition to FirstEnergy's Electric Security Plan 4 when the plan was under PUCO consideration.

Yeboah-Amankwah, a lawyer who served as chief ethics officer at FirstEnergy, testified under an immunity agreement Feb. 12, Feb. 13 and Feb. 17.

Before jury deliberations, defense attorneys requested that the judge dismiss the case, or at the very least, issue a jury instruction about what defense attorneys said was the prosecution's mishandling of it.

One point of contention was that prosecutors did not record or take notes of conversations with Yeboah-Amankwah; Eileen Mikkelsen, former FirstEnergy vice president of rates and regulatory affairs; or former FirstEnergy lobbyist Ty Pine. All three testified under immunity from prosecution.

Reading instructions to the jury before closing statements March 16, Baker Ross said, "You have heard that the State of Ohio failed to record or take notes of interviews it conducted with Ebony Yeboah-Amankwah, Ty Pine and Eileen Mikkelsen. The State of Ohio is required to preserve any evidence, including from witness interviews that could help establish that the defendants are not guilty."

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

Patrick Williams covers growth and development for the Akron Beacon Journal. He can be reached by email at pwilliams@gannett.com or on X, formerly known as Twitter, [@pwilliamsOH](https://twitter.com/pwilliamsOH). Sign up for the Beacon Journal's business and consumer newsletter, "What's The Deal?"

On March

25, the jury entered the fifth day of deliberations in the bribery trial.

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

Company: FIRSTENERGY CORP

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

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

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

Language: EN

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

Edition: 1

Word Count: 517

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

Securities

Elevated Take

Even After Delaware Wins, Musk Can't Take His Ball and Go Home

March 26, 2026, 2:00 AM PDT

Just when things seemed to be settling into a new normal for Delaware's legal system, Elon Musk is back for more.

The world's wealthiest tech bro escalated his two-year barrage on Chancellor Kathaleen St. J. McCormick, the judge who voided his record \$56 billion Tesla Inc. pay plan before the state's high court restored it.

Musk demanded Wednesday that McCormick recuse herself from the last batch of cases confronting him in Delaware after she allegedly engaged with a LinkedIn post "sneering" at his loss in a securities fraud trial over his \$44 billion deal for Twitter Inc.

McCormick responded immediately, insisting that if she did hit LinkedIn's "support" button, it was accidental. She suggested that her account—which she's now locked out of—may have been hacked. For now, the litigation is on hold pending a decision on the recusal motion.

For Delaware, where courtroom foes refer to each other as "my friend" and motions for judicial recusal are exceedingly rare, the fresh attacks from Musk are both shocking and unsurprising. His initial wave of insults against McCormick—unleashing the online trolls—was part of a campaign to provoke a mass corporate "DExit" that sparked last year's divisive state Senate Bill 21, Delaware's most significant legislative overhaul in decades.

Whether because hard sells from Nevada and Texas are coming up short, because the threat of DExit was never more than a myth spun by private equity lobbyists and the corporate defense bar, or because S.B. 21 did its job, the exodus hasn't really happened.

Critics say state officials were basically duped, and Musk's renewed hostility helps them make that case. Even supporters of S.B. 21 have sought to distance themselves from the billionaire, who has spent the past few years dismantling federal agencies and embracing the far-right fringe.

Why can't Musk take the win after getting his money, bullying Delaware into changing its corporate laws, and leaving? By pressing his luck with eyebrow-raising arguments, he's reminding the state's legal ecosystem that the backlash was more about him than everyone else's fiduciary duties.

The 2024 pay ruling "was quite singular in sparking both the reaction by the corporate community threatening to leave Delaware and in turn the reaction of elites in Delaware to try and stem that tide," University of Southern California law professor Ryan Bubb said. "There's an old saying in corporate law that bad facts make bad law. Elon Musk is just *sui generis*."

The fresh controversy erupted days after the state's famed collegiality was on full display at a top M&A conference in New Orleans. The gathering followed a trilogy of Delaware Supreme Court rulings meant to calm the waters, including the Musk pay decision in December and one in February that upheld the legal overhaul. The podium featured shareholder attorneys and corporate defense counsel trading praise as they sparred amicably.

Jeroen van Kwawegen, a prominent shareholder lawyer who co-founded Johnson Van Kwawegen LLP last year, suggested in a LinkedIn post of his own Wednesday that before Musk began flinging accusations, "the responsible thing to do was to contact the judge and check the facts."

"But that would have required restraint, judgment, and a longer term view on the systemic consequences of our actions," he wrote.

The method to Musk's madness seems to involve hitting McCormick with "merciless, continual" attacks that would inspire animus in most people, then arguing she must be prejudiced against him, according to retired University of Delaware law professor Charles Elson.

"This is a form of judge shopping," Elson said. "If you really get down to it, the one who showed bias was him."

To contact the reporter on this story: Mike Leonard in Washington at mleonard@bloomberglaw.com

To contact the editors responsible for this story: Bernie Kohn at bkohn@bloomberglaw.com; Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Matt Levine's Money Stuff: Private Credit Has Some Debt

March 25, 2026, 10:49 AM PDT

BDC leverage

The simple story of private credit is that private credit funds raise money from investors and use the money to make loans. The investors' money is locked up for a long time, so there is no maturity mismatch: Unlike, say, a bank, a private credit fund can hold its loans to maturity and will never have to give investors their money back early; there can never be a "run" on private credit funds. Sure, certain retail private credit funds — non-traded business development companies — promise to give investors up to 5% of their money back each quarter, but other types don't. And those outflows are small and predictable, so those BDCs will never have to do fire sales of loans to meet redemptions.

This story is, approximately, half true, in the crude sense that about half of the money that private credit funds use comes from their investors. The other half is borrowed. A private credit fund might raise \$100 from investors, borrow \$100 more, and make \$200 worth of loans. This is a crude number — some funds will borrow less, others more — but "around 1x levered" is a decent ballpark estimate. Some of this borrowing comes from banks, which makes some people worry about systemic risk to the banking system, and some comes from the bond markets.

The recent private credit news has involved a lot of non-traded BDCs getting redemption requests for more than 5% of their shares this quarter. A few have decided to redeem more than 5%, but most have said no and stuck to the 5%. As we discussed yesterday, a simple way to interpret those withdrawals is that investors in private BDCs do not trust their net asset values. If the managers of your BDC tell you that the fund is worth \$100 per share, and you think that it's worth \$80 per share, then you should withdraw as much money as they'll let you: They'll pay you out at the \$100 net asset value for shares that you think are worth only \$80. There is a lot of suspicion of private-credit marks, which tend to move more slowly than public asset prices, and publicly traded BDCs do in fact trade at large discounts to NAV, so this makes sense as an explanation. (There are other possible explanations, including a preference by individual investors for liquidity.)

But here I want to discuss the leverage. The fact that the typical private credit fund is levered has at least two interesting interactions with those withdrawal requests.

First: Leverage magnifies gains and losses, and in particular it magnifies any discounts. As Boaz Weinstein pointed out on the Money Stuff podcast, you have to look at GAV, not NAV. If a private credit fund owns \$200 of loans, and it marks them at 100 cents on the dollar but they are really worth only 90 cents on the dollar (\$180), and it has \$100 of debt, then:

1. It will report a gross asset value of \$200, and a net asset value (assets minus debt) of \$100.
2. The real gross asset value is \$180, and the real net asset value is \$80.

A 10% discount on the loans — a 10% gap between the marked value of the loans and their actual market value — creates a 20% discount on the *fund*.

Now, if every private credit fund marked its loans perfectly — if everyone agreed that the loans were worth what the funds say they are worth — then this would not be a problem; two times zero is zero. But if there's any disagreement over the value of the loans, the fund leverage magnifies it. And the more levered a BDC is, the bigger its net asset value discount should be, holding its marks constant.

Second: Leverage goes up with withdrawals. If a private credit fund owns \$200 of loans, with \$100 of debt and \$100 of shares outstanding at NAV (1x leverage), and then investors ask for 5% of their money back, and the fund gives it to them, then now there are only \$95 of shares outstanding. How much debt is there? Probably \$105, if the fund draws on a line of credit to pay out the shareholders. (Possibly \$100, if it sells assets instead.) The fund has gone from 1x leverage (\$100 of debt to \$100 of equity) to 1.1x (\$105 to \$95).

This is not the end of the world: Private BDCs don't normally run at very high levels of leverage, they're allowed to take on more, and 1.1x is fine. (The rules for BDCs allow up to 2x leverage.) I doubt that leverage ratios are an especially binding constraint right now. And the leverage going up is arguably a *good* thing, if it means that the BDCs don't have to do fire sales of loans to meet redemptions.

But the leverage is something to keep in mind. On Monday, "Moody's Ratings lowered its assessment of FS KKR Capital Corp.," a publicly traded BDC run by Future Standard and KKR & Co., "to Ba1, or one level into junk, because of what it described as 'continued asset quality challenges' that have hurt profitability and the value of the fund's portfolio relative to peers." Ratings downgrades are bad generally, and particularly bad in a moment of worry for the private credit business. The FS/KKR downgrade was about asset quality (the value of the loans), not withdrawal-related leverage ratios, and FS KKR's (book) leverage ratio is not especially high. But its response to Moody's focused on its liability structure:

"FSK remains well positioned despite the decision," a spokesperson for the fund, referring to its stock-exchange ticker, said in an emailed statement. "It has a strong, well-laddered liability structure with no 2026 unsecured maturities and limited near-term maturities, enabling us to continue supporting our portfolio companies and navigate the current market environment."

It is partly true — it is half-true — that private credit is funded by long-term locked-up equity investors. Some of those equity investors are, perhaps, a bit confused; they thought they could get their money back whenever they wanted, and are now annoyed to find out that they can't. That is genuinely annoying for them, though it is also *good* for systemic stability: If private credit funds don't have to give back their money when investors get nervous, then there won't be fire sales and bank runs. The current wave of private credit unpleasantness *supports* the core pitch of private credit, that its funding model is safer than bank lending: Everyone is mad, but the funds don't have to liquidate.

But the other half of the story is the debt. Unlike bank deposits, that debt is also mostly not runnable; it tends to be long term and not have margin triggers. (Mostly!) So it's not like private credit funds are getting their own loans called in and having to liquidate. Still, when people are nervous about private credit, debt makes that nervousness worse.

Anti-PE

We talked last week about anti-private equity. The theory is that a lot of people — consumers, employees, politicians, etc. — don't like private equity ownership of their local plumbing or pest control or traffic flagging business, so there is a market niche for non-private-equity ownership. (Here is a 2021 paper finding “that acquisition announcements by PE funds are associated with reductions in customer visits to target firm outlets, but only when the target was not already owned by a PE fund.”)

And then, because I am a financial engineer at heart, I suggested structuring around that. Set up some sort of not-quite-ownership structure, a variable interest entity or management services agreement or cash-settled swap or something, so that (1) a private equity fund can acquire effective control and economic rights to the local plumbing business, (2) the grandson of the founding plumber can cash out but (3) they can *tell* everyone that the plumbing business is still locally owned. (This is approximately how private equity buyouts of medical practices work: The practice remains owned by doctors or lawyers, but the PE firm's “managed service organization” owns a lot of its cash flows.) As I mentioned, a reader pointed me to American Operator, a company that “helps operators — typically a longtime employee or industry veteran — co-purchase retiring owners' businesses,” apparently (1) initially acquiring about 90% of the equity and (2) saying that its “goal is to keep Main Street in the hands of Main Street,” great trade.

My basic point here is that “private equity ownership” is, by hypothesis, bad, but at a vague intuitive level; it's not like there are well-designed regulations to block Bad Private Equity Ownership. It's just that people get mad about it. So you'd think there would be ways to achieve the economic equivalent of private equity ownership while also telling people not to get mad about it.

If you take this stuff seriously, and I am not at all sure that you should, you might say: “Oh, sure, *now* there is just a vague intuitive objection to private equity ownership. But as private equity ownership becomes more pervasive, and as financial engineers get to work, it *will* become more formalized. States and countries will pass rules against private equity ownership. Or, more likely, voluntary certification regimes will spring up: Some trade organization will bestow a seal of No Private Equity Here, and that seal will be valuable in attracting consumers and employees, and that trade organization will look through your financial-engineering tricks.” The analogy is to environmental, social, and governance investing: “No PE” could be something that consumers want the way that “ESG” is something that investors want, and in both cases there will be third-party certifications to make sure that people are getting what they want.

Anyway here is the Locally Owned and Operated certification:

Stand out and build trust with customers who prioritize supporting local businesses. Our Locally Owned and Operated certification verifies your commitment to the community, helping you attract loyal patrons dedicated to keeping their spending local.

