

Power Supply Company Hit with AI-Related Securities Suit

K [dandodiary.com/2026/03/articles/artificial-intelligence/power-supply-company-hit-with-ai-related-securities-suit](https://www.dandodiary.com/2026/03/articles/artificial-intelligence/power-supply-company-hit-with-ai-related-securities-suit)

Kevin LaCroix

March 26, 2026



The rise of Artificial Intelligence (AI)-based tools and applications has also meant the rise in AI-related infrastructure, such as data centers and power generation support. And just as we have seen the rise of securities litigation relating to companies' adoption of AI tools and processes, we have also seen securities suits relating to AI infrastructure development.

In the latest example of this kind of AI infrastructure-related litigation, on March 20, 2026, a plaintiff shareholder filed a securities class action lawsuit against the engine and power systems company Power Solutions International, alleging that the company's new strategy of providing power generation solutions for AI data centers had fallen short of the company's representations. A copy of the new complaint against Power Solutions can be found [here](#).

Background

Power Solutions designs, manufactures, and sells engines and power systems. In the past, its sales primarily involved small engines for industrial and transportation uses. After experiencing declines in its traditional sales in the first half of 2025, the company, as the complaint puts it, "pivoted to lean into the booming data center market." The company, according to the complaint, "claimed that providing power generation solutions amid the AI-drive data center expansion was driving both strong present and future performance," citing these new sales as "high growth, higher-margin" business.

On March 2, 2026, the company released its fourth quarter and full year 2025 financial results, disclosing that rather than increasing due to the higher margin AI data center business, its gross margin had in fact decline 8% year over year due to "operating inefficiencies related to the Company's accelerated production ramp-up for data center product lines." In its outlook for 2026, the company projected,

according to the complaint, only “moderate margin improvement from the products servicing the data center markets.” According to the complaint, the company’s share price declined nearly 29% on this news.

The Complaint

On March 20, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Northern District of Illinois against Power Solutions and certain of its directors and officers. The complaint purports to be filed on behalf of investors who purchased the company’s securities between May 8, 2025, and March 2, 2026.

The complaint alleges that during the class period, the defendants failed to disclose to investors that: “(1) the Company overstated its ability to capture sales demand for its power systems solutions, particularly within the data center market; (2) the Company understated the impact of its enhancements to manufacturing capacity to meet demand with the data center market, including the expected costs and the nature of the related ‘inefficiencies’; and (3) that as a result of the foregoing Defendants’ positive statements about the Company’s business, operations, and prospects were materially misleading and/or lacked a reasonable basis.”

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

Discussion

It has already become apparent that AI-related securities class action lawsuit filings will include not only lawsuits filed against companies in connection with their adoption of AI tools and processes. We have already seen securities suit filings that involve AI-related infrastructure companies, as well.

For example, in early January this year, a plaintiff shareholder filed a securities class action lawsuit against the start-up AI energy support company Fermi, which aims to build multiple power generation centers intended to provide dedicated power for AI workloads. The Fermi lawsuit is discussed in detail [here](#).

Similarly, in February, CoreWeave, a AI cloud computing company delivering infrastructure and services through large data centers, was hit with a securities lawsuit after the company experienced delays in its data center development due to design revisions, weather delays, and other difficulties, as discussed [here](#).

These prior lawsuits, and the new lawsuit against Power Solutions, involve allegations that the companies overstated their AI-related prospects and opportunities based on the companies' AI infrastructure strategy. Meaning that these lawsuits could be categorized as "AI-washing" type lawsuits, a type of AI-related litigation that is well-developed.

Another common thread among these lawsuits is that the companies allegedly announced AI-centered business strategies that garnered significant investor enthusiasm, only for the companies to experience difficulties and set backs, as a result of which the company's actual experience fell short of expectations, resulting in a share price decline.

This fact pattern seems highly likely to continue to recur in the weeks and months ahead. There is a great deal of investor interest in companies poised to take advantage of AI. Company management is understandably quite interested in trying to tap into this investor enthusiasm. Indeed, there appear to be quite a number of companies in the IPO pipeline with AI Infrastructure business strategies. Some of these AI infrastructure-focused companies will succeed in executing on their strategies. Others, like the defendant companies in these AI infrastructure-related suits, may encounter difficulties. It seems likely that many of these companies experiencing difficulties in executing on their AI strategies could also experience securities class action litigation.

In thinking about the extent of the potential exposure among these kinds of AI-adjacent companies, it is important to think about what industries and sectors might be affected by this dynamic.

Obviously, as the cases already filed show, these risks affect construction companies, energy supply companies, and data center infrastructure and services companies. There are also a host of other industries that potentially will be affected by the advent of AI; many companies in those industries will also face execution risk as they adopt AI-centered strategies. These other industries include, for example, finance; healthcare; logistics and transportation; education; professional services.

Based on this analysis, I think there is a probability (perhaps even a likelihood) that we will see cases like this, where companies face execution risk as they adopt AI-based strategies. These risks are most obvious for companies directly involved in

the business of AI, as well as the AI infrastructure companies. But the risks are also there in many other industries, as increasing numbers of companies seek to adopt AI-centered strategies.

In any event, it is also worth noting that we are not yet even a quarter of the way through the year, yet, according to my tally, this case is the sixth AI-related securities suit to be filed in 2026. It seems increasingly likely that AI-related securities litigation will be a significant part of the overall volume of securities lawsuit filings in 2026.

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Securities

Supermicro Investor Sues Over Affiliates' AI Smuggling Charges

March 26, 2026, 11:20 AM PDT

Super Micro Computer Inc. and top executives concealed that a ring of individuals illegally smuggled servers with cutting-edge NVIDIA Corp. chips to China, a proposed class action said.

The server maker failed to alert investors that a significant amount of sales were to China-based companies, that this violated US export control laws, and that Supermicro had lackluster internal controls to ensure it was complying with these regulations, said the complaint filed in the US District Court for the Northern District of California on Wednesday.

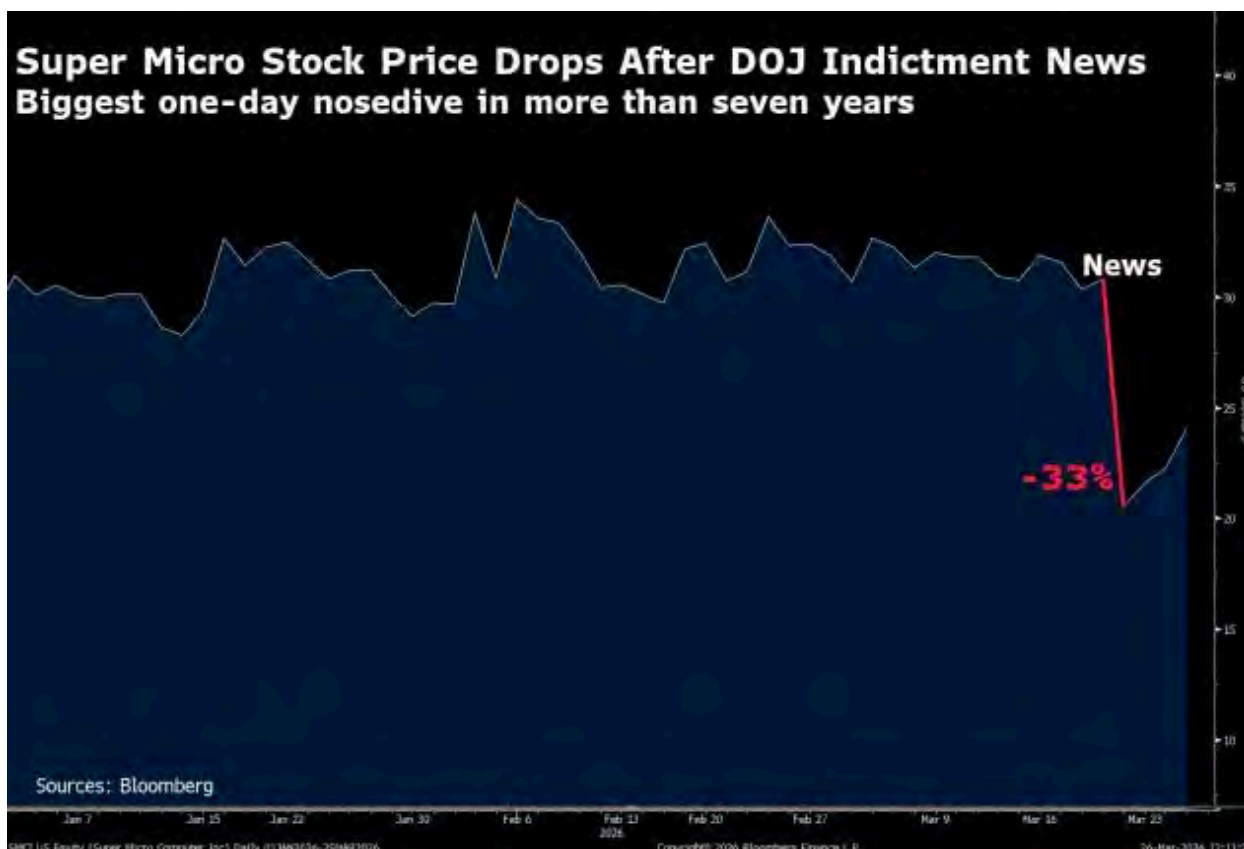
Then the US Department of Justice on March 19 said it unsealed an indictment against a trio of individuals, who are not defendants in the investor suit, with ties to Supermicro, including co-founder Yih-Shyan "Wally" Liaw, alleging they illegally sent billions of dollars in servers with advanced artificial intelligence technology to China between 2024 and 2025. Liaw in collaboration with a general manager in Super Micro's Taiwan office and an outside contractor allegedly conspired to divert servers without a license in violation of US export control laws.