You get a little shield. *Delightfully*, American Operator runs the program.

Tricolor

There is a folk belief that, if you borrow money from a company, and the company goes bankrupt, you don't have to pay back the money. This is not generally true. If you *lend* money to a company, and the company goes bankrupt, *it* might not pay *you* back; the bankruptcy interrupts payments on its loans. Not your loans. (Not legal advice!)

This is not entirely black and white, though. You might owe money to a bankrupt company, but it might owe you something in return: You might owe it money in exchange for some continuing service, or you might owe it money in exchange for a product that hasn't been delivered yet, or maybe it at least has to send you invoices for the money you owe. And the company, being bankrupt and disorganized, might stop doing whatever it owes you. And you might say “well, if the company stops doing what it owes me, I will stop sending it money, that's only fair, right?” This is kind of a natural intuition, though my impression — still not legal advice — is that the US bankruptcy code does not entirely share it.

So, if you borrow money from a car dealership to buy a car, and the car breaks down, and the dealership goes bankrupt and stops returning your calls about fixing it, can you stop paying the loan? Intuitively you might say “yes, of course, that's only fair.” But the dealership's creditors, and the bankruptcy court, will have other ideas. Bloomberg's Steven Church and Angelica Serrano-Roman report on the Tricolor Holdings bankruptcy:

The case pits what's best for the individual car owners against the interests of wealthy bondholders and lenders. After Tricolor went bust, federal officials appointed a trustee to examine almost 40,000 allegedly fake loans and piles of questionable documents and disputed warranty obligations. Lenders say Tricolor used the same vehicles as collateral multiple times, and court documents indicate that Tricolor falsely inflated the value of its loan portfolio by more than half, to \$1.7 billion.

One customer, who asked not to be identified because she's undocumented, bought a 2019 Chevrolet Silverado last year from Tricolor for \$35,000. The truck developed serious engine trouble a week after she drove it off the lot, but the company refused to fix the problem and today she still has to pay \$600 every two weeks for a vehicle that's unusable. ...

Roughly half of Tricolor's customers are in default on their loans, according to a person familiar with the portfolio who asked not to be named discussing private information. If more borrowers quit paying, the court process set up to repay banks and bondholders could be thrown into chaos, and the lenders' losses might soar.

Tricolor has been charged with various schemes to package fake loans and borrow against them, which is bad for its creditors. But if you are one of Tricolor's borrowers, you might say "Tricolor was going around selling fake loans, so who's to say my loan isn't fake?"

Like

When I teach the Securities Regulation class at a law school, I will roll up my sleeves, loosen my tie, sit backwards on a chair and explain to my students that:

1. The moon emoji is securities fraud, but
2. The poop emoji is not.

This is not legal advice, and it's not even really true, but it's kind of true. In a simpler and more literate age, the way that people made factual claims in public was by writing or saying words, and courts could interpret those words to decide if they were true or misleading. Now we communicate in emojis, and so a body of law has grown up to interpret those emojis. The moon emoji, a federal judge has really concluded, could be interpreted by a reasonable investor as "an expert insider's direction to buy or hold." Emojis can have binding legal effect.

Similarly, in the olden days, traders made binding contracts with each other by saying the word "done" on the phone, or by typing the word "done" in an electronic chat, or by making an appropriate hand signal in an open-outcry trading pit. Now they can do it by sending the thumbs-up emoji in an electronic chat, which is a pretty straightforward adaptation of the trading-pit hand signals to the world of electronic messaging.

I am not sure we are quite at the stage where hitting the "Like" button on social media can create a binding legal obligation, but surely we're getting there? At the Financial Times, Sujeet Indap reports:

Lawyers for Elon Musk and Tesla have asked a Delaware judge to step back from cases involving the billionaire entrepreneur, after her account "liked" a LinkedIn post celebrating his recent legal defeat in California.

Musk's law firm Quinn Emanuel wrote that because Chancellor Kathaleen McCormick had liked the "inflammatory" post and thereby created "a perception of bias against Mr. Musk in these cases, recusal is necessary and warranted". ...

McCormick said she was not aware that she had liked the post until "LinkedIn recently reported that I hit the heart-in-hand icon intended to show a sign of 'support' concerning a LinkedIn post about Mr. Musk".

"I either did not click the 'support' icon at all, or I did so accidentally. I do not believe that I did it accidentally," she added, in a letter to attorneys.

Tesla moved its incorporation to Texas almost two years ago, so eventually Delaware judges will be done with Musk-related litigation. I bet they'll be thrilled when that happens.

'Unemployable'

Three points that I have made around here are:

1. In choosing which entrepreneurs to back, venture capitalists self-consciously select for weirdos. The job of VC is to maximize variance. If you back a bunch of weirdos, some of them will be wildly successful and others will steal your money, which is better than having them all be pretty good.
2. It can be good for your career to lose a billion dollars: Future employers and investors will be impressed by your ability to take risk, and by the fact that someone previously trusted you with a billion dollars.
3. It can even be good for your career to develop a reputation as a scammer, for reasons that are a bit mysterious to me but that might be connected to the previous two points. Also, these days, a popular way to make money is by being in on some scam, so going around to investors and saying "psst I'm a scammer, you want to work with me?" might be a good pitch.

These things combine to create, you know, kind of bad incentives? The lesson here might be something like "develop the worst possible reputation for being unpleasant, making catastrophic mistakes and stealing money, because in modern business Bad is Actually Good." I don't know. Not career advice. Anyway here's a venture capitalist saying honestly quite conventional things, for a VC:

One of Europe's top venture capital firms is on a worldwide hunt for "misfit" founders, as it closes in on an \$800mn fundraise that will help it double down on a strategy of backing unconventional entrepreneurs.

Hummingbird Ventures has racked up huge returns from early bets on the likes of crypto exchange Kraken and AI "vibe coding" start-up Lovable.

"The kind of founders we look into are truly misfits," said Hummingbird founder Barend Van den Brande. "They are anomalies . . . we look for signs that they almost built their own theory of the world. If anything, to a certain degree, we want them to be unreasonable." ...

Firat Ileri, managing partner, said Hummingbird was seeking entrepreneurs who “are almost unemployable” — people who “might not last long” at conventional businesses. “There are our type of founders all across the world.”

You know it’s a European VC firm because they say “to a certain degree, we want them to be unreasonable”; in Silicon Valley they would leave out the qualifier. Either way, though, “unemployable” is good for your career now.

Things happen

SpaceX Aims to File for IPO as Soon as This Week. Citadel Securities Nets Record \$12 Billion Trading Haul. Trian, General Catalyst Poised to Win Janus Henderson Bidding War After Victory Capital Bows Out. Oil Theft Is Burning a Billion-Dollar Hole in the West Texas Economy. Hedge Funds, Oil Companies Meet in Venezuela to Chart a New Era. European airlines hold off jet fuel hedging in Iran war gamble. OpenAI Scraps Sora Video Platform Months After Launch. Barclays Pulls Back on Asset-Based Lending After MFS, Tricolor. Bank of Montreal Plans Tokenized Cash Platform. Drain on Turkey’s reserves raises prospect of gold sales to prop up currency. GameStop Sales Fall Amid Continued Retail Troubles, Bitcoin Value Decline.

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

To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Daniel Niemi at dniemi1@bloomberg.net

1. Generally the BDC will have a line of credit allowing it to borrow money to meet redemptions without selling loans.
2. Here is a May 2025 Federal Reserve note finding that the average leverage of publicly traded BDCs is around 53% (that is, 53% debt to assets, or 1.13x levered), while the average leverage of “other non-bank financial institutions,” including many private credit funds, is about 42% (0.72x levered). Note that there are different ways of expressing the leverage ratio; the Fed uses a debt-to-assets ratio, I am using a debt-to-equity ratio (so a fund with 50% debt to assets is 1x levered), and this Office of Financial Research report uses an assets-to-equity ratio (so a fund with 50% debt to assets is 2x levered). (That report finds that the median private credit fund has barely any leverage at all, but the mean fund is about 1.9x levered on an assets-to-equity basis, or about 0.9x debt-to-equity.) Meanwhile the BDC rules use an assets-to-debt ratio. My impression is that the customary leverage ratio in the private credit business is the debt-to-equity ratio.

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Manage Newsletters

Matt Levine's Money Stuff: Weather Prediction Prediction

March 26, 2026, 10:24 AM PDT

Weather

We talk sometimes around here about hedge funds getting into weather forecasting. Weather affects financial markets (notably commodities prices), and it is hard but not impossible to predict; it is a problem to which you can apply skill and technology. If you are very good at predicting the weather, one particularly lucrative place to put your skills to work is in commodities derivatives trading.

I wrote about this last year :

The nicest thing you can say about the financial industry is that it lavishly rewards correct understanding of the world. If you know a thing, and other people do not know it, financial markets provide an efficient and fairly general way to turn your knowledge into large amounts of money. ...

It seems to me that this creates nice incentive structures? ... It is probably net good for the world that young people who are interested in rigorously understanding some specific domain know that they might get paid really well for that understanding.

I still think that this is basically true, but one could have a slightly more cynical and Keynesian model. Something like:

1. Financial markets reward, not correct understanding of underlying reality, but correct predictions of other people's beliefs: Stocks go up because people believe that their future cash flows will be higher, not because the future cash flows will actually be higher.
2. These things are related: Financial markets are smart and competitive, and the main reason that people believe stuff is that they have good reason to believe it. So getting really good at predicting underlying reality is broadly, if indirectly, useful for predicting beliefs and, thus, prices.
3. But the overlap is not total. If you can choose between correctly predicting underlying reality and correctly predicting market perceptions, predicting market perceptions might be easier and more lucrative, and also more *immediately* lucrative.

Bloomberg's Joe Wertz has a story about predicting weather predictions :

In Europe's weather-driven energy markets, traders are turning to AI and machine-learning tools designed not to predict temperatures and precipitation, but to forecast the forecast.

That means predicting whether the European Centre for Medium-Range Weather Forecasts' two-week outlook – the definitive reference point for traders repricing risk around heating demand, renewable output and system tightness – is about to shift warmer or colder.

To predict the next turn in the so-called Euro ensemble run before it crosses the wires, weather analytics firm Atmospheric G2 launched ForecastEdge in October. The prize is anticipating the ECMWF's next forecast shift and profiting from it before gas and power curves move.

"We predict colder or warmer moves, that's the key signal," said Andrew Pedrini, an AG2 meteorologist. "The market reacts to the moves more than the actual accuracy of the model." ...

AG2 won't disclose exactly how ForecastEdge works, but Pedrini said it uses a combination of machine learning and AI with a statistical model of historical ECMWF forecast changes. He said the tool is optimized for directional accuracy, rather than precise degree changes. It focuses on the middle-to-end of the two-week outlook, capturing the most volatility and potential profits.

In artificial intelligence there is a concept of "reward hacking": You want to train an AI model to do some task, you set up some reinforcement learning system for the AI to learn the task, and the AI learns not to do the real task but rather some simpler task that scores maximum points in training. (One example from Victoria Krakovna's list: "I hooked a neural network up to my Roomba. I wanted it to learn to navigate without bumping into things, so I set up a reward scheme to encourage speed and discourage hitting the bumper sensors. It learnt to drive backwards, because there are no bumpers on the back.")

This is a little like that: The task, for these machine-learning tools and *also for the people running them*, is not to predict the weather, but rather to predict how ECMWF will predict the weather, because markets are moved not just by the weather but specifically by the ECMWF forecast. If you optimize for that, you might get a good weather prediction, but it's not essential.

Fake Warner Bros. bidder

Look, multibillion-dollar public-company takeover fights are exciting. They just are. *Barbarians at the Gate* is a thriller, and as I have said before, I read it at an impressionable age and wanted to grow up to do mergers and acquisitions. I was a weird kid, but surely not *unique*. A lot of people still want to grow up to be characters in *Barbarians at the Gate*, to put on crisp pinstriped suits and stride purposefully into conference rooms to announce large risky bids to take over iconic companies. I wrote like a zillion columns about the recent battle between Netflix Inc. and Paramount Skydance Corp. to buy Warner Bros. Discover Inc. It's a classic.

Some people like to write about that stuff, and some people like to read about that stuff, and some people – bankers and lawyers and corporate executives – like to do that stuff, to be in the room where it happens, to be part of the strategizing and negotiating and bluffing and skullduggery. Probably a lot of people in those rooms wish they weren't – I *did* grow up to be an M&A lawyer, and I often wished I was home in bed! – but also a lot of people who are not in those rooms wish they were. Some for good sensible professional reasons – if you're a media banker or M&A lawyer, and you weren't on the Paramount deal, you got some dirty looks from your boss – but some just for fun. To a certain type of person, a type that includes me, it just seems like it would be cool to be a part of that high-stakes battle.

You could always just ... lob in a bid? Send Warner's board a letter like "hello I have been studying your little company on behalf of my gigantic but very secretive family office, I think you are doing good work, and I would like to pay \$32.50 per share in cash for your whole company." That would be, nominally, the highest bid for the company – Paramount ended up paying \$31 – and maybe they'd go for it. Send you back a merger agreement to mark up, schedule a call to go over your financing, invite you to fly out and sit in a boardroom and say cool M&A stuff. Worth a shot! Obviously if you don't have a gigantic family office, or the \$110 billion it would take to buy Warner, this would not go very far. But you might get a few fun hours of pretend M&A negotiations out of it. Plus, if this sounds like a good idea to you, you might be a little delusional; maybe you think it will go far!

Anyway none of this is legal advice, and in some quarters fake merger proposals are frowned upon and considered "securities fraud." *Usually*, though, that's because the fake merger proposals are announced publicly and have the effect, and the intent, of moving the target's stock price : You buy some stock, you announce the fake merger, the stock goes up, you sell, profit, fraud. *Sometimes*, though, we talk around here about fake merger proposals that are not like that . A guy really wants to get in the boardroom to pretend to negotiate a pretend merger, and maybe also get on TV. He's not even trading the stock. He's not doing it for money. He's doing it for sheer love of the game.

At Puck, William Cohan reports:

Back in February, about a week before David Ellison [of Paramount] and David Zaslav [of Warner Bros.] announced their merger, a mysterious Singaporean entity called Nobelis Capital, Pte., Ltd., appeared out of nowhere with a \$32.50-per-share, all-cash bid for all of WBD. From the jump, there were red flags: The Nobelis bid "did not include any evidence of equity or debt financing, nor a definitive transaction agreement," according to a revised WBD proxy filed on March 16. What's more, nobody on Wall Street seemed to have heard of them. And when WBD took the time to try to figure out if they were legit, it came up empty too. "We assumed it wasn't real based on several factors," a WBD spokesman told me, before pointing to the recently filed proxy statement.

From the proxy:

On February 18, 2026, WBD received an electronic communication from Nobelis Capital, Pte. Ltd., an organization based in Singapore ("Nobelis"), purporting to submit a "binding offer" to acquire 100% of the WBD Common Stock for \$32.50 per share in cash (the "Nobelis Proposal"). The Nobelis Proposal did not include any evidence of equity or debt financing, nor a definitive transaction agreement. The presentation accompanying the Nobelis Proposal indicated that the proposal might be for \$32.50 per share in cash or "\$28.00 + Equity Participation". The Nobelis Proposal indicated that Nobelis had deposited \$7.5 billion into a "Tri Party Escrow account" with J.P. Morgan to cover the regulatory termination fee, and in the attached presentation described a \$10 billion "immediate deposit" into HSBC Bank to cover the \$2.8 billion Netflix Termination Fee that would be payable by WBD to Netflix, \$7.2 billion in an "Execution Bond" and the \$7.5 billion regulatory termination fee, among other terms. WBD's legal and financial advisors conducted preliminary due diligence regarding Nobelis, including through professional contacts in Singapore, as well as an investment banker identified in the proposal, but were unable to verify that Nobelis owned or controlled any material assets, and could not find the purported deposit at J.P. Morgan. The investment banker advised counsel to WBD that he had no knowledge of Nobelis and had not been retained by them.

"Tri Party Escrow account," I love it. How fun would it have been, for the real bankers and lawyers on the Warner Bros. deal, to spend half a day on "preliminary due diligence" on the obviously fake bidder? "Not fun at all" is the practical answer; those people were super busy and did not have time for this nonsense. Still I hope they got some joy out of it. They were living the dream, and Nobelis, whoever that was, just wanted to be a part of their world.

No, fine, there was probably a financial angle. From the proxy again:

On March 9, 2026, Nobelis Capital sent further communication to WBD which, among other things, threatened various legal actions against WBD unless it entered into a "settlement framework" within forty-eight hours, which would include public disclosure of the Nobelis Proposal, WBD giving seven-day access to Nobelis to verify certain matters, and payment by WBD to Nobelis of a termination fee equal to "3.5% of the transaction value," plus "full Expense Reimbursement for the costs of establishing our \$10 Billion escrow architecture."

I mean, Netflix got a termination fee, shouldn't a fake bidder get one too?

Banks are re-tranching

My high-level theory of private credit is that:

1. Traditionally banks would take short-term deposits and make long-term loans to people and businesses, creating risky maturity mismatches.
2. Now private credit funds take long-term locked-up equity investments and make long-term loans, a far more sensible funding model that avoids maturity mismatches.

3. Banks are still around, still taking short-term deposits, still making long-term loans. But instead of the traditional business of lending to people and businesses, now the banks lend *to the private credit funds*.

The banks are “re-tranching”: Instead of doing some risky activities (like lending to businesses) directly, they lend to people who do the risky activities. They take a more senior claim on the risky activities; someone else puts in the junior capital and takes more of the risk.

Obviously this theory is exaggerated in many respects (banks still mostly lend to people and businesses, not private credit firms), and of course in the last few weeks the main story about private credit has been about people getting mad at private credit funds for locking up their investments for the long term. (“Apollo, Blue Owl Lament Private Credit’s Liquidity Confusion,” Bloomberg News reports today.) This is not by any means a perfect theory. But I do think that it is the directionally correct way to understand the rise of private credit and its interaction with banking. Private credit keeps doing more of the business of banking, and banks do more of the safer business of making senior loans to private credit.

This theory explains a lot. For instance, at the Wall Street Journal, Telis Demos writes that “New Bank Regulations Could Favor Loans to Private Credit”:

One of the goals of some newly proposed U.S. capital rules is to help foster more bank lending. The thinking goes that tougher capital requirements for banks since the aftermath of the 2008 crisis have helped give rise to more nonbank lending, including the now trillion-dollar-plus private-credit market. ...

But some of the changes could also incentivize banks to lend still more money to nonbank lenders. ... That is because some bank lending to other lenders can also potentially be treated by the capital rules like a securitization. ...

The bank will lend against a special entity holding loans as collateral, and it will lend out only a portion of the underlying collateral’s value, for example. With this cushioning, along with other features, such lending can be viewed under the capital rules as the bank having a more senior “tranche” of exposure, making the treatment for this lending less risky than the underlying loans themselves would be. ...

So the upshot for a bank is that lending to a financial intermediary that makes certain loans, even at a lower yield, can be much more profitable than making those loans itself. This can be due to the capital treatment, and things like potentially lower loss rates and lower costs of dealing with one client rather than dozens.

The important point here is that this is, in some obvious sense, “correct.” If a bank makes a loan to a business and the business defaults, the bank loses money. If a bank makes a \$50 loan against a \$100 pool of private loans to 20 businesses, and two of them default, the bank does not lose money. That loan *does* have a more senior tranche of exposure, which means that it is less risky, which means that the capital treatment for it *should* reflect less risk. Obviously one can argue about details – if the private credit loans are riskier than the loans the bank would make, or if they are highly correlated, or if they are fraud, then this is bad – but the directional point here is that, when banks re-tranche, that makes their lending safer, and capital regulation reflects that.

Similarly, Bloomberg's Alex Harris reports that "Apollo's Insurance Arm Rises to Second-Biggest FHLB Borrower":

Apollo Global Management Inc.'s insurance arm was the second-biggest borrower last year in the Federal Home Loan Bank system, a Depression-era program designed to shore up mortgage lending that has morphed into a go-to – and controversial – source of cheap financing for banks and other financial institutions.

Athene Holding Ltd. owed the FHLB \$23.3 billion in loans, known as principal advances, as of Dec. 31, second only to Truist Financial Corp. and ahead of every major US bank. That's up from 2024, when Athene was the seventh-biggest borrower in the system with a balance of \$15.6 billion.

I get that it is unintuitive for Apollo, a private-equity giant, to get money from "a Depression-era program designed to shore up mortgage lending." But in a world in which banks are increasingly re-tranching, and insurance companies like Athene are increasingly getting into mortgage lending because their liabilities match up well with mortgage assets, sure, why not?

Theia

At Bloomberg Businessweek, Brent Crane has a fun story about Theia Group Inc., a satellite startup that collapsed in 2021; its founder, Erlend Olson, is now in jail on federal fraud charges. Theia seems to have positioned itself in the spy-satellite space, and Olson's claims were appropriately shadowy and grandiose. ("He says the company, particularly its aviation subsidiary, was packed with employees who were also active CIA agents.") And he had a way with risk factors:

In an email to prospective investors [in 2020], Olson had listed the three biggest threats to his company's existence. One, "Covid kills nearly everyone on earth." Two, "The entire Theia executive team are killed somehow." And three, "The US defaults on treasuries and loses the \$6B we have in escrow."

The ultimate threat proved more prosaic: Theia just never managed to do anything.

I feel like if you get an investment deck and the risk factors are "US default," "we get assassinated" and "everyone on earth dies," you send that around to all of your friends but you definitely do not invest. Those are all huge red flags.

But here is my favorite red flag in the story, identified by a city councillor in Albuquerque, where Theia supposedly planned to build a giant satellite monitoring center:

Pat Davis, a city councillor who represented the district selected for this Orion Center megaproject, was more skeptical. For starters, Theia hadn't pushed for the usual tax credits or other financial incentives.

The challenge, in building a fraudulent business, is convincingly imitating real businesses. A real business, in deciding where to launch a multibillion-dollar construction project, would apparently haggle over tax credits. A fraudulent business might forget to do that: If the construction project is fake, you probably don't need the tax credits; the margins on fraud are generally higher than those in heavy industry. But if you forget to haggle for the tax credits, that's a subtle tip-off that you're doing fraud.

Cartier/Rockefeller

Elsewhere in subtle tip-offs of fraud, Jen Wieczner has a fun story about two alleged scammers who allegedly went around throwing fake fundraisers to get cash and party photos out of wealthy people and their family offices. Apparently they pretended to be scions of famous wealthy families themselves – a Rockefeller, a Cartier – in order to ingratiate themselves with their target social set. The advantage of this, as an approach, is that family offices have a lot of money and not *necessarily* a lot of financial sophistication that might help them spot frauds:

Family offices control an estimated \$5.5 trillion of capital, ranking them with Wall Street's biggest banks. But in the financial world, they're often the butt of jokes. There are notable exceptions, yet overall, family offices have a reputation for being somewhat unsophisticated – a sort of dumber money. Many of them make investments based on the whims of one very rich dude or, worse, the whims of his children who have no business experience or financial acumen of their own. ...

There are few specific qualifications or regulatory requirements for setting one up, making them both a potentially easy target for cons as well as ripe for fakers.

The disadvantage is that they have other sorts of sophistication that might help them spot frauds:

"Honey, no one from the Cartier family would tilt her head that way in a photo; she would have gone to finishing school by the age of 14," Soozin's mother said. "Look at the spacing of her highlights. That hair treatment is under \$200. No one from the Cartier family would have a hair treatment that cost less than \$600."

And:

She was wearing what appeared to be a white Birkin bag, but upon closer inspection, a well-heeled attendee observed that it was fake. "What Birkin has a *grommet*?" said the guest.

If you're looking to scam a certain sort of target, you don't have to get all the financial details right, but your highlights and your fake Birkin have to be impeccable.

420 is a weed joke

Last week, Elon Musk lost a securities fraud trial over claims that he misled investors about his plans to get out of buying Twitter Inc. for \$54.20 per share in 2022. His lawyers have said he will appeal, but in the meantime, one of them sent this real letter to the court:

I am writing on behalf of my client Elon Musk to alert the Court to a serious issue with the verdict indicating that the jury's solemn process to find the truth based only on the faithful application of the law to the evidence—without favor, bias, or outside influence—was corrupted in this case. The jury used its verdict to mock Mr. Musk and the process, making a numerical joke—coloring and emphasizing in bright blue the number \$4.20 in its damages verdict—to send a message and signal to my client. The jury's bizarre and highly questionable method of completing the form, this “joke” (which was no doubt intentional), was just the final example in a parade of issues and events that illustrated and confirmed that Mr. Musk was deprived his right to a fair trial adjudicated by an impartial jury dedicated to finding the truth. ...