Supermicro's share price sank more than 33% to close at \$20.53 the next day, March 20. It was the stock's steepest one-day slip since 2018, according to data compiled by Bloomberg.

Liaw swiftly departed the company's board after Supermicro said it placed the two employees on administrative leave and ended its relationship with the contractor. Supermicro, not a defendant in the Justice Department's suit, said it was cooperating with US authorities.

The indictment is prosecutors' most high profile crackdown on alleged AI tech smuggling to China since the US tightened export controls in 2022, citing national security concerns.

"I am deeply saddened and shocked that actions of these individuals were placed above our mission and our responsibility to national security," CEO and co-founder Charles Liang said in a letter to shareholders dated March 24. "It appears that Supermicro has been a victim of the elaborate schemes orchestrated by these individuals, which deceived both federal authorities and our internal compliance team."



The proposed class would include those who got Supermicro securities from April 30, 2024, through March 19, 2026.

Investor Apurva Bhuva seeks damages for alleged securities fraud by Supermicro, Liang, and chief financial officer David Weigand.

Glancy Prongay Wolke & Rotter LLP and Century City, Calif.-based attorney Frank R. Cruz represent Bhuva.

Supermicro said it doesn't comment on pending litigation in response to an email seeking comment.

The case is Bhuva v. Super Micro Comput., Inc. , N.D. Cal., No. 5:26-cv-02606, complaint filed 3/25/26 .

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NVIDIA faces class action over alleged crypto-related disclosures

DJ [dailyjournal.com/articles/390432-nvidia-faces-class-action-over-alleged-crypto-related-disclosures](https://www.dailyjournal.com/articles/390432-nvidia-faces-class-action-over-alleged-crypto-related-disclosures)

U.S. District Judge Haywood S. Gilliam Jr.

U.S. District Judge Haywood S. Gilliam Jr. certified a class Wednesday in a lawsuit against NVIDIA over alleged securities law violations that occurred in 2018.

Gilliam, who dismissed the case in 2021 before the decision was partially reversed on appeal, expressed skepticism about the plaintiffs' claims but said that NVIDIA -- represented by Cooley LLP and Milbank LLP -- failed to show why he shouldn't certify a class.

"Nevertheless, the Court is not persuaded that Defendants have met their burden here, even if the Court is somewhat skeptical of Plaintiffs' ultimate merits claim regarding the falsity of these statements," Gilliam wrote. *In re: NVIDIA Corporation Securities Litigation*, 4:18-cv-07669 (N.D. Cal., filed Dec. 21, 2018).

Plaintiffs, represented by Kessler Topaz Meltzer & Check LLP and Bernstein Litowitz Berger & Grossmann LLP, allege the chip maker reported significant growth in its video game segment. However, plaintiffs say it failed to disclose that a large proportion of the customers for its video game-specific chips were cryptocurrency miners as opposed to traditional gamers -- the former a particularly volatile demographic and the latter a more stable one.

An initial corrective disclosure in August 2018, plaintiffs say, caused the stock price to fall by 4.9%. A second disclosure, combined with a downturn in the cryptocurrency market around that time allegedly led to a 28.5% decline in NVIDIA's share price.

Gilliam found that the plaintiffs' proposed class clearly met each of the requirements for class certification, except for the reliance requirement.

"Whether the predominance requirement of Rule 23(b)(3) is satisfied hinges on whether reliance can be resolved on a classwide basis," Gilliam wrote.

The plaintiffs presented a fraud-on-the-market theory -- that individual shareholders buy and sell based on changes to a given stock's price, which reflects the company's public statements and disclosures -- to show the class collectively

relied on the alleged misrepresentations. Gilliam found that the plaintiffs successfully showed that the statements were widely known and the stock traded in an efficient market.

NVIDIA, which has since become the most valuable publicly traded company in the world according to some metrics, countered that Gilliam shouldn't certify a class because the plaintiffs can't point to a jump in the stock price tied to the alleged misstatements. But Gilliam sided with the plaintiffs that the misstatements could have concealed information that would have caused the stock price to fall, even if they didn't cause it to increase.

But in order to prove that the alleged misstatements prevented the stock from falling, plaintiffs have to show that the share price did fall once the truth emerged.

Gilliam sided with the defense on the first corrective disclosure -- a comment made by CEO Jensen Huang that a "great deal" of the market for the gaming chips came from cryptocurrency miners -- didn't contain any information that wasn't already known to the market.

"This is a close call, but the Court finds that the 'great deal' comment most likely did not disclose any information that investors did not already know by May 2018," Gilliam wrote.

However, Gilliam sided with the plaintiffs over the November 2018 statements, in which the company disclosed that excess gaming chip inventory after a downturn in the cryptocurrency market represented \$600 million in lost revenue.

The plaintiffs pointed to reports from analysts who interpreted the disclosure to mean NVIDIA had underestimated the number of cryptocurrency miners using its gaming chips. While the defense presented analyst reports that understood NVIDIA's statements differently, Gilliam said they failed to meet the burden required to rebut the plaintiffs' evidence.

"Given analyst reports that specifically related the disclosure to the alleged misstatements, Defendants have not convinced the Court that it is likely that there was no price impact," Gilliam wrote.

#390432

Securities

Elanco Gets Investors' Dog Itch Drug Development Suit Dismissed

March 26, 2026, 12:39 PM PDT

Elanco Animal Health Inc. defeated investor allegations it hid a study raising safety issues that would impact the regulatory approval timeline and commercial launch of a canine itch treatment.

The investors leading the case failed to sufficiently allege Elanco or top executives knowingly misled investors by not disclosing a study of dermatitis drug Zenrelia's effect on canine vaccination responses, Judge Brendan A. Hurson said Thursday, dismissing the proposed class action without the ability to replead.

Elanco didn't mention the study or its results that would ultimately delay the drug's US Food and Drug Administration approval and cause it to have a "black box warning" label, investors alleged.

But the investors didn't adequately allege CEO Jeffrey N. Simmons or former chief financial officer Todd S. Young's knowledge of the vaccine response study or its results, the US District Court for the District of Maryland judge said. Even if they had, knowledge of the results didn't necessarily mean the executives knew they would impact Zenrelia's launch or cause it to have a label that could dissuade customers. A former employee's testimony was too tangential, and the investors didn't plead Zenrelia's approval or roll-out was so crucial to Elanco that executives must've known about the study, the judge said.

"While it is *possible* to infer that Defendants deliberately omitted facts about the vaccine response study in order to mislead investors, the more compelling inference raised by the allegations here is that Defendants only offered vague reference to studies being underway and nothing more because they did not know or believe that the vaccine response study results would negatively impact FDA approval or affect the commercial launch of Zenrelia," Hurson said.