The jury revealed when completing its verdict that its decision to find liability in the first place was driven by a desire to send a message to Mr. Musk, rather than to faithfully apply the law. When writing its damages verdict, the jury wrote each deflation number in black ink, except for August 9, 2022. On that date, the jury colored in blue ink and larger font the number \$4.20 to draw attention to it. ... The bright blue number in a sea of black figures immediately jumps off the page, as was the apparent intent. The jury's emphasis on the \$4.20 number, which had no significance to its damages determination, but appears to be a mocking reference to a number previously associated with Mr. Musk, shows that the verdict was a mockery of justice: a commentary not on whether Mr. Musk committed securities fraud (he did not) but on the jury's views about Mr. Musk himself.

As I have often pointed out in connection with Musk's various M&A shenanigans, 420 is a weed joke.

“Previously associated with Mr. Musk”? Has he moved on to 6 7 now?

Things happen

The Well-Timed Trades Made Moments Before Trump's Policy Surprises. Wall Street Bonus Pool Jumps to a Record \$49.2 Billion for 2025. Ares Private Credit Fund Posts Steepest Monthly Loss on Record. Monte dei Paschi revokes chief executive's powers. KKR Strikes Deal for Nothing Bundt Cakes. Fibonacci retracement level. The MIT Professor Tangled Up in a Tech CEO's ' Ponzi-Like ' Scheme. ' Five Nights at Epstein's ' Game Goes Viral at US School Campuses. Polymarket bar scene report. OpenAI puts erotic chatbot plans on hold 'indefinitely.'

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

To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

Elon Musk Seeks Chancellor's Recusal, Citing Her Reaction to LinkedIn Post on Securities Case

The motion references two recent LinkedIn posts, each related to the securities class action trial where a San Francisco federal jury concluded two of Musk's statements made by Musk in the leadup to his 2022 acquisition of what was at the time Twitter Inc. amounted to securities fraud.

March 25, 2026 at 01:33 PM By  **Ellen Bardash**



Elon Musk (L) and Chancellor Kathaleen McCormick of the Delaware Chancery Court (R). Photo: Gage Skidmore via Wikipedia/Eric Crossan/Delaware Chancery Court via Wikipedia

Tesla and Elon Musk claim Chancellor Kathaleen St. Jude McCormick, of the Delaware Court of Chancery, should be recused from a shareholder suit based on McCormick and a staff member reacting to LinkedIn posts critical of Elon Musk and the Quinn Emanuel Urquhart & Sullivan attorneys representing him.

In a Tuesday [filing](#), the company and Musk moved for McCormick's recusal based on the public perception of bias they say was shaped by those reactions.

The motion references two recent LinkedIn posts, each related to the securities class action trial where a San Francisco federal jury concluded two of Musk's statements in the leadup to his 2022 acquisition of what was at the time Twitter Inc. amounted to securities fraud.

The Chancery action challenges Musk's sale of Tesla stock as a means of funding the Twitter deal. It consolidates two lawsuits brought in 2024 by two Tesla shareholders, one represented by Prickett, Jones & Elliott and Lieff Cabraser Heimann & Bernstein and the other by Grant & Eisenhofer, Saxena White and the Schall Law Firm. A third shareholder suit is coordinated with the consolidated action but is proceeding separately.

Because the posts in question reference a case with overlapping factual allegations, the motion states, reactions to them have a direct bearing on the court's impartiality in the Chancery matter.

"The very facts underlying the litigation celebrated in the posts are squarely at issue in the consolidated and coordinated actions," the motion stated. "In fact, the pending motion to dismiss in these consolidated and coordinated cases is opposed by plaintiffs explicitly on the basis that allegations survived a motion to dismiss in the parallel securities class action and that outcome purportedly supports the allegations here."

A March 20 [post](#) from jury consultant Harry Plotkin names both Musk and Quinn Emanuel and states plaintiffs counsel in the securities class action were "standing up for the little guy against the richest man in the world." The motion alleges McCormick's profile was listed as having selected a "support" reaction to the post.

In a [letter](#) to counsel on Tuesday, McCormick said she did not "support" the post and had not read it other than the section that was visible in a screenshot sent to her Monday night. The letter stated the case has been stayed pending the resolution of the recusal motion.

"I either did not click the 'support' icon at all, or I did so accidentally," McCormick wrote. "I do not believe that I did it accidentally. So, after learning of this issue last night, I logged into LinkedIn, searched for the post based on the screenshot, and tried to make sure that the support icon was not 'clicked on.' I then reported the suspicious activity to LinkedIn. Today, my account was locked when I attempted to log in to check the status of my suspicious-activity report."

As of Wednesday, McCormick's profile is no longer shown among those that reacted to Plotkin's post and is no longer visible on LinkedIn.

The second [post](#) mentioned in the motion, from attorney Lauren Pringle, was made earlier in the California trial and includes a screenshot of a news article about Musk's testimony in which he stated McCormick had been biased against him during a separate breach of contract action Twitter filed against him in the Court of Chancery in 2022.

Pringle's post stated, "So many people who should be so deeply ashamed of themselves seem incapable of being so, and I don't think it's great for civil society."

A judicial assistant for McCormick liked that post.

Both reactions, the motion claims, create a perception of bias that warrants McCormick's recusal and reassignment of the case using the court's randomized system.

Ross Aronstam & Moritz and Freshfields represent Tesla's directors. Richards, Layton & Finger; DLA Piper; and Sullivan & Cromwell represent the company. Attorneys involved in the case either did not immediately respond for comment or declined to comment on the motion for recusal.

Argument on the defendants' motions to dismiss was held in October. McCormick informed counsel in December that she would wait until the Supreme Court issued its decision in *Tornetta v. Musk* due to the parties' references to the case in their motion to dismiss briefing, and in early February she sent an additional letter to counsel stating she would be ruling on the motion as soon as possible but needed time to prepare an opinion beyond the court's standard 90-day post-submission decision window. That motion remained unresolved as of Wednesday.

Page printed from:

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

Musk says Delaware judge showed bias by backing his adversaries on LinkedIn

 [reuters.com/legal/legalindustry/musk-says-delaware-judge-showed-bias-by-backing-his-adversaries-linkedin-2026-03-25](https://www.reuters.com/legal/legalindustry/musk-says-delaware-judge-showed-bias-by-backing-his-adversaries-linkedin-2026-03-25)

Mike Scarcella

March 25, 2026

A-3D printed miniature model of Elon Musk's face and Tesla logo are seen in this illustration created on July 23, 2025. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

- [Quinn Emanuel](#)
- [Tesla Inc](#)

WASHINGTON, March 25 (Reuters) - Billionaire entrepreneur Elon Musk has asked a Delaware judge to step aside from a pair of shareholder lawsuits against him and his company Tesla ([TSLA.O](#))  [, opens new tab](#), saying she showed bias by amplifying a LinkedIn post mocking him and his lawyers after a separate jury verdict went against him in California.

In a [court filing](#)  [, opens new tab](#) on Tuesday, Musk's lawyers at Quinn Emanuel said Delaware Chancery Court Chancellor Kathaleen McCormick had clicked to "support" a LinkedIn post that had criticized Musk and the law firm after a verdict in a shareholder lawsuit last week in federal court in California. Sign up [here](#).

The jury in that case [found Musk liable](#) for trying to drive down the stock price of the social media platform Twitter so he could renegotiate or back out of a \$44 billion takeover in 2022. Musk has denied any wrongdoing. "Delaware courts have built a careful reputation for integrity and impartial justice," Musk's lawyers wrote in their filing, which asked McCormick to recuse herself from overseeing two shareholder cases pending in her court.

McCormick in a [court filing](#)  [, opens new tab](#) on Tuesday said she either never clicked the "support" button on the LinkedIn post or did so by accident, and that she had reported suspicious activity to LinkedIn.

A court spokesperson said the court would not comment on Musk's request. Lawyers for the shareholder plaintiffs did not immediately respond to a request for comment.

Quinn Emanuel, which has [represented Musk for years](#) in high-stakes court fights, declined to comment.

McCormick's filing said she will take Musk's request for recusal under advisement. She placed the two shareholder cases on pause, including a dispute over how much in legal fees the lawyers who brought those cases should be paid.

McCormick has presided over several high-profile cases involving Musk. She previously struck down his \$56 billion Tesla pay package, though Delaware's Supreme Court in December [reversed that decision](#).

During the trial in San Francisco, Musk testified he decided not to terminate his purchase of Twitter because he believed McCormick – who was then [overseeing litigation](#) about the purchase – was biased against him and would order him to close the deal.

The cases are In re Tesla Inc Derivative Litigation, Delaware Chancery Court, No. 2024-0631-KSJM, and The Police and Fire Retirement System of the City of Detroit v. Musk et al, same court, No. 2020-0477-KSJM.

Read more:

[Musk found liable to Twitter shareholders in fraud lawsuit over \\$44 billion takeover](#)

[Tesla persuades Delaware's top court to slash legal fees in director pay lawsuit](#)
[Delaware Supreme Court Justice Valihura to step down in July](#)

[Musk wins appeal that restores 2018 Tesla pay deal now worth about \\$139 billion](#)
[Who is Kathaleen McCormick, the judge who slashed Elon Musk's pay package?](#)

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

Securities

Commonwealth Settles With SEC After \$93 Million Penalty Got Nixed

March 25, 2026, 11:07 AM PDT

Commonwealth Financial Network will pay \$5 million in a disclosure-enforcement settlement with the SEC, down from an original penalty of \$93 million that was overturned by a First Circuit panel last year.

A federal judge signed off on the deal for Commonwealth to pay the lower amount, after the appeals panel vacated her initial summary judgment and disgorgement order in April 2025 and sent the case back to US District Court for the District of Massachusetts.

The SEC alleged that Commonwealth's disclosure of a revenue-sharing agreement was deficient for failing to mention that certain mutual fund share classes from which the company received revenue sharing were also more expensive for clients.

Commonwealth allegedly highlighted the higher-cost share classes in a list of recommended funds it provided representatives, according to the SEC's enforcement action.

Commonwealth had argued that Judge Indira Talwani's order granting the SEC judgment decided that the omissions alleged were enough to sway investors' choices, even though none had come forward to say that they would have picked different funds based on more detailed disclosures.

The First Circuit panel vacated the lower court's order, siding with Commonwealth on appeal and noting the summary judgment wasn't supported by any pertinent circuit case.

Talwani approved a joint motion March 23 by the SEC and Commonwealth for final judgment, which specified the \$5 million penalty amount without providing further detail on the rationale for the lower figure.

The SEC's ability to recoup illicit profits in cases where pecuniary harm to investors can't be quantified is under Supreme Court review, with arguments in *Sripetch v. SEC* scheduled for late April.

An SEC spokesperson declined to comment.

Eversheds Sutherland LLP represented Commonwealth.

The case is SEC v. Commonwealth Equity Servs. LLC , C.C.D. Mass., No. 1:19-cv-11655, 3/23/26 .

To contact the reporter on this story: Ben Miller in New York at bmiller2@bloombergindustry.com

To contact the editor responsible for this story: Rob Tricchinelli at rtricchinelli@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Former Allarity Executive Winnows SEC's FDA Approval Scheme Suit

March 25, 2026, 1:55 PM PDT

Allarity Therapeutics Inc.'s former chief medical officer defeated Securities and Exchange Commission allegations she participated in a scheme to conceal adverse regulatory information about a kidney cancer drug to lure investors.

Allegations of scheme liability against Marie Foegh Ramwell were "relatively threadbare" compared to those against former CEOs Stefano Carchedi and James Cullem, Judge Patti B. Saris said, tossing the SEC's claim against her.

Foegh allegedly didn't attend a board meeting where Carchedi falsely characterized US Food and Drug Administration feedback on the drug dovitinib as "positive," the US District Court for the District of Massachusetts judge said. While the complaint said Foegh regularly presented at meetings, "nowhere describes the subject matter of Foegh's presentations or explains why her not discussing the FDA's feedback at those Board meetings was fraudulent."

Nor did Foegh allegedly help redact FDA meeting minutes containing negative feedback that were emailed to the licensor of dovitinib, Saris said.

The SEC claimed all three executives participated in drafting a misleading press release and slide deck and concealed adverse information from the board. But Saris cited a 2022 US Court of Appeals for the Second Circuit decision in *SEC v. Rio Tinto PLC* that said misstatements and omissions alone can't support claims of a scheme to defraud.

Still, the SEC plausibly pleaded scheme liability by Carchedi and Cullem for that board representation and the meeting minutes, and misstatement liability by Carchedi.

The SEC sufficiently alleged Carchedi knowingly made misleading statements and "half-truths" by not disclosing the FDA strongly advised against filing the application for the kidney cancer treatment without more testing, Saris said. This information was pertinent to investing decisions. "Indeed, the SEC alleges that Carchedi himself told the Chairman of Allarity's Board that filing the NDA was critical in procuring the \$20 million investment in December 2021."

And Cullem allegedly failed to correct Carchedi's representation to the board that the FDA's feedback was positive, and participated in the redaction and emailing of meeting minutes, she said.

Rio Tinto

"We can now add D. Mass to the dozen or so district and appellate court decisions that have adopted and applied *Rio Tinto* to strike down amorphous scheme liability claims brought by the SEC and private plaintiffs," said Paul Kisslinger, a partner at Barnes & Thornburg LLP representing Foegh and Cullem. "Importantly, the Court's decision not only finds that the SEC's scheme claims against Dr. Foegh fail under the facts and law, a rare finding at this early stage of litigation, but it also greatly trims down the SEC's remaining claims against Mr. Cullem."

The SEC can move to replead within 60 days of the dismissal order.

Allarity last year agreed to pay \$2.5 million to the SEC without admitting or denying allegations it hid bad news about the prospect of dovitinib's approval.

The SEC, which represents itself, declined to comment. Attorneys at Troutman Pepper Locke LLP, which represents Carchedi, didn't immediately respond to an email seeking comment.

The case is SEC v. Carchedi , D. Mass., No. 1:25-cv-10599, 3/24/26 .

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

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

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved



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

Supermicro Investor Sues After Arrests For China AI Exports

By **Lauren Berg**

Law360 (March 26, 2026, 12:16 AM EDT) -- A Super Micro Computer investor alleged in a California federal lawsuit Wednesday that the technology company failed to disclose that a large portion of its server sales were to Chinese companies in transactions that violated U.S. export controls, leading to three arrests and a significant drop in stock price.

When one of Supermicro's founders and two others associated with the company were charged with selling \$2.5 billion worth of servers to customers in China in violation of U.S. export control laws, the company tried to distance itself from the **indictment unsealed** March 19, but its stock price dropped \$10.26, or 33.3%, to close at \$20.53 per share on March 20, according to the **proposed class action** filed by investor Apurva Bhuva.

According to the suit, Supermicro in April 2024 touted the company's "record" financial results for the previous quarter, highlighting net sales of \$3.85 billion versus \$1.28 billion in the same quarter of 2023. The company attributed the increase in net sales to an increase in demand from customers for graphics processing units, or GPU, servers and artificial intelligence capabilities, the complaint states.

Over the next several fiscal quarters, Supermicro continued to present financial growth, again pointing to increased server sales, according to the complaint. The company also acknowledged that its operations are impacted by various import and export controls, and that failure to comply with the U.S. Foreign Corrupt Practices Act and other trade laws could subject it to penalties, the suit states.

However, Supermicro's statements were false or misleading, and failed to disclose adverse facts about the company's operations, Bhuva alleges.

Specifically, he said the company did not disclose to investors that a significant part of its server sales were to companies based in China; that these transactions violated U.S. export controls; that there were weaknesses in the company's controls to ensure compliance with laws and regulations; and that, as a result, the company's positive statements about its business and prospects was misleading.

On March 19, after the market closed, the U.S. Department of Justice announced the unsealing of an indictment that charges Supermicro co-founder Yih-Shyan "Wally" Liaw, 71, the company's general manager in Taiwan Ruei-Tsang "Steven" Chang, 53, and third-party broker Ting-Wei "Willy" Sun, 44, with conspiring to violate the Export Controls Reform Act, conspiring to smuggle goods from the U.S. and conspiring to defraud the U.S.

Manhattan federal prosecutors said the trio orchestrated a scheme to divert \$2.5 billion worth of servers that use Nvidia's AI technology to China, flouting U.S. export controls barring their sale to that country without a license.

The U.S. Department of Commerce implemented license requirements for the export of AI technology — including advanced accelerator chips and servers that incorporate them — to China and Hong Kong, restricting the export of items that the government says could help other countries' militaries or that could damage U.S. foreign policy or national security.

Prosecutors allege that Liaw, a U.S. citizen living in California, and Chang, a Taiwanese national who worked with third-party brokers with Chinese customers, used an unnamed company in Southeast Asia to place purchase orders with Supermicro for servers with certain GPUs.

The go-between company would then use a shipping and logistics company to repackage the Supermicro servers in unmarked boxes to conceal the contents before shipping them to China. The defendants also fabricated documents, records and communications to make it appear that the go-between company was the end user of the servers, the government says.

All in all, in 2024 and 2025, the unnamed company purchased about \$2.5 billion worth of servers from Supermicro, with some \$510 million worth diverted to China in April and May 2025 alone, according to prosecutors.

Supermicro quickly distanced itself from the indictment, saying it had placed its employees on leave and terminated its relationship with the contractor, and was cooperating with the government's investigation, according to Bhuva's suit on Wednesday.

But by March 20, Supermicro's stock price fell more than 33%, damaging its investors, the complaint alleges.

Bhuva wants to represent a class of potentially thousands of people who purchased Super Micro Computer securities between April 30, 2024, and March 19, 2026, according to the complaint.

The suit claims violations of the Exchange Act and seeks damages, litigation costs and attorney fees.

Representatives for the plaintiff and Supermicro did not immediately respond to requests for comment Wednesday evening.

Bhuva is represented by Robert V. Prongay, Charles H. Linehan, Pavithra Rajesh and Rebecca Dawson of Glancy Prongay Wolke & Rotter LLP and Frank R. Cruz.

Counsel information for the defendants was not immediately available.

The suit is Apurva Bhuva v. Super Micro Computer Inc. et al., case number 3:26-cv-02606, in the U.S. District Court for the Northern District of California.

--Editing by Emily Kokoll.



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

EV Co. Investors Get Final OK Of \$13.3M Deal, Atty Fees

By **Emilie Ruscoe**

Law360 (March 25, 2026, 9:30 PM EDT) -- Investors in bankrupt electric vehicle company Arrival have gotten final approval for their nearly \$13.3 million deal ending claims the company touted a purportedly profitable business plan as it went public via merger with a special purpose acquisition company only to scale back its projections within a year of the merger announcement.

In a Wednesday order and final judgment in federal court in Brooklyn, New York, U.S. Magistrate Judge Peggy Kuo found the parties' settlement agreement "in all respects, fair, reasonable, and adequate and in the best interests" of the settlement class, dismissing claims against most of the defendants with prejudice.

The settlement agreement includes a cash payment of nearly \$11.3 million and a \$2 million reserve that would cover certain defense costs and would revert to the settlement fund after those costs were covered.

Judge Kuo said the investors' legal team from The Rosen Law Firm PA could have nearly \$3.76 million as their fee, which is equal to a third of the settlement's guaranteed cash settlement sum. The judge also approved an award of nearly \$286,000 to cover the class counsel's costs and said both the fee and costs were awarded with interest.

The order also grants compensatory awards of \$25,000 for lead plaintiff Mostaco Corp. and \$5,000 for named plaintiff Salvatore Fiorellino.

The order ends claims against the majority of the defendants named in action. The operative complaint brings claims against Arrival SA, certain of its directors and officers and its parent company Kinetik as well as special purpose acquisition company CIIG Merger Corp., the SPAC's sponsor and three of its executives.

Investor claims remain ongoing against Kinetik and Arrival founder Denis Sverdlov, the order stated.

The judgment also ends claims asserted in a separate securities action in state court, the investors said in their motion for attorney fees.

When the investors moved for preliminary approval of the settlement in July 2025, they **told** Judge Kuo that the deal is "a highly favorable result particularly given the significant risks of continued litigation."

The judgment ends claims that when CIIG Merger Corp. announced plans to bring Arrival public via merger, the companies subsequently touted Arrival's plans to build electric cars with lower costs than its competitors, promising "double-digit margins on a per vehicle basis" in part due to Arrival's planned use of AI-programmed autonomous robots at its so-called microfactories.

When the SPAC merger closed in March 2021, the investors said, trading prices for the company's shares were about \$22.80, up from about \$10 prior to the merger announcement.

But despite the specificity of the company's purported plans, the investors claimed, "Arrival's business model was a house of cards built upon a series of knowingly incorrect assumptions, any one of which nullified Arrival's IPO financial model and production plan."

The investors claimed the company's heralded robots never worked as intended, and the company's public production capacity projections were far higher than projections it arrived at internally, and the company's original plan to use thermoplastic for its vehicles was reworked because it looked "horrible."

Arrival filed for bankruptcy and was declared bankrupt in May 2024. Its bankruptcy proceedings are in Luxembourg, and it wasn't clear Wednesday what stage those proceedings have reached.

Judge Kuo noted Wednesday that the claim's administrator sent out nearly 184,000 notices and didn't receive any objections to the settlement by the February deadline. Over 55,000 claims have been filed, representing a class participation rate of over 30%, the order stated.

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

Named plaintiff Salvatore Fiorellino and lead plaintiff Mostaco Corp. are represented by Laurence Rosen and Sara Fuks of The Rosen Law Firm PA.

Arrival SA is represented by Susan L. Saltzstein, Robert A. Fumerton and Shaud G. Tavakoli of Skadden Arps Slate Meagher & Flom LLP.

The case is In re: Arrival SA Securities Litigation, case number 1:22-cv-00172, in the U.S. District Court for the Eastern District of New York.

--Editing by Kristen Becker.

All Content © 2003-2026, Portfolio Media, Inc.



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

Extreme Networks Must Face Suit Over COVID-Era Demand

By **Sydney Price**

Law360 (March 25, 2026, 7:45 PM EDT) -- A California federal judge rejected Extreme Networks' bid to dismiss a suit alleging it misled investors about its financial prospects and declining client demand during the COVID-19 pandemic, saying the investors adequately pled that the cloud network equipment company engaged in a scheme to inflate revenues through so-called channel-stuffing.

In the second amended complaint, the investors claim Extreme Networks Inc. boasted of strong growth and revenue, but failed to disclose that its clients had ordered more product than needed during the pandemic to avoid shortages and because they lacked alternative sourcing options. Extreme Networks attempted to conceal the loss of organic demand by fulfilling back orders, the suit contends.

In the order Monday, U.S. District Judge Trina L. Thompson said the challenged statements in the suit, including those about Extreme's strong growth and revenues, suggest "more than mild optimism."

"While general statements of optimism are typically nonactionable, they still may form a basis for an actionable securities fraud claim when taken in context," the order stated.

After misleading investors for years, the suit says, Extreme Networks reported a 37% year-over-year product revenue decline Jan. 31, 2024, and an overall revenue decline of 7%. Extreme Networks also revealed it would likely experience lower revenues in fiscal 2024, with annual revenues for its baseline business projected to be lower than previously expected, the suit says.

On this news, Extreme Networks shares declined \$4.05 each, or about 24%, to close at \$12.59 on Feb. 2, 2024 according to the suit.

In its motion to dismiss the previous version of the suit, which was granted by the court last August, Extreme Networks argued the investors and former employees cited as confidential witnesses "plead no connective tissue" between channel-stuffing and the accusations of overstated earnings.

Judge Thompson said Monday that the latest complaint cures deficiencies related to the former employees' testimonies regarding their knowledge of Extreme Networks' relationships to its distributors, including Westcon Group Inc.

"For instance, the [second amended complaint] clarifies that [a former employee] worked directly with Westcon and his account corroborated the \$102 million channel stuffing deal involving 'end of sale' products in [2022]."

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

The investors are represented by Lauren A. Ormsbee, Lisa M. Strejlau, Danielle S. Lazarus, Alexandra E. Forgione and David Saldamando of Labaton Keller Sucharow LLP, Lucas E. Gilmore and Reed R. Kathrein of Hagens Berman Sobol Shapiro LLP, and Aaron L. Castle of VanOverbeke Michaud & Timmony PC.

Extreme Networks is represented by Melanie M. Blunschi, Morgan E. Whitworth and Daniel R. Gherardi of Latham & Watkins LLP.

The case is Steamfitters Local 449 Pension & Retirement Security Funds v. Extreme Networks Inc. et al., case number 3:24-cv-05102, in the U.S. District Court for the Northern District of California.

--Editing by Kristen Becker.

All Content © 2003-2026, Portfolio Media, Inc.



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

UBS Must Face Class Action Over Low-Yield Sweep Accounts

By **Dorothy Atkins**

Law360 (March 25, 2026, 10:12 PM EDT) -- A New York federal judge on Wednesday trimmed a proposed class action alleging USB Financial Services Inc. put customers' money in low-yielding "cash sweep" accounts in breach of their contract, tossing a single duplicative unjust enrichment claim but allowing the contract claims to proceed.

In a 46-page order, U.S. District Judge Gregory H. Woods mostly denied USB's motion to dismiss, refusing to toss consumers' claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and breach of fiduciary duty.