Regardless, Elanco's decision not to share information about the pre-class period study didn't render statements about Zenrelia during that time misleading, he said. Elanco didn't "make passing reference to the specific study during the class period, let alone seek to characterize its results in relation to other studies."

And most of the challenged statements were puffery or forwarding-looking, not actionable for a securities fraud claim, he said.

Stock Drop

The proposed class aimed to cover those who acquired Elanco securities from May 9, 2023, through June 26, 2024. On June 27, Elanco said the FDA hadn't yet approved Zenrelia's label and it would need a "black box warning" based on the vaccine response study—the first time it was shared with investors, the suit said.

Elanco's share price fell almost 21% that day, then its biggest one-day drop since spinning off from Eli Lilly & Co. in 2018, according to data compiled by Bloomberg.

Zenrelia was later approved. In 2025, the FDA approved the removal of a warning about potentially fatal vaccine-induced disease with dogs taking Zenrelia, retaining others.

Pomerantz LLP is lead counsel for the investors. White & Case LLP represents Elanco and the executives. Neither of these firms nor Elanco immediately responded to emails seeking comment.

The case is Barpar v. Elanco Animal Health Inc. , D. Md., No. 1:24-cv-02912, 3/26/26 .

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Securities

Manage Newsletters

Online Brokerage Overcomes Investor Suit Over Regulatory Risks

March 27, 2026, 7:12 AM PDT

UP Fintech Holding Ltd., also known as Tiger Brokers, defeated investor allegations the online brokerage misrepresented its risks of governmental regulatory action for noncompliance with anti-money laundering and licensing requirements.

UPF in fact did disclose actions and findings by New Zealand regulators, Judge Jessica G. L. Clarke said, dismissing the proposed class action with finality Thursday. The investor leading the case misread "future-oriented statements"—in context, they refer to compliance with a remedial program rather than New Zealand's anti-money laundering statute itself, the US District Court for the Southern District of New York judge said.

The investor also failed to sufficiently allege UPF misrepresented its compliance with Chinese laws in risk warnings, Clarke said, echoing her prior dismissal order

UPF's disclosure warnings misleadingly cast risks of corporate impact from noncompliance and regulatory enforcement as a hypothetical when they'd already occurred in New Zealand and China, the investor leading the case said

The investor didn't connect how New Zealand's actions regarding UPF's subsidiary there would mean the company would be subjected to China's enforcement, Clarke said

Glancy Prongay Wolke & Rotter LLP is lead counsel for the proposed class, which aimed to cover those who acquired Tiger securities from April 29, 2020, through May 16, 2023. Quinn Emanuel Urquhart & Sullivan LLP represents UPF. Neither of these firms nor UPF immediately responded to emails seeking comment.

The case is Burns v. UP Fintech Holding Ltd. , S.D.N.Y., No. 24-CV-1632, 3/26/26 .

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Class Action

Manage Newsletters

Ardelyx Investors Drop Appeal Over U-Turn on Medicare Program

March 27, 2026, 9:35 AM PDT

Ardelyx Inc. investors have let go of their appeal seeking to revive class claims that the biotech company misrepresented its intentions about applying to participate in a Medicare reimbursement program.

The US Court of Appeals for the First Circuit on Thursday granted the parties' request to close the case over the dialysis patient treatment Xphozah, which generated \$104 million in revenue last year. Neither the request nor the judgment indicated whether a settlement with the individual plaintiffs was involved.

Attorneys for the parties didn't immediately respond to an email seeking information about the agreed dismissal

The investors alleged Ardelyx publicly stated it would apply for the two-year "transitional" program for reimbursement but knew all along it wouldn't apply because of concerns about lost sales—a decision that allegedly prompted a 30% stock drop when revealed

The US District Court for the District of Massachusetts tossed the proposed class action in January, calling the investors' case circumstantial

The Rosen Law Firm PA represented the investors. Latham & Watkins LLP represented Ardelyx.

The case is Wood v. Ardelyx, Inc. , 1st Cir., No. 26-01075, 3/26/26 .

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Securities

Manage Newsletters

LuxUrban Settles Investors' Hotel Lease Lawsuit for \$3 Million

March 27, 2026, 8:02 AM PDT

Former LuxUrban Hotels Inc. executives agreed to pay \$3 million to resolve investor allegations the short-term rental company overhyped its growth and hotel deals.

The settlement will be funded by LuxUrban's directors and officers liability insurance policies, given the company and one of the executives have filed for bankruptcy, investors leading the case said while seeking preliminary approval of the deal Thursday. If approved by the US District Court for the Southern District of New York, the investor agreement would end allegations that embattled LuxUrban and former executives Brian Ferdinand, who filed for bankruptcy, and Shanoop Kothari painted a rosy picture of its expansion.

That story started unraveling after a short seller report cited a hotel building owner saying the LuxUrban hadn't actually signed the lease, among other issues, investors said

Investors plausibly alleged the executives knew or recklessly disregarded their announcements of adding four hotels to LuxUrban's portfolio were misleading, Judge Paul A. Engelmayer said, letting proposed class claims proceed last year

The investors' attorneys will seek up to a third of the settlement in fees and \$275,000 for litigation expenses, plus interest

Pomerantz LLP is lead counsel for the settlement class, which includes those who acquired LuxUrban securities from May 9, 2023 through Aug. 20, 2024. Baker & Hostetler LLP represents LuxUrban and the executives. Neither of these law firms immediately responded to emails seeking comment.

The case is zCap Equity Fund LLC v. LuxUrban Hotels Inc. , S.D.N.Y., No. 1:24-cv-01030, 3/26/26 .

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Musk attorney flags 'bizarre' blue-ink entry in jury verdict

DJ [dailyjournal.com/articles/390430-musk-attorney-flags-bizarre-blue-ink-entry-in-jury-verdict](https://www.dailyjournal.com/articles/390430-musk-attorney-flags-bizarre-blue-ink-entry-in-jury-verdict)

Alexander B. Spiro of Quinn Emanuel Urquhart & Sullivan LLP

When the jury returned its verdict last week in a securities lawsuit against Elon Musk over allegedly false statements he made during his acquisition of Twitter, it wrote out a damages figure for each day of the class period. Class members could claim the damages number written next to the day they sold stock, multiplied by the number of shares they sold.

The jury wrote 97 of the 98 figures in black ink, but one number -- the damages amount for plaintiffs who sold on Aug. 9, 2022 -- was written in blue.

Not only is that consequential, according to a letter Musk's attorney Alexander B. Spiro of Quinn Emanuel Urquhart & Sullivan LLP sent Senior U.S. District Judge Charles R. Breyer on Thursday, it's evidence that his client didn't get a fair trial.

On that day, the jury awarded \$4.20 a share in damages.

Throughout the trial, they'd hear about Musk's affinity for the number 420 -- a common reference to marijuana use. Musk bought the company for \$54.20 a share and announced he'd secured funding for the deal on April 20, 2022. The references were part of his team's "jiu jitsu strategy," his financial advisors testified, to present an offer that appeared unserious before coming back with a strong offer Twitter would feel pressured to accept.

The blue ink, Spiro speculated, was a "bizarre and highly questionable" shot at his client.

"The bright blue number in a sea of black figures immediately jumps off the page, as was the apparent intent," Spiro, who didn't have a jury-facing role but did serve as a witness for the defense, wrote. "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." *Giuseppe Pampena v. Elon R. Musk*, 3:22-cv-05937 (N.D. Cal., filed Oct. 10, 2022).

If the jurors used the verdict form to mock Musk, Spiro argued, they failed in their duty to separate their feelings about Musk from the facts of the case.

"The inescapable conclusion from the face of the verdict form is that the jury felt it appropriate to use its verdict to send a message to Mr. Musk, instead of properly discharging its solemn duty to render a just verdict," Spiro wrote.

Prior to trial, Musk's lawyers expressed concern that they wouldn't be able to seat a jury that could be impartial toward the outspoken Tesla CEO and former Trump administration affiliate. At jury selection, Breyer said that the majority of questionnaire responses from potential jurors indicated strong feelings about the defendant. When Breyer asked members of the jury pool if they were unable to judge the case fairly, over a third raised a hand.