The judge agreed with the consumers that they've plausibly alleged that UBS's contracts obligate the investment bank to take into account "prevailing business and economic conditions" in setting interest rates and that it failed to do so.

"Because [UBS's agreements and disclosures booklets] include an affirmative covenant obligating UBS to 'establish [interest rates] based on prevailing business and economic conditions' when exercising its discretion to set interest rates for UBS-affiliated banks in the Cash Sweep Program, plaintiffs have plausibly pleaded their claim for breach of contract," the order said. "But because plaintiffs' unjust enrichment claim is duplicative of their claim for breach of contract, that claim must be dismissed."

The ruling keeps alive the bulk of the **consolidated** litigation initially launched in August 2024 by UBS account holders Kelly Goldsmith of South Carolina and Andrew Davitt of Pennsylvania. The pair take issue with UBS's practice of automatically sweeping uninvested cash balances in customer accounts into interest-bearing deposit accounts at a UBS subsidiary or third-party banks.

These cash-sweep accounts had low interest rates that purportedly didn't take into account the economic conditions as required by UBS's contracts, the consumers claim. As a result, the interest rates on the accounts remained static over the years, set at a fraction of a percent, and UBS didn't increase them when the Federal Reserve raised rates, the consumers allege.

The consumers claim that UBS was using its cash-sweep program to financially benefit itself and its affiliates at the expense of the plaintiffs and the proposed class.

But in April, UBS asked the court to throw out the latest rendition of the consolidated complaint, arguing that its contracts give it discretion to set interest rates, which would make the claims insufficiently pled.

UBS also argued that it disclosed in its contracts that rates paid on deposit accounts may be lower than the interest rates available on similar accounts offered by rivals and lower than the prevailing yield on money market mutual funds or alternative options. Additionally, UBS argued that its client relationship agreement at issue doesn't include UBS's "Form ADV disclosures," which include mandatory, regulatory disclosures under the Investment Advisers Act of 1940.

However, on Wednesday, the judge rejected UBS's argument that the Form ADV disclosures are incorporated by reference into UBS's client relationship agreement.

"Because of the breadth of both the CRAs' definition of 'Agreement,' and because the CRAs'

integration clause does not impose any limitations on that breadth, the contract between each plaintiff and UBS incorporates all documents UBS 'make[s] available' to plaintiffs — including the Form ADV Disclosures," the order said.

Judge Woods additionally held that the contract claims are plausible and said that just because the agreements gave UBS the discretion to set the interest rates, it doesn't mean that the bank wasn't also contractually obligated to take into account the economic conditions.

"Indeed, 'both things can be true' — UBS was contractually afforded discretion in setting rates and the rates as set 'were unreasonable when considering prevailing economic and business conditions,'" the order said.

Judge Woods added that UBS's motion points to certain disclosures that aren't in the documents provided to the court. But even if those disclosures regarding interest rates provided by rivals were properly before the court, the consumers have plausibly alleged that UBS could have set rates based on prevailing economic conditions that were not necessarily the highest in the industry but still met its contractual obligations, the order said.

UBS declined to comment on Wednesday. Counsel for the consumers didn't immediately respond to a request for comment.

Goldsmith and Davitt are represented by Salvatore J. Graziano, John Rizio-Hamilton, Adam H. Wierzbowski and Avi Josefson of Bernstein Litowitz Berger & Grossmann LLP, Michael Dell'Angelo and Alex B. Heller of Berger Montague, and Matthew L. Dameron, Clinton J. Mann and Claire M. Terrebonne of Williams Dirks Dameron LLC.

UBS is represented by David L. Goldberg, Peter Ginewicz Wilson and Zoe Lo of Katten Muchin Rosenman LLP.

The case is Goldsmith v. UBS Financial Services Inc., case number 1:24-cv-06354, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Katryna Perera and Sydney Price. Editing by Nick Siwek.



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

Fidelity Wins Dismissal In Money Market Fund Fee Suit

By **Rae Ann Varona**

Law360 (March 25, 2026, 11:44 PM EDT) -- A New York federal judge on Wednesday dismissed a putative class action against Fidelity Investments and a Fidelity money market fund's trustees and executives, rejecting shareholders' claims for breach of fiduciary duty or unjust enrichment over the financial service company's alleged failure to convert retail-class shares to lower-cost premium-class shares.

U.S. District Judge Margaret M. Garnett tossed the entirety of a suit filed by shareholders Bryan Davis and Ethan Sam, including a claim that trustees and officers overseeing a Fidelity money market mutual fund failed to prevent shareholders from being charged high fees when they were eligible for lower-cost ones.

The shareholders had alleged that the trustees and officers breached their fiduciary duty of care by failing to implement a mechanism to convert retail class shares to premium class shares if shareholders' total investments would satisfy the premium class investment minimums.

But "there is no basis for finding that the absence of an auto-conversion or similar mechanism lies outside the bounds of reason," Judge Garnett wrote in an **opinion and order**.

As an initial matter, the shareholders "do not even attempt to allege that the multi-class structure chosen for the fund has no conceivable rational basis," Judge Garnett said.

The shareholders also, for instance, "do not allege that defendants concealed information concerning the expense ratios plaintiffs would be charged as shareholders of either class."

Judge Garnett also said that the trustees' and officers' conduct in the case is "a far cry" from the conduct that courts applying applicable Delaware law have found to breach the duty of care.

Judge Garnett gave Davis and Sam 30 days to file a motion for leave to amend their suit, which she said must "demonstrate clearly why the proposed amendment would not be futile, and why defendants would not be prejudiced by granting leave to amend."

Judge Garnett said that the court's rules had "clearly provided" the shareholders with the chance to amend their suit in response to Fidelity's and individual defendants' motions to dismiss instead of opposing the motions.

The shareholders, however, "chose to gamble on whether the motion would succeed," Judge Garnett said.

Davis and Sam **sued** Fidelity Investments, current and former trustees of the Fidelity Government Money Market Fund, and the fund's executives in October 2024.

According to their complaint, the Fidelity Government Money Market Fund, also known as the Government Fund, is the largest and most popular money market mutual fund in the Fidelity Investments portfolio and holds about \$351 billion in net assets.

The two allege that named trustee and officer defendants overseeing the Government Fund breached their fiduciary duties by failing to act in the best interests of the fund's shareholders.

They asserted that the individual defendants caused them and other shareholders of the fund's

"retail" share class to incur unnecessary higher expenses, even though they were eligible for the fund's lower-expense but otherwise identical "premium" share class.

They said that the "unnecessary expenses" cost shareholders "millions of dollars each year, reducing their return on investment in the Government Fund and unjustly enriching Fidelity."

Among the suit's other claims was that Fidelity was unjustly enriched because it retained "millions of dollars in unwarranted profits from not making expense reimbursements that they otherwise should have to plaintiffs and the class shareholders, had their retail class shares been properly converted to premium class shares."

Judge Garnett explained on Wednesday that the "existence of a valid and binding contract governing the subject matter at issue in a particular case" precludes a claim for unjust enrichment.

The shareholders thus could not state a claim for unjust enrichment because "multiple valid contracts govern the charges and payments that are the subject of their claim," Judge Garnett said.

Counsel for the parties did not immediately respond to requests for comment on Wednesday evening.

Davis and Sam are represented by Shawn J. Rabin, Lisa X. Jing and Halley W. Josephs of Susman Godfrey LLP.

Fidelity is represented by Scott D. Musoff, James R. Carroll, Eben P. Colby and Marley Ann Brumme of Skadden Arps Slate Meagher & Flom LLP.

The independent trustee defendants are represented by Marc De Leeuw, Stephen Ehrenberg, Matthew T. Souza, Joe Hong and Maximilian Y.M. Frank of Sullivan & Cromwell LLP.

The case is Bryan Davis et al. v. Fidelity Management & Research Company LLC et al., case number 1:24-cv-08142, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Katryna Perera. Editing by Michael Watanabe.



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

Paragon 28 Beats Investor Suit Over Inventory Accounting

By **Katryna Perera**

Law360 (March 25, 2026, 6:24 PM EDT) -- A Colorado federal judge has permanently tossed a proposed class action against Paragon 28 Inc., which makes products for foot and ankle surgery, and its executives claiming that they misrepresented the company's inventory levels and key financial metrics, finding that the suit fails to plausibly plead that the defendants knowingly made the misleading statements.

U.S. District Judge Philip A. Brimmer of the District of Colorado issued an **order** on Tuesday saying lead plaintiff Nicholas Tiedt has failed to adequately plead scienter for Paragon's CEO, Albert DaCosta, and former Chief Financial Officer Stephen M. Deitsch.

The suit claims that Paragon's inventory-tracking system was "deeply flawed," that the executives knew about the issues and that they would affect the company's reported financial metrics. The issues came to light in the summer of 2024, Tiedt says, as Paragon restated its financials and suffered steep stock price declines as a result.

Until that point, the executives were motivated to state false and inflated financial metrics to "avoid disrupting Paragon's key financial goals and to conceal Paragon's issues with its inventory management," Tiedt claims.

However, Judge Brimmer agreed with the defendants' argument that they had simply made an accounting error and had not acted with fraudulent intent in issuing the false financial statements.

The judge pointed to Paragon's financial restatement, which was issued after the company discovered an error in its inventory calculations. This stated that the company had "identified errors in the accounting for inventory including the calculation of its 'excess and obsolete inventory reserve' and that these errors resulted in the overstatement of inventory and an understatement in costs of goods sold."

The restatement indicated that the weaknesses in Paragon's financial reporting were the result of accounting errors, not issues with inventory management, the judge said.

"Where plaintiff's argument fails is that the complaint does not allege that inaccurate inputs were the cause of the misstated financial metrics. Rather, the complaint indicates that errors in accounting for excess and obsolete inventory ... were what led to the restatement," the order states. "In other words, the problem was not with the data input into the equation, but with the equation itself."

Additionally, the judge said the complexity of the error and the magnitude of the restatement weigh against an inference that DaCosta and Deitsch knew about the error, and their alleged knowledge of inventory management issues is even less compelling.

"Plaintiff has not provided sufficient allegations establishing that [Deitsch] had any knowledge of the inventory management issues ... [and] while plaintiff arguably establishes that Mr. DaCosta had some knowledge of the inventory management issues, plaintiff does not establish that Mr. DaCosta knew those issues were ongoing, pervasive and severe," the order states.

The judge added that the defendants' motives are too general to establish scienter, and the complaint also fails to allege that the executives acted recklessly with regard to the accounting error or the

inventory management issues.

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

Tiedt is represented by Lucas E. Gilmore and Reed R. Kathrein of Hagens Berman Sobol Shapiro LLP and by Brian J. Schall and William Brody of the Schall Law Firm.

Paragon 28 and the individual defendants are represented by Monica K. Loseman, Allison K. Kostecka and Lydia Lulkin of Gibson Dunn & Crutcher LLP.

The case is Ellington v. Paragon 28 Inc. et al., case number 1:24-cv-02712, in the U.S. District Court for the District of Colorado.

--Editing by Karin Roberts.

All Content © 2003-2026, Portfolio Media, Inc.



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

Nvidia Investors Score Class Cert. After High Court Pass

By **Katryna Perera**

Law360 (March 25, 2026, 9:44 PM EDT) -- A California federal judge on Wednesday granted class certification in a shareholder case against chipmaker Nvidia that briefly went before the U.S. Supreme Court and that claims the company failed to inform investors about its reliance on the volatile crypto market.

U.S. District Judge Haywood S. Gilliam Jr. issued an **order** certifying a class of all individuals and entities who purchased or acquired Nvidia common stock between Aug. 10, 2017, and Nov. 17, 2018.

The judge found the class meets all the necessary criteria of numerosity, typicality, commonality, adequacy and superiority. However, according to the order, the parties disputed whether the predominance requirement was met.

Specifically, the defendants **argued** that none of the statements the suit is challenging caused Nvidia's stock price to increase on the "front end" and that the alleged "back end" stock drops are not evidence that the challenged statements impacted the stock price.

However, Judge Gilliam concluded that "it is more likely than not that the alleged misrepresentations had [at least some] price impact."

More specifically, the judge found that the defendants failed to "sever" the relationship between any of the alleged misstatements and the "undisputed back-end price impact following the November 2018 disclosure."

"The court concludes that adequate evidence supports plaintiffs' contentions that the back-end price impact from the November 2018 disclosure is attributable to the alleged misstatements about both NVIDIA's reliance on crypto and its channel management," the order states.

The shareholders claim in their suit that Nvidia and CEO Jensen Huang downplayed how many gaming chips were being sold to crypto miners, a truth they say came to light when the company was forced to twice cut its revenue projections in 2018.

The judge also rejected the defendants' arguments that damages cannot be determined on a classwide basis.

Nvidia investors alleged in a 2019 complaint that the company hid its \$1 billion exposure to the volatile crypto mining market due to the industry's position as a major purchaser of Nvidia's graphics processing units.

They said the truth came to light in late 2018, when the company first announced a 2.2% drop in expected quarterly revenues, followed three months later by an announced 7% year-over-year decline in quarterly revenue as crypto markets struggled.

Suing investors said the announcements caused stock prices to drop by 5% and 28.5%, respectively.

The investors' **motion for class certification**, filed last July, was the first major movement forward for the litigation since the U.S. Supreme Court **dismissed the case** in 2024 by finding that a writ of certiorari was improvidently granted.

The Supreme Court at first agreed to hear the issue of what internal documents needed to be provided to make it past a motion to dismiss in a securities case, as well as a second question on the role that expert analysis should play in overcoming a dismissal bid. The justices ultimately withdrew the writ of certiorari, however, sending it back to the district court where it began.

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

Nvidia investors are represented by Matthew Mustokoff, Jamie McCall, Nathan Hasiuk, Nathaniel Simon and Stacey Kaplan of Kessler Topaz Meltzer & Check LLP and John Rizio-Hamilton, Jonathan Uslaner, Preethi Krishnamurthy, Matthew W. Arrow and Michael Mathai of Bernstein Litowitz Berger & Grossmann LLP.

Nvidia and Huang are represented by Patrick Gibbs, Amanda Main, John Bostic, Brett De Jarnette and Sarah Lightdale of Cooley LLP and Scott A. Edelman, Jed M. Schwartz, Andrew B. Lichtenberg and Olivia S. Choe of Milbank LLP.

The case is In re: Nvidia Corp. Securities Litigation, case number 4:18-cv-07669, before the U.S. District Court for the Northern District of California.

–Additional reporting by Sydney Price. Editing by Michael Watanabe.

All Content © 2003-2026, Portfolio Media, Inc.



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

Split Del. High Court Affirms Paramount Merger Docs Ruling

By **Hailey Konnath**

Law360 (March 26, 2026, 12:08 AM EDT) -- In a split decision, the Delaware Supreme Court on Wednesday agreed with a lower court's finding that news articles containing anonymous sourcing were reliable enough to support investors' demands for records pertaining to Paramount Global's merger with Skydance Media.



Paramount has lost its bid to quash investors' demands for records over its merger with Skydance. (Aaron M. Sprecher via AP)

The majority of the five-justice court rejected Paramount's argument that the Delaware Court of Chancery improperly found the news articles to be reliable. Contrary to Paramount's interpretation of the opinion, the lower court took into account a whole slew of factors, including the number of articles involved with an emphasis on the quotations they contained, instances when the company's public filings confirmed the assertions in the news reports, the reputations of news outlets, the stature of the reporting journalists, the level of specificity in the assertions and Paramount's own reliance on news articles bearing the same characteristics as the articles put forth by investors in the underlying dispute, according to the majority.

"Might the Court of Chancery, in the exercise of its discretion, have concluded otherwise and found the evidence insufficiently reliable? Of course," the majority said.

However, the court's reliability determination ultimately "falls within the permissible range of choices

available in this case," it said.

Paramount had also argued that the court can't consider post-demand evidence because stockholders must show that they had a proper purpose for inspecting books and records at the time when they served their demand.

Writing for the majority, Justice Gary F. Traynor said there's nothing in the relevant statutes prohibiting the consideration of post-demand evidence.

"On the contrary, we see the same signposts identified by the Court of Chancery, all of which point in the direction of admissibility under appropriate circumstances," Judge Traynor said.

Justice Traynor was joined by Justices Abigail LeGrow and Christopher Griffiths.

Meanwhile, Supreme Court Chief Justice Collins J. Seitz Jr. and Justice Karen L. Valihura penned a dissent that agreed with the majority on the anonymous source issue but not about the use of post-demand evidence.

"In our view, the better choice is to bar admission of post-demand evidence, instead of a case-by-case basis discretionary decision proposed by the majority," they said. "Our rule will discourage a premature race to the courthouse to attempt to gain a foothold for later merits-based litigation."

The midcase appeal centers on a vice chancellor's decision last year finding that news articles central to the Employees' Retirement System of Rhode Island investigative demand can "bear sufficient indicia of reliability to be considered," among other rulings.

In the underlying suit, pension fund investors represented by the Rhode Island treasurer's office alleged that controlling investor Shari Redstone had conflicting interests between her need to sell the family business and the fiduciary duties owed to Paramount stockholders. Redstone's family founded and owned movie theater and media giant National Amusements Inc.

Senior Magistrate in Chancery Selena E. Molina had found that the news accounts used to support the investors' record demands "share a common indica of unreliability." Her decision dismissed the investors' probe into the \$8 billion merger with Skydance Media.

However, Vice Chancellor J. Travis Laster disagreed. And last March, he **certified questions** for the justices, saying that Paramount's position "mischaracterizes the proper purpose decision and makes dubious predictions about its dire consequences," adding that the justices' "insights on those issues would be helpful."

At **oral arguments** in November, Paramount's counsel argued that the justices should adopt a "very bright-line rule" barring post-document-demand use of unverified reports and confidential news sources to support stockholder suits seeking access to corporate deal books and records.

The majority Wednesday noted that the Court of Chancery's practice doesn't seem to weigh in favor of adopting a "categorical rule that excludes post-demand evidence in all cases."

Rather, it's best to allow judicial officers to exercise their discretion and to consider or reject post-demand evidence on a case-by-case basis, Justice Traynor said.

"The general rule is that when a stockholder seeks relief ... it will be limited to evidence identified in the demand and the information available to the stockholder when the demand was made," Justice Traynor said. "But under exceptional circumstances, the Court of Chancery may, in the exercise of its sound discretion, consider post-demand evidence that is material to the court's credible-basis inquiry and not prejudicial to the corporation."

Notably, the majority also rejected Paramount's contention that the lower court impermissibly created a "shortcut" around a more thorough analysis of hearsay's reliability by stating that it's fine so long it's in a "reputable publication."

"Having read the statement in the context of the court's entire opinion, we are satisfied that the court did not rely exclusively on the news outlets' reputations," the justice said. "We are satisfied, moreover, that the court conducted a reliability analysis that passes muster under our review standard."

Paramount and the Rhode Island Office of the General Treasurer didn't immediately respond to requests for comment late Wednesday.

Paramount is represented by Jon E. Abramczyk, D. McKinley Measley and Alexandra M. Cumings of Morris Nichols Arsht & Tunnell LLP, and Jonathan K. Youngwood and Meredith Karp of Simpson Thacher & Bartlett LLP.

The Rhode Island General Treasurer's Office is represented by Corinne Elise Amato, Eric J. Juray, Stacey A. Greenspan and Seth T. Ford of Prickett Jones & Elliott PA, and Lee D. Rudy, Eric L. Zagar, Grant D. Goodhart and Michael W. McCutcheon of Kessler Topaz Meltzer & Check LLP.

The case is Paramount Global v. State of Rhode Island Office of the General Treasurer on behalf of the Employees Retirement System of Rhode Island, case number 129,2025, in the Supreme Court of the State of Delaware.

The case under appeal is 2024-0457 in the Court of Chancery of the State of Delaware.

--Additional reporting by Jeff Montgomery. Editing by Jay Jackson Jr.

All Content © 2003-2026, Portfolio Media, Inc.



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

Lyft Sex Assault MDL Gets 3 Co-Lead Plaintiff Attys

By **Bonnie Eslinger**

Law360 (March 25, 2026, 10:31 PM EDT) -- A California federal judge on Wednesday appointed three female partners from three law firms to co-lead multidistrict litigation over passenger sexual assault claims against Lyft Inc., two of whom are also serving as co-lead counsel in similar litigation against Uber Technologies Inc.

U.S. District Judge Rita F. Lin tapped three attorneys as co-lead counsel in the litigation: Roopal Luhana of Chaffin Luhana LLP, Rachel Abrams of Peiffer Wolf Carr Kane Conway & Wise LLP, and Aimee Wagstaff of Wagstaff Law Firm PC. Luhana and Abrams are also presently serving as co-lead counsel in the Uber passenger sexual assault MDL.

"I think it's a great team, and I'm excited to have you all on board," the judge said during Wednesday's hearing in San Francisco.

As part of her review of the three lawyers, the judge said she appreciated talking to judges who have worked with them on other MDL matters.

"I enjoyed very much hearing about ... your hard work, your diligence and your collegiality," Judge Lin said.

Wagstaffe is currently also co-lead counsel in an MDL over claims that lead and arsenic in baby food from Gerber, Beech-Nut and others contributed to ADHD and autism in children. Judge Lin asked the lawyers how they would manage holding the dual leadership positions.

"What is your plan in terms of managing that case and this one," the judge asked.

Luhana said the exchange of common discovery in the Uber MDL has slowed down significantly at this point and even a lot of the case-specific discovery has been done.

"We have a very strong team. So it's about dividing and conquering," Luhana said.

Wagstaff said plaintiffs in the baby food products MDL are currently appealing a **Daubert decision**, which will stay discovery for a while.

"I have a great staff behind me as well, and I will have the time to commit to this litigation," Wagstaff said.

The decision by the court in that case granted the defendants' motion to exclude the causation opinions of the plaintiffs' epidemiology and toxicology experts, according to the court docket.

The plaintiffs told the court that they'll also have a plaintiffs' steering committee, chaired and selected by the co-leads and sub-committees that will include one that will liaise with similar coordinated proceedings over sexual assault claims presently being pursued in California state court.

Wagstaffe told Judge Lin that many of the lawyers proposed for the PSC have also worked on the federal Uber litigation.

During Wednesday's hearing, Judge Lin told the parties that while she normally would not allow discovery in a case before the pleadings have been settled, but because of the state court Lyft Judicial Council Coordinated Proceedings, or JCCP, she suggested the parties should get their hands

on the discovery that's been produced in that litigation.

"We know [it] will be needed, has already been produced in the other litigation, will almost certainly be relevant and will have a very low burden to be to be produced," Judge Lin said. "I don't see a reason to wait."

A lawyer for Lyft, Beth Stewart of Williams & Connolly, said her client would be willing to go ahead and do that.

"What I don't think makes sense, your honor, is for us to go into full bore, additional discovery beyond that," Stewart said, "before we have the scope of the claims at issue in the case."

A lawyer for the plaintiffs, Sara Craig of Peiffer Wolf Carr Kane Conway & Wise LLP, told the court that the data produced in the JCCP is "substantially" less than what was received in Uber MDL.

"There are approximately 199,000 documents that were produced by Lyft over the course of the six years that the JCCP was in place," Craig said. "Those materials are intended to cover 40 custodians, I believe, and a time period that ranges up through 2023."

In a similar scope of litigation in the Uber MDL, by contrast, produced over 1.9 million documents.

Craig said a protocol for obtaining electronically stored information, or ESI, was not established in the Lyft JCCP, while in the Uber MDL, the ESI protocol "was negotiated heavily by the parties."

The scope of discovery in the JCCP is not aligned with the guidelines for California's Northern District, Craig added.

"Our concern is that absent guidance of the court and potentially the ability to take an ESI deposition, we're going to end up in a substantially similar position to what the JCCP had," Craig said. "With a production that we would argue is more likely than not grossly underrepresentative of the real material that should have been produced and should have been preserved by Lyft."

Judge Lin said she wanted to move forward with the discovery that's already been produced in the JCCP.

"I also think it makes sense for the parties to start talking about the ESI protocol," the judge added.

Five of the firms representing plaintiffs in the MDL represent approximately 550 plaintiffs in the JCCP and lead counsel for Lyft in the federal MDL is also lead counsel for Lyft in the JCCP, according to an update on the JCCP Lyft provided to the court on March 12.

During Wednesday's hearing, Judge Lin said it was her understanding that there were problems in the Uber passenger sexual assault MDL, with plaintiffs submitting fraudulent or "AI-generated" ride receipts to support claims of sexual assault by drivers.

She asked what protocol the parties suggested should be done in the Lyft MDL to "make sure that the plaintiffs we have in this case are people who should be in the case."

Abrams said the parties will come up with a stronger process to vet cases while also telling the court that less than 1% of the total Uber MDL cases involved a fraudulent ride receipt.

"So although it is an issue, and one that we take very seriously, it is not a widespread, prevalent issue," Abrams said.