Instead of trying to seat a jury without feelings about Musk, Breyer decided that he would allow jurors to serve as long as they felt they could set aside their opinions of the defendant and judge the case fairly.

But Spiro, who also used the letter to argue the plaintiffs unfairly excluded him from the trial, said the blue ink on the verdict form proves Musk was "deprived his right to a fair trial."

"Unfortunately, and as evidenced by the record and expressed on the jury's verdict form, each of those fears were realized. No reasonable and experienced person could have any faith in the fairness of this proceeding or its resulting verdict," Spiro wrote.

After two days of trial and three days of deliberation, the jury found Musk liable on Friday over a May 13, 2022, post saying the acquisition was "temporarily on hold," as well as a similar post he made later that month.

The jury found in Musk's favor on the plaintiffs' claim that his posts constituted a scheme to lower Twitter's stock price and renegotiate the deal.

After the verdict was read, attorneys for the plaintiffs told reporters they believe the verdict will total \$2.6 billion once the claims process is complete.

#390430

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Securities

Musk Rips Twitter Verdict, Says \$4.20 Jury 'Joke' Mocks Him (1)

March 26, 2026, 5:38 PM PDT

Elon Musk's lawyer says the billionaire didn't get a fair trial because a San Francisco jury slipped a "bizarre and highly questionable" joke into a verdict form when it concluded he defrauded Twitter Inc. shareholders before acquiring the social media platform.

In a letter to the federal judge who oversaw the civil trial, attorney **Alex Spiro** pointed to the jury's computation of how much Musk's tweets depressed Twitter stock and how the panel highlighted just one number in blue ink — \$4.20. The number 420 is cultural slang for pot smoking.

The jury found Friday Musk misled the investors in 2022 when he tweeted that Twitter — now called X — had too many fake accounts and then tried to back out of his \$44 billion offer to buy the company. The investors who sued claimed Musk acted intentionally and they lost money when the shares fell. Musk's legal team has vowed to appeal the verdict.



Elon Musk arrives at federal court in San Francisco on March 4.

Photographer: David Paul Morris/Bloomberg

The eight-person panel found Musk liable to Twitter investors for misleading them with two tweets he posted in May 2022 stating concerns about the prevalence of fake accounts on the platform. Jurors rejected a claim in the class-action case that a third Musk statement violated federal securities law as well as an allegation that the billionaire waged a broader scheme to defraud investors.

Musk's rare defeat in court — which could cost him billions of dollars — was a “mockery of justice,” Spiro said in the letter. He said the jury “used its verdict to mock Mr. Musk and the process” and made a “numerical joke.”

In response, lawyers for the investors urged US District Judge Charles Breyer to strike Spiro's “unsolicited” letter from the record as improper, saying it “does not even appear to seek any particular form of relief.”

“The letter is egregiously unfaithful to the record in this case,” they wrote.

Back on Aug. 7, 2018, Musk caught the attention of federal securities regulators when he tweeted he had “funding secured” to take Tesla Inc. private at \$420 a share. Musk, the world's richest person, co-founded the electric-car maker and is its chief executive officer.

Tesla stock shot up, only to plummet when the serial entrepreneur later said the plan was abandoned. Some Tesla investors sued, but a San Francisco jury in that case cleared Musk in 2023 of wrongdoing.

In a separate US Securities and Exchange Commission lawsuit over the Tesla tweet, the agency alleged Musk chose the \$420 figure because he was trying to impress his then-girlfriend with a marijuana joke. The SEC settled that case, with Musk and Tesla agreeing to pay investors a combined \$40 million without admitting or denying wrongdoing.

Read More: Musk Embraces Blunt-Smoking Meme in Quip About Twitter Board

In his letter Thursday to the judge, Spiro didn't specifically reference the Tesla tweet. Instead, he said the Twitter jury's emphasis on \$4.20 "appears to be a mocking reference to a number previously associated with Mr. Musk."

Spiro claimed the figure "had no significance" to the damage determination and the verdict was "a commentary not on whether Mr. Musk committed securities fraud (he did not) but on the jury's views about Mr. Musk himself."

Lawyers for the investors who brought the case had accused Musk of publicly attacking Twitter to knock down its stock price so that he could buy the company for less than his original bid of \$54.20 per share.

Twitter lost billions of dollars in market value that summer while Musk waffled on whether to go through with the deal, which he eventually did at the agreed price.

The amount of damages Musk must pay to individual investors will be determined at a later date when shareholders submit claims. An attorney for the investors said the final tab could reach \$2.6 billion.

But as part of its verdict, the jury estimated the "amount of artificial deflation per share" of Twitter stock over about five months in 2022. The verdict sheet filed in court shows a chronological list of handwritten figures ranging from less than \$3 to more than \$8 for each trading day from May 13 through Oct. 3 of that year.

The Aug. 9 figure — \$4.20 — stands out as the only one not in black ink.

"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," Spiro wrote.

The case is Pampena v. Musk, 22-cv-05937, US District Court, Northern District of California (San Francisco).

(Updates with letter to judge by plaintiffs' lawyers in sixth paragraph.)

--With assistance from **Robert Burnson**.

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this is what the motion is about

August 3, 2022	\$__.	4.87
August 4, 2022	\$__.	4.85
August 5, 2022	\$__.	4.31
August 8, 2022	\$__.	4.16
August 9, 2022	\$__.	4.20
August 10, 2022	\$__.	3.61
August 11, 2022	\$__.	3.79
August 12, 2022	\$__.	3.67
August 15, 2022	\$__.	3.98
August 16, 2022	\$__.	3.62
August 17, 2022	\$__.	3.77

Bloomberg News @bloomberg.com · 23h

Elon Musk's lawyer says the billionaire didn't get a fair trial because the jury slipped a "bizarre and highly questionable" joke into a verdict form when it concluded he defrauded Twitter shareholders before acquiring the social platform.



Musk Rips Twitter Verdict, Claims Jury's \$4.20 'Joke' Mocked Him



Goldstein (2026 edition) @goldstein.bsky.social · 22h

Should've 6-7ed him too.



22



Release the Tuunbaq @bigstape.bsky.social · 22h

69 was right there



1



Goldstein (2026 edition) @goldstein.bsky.social · 22h

So was 67. August 12th.



Joe Callanan @joecal.bsky.social · 22h

Musk chose \$420 as his price per share. The jury calculating 1% of his claimed stock value is a "bizarre" joke, but what Musk did wasn't. 🤔



33



James Fallows Tierney @jamesftierney.bsky.social · 18h

Surely the putative head of X can't be deemed to know that this is "meme culture," not mockery. If they could have reported more significant digits the juror would have written 4.2069.



6



James Fallows Tierney @jamesftierney.bsky.social · 18h

Ugh can be deemed



2



Chris, retired @chrisll.bsky.social · 22h

I've been on a couple of juries and tbh, being stoned would greatly improve the experience and quality



3



Mark K @fajitadoctor.bsky.social · 21h

I was told that we had legalized comedy?



2



Don Cruse @doncruse.com · 22h

Why would he feel personally attacked about a purely "coincidental" number that was "not a joke"?



6



GhostOfFredT @ghostoffredt.bsky.social · 22h

Could gave put 237.73

The molar mass of Ketamine



5





J. D. @jdetc.bsky.social · 22h

So if it's literally just a number in a series of numbers that are all reasonable jury verdict amounts that seems sanctionable.



2



potatocouch.bsky.social @potatocouch.bsky.social · 22h

no 69 joke tho strange



2



0

Naught @n0tf0ll0w.bsky.social · 22h

Can someone explain what this chart is exactly?



1



Ann M. Lipton @annmlipton.bsky.social · 22h

the jury found musk committed securities fraud, and they were asked to calculate, day by day, how much of a dollar influence his fraud had over the stock price. as you can see, on one day they found the dollar influence was "\$4.20," and that number alone was written in blue rather than black ink



5



0

Naught @n0tf0ll0w.bsky.social · 22h

Got it, thank you! Appreciate it!!



Henry Rearden @hfrearden.bsky.social · 22h

Delaware Court of Chancery was the last and only hope for rule of law with Musk and the billion (soon to be trillion!?) dollar bezzle that he provides to Murika and its plutocrats.



Musk urges judge to review Twitter verdict, accuses jury of 'mocking' him

 [reuters.com/sustainability/boards-policy-regulation/musk-urges-judge-review-twitter-verdict-questions-jurys-integrity-2026-03-26](https://www.reuters.com/sustainability/boards-policy-regulation/musk-urges-judge-review-twitter-verdict-questions-jurys-integrity-2026-03-26)

Jonathan Stempel

March 26, 2026

Twitter logo and a photo of Elon Musk are displayed through magnifier in this illustration taken October 27, 2022. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

March 26 (Reuters) - A lawyer for Elon Musk urged a federal judge to review a recent jury verdict finding that Musk defrauded Twitter investors when buying the social media company, saying jurors improperly used the verdict to "send a message" by finding him liable.

In a letter filed on Thursday in San Francisco federal court, Musk's lawyer Alex Spiro accused jurors of "mocking" his client by writing the number "\$4.20" in bright blue on the verdict form, though the remaining entries were written in black.

The number 420 is associated with marijuana culture. Musk, the world's richest person, has often mentioned 420 in interviews and tweets, and used it in business activities.

Spiro said the jury's "numerical joke" was "no doubt intentional," and when added to other alleged trial errors called into question the March 20 verdict, where [damages](#) could reach \$2.5 billion. He said "further inquiry" by U.S. District Judge Charles Breyer, who oversees the case, was needed.

"The inescapable conclusion from the face of the verdict form is that the jury felt it appropriate to use its verdict to send a message to Mr. Musk, instead of properly discharging its solemn duty to render a just verdict," Spiro wrote.

Frank Bottini and Mark Molumphy, two of the investors' lawyers, in a joint statement called Spiro's letter meritless.

"It is unfortunate that Musk has again decided to criticize the court and the jury, rather than take accountability for his own conduct," Bottini and Molumphy said. "Given the overwhelming evidence presented at trial, it goes beyond the pale to attack an extremely diligent jury simply for doing its job."

MUSK ALSO USED '420' AT TESLA

Jurors found Musk liable for two statements he made not long after announcing the buyout, where he questioned whether Twitter was overrun by fake and spam accounts, known as bots.

They did not find him liable for a third statement about bots, or for scheming to defraud.

Twitter investors said Musk criticized the company to force it to renegotiate his offer, or let him back out.

Musk has also used 420 in connection with his electric car company Tesla ([TSLA.O](#)).

 [, opens new tab](#).

In 2020, for example, he [cut the price](#) of Tesla's Model S by 4% to \$69,420.

Two years earlier, he tweeted that he had "funding secured" to take Tesla private for \$420 per share. The tweet prompted a U.S. Securities and Exchange Commission civil fraud lawsuit that Musk later [settled](#).

Reporting by Jonathan Stempel in New York; Editing by Bill Berkrot

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

California Brief

Musk's X Loses Suit Claiming Advertiser Boycott of Platform (1)

March 26, 2026, 9:13 AM PDT

The World Federation of Advertisers, Nestle SA, Shell Plc and a handful of other companies won dismissal of a lawsuit filed by Elon Musk's X over claims that they orchestrated an advertising boycott of the social media platform after the billionaire purchased it.

US District Judge Jane Boyle, in a ruling Thursday, granted a request by the companies to dismiss the lawsuit, saying Musk's company had failed to demonstrate it had been harmed as a result of an antitrust violation, even if X saw reduced revenue or was forced to cut prices for advertisers.

"X has not alleged that the boycott against it allows or is intended to allow a competing social media company to corner the supply market for online advertising space," the Texas federal judge wrote. "A construction of X's antitrust claim as one restraining it from competing with fellow social media companies is not 'injury of the type the antitrust laws were intended to prevent.'"

The order is the latest rejection of attempts by organizations and politicians to force advertisers and social media platforms to loosen content restrictions. In August, Boyle dismissed a separate suit against the World Federation of Advertisers filed by the video-sharing platform Rumble Inc., which is popular with conservatives and hosts President Donald Trump's Truth Social.

Representatives of X and the WFA didn't immediately respond to requests for comment.

In the X case, the companies had argued in court filings that they all reacted independently to changes implemented by Musk that allowed unchecked antisemitic content and other toxic commentary to circulate on the platform.

The advertising business at the platform formerly known as Twitter suffered following Musk's \$44 billion takeover of the company three years ago and his decision to eliminate some rules and policies governing content in the name of promoting free speech. In August 2024, X sued the World Federation of Advertisers over the mass exodus and later added several individual companies as defendants.

Those companies include CVS Health Corp., Mars Inc., Lego A/S, Pinterest Inc., Orsted A/S, Colgate-Palmolive Co. and Tyson Foods Inc.

The case is X v. World Federation of Advertisers, 7:24-cv-00114, US District Court, Northern District of Texas (Wichita Falls).

(Updates with comment from judge, background on case.)

--With assistance from **Kurt Wagner**.

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Litigation

Manage Newsletters

Delaware Justices Reject Expanding Insider Trading Liability

March 27, 2026, 8:34 AM PDT

Summary by Bloomberg AI

AI Generated



- The Delaware Supreme Court declined to expand insider trading liability, affirming a lower court's ruling that a hedge fund wasn't automatically acting as a fiduciary by appointing a board representative.
- An investor argued that Armistice Capital LLC owed a fiduciary duty to its shareholders because its appointment of its chief investment officer to the board of Aytu BioPharma Inc. created "a relationship of trust and confidence."
- The court upheld the Delaware Chancery Court's dismissal of the investor's claims, with Vice Chancellor Morgan T. Zurn finding that Armistice's stake and board representation at Aytu didn't make it a controller with fiduciary duties.

The Delaware Supreme Court declined Friday to expand insider trading liability, affirming a lower court's ruling that found a hedge fund wasn't automatically acting as a fiduciary simply by appointing a board representative.

A one-page order signed by Justice Gary F. Traynor didn't elaborate on the decision to uphold the Delaware Chancery Court.

An investor argued March 11 that Armistice Capital LLC owed a fiduciary duty to its shareholders because its appointment of its chief investment officer to the board of Aytu BioPharma Inc. created "a relationship of trust and confidence." Armistice improperly profited from insider information obtained by its board appointee, the investor's attorney said, resulting in a \$31 million windfall from the sale of Aytu stock in March 2020.

The state's highest court appeared skeptical during oral arguments of expanding liability in derivative lawsuits claiming corporate insiders used confidential information for their own gain through trades of the company's stocks. "Think of what you're saying means for the future," Chief Justice Collins J. Seitz Jr. said at the time. "Anytime a company appoints someone to a board, they assume a fiduciary relationship—that's what you're saying."

The Chancery Court dismissed the investor's claims last year. Vice Chancellor Morgan T. Zurn found Armistice's 41% stake and board representation at Aytu didn't make it a controller with fiduciary duties.

Seitz and Justice Karen L. Valihura joined Traynor in the opinion. A panel of three justices typically hears oral arguments, except in death penalty appeals or other cases where it determines en banc consideration is warranted.

The investor, Paul Witmer, is represented by Morris Kandinov LLP and McCollom D'Emilio Smith Uebler LLC. Armistice is represented by Akin Gump Strauss Hauer & Feld LLP and Potter Anderson & Corroon LLP.

The case is Witmer v. Armistice Cap. LLC , Del., No. 381,2025, 3/27/26 .

Bloomberg Law Automation also contributed to this story.

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Securities

Manage Newsletters

Argentina Gets \$16 Billion US Judgment Tossed on Appeal (1)

March 27, 2026, 7:46 AM PDT

Argentina scored a major victory as a US appeals court reversed a ruling ordering it to pay \$16.1 billion over the seizure more than a decade ago of state-run oil company YPF SA.

The Manhattan judge who issued the award wrongly ruled in favor of former shareholders who said they were harmed by the nationalization of the Argentine oil company, a federal appeals court said Friday. The suit was backed by litigation funder Burford Capital Ltd., which would have taken a large share of the award.

Burford's US shares plunged as much as 54% on Friday. The firm didn't immediately respond to a request for comment.

The appeals court ruling marks a significant victory for Argentine President **Javier Milei** and helps clear the government's path to a return to international markets at some point. He had refused to negotiate with the plaintiffs, creating a standoff that could have muddled future bond sales in this legal saga.

"We won in the YPF lawsuit...!!!" Milei posted on X.

The Burford-backed plaintiffs could appeal to the US Supreme Court, a process that could drag on for months or even years. The ruling for now shuts down efforts by Burford to collect on the judgment and puts its chances of ever being paid in greater doubt.

US District Judge Loretta Preska issued the award in 2023, after finding the nationalization violated the YPF's by-laws requiring a tender offer to shareholders. The US Second Circuit Court of Appeals said Preska misinterpreted Argentine law.

(Updates with background and Milei comment.)

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Securities

Manage Newsletters

Ziegler, Insurers End Coverage Case Over Bondholder Litigation

March 27, 2026, 8:07 AM PDT

Chicago investment bank Ziegler and its insurers ended their litigation-coverage dispute months after asking to put the case on hold until the underlying cases against the bank are resolved.

Travelers Casualty & Surety Co. of America, US Specialty Insurance Co., and the bank Thursday filed a joint stipulation of dismissal without prejudice in the US District Court for the Northern District of Illinois.

The insurance fight was over coverage for litigation against Ziegler by investors in bonds issued to finance the development of a sports complex. The parties in their November 2025 request to pause the case said a stay would serve judicial economy and conserve resources given the advanced stage of the underlying suits.

Travelers had ended a previous case over the same underlying litigation in August 2024 pursuant to a standstill and nonwaiver agreement, which it terminated in July 2025.

Ziegler was retained to underwrite the bonds and provide other investment banking services for the sports complex project. The underlying litigation alleges Ziegler made fraudulent representations and omissions in connection with the bond offering, and the bondholders seek to rescind the bonds.

Dykema Gossett PLLC represents Travelers. Werner Ahari Mangel LLP represents US Specialty. Neal Gerber & Eisenberg LLP represents Ziegler.

The case is Travelers Casualty & Surety Co. of Am. v. B.C. Ziegler & Co. , N.D. Ill., No. 1:25-cv-09337, 3/26/26 .

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'Antagonism and poor choices': Beasley Allen booted off talc cases | Newsletter

 [legalnewsline.com/newsletter/antagonism-and-poor-choices-beasley-allen-booted-off-talc-cases/article_d6be020f-8ca4-4f59-b40e-ea16434deb96.html](https://www.legalnewsline.com/newsletter/antagonism-and-poor-choices-beasley-allen-booted-off-talc-cases/article_d6be020f-8ca4-4f59-b40e-ea16434deb96.html)

John O'Brien, John O'Brien

March 27, 2026

Johnson & Johnson Baby Powder no longer contains talc powder.
Austin Kirk, Public domain, via Wikimedia Commons

TRENTON, N.J. – The law firm Beasley Allen made it its mission to fight Johnson & Johnson in court. Now, a federal judge has disqualified it from doing so.

Beasley Allen spearheaded the effort to fight J&J's plan to pay \$9 billion to settle tens of thousands of lawsuits alleging the company's talc-based products like Baby Powder contained asbestos that caused ovarian and other cancers. It was successful and forced J&J back to New Jersey federal court, where Beasley Allen hoped for jackpot verdicts that would boost its clients' position for larger settlements than the previous plan would have provided.

But along the way, it and attorney Andy Birchfield collaborated with a former J&J lawyer on a mass settlement plan – an arrangement J&J called "shocking and deeply troubling" that got Beasley Allen [booted off 3,600 state court cases in New Jersey](#) earlier this year.

Yesterday, federal magistrate judge Rukhsanah Singh agreed with the company that Beasley Allen should be disqualified from leading cases in the much-larger federal court proceeding, called multidistrict litigation.

"Here, Beasley Allen and Mr. Birchfield's conduct at issue, even if not violative of [a rule of professional conduct], undermines the goals of leadership in an MDL as complex as this one," Singh wrote.

"Clearly, personal antagonism and poor choices render Beasley Allen's continued leadership problematic. Accordingly, Beasley Allen cannot remain on the [plaintiffs steering committee]."

New Jersey's Appellate Division found Beasley Allen violated professionalism rules when it strategized with James Conlan, who had represented Johnson & Johnson in court, on a mass settlement of talc claims.

The ruling escalated the disqualification push in federal court, where a [disgruntled former client of the firm](#), Aletha Wilson, says Beasley Allen tried to trick her into signing a retroactive power of attorney giving the firm the power to vote against a \$9 billion bankruptcy plan Johnson & Johnson once floated to settle talc litigation against it.

Beasley Allen voted against the bankruptcy plan on behalf of some 11,500 clients, claiming they were better off negotiating a settlement or suing in court. Wilson says she stood to gain money under the bankruptcy plan but nothing if she sued in court, since plaintiff experts back claims Baby Powder can cause ovarian cancer, but not uterine cancer.

Conlan was a partner at Faegre Drinker Biddle & Reath who defended J&J in talc litigation. He left the firm to start Legacy Liability Solutions, where he attempted to buy the company's talc liabilities and opposed the company's ultimately unsuccessful plan to settle all cases in bankruptcy court.

He worked with Beasley Allen's Birchfield to craft a settlement outside of the bankruptcy process, which was J&J's preferred avenue. Conlan and the firm wanted the talc liabilities bundled to an offshoot company that would be sold to him.

Conlan even wrote an [op-ed in Bloomberg](#) touting that strategy. Court records show 8,000 Beasley Allen clients who, through Beasley Allen, voted against J&J's bankruptcy settlement but never actually told the firm what their position on that plan was.

"Indeed, there are many lawyers representing thousands of plaintiffs in this MDL who have not generated the concerns Beasley Allen has," Singh wrote.

"All plaintiffs involved in this matter deserve to be represented by counsel who take seriously their ethical obligations and who are above reproach."

Beasley Allen "ratified" Conlan's conduct by asking to include him in settlement negotiations with J&J, Singh wrote.

The talc MDL is one of the largest in the country and was organized in 2016. There are more than 67,000 claims and the promise of a large payout when it is resolved led to attorneys spending on advertising and some firms taking money from litigation funders who were promised a share of the recovery.

Still pending are motions to disqualify experts who testify there is asbestos in talc, the talc made its way into plaintiffs' bodies and it caused their cancers. J&J calls [those claims "junk science,"](#) and a ruling preventing those experts from telling it to jurors could doom the cases.

J&J has won plenty of defense verdicts in trials that hinge on expert testimony regarding whether there is asbestos in the talcum powder, but when it loses, jurors aren't shy about delivering massive verdicts. In December, one woman won [\\$1.5 billion in Baltimore](#), and two women in Los Angeles [won \\$40 million](#).

News | **Mass Torts**

Judge Orders Beasley Allen Disqualified From Talc MDL

On Thursday, U.S. Magistrate Judge Rukhsanah Singh disqualified Beasley Allen from representing thousands of women in the talcum powder multidistrict litigation against Johnson & Johnson and removed the Montgomery, Alabama-based firm from the steering committee.

March 26, 2026 at 06:35 PM By  **Amanda Bronstad**



What You Need to Know

- The judge found that Beasley Allen principal Andy Birchfield had violated several of New Jersey's Rules of Professional Conduct in partnering with a former Johnson & Johnson attorney to propose a \$19 billion talc settlement.
- The order comes two years after Singh and Atlantic County Superior Court Judge John Porto heard arguments together on disqualification motions filed by Johnson & Johnson.
- Last month, the New Jersey Appellate Division disqualified Beasley Allen from the talc cases in New Jersey state courts.

A federal judge disqualified Beasley Allen from representing thousands of women in the talcum powder multidistrict litigation against Johnson & Johnson and removed the Montgomery, Alabama-based firm from the steering committee.

On Thursday, U.S. Magistrate Judge Rukhsanah Singh found that Beasley Allen principal Andy Birchfield had violated several of New Jersey's Rules of Professional Conduct in partnering with a former Johnson & Johnson attorney to propose a \$19 billion talc settlement. The order comes two years after Singh and Atlantic County Superior Court Judge John Porto heard arguments together on disqualification motions filed by Johnson & Johnson, and nearly two months after a New Jersey Appellate Division disqualified Beasley Allen from the talc cases in New Jersey state courts, reversing Porto's ruling.

"Counterbalancing the risks of disruption and delay is the risk of maintaining the integrity of these proceedings," Singh wrote. "Almost a decade has lapsed in this MDL. All involved (both past and present) have expended substantial time and effort to manage this unwieldy and beleaguered matter. To permit counsel—who has now been disqualified in the NJ MCL—to remain here threatens to make those endeavors a futility by tainting proceedings going forward."

The judge ordered that plaintiffs' lawyers had until April 17 to apply for the co-lead counsel position held by Beasley Allen principal Leigh O'Dell since the multidistrict litigation's creation in 2016.

Singh added, "The court recognizes the years of leadership provided by Ms. O'Dell as co-lead plaintiff and member of the PSC. The conduct at issue on this motion does not challenge her capabilities and contributions to this MDL on behalf of the tens of thousands of women and families involved."

"Today's ruling disqualifying Beasley Allen confirms what the record has long made clear: Beasley Allen engaged in knowing, deliberate, and egregious unethical conduct to the harm and detriment of Johnson & Johnson, claimants, and the integrity of these proceedings," Johnson & Johnson's Worldwide Vice President of Litigation Erik Haas said in an emailed statement. "Beasley

Allen deployed its unethical and underhanded tactics throughout this litigation to advance claims based upon junk science—and thereafter repeatedly thwarted resolutions that were in the best interests of all claimants, including its clients—for its own financial gain.”

He added, “No litigant should be forced to defend itself against opponents who enlist former defense counsel, secretly confer on litigation strategy, and misuse privileged access for their own gain. Ethical standards are not technicalities. They exist to protect clients, courts, and the public, and to ensure that our legal system functions fairly.”

A Beasley Allen spokesperson said the firm would appeal the decision.

"We would remind everyone that another court—the state trial court in New Jersey—reviewed these very same facts and evidence, heard witnesses and reviewed the very same complaint from Johnson & Johnson," the statement said, referring to Porto's ruling. "That court ruled in our favor, finding no ethical violation whatsoever."

The statement also criticized Johnson & Johnson's "aggressive litigation tactic targeting the lawyers who have fought hardest on behalf of these women."

"Leigh O'Dell has dedicated years of her professional life to this litigation on behalf of women and families who had nowhere else to turn," the statement said. "The court itself acknowledged that her leadership and contributions are not at issue here. We are proud of the work she and this entire team have done, and that work will continue. Andy Birchfield has been equally tireless in leading the successful fight that defeated Johnson & Johnson's three attempts to use bankruptcy courts to escape accountability to the very women it harmed. That record of advocacy for these clients is precisely why Johnson & Johnson has worked so hard to remove him from this case."

The ruling caps a years-long fight between Johnson & Johnson and Beasley Allen, its key opponent in three Chapter 11 bankruptcies filed by its subsidiaries to resolve the talc litigation.

In a [Feb. 6 decision](#), a New Jersey Appellate Division disqualified Beasley Allen, which claims to represent 435 women in New Jersey state courts, and 5,500 in the multidistrict litigation.

Beasley Allen, which has sought appeal before the New Jersey Supreme Court, has failed to convince courts to stay that order.

Johnson & Johnson had sought to disqualify Beasley Allen after uncovering that Birchfield had partnered with one of its ex-lawyers, James Conlan, a former attorney at Faegre Drinker Biddle & Reath who founded Legacy Liability Solutions LLC, to negotiate a proposed \$19 billion talc settlement. But Porto, who held an evidentiary hearing for three days with Singh, concluded that Beasley Allen should not be disqualified because Conlan, who was no longer a practicing attorney,

never shared confidential information with Birchfield and was not associated with or employed by the firm.

The New Jersey Appellate Division overturned that [2024 opinion](#) by Porto, who is overseeing the talc cases in New Jersey state courts.

The New Jersey Appellate Division found the relationship violated New Jersey's Rules of Professional Conduct—specifically, a section that outlines the rules for nonlawyers “employed or retained by or associated with a lawyer,” which does not define what it means for a lawyer to be “associated” with a nonlawyer.

Beasley Allen faced a separate disqualification motion Johnson & Johnson filed in the multidistrict litigation, where Singh, earlier this month, [rejected Beasley Allen's request to delay](#) her own decision until the New Jersey Supreme Court rules. Instead, she ordered both sides to discuss whether “alternative counsel” was needed.

Singh, echoing many of the same conclusions as the New Jersey Appellate Division, granted the disqualification motion on Thursday, concluding that “personal antagonism and poor choices render Beasley Allen's continued leadership problematic.”

“This matter is one of the largest MDLs in the country, involving tens of thousands of individuals claiming injury from J&J's talcum powder products,” she wrote. “It has languished for almost a decade, suffering from strategic maneuvers and tactics on all fronts and from all sides. Over the past few years, the festering has turned infectious, and the contentiousness reached a fever pitch. This motion brings to the forefront the need for vigilance in managing an MDL.”

Singh is planning the first bellwether trial in the talc multidistrict litigation.

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

On Feb. 13, O'Dell won a [\\$250,000 verdict](#) in a talc trial in the Philadelphia Court of Common Pleas.

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Everyone Cheering The Social Media Addiction Verdicts Against Meta Should Understand What They're Actually Cheering For

A abovethelaw.com/2026/03/everyone-cheering-the-social-media-addiction-verdicts-against-meta-should-understand-what-theyre-actually-cheering-for

Techdirt

March 27, 2026

First things first: Meta is a terrible company that has spent years [making terrible decisions](#) and being [terrible at explaining](#) the challenges of social media trust & safety, all while [prioritizing growth](#) metrics over user safety. If you've been reading Techdirt for any length of time, you know we've been critical of the company for years. Mark Zuckerberg deserves zero benefit of the doubt.

So when a New Mexico jury [ordered Meta to pay \\$375 million](#) on Tuesday for "enabling child exploitation" on its platforms, and a California jury [found Meta and YouTube liable for designing addictive products](#) that supposedly harmed a young user on Wednesday, awarding \$6 million in total damages, the reaction from a lot of people was essentially: good, screw 'em, they deserve it.

And on a visceral, emotional level? Sure. Meta deserves to feel bad. Zuckerberg deserves to feel bad.

But if you care about the internet — if you care about free speech online, about small platforms, about privacy, about the ability for anyone other than a handful of tech giants to operate a website where users can post things — these two verdicts should scare the hell out of you. Because the legal theories that were used to nail Meta this week don't stay neatly confined to companies you don't like. They will be weaponized against everyone. And they will functionally destroy Section 230 as a meaningful protection, not by repealing it, but by making it irrelevant.

Let me explain.

The "Design" Theory That Ate Section 230

For years, Section 230 has served as the legal backbone of the internet. If you're a regular Techdirt reader, you know this. But in case you're not familiar, here's the short version: it says that if a user posts something on a website, the website can't be sued for that user's content. The person who created the content is liable for it,

not the platform that hosted it. That's it. That's the core of it. It serves one key purpose: put the liability [on the party who actually does the violative action](#). It applies to every website and every user of every website, from Meta down to the smallest forum or blog with a comments section or person who retweets or sends an email.

Plaintiffs' lawyers have been trying to get around Section 230 for years, and [these two cases represent them finally finding a formula that works](#): don't sue over the *content* on the platform. Sue over the *design* of the platform itself. Argue that features like infinite scroll, autoplay, algorithmic recommendations, and notification systems are "product design" choices that are addictive and harmful, separate and apart from whatever content flows through them.

The trial judge in the California case bought this argument, ruling that because the claims were about "product design and other non-speech issues," Section 230 didn't apply. The New Mexico court reached a similar conclusion. Both cases then went to trial.

This distinction — between "design" and "content" — sounds reasonable for about three seconds. Then you realize it falls apart completely.

Here's a thought experiment: imagine Instagram, but every single post is a video of paint drying. Same infinite scroll. Same autoplay. Same algorithmic recommendations. Same notification systems. Is anyone addicted? Is anyone harmed? Is anyone suing?

Of course not. Because infinite scroll is not *inherently* harmful. Autoplay is not *inherently* harmful. Algorithmic recommendations are not *inherently* harmful. These features only matter because of the *content* they deliver. The "addictive design" does nothing without the underlying user-generated content that makes people want to keep scrolling.

As Eric Goldman pointed out in his response to the verdicts:

The lower court rejected Section 230's application to large parts of the plaintiffs' case, holding that the claims sought to impose liability on how social media services configured their offerings and not third-party content. But social media's offerings consist of third-party content, and the configurations were publishers' editorial decisions about how to present it. So the line between first-party "design" choices and publication decisions about third-party content seems illusory to me.

If every editorial decision about how to *present* third-party content is now a "design choice" subject to product liability, Section 230 protects effectively nothing. Every website makes decisions about how to display user content. Every search engine ranks results. Every email provider filters spam. Every forum has a sorting algorithm, even if it's just "newest first." All of those are "design choices" that could, theoretically, be blamed for some downstream harm.

The whole point of Section 230 was to keep platforms from being held liable for harms that flow from user-generated content. The "design" theory accomplishes exactly what 230 was meant to prevent — it just uses different words to get there.

Bad defendants make bad law. Meta is unsympathetic. It's understandable why they get so much hate. It's understandable why people (including those on juries) are willing to accept legal theories against them that would be obviously problematic if applied to anyone else. But legal precedent doesn't care about your feelings toward the defendant. What works against Meta works against everyone.

The Return Of Stratton Oakmont

If this all sounds familiar, it should. This is almost exactly the legal landscape that existed before Section 230 was passed in 1996, and the reason Congress felt it needed to act.

In the early 1990s, Prodigy ran an online service with message boards and made the decision to moderate them to create a more "family-friendly" environment. In the resulting lawsuit, [Stratton Oakmont v. Prodigy](#), the court ruled that because Prodigy had made editorial choices about what to allow, it was acting as a publisher and could therefore be held liable for everything users posted that it failed to catch.

The perverse incentive was obvious: moderate, and you're on the hook for everything you miss. Don't moderate at all, and you're safer. Congress recognized that this was insane — it punished companies for trying to do the right thing —

and passed Section 230 to fix it. The law explicitly said that platforms could moderate content without being treated as the publisher or speaker of that content. And, as multiple courts rightly decided, this was designed to apply to all publisher activity of a platform — every editorial decision, every way to display content. The whole point was to allow online services and users to feel free to make decisions regarding other people's content, including how to display it, without facing liability for that content.

And a [critical but often overlooked function of Section 230](#) is that it provides a *procedural* shield: it lets platforms get baseless lawsuits dismissed early, before the ruinous costs of discovery and trial.

These two verdicts effectively bring us back to Stratton Oakmont territory through the back door. By recharacterizing platform liability as "product design" liability rather than content liability, plaintiffs' lawyers have found a way to nullify Section 230 without anyone having to vote to repeal it. Every design decision — moderation algorithms, recommendation systems, notification settings, even the order in which posts appear — can now be characterized by some lawyer as a "defective product" rather than an editorial choice about third-party content.

Except this time, instead of people being horrified by the implications, they're cheering.

The Trial Is the Punishment

The dollar amounts in these cases tell an interesting story if you pay attention. The California jury awarded \$6 million total — \$4.2 million from Meta, \$1.8 million from YouTube. For companies that bring in tens of billions in quarterly revenue, that's effectively nothing. It's not even a slap on the wrist. Meta will barely notice.

But that's exactly the problem. The real cost here is the *process*. The California trial lasted six weeks. The New Mexico trial lasted nearly seven. Both involved extensive discovery, depositions of top executives including Zuckerberg himself, production of enormous volumes of internal documents, and armies of lawyers on both sides.

Meta can afford that. Google can afford that. You know who can't? Basically everyone else who runs a platform where users post things.

And this is already happening. TikTok and Snap were also named as defendants in the California case. They both settled before trial — not because they necessarily thought they'd lose on the merits, but because the cost of fighting through a

multi-week jury trial can be staggering. If companies the size of TikTok and Snap can't stomach the expense, imagine what this means for mid-size platforms, small forums, or individual website operators.

The California case is just the first of multiple "bellwether" trials scheduled in the near future. Hundreds of federal cases are lined up behind those. There are over 1,600 plaintiffs in the consolidated California litigation alone. As Goldman noted:

Together, these rulings indicate that juries are willing to impose major liability on social media providers based on claims of social media addiction. That liability exposure jeopardizes the entire social media industry. There are thousands of other plaintiffs with pending claims; and with potentially millions of dollars at stake for each victim, many more will emerge. The total amount of damages at issue could be many tens of billions of dollars.

This is the Stratton Oakmont problem all over again, but worse. At least in 1995, only companies that *moderated* faced liability. Now, any company that makes any "design choice" about how to present user content — which is to say, literally every platform on the internet — is potentially on the hook if any harm comes to any user which some lawyer can claim was because they used that service. The lawsuit becomes a weapon regardless of outcome, because the cost of defending yourself is ruinous for anyone who isn't a trillion-dollar company.

The Encryption Problem: Where "Design Liability" Leads

If the "design choices create liability" framework seems worrying in the abstract, the New Mexico case provides a concrete example of where it leads in practice.

One of the key pieces of evidence the New Mexico attorney general used against Meta was the company's 2023 decision to add end-to-end encryption to Facebook Messenger. The argument went like this: predators used Messenger to groom minors and exchange child sexual abuse material. By encrypting those messages, Meta made it harder for law enforcement to access evidence of those crimes. Therefore, the encryption was a design choice that enabled harm.

The state is now seeking court-mandated changes including "protecting minors from encrypted communications that shield bad actors."

Yes, the end result of the New Mexico ruling might be that Meta is ordered to make everyone's communications less secure. That should be terrifying to everyone. Even those cheering on the verdict.

End-to-end encryption protects billions of people from surveillance, data breaches, authoritarian governments, stalkers, and domestic abusers. It's one of the most important privacy and security tools ordinary people have. Every major security expert and civil liberties organization in the world has argued for stronger encryption, not weaker.

But under the "design liability" theory, implementing encryption becomes evidence of negligence, because a small number of bad actors also use encrypted communications. The logic applies to literally every communication tool ever invented. Predators also use the postal service, telephones, and in-person conversation. The encryption *itself* harms no one. Like infinite scroll and autoplay, it is inert without the choices of bad actors — choices made by *people*, not by the platform's design.

The incentive this creates goes far beyond encryption, and it's bad. If any product improvement that protects the majority of users can be held against you because a tiny fraction of bad actors exploit it, companies will simply stop making those improvements. Why add encryption if it becomes Exhibit A in a future lawsuit? Why implement any privacy-protective feature if a plaintiff's lawyer will characterize it as "shielding bad actors"?

And it gets worse. Some of the most damaging evidence in both trials came from internal company documents where employees raised concerns about safety risks and discussed tradeoffs. These were played up in the media (and the courtroom) as "smoking guns." But that means no company is going to allow anyone to raise concerns ever again. That's very, very bad.

In a sane legal environment, you *want* companies to have these internal debates. You want engineers and safety teams to flag potential risks, wrestle with difficult tradeoffs, and document their reasoning. But when those good-faith deliberations become plaintiff's exhibits presented to a jury as proof that "they knew and did it anyway," the rational corporate response is to stop putting anything in writing. Stop doing risk assessments. Stop asking hard questions internally.

The lesson every general counsel in Silicon Valley is learning right now: ignorance is safer than inquiry. That makes everyone less safe, not more.

The Causation Problem

We also need to talk about the actual evidence of harm in these cases, because it's thinner than most people realize.

The California plaintiff, known as KGM, testified that she began using YouTube at age 6 and Instagram at age 9, and that her social media use caused depression, self-harm, body dysmorphic disorder, and social phobia. Those are real and serious harms that genuinely happened to a real person, and no one should minimize her suffering.

But as Goldman noted:

KGM's life was full of trauma. The social media defendants argued that the harms she suffered were due to that trauma and not her social media usage. (Indeed, there was some evidence