According to a case management statement provided to the court from Lyft on March 12, the MDL currently comprises 32 actions that were transferred or reassigned to the Northern District court, brought by 32 plaintiffs alleging incidents in 16 sixteen states.

"Each of these actions appears to allege that a driver on the Lyft platform committed criminal acts (or intentional torts) against riders, and each plaintiff seeks to hold Lyft liable for that conduct," Lyft states.

An initial bellwether trial in the state court proceedings is slated to start in September, Lyft told Judge Lin.

In the first federal bellwether trial in the Uber MDL, an Arizona federal jury found in February that Uber was not negligent with respect to rider safety but was liable for the actions of a driver who allegedly sexually assaulted a passenger in 2023, awarding the rider **\$8.5 million** in damages. That followed a **September decision** by a state court jury in San Francisco that considered similar allegations and held Uber was negligent with respect to safety measures it took to protect a passenger who says she was sexually assaulted by her driver, but was not liable for damages because its negligence was not a substantial factor in causing her harm.

The **second bellwether** trial in the Uber MDL will be held in North Carolina.

Lyft was represented on Wednesday by Beth A. Stewart and David Randall J. Riskin of Williams & Connolly, and Kristen Lee Richer and Nadine S. Kohane of Barnes and Thornburg LLP.

The plaintiffs were represented by Aimee H. Wagstaff of Wagstaff Law Firm PC, Roopal Luhana of Chaffin Luhana LLP, and Rachel Abrams and Sara Craig of Peiffer Wolf Carr Kane Conway & Wise LLP.

The case is In Re: Lyft, Inc. Passenger Sexual Assault Litigation, case number 3:26-md-03171, in the U.S. District Court for the Northern District of California.

--Editing by Vaqas Asghar.

All Content © 2003-2026, Portfolio Media, Inc.



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

Ex-Nikola CEOs Can't Get Bankruptcy Pause For Investor Suit

By **Emilie Ruscoe**

Law360 (March 25, 2026, 8:05 PM EDT) -- Former CEOs of bankrupt electric-truck maker Nikola Corp. can't hit pause on proposed investor class action claims they face while related claims against the company are stayed amid its bankruptcy proceedings, an Arizona federal judge has determined.

In a Monday decision in Arizona federal court, U.S. District Judge Diane Humetawa denied a motion to stay the securities class action against Mark A. Russell and Michael Lohscheller, finding they hadn't supported their assertion that "unusual circumstances" warranted staying their claims under the federal bankruptcy code.

"The unusual circumstances that would typically allow for a stay under [the relevant bankruptcy provisions] are absent from this case," Judge Humetawa said Monday, finding the provision they cited wasn't relevant to a suit that makes "meaningful distinction[s]" between allegedly misleading statements attributed to the individual defendants and alleged misrepresentations made by the company.

The latest version of the investor claims, from May 2024, say Russell and Lohscheller should face liability for facilitating the rollout of the company's Tre BEV trucks despite knowing the trucks may combust due to a battery pack defect.

Nikola investor Randolph Reyes claims trading prices for the company's shares were artificially inflated between April 2022, when the company announced the initial shipments of the trucks, and September 2023, when trading prices for the company's shares sank below \$1 amid reports of trucks catching fire and following an August 2023 voluntary recall of all the trucks it had shipped so far.

Russell, Nikola's CEO between June 2020 and January 2023, and Lohscheller, who took over from Russell and left the role in August 2023, are the only remaining defendants named in the action. Nikola was a party to the suit before its February 2025 bankruptcy filing, and three additional Nikola executives were named in the first version of the suit but cut from the operative complaint.

Despite denying their stay request, Judge Humetawa offered an observation to the defendants in a footnote to her opinion, with the disclaimer that "the court will not counsel Russell and Lohscheller on how to best pursue their case or their desired relief."

"The court would like to note, that much in line with plaintiff's objection that Russell and Lohscheller should have brought this to the attention of the bankruptcy court in Delaware, case law suggests that the type of relief requested by both defendants is better requested ... in front of the bankruptcy court," Judge Humetawa said.

On Tuesday, Adam Apton, an attorney for the investors, told Law360 via email: "We are grateful for the decision and look forward to proceeding to the next phase of the case without further delay."

Counsel for Russell and Lohscheller did not immediately respond to requests for comment.

Randolph C. Reyes is represented by Adam M. Apton of Levi & Korsinsky LLP and Scott Zwillinger of Zwillinger Vulkan PLC.

Mark A. Russell and Michael Lohscheller are represented by Brad S. Karp, Susanna M. Buergel,

Gregory F. Laufer and Alison R. Benedon of Paul Weiss Rifkind Wharton & Garrison LLP and Dennis I. Wilenchik of Wilenchik & Bartness PC.

The case is Reyes v. Nikola Corporation et al., case number 2:23-cv-02131, in the U.S. District Court for the District of Arizona.

--Editing by Drashti Mehta.

All Content © 2003-2026, Portfolio Media, Inc.

Del. Chancellor Pauses Tesla Suit As Musk Cites LinkedIn Post

By Jarek Rutz

Law360 (March 25, 2026, 2:36 PM EDT) -- The Delaware Chancery Court has paused a high-profile Tesla stockholder case following a recusal bid from Elon Musk and Tesla Inc. after a judge's LinkedIn account appeared to react to a post celebrating a recent California jury verdict against Musk, including language praising efforts to stand up to "the richest man in the world."

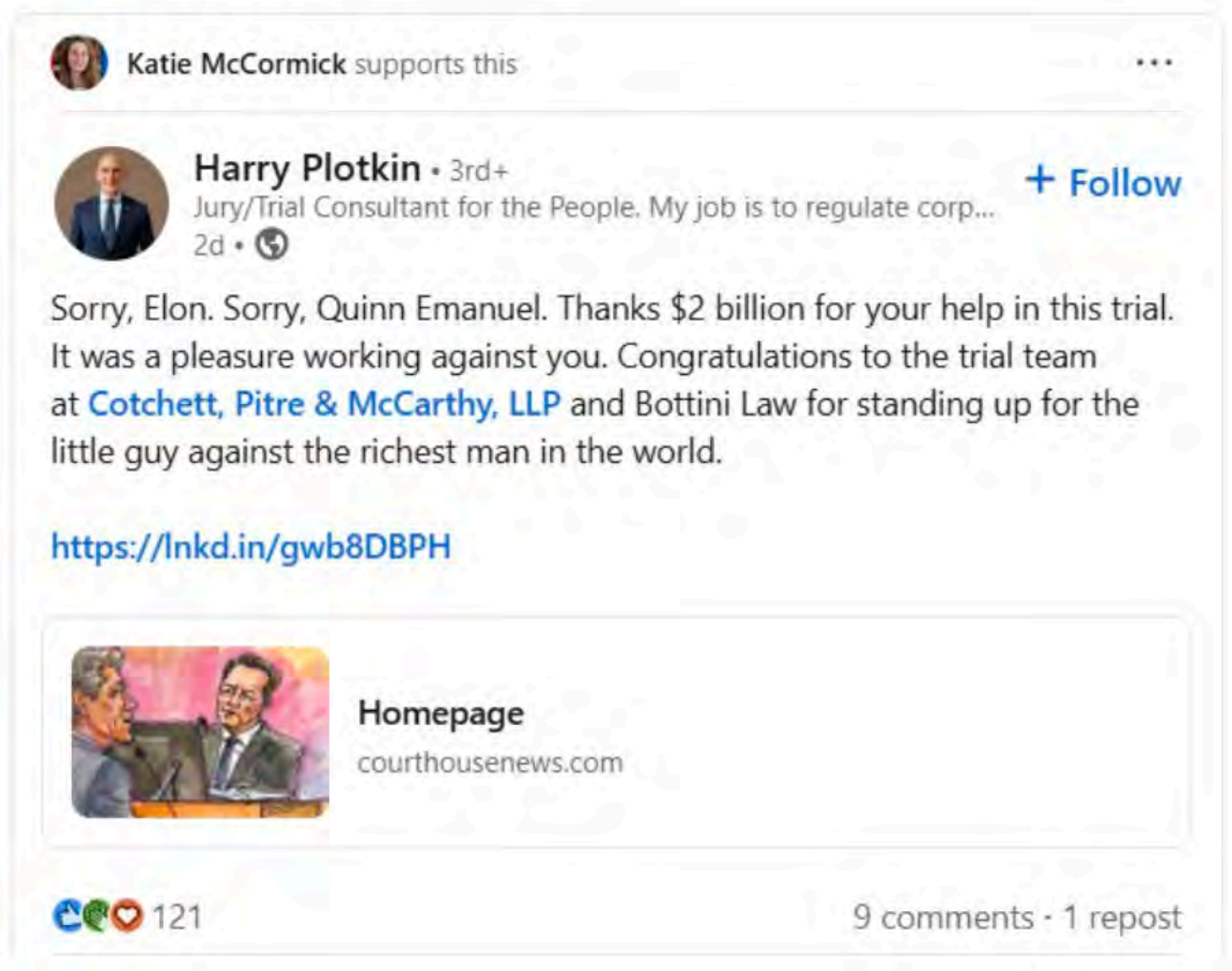
The post, authored by a jury consultant involved in the California securities trial, congratulated the plaintiffs' lawyers and framed the outcome as a win for "the little guy," while taking aim at Musk, Tesla's CEO, and his legal team.

"I do not 'support' the post. I also have not read the post, aside from the text visible in the screenshot that was sent by text to me last night," Chancellor Kathaleen St. J. McCormick wrote in a Tuesday letter to counsel, adding that she reported possible "suspicious activity" on her account after learning of the issue.

The LinkedIn activity came just days after a March 20 jury verdict in a federal securities case in California, **Pampena v. Musk**, which involved claims that Musk misled investors with May 2022 tweets stating that his \$44 billion Twitter acquisition was "temporarily on hold." The verdict, which remains subject to posttrial challenges, could be interpreted as finding those statements false, an issue that overlaps with allegations now pending in Delaware.



Chancellor Kathaleen St.
Jude McCormick



Chancellor Kathaleen St. J. McCormick's LinkedIn account appeared to react to a post celebrating a recent California jury verdict against Elon Musk.

Chancellor McCormick said she had not yet reviewed the recusal motion when she sent her letter but would "take the matter under advisement." She also ordered the proceedings stayed while the issue is resolved.

According to Musk's court filing, Chancellor McCormick's account selected a "support" reaction, which the motion says is a more deliberate

endorsement than a standard "like," and a court staff member also reacted to related commentary criticizing Musk and his attorneys.

The Delaware litigation stems from a long-running derivative suit brought by the Police and Fire Retirement System of the City of Detroit accusing Tesla's directors of awarding themselves excessive compensation. In 2023, Tesla's board agreed to return more than \$730 million in stock, options and cash, with total benefits to the company estimated at roughly \$919 million when combined with canceled compensation and governance changes.

The case has also produced a closely watched fight over attorney fees. In January 2025, Chancellor McCormick approved a **\$176.16 million fee award**, which the Delaware Supreme Court later reduced to about \$70.9 million, prompting ongoing disputes over repayment and interest.

The current consolidated actions extend beyond board pay, incorporating claims tied to Musk's Twitter acquisition and his public statements during that deal, including the same "on hold" tweets scrutinized in the California trial.

Musk and Tesla argue that the LinkedIn activity creates at least the appearance of bias in a case where those overlapping issues remain central. "Defendants do not bring this motion lightly," they said in a motion seeking Chancellor McCormick's recusal and reassignment of the case, citing Delaware law requiring judges to step aside when impartiality might reasonably be questioned.

The motion also points to the public visibility of the reactions, which were broadcast to followers and tied to commentary on litigation involving Musk, as well as the apparent deactivation of the chancellor's LinkedIn account shortly after the issue surfaced.

Quinn Emanuel Urquhart & Sullivan, which is representing Musk, declined to comment on Chancellor McCormick's letter, and representatives for Tesla who also filed the motion did not immediately respond to requests for comment Wednesday.

Elon Musk is represented by Alex B. Spiro, Christopher D. Kercher, Jonathan E. Feder, Michael A. Barlow and Shannon M. Doughty of Quinn Emanuel Urquhart & Sullivan LLP.

Tesla is represented by Brian T. Frawley and Matthew A. Schwartz of Sullivan & Cromwell LLP, John L. Reed of DLA Piper LLP, and Rudolf Koch of Richards Layton & Finger PA.

The consolidated actions are In re Tesla Inc. Derivative Litigation, case number 2024-0631, and The Police and Fire Retirement System of the City of Detroit v. Musk, case number 2020-0477, in the Court of Chancery of the State of Delaware.

--Editing by Robert Rudinger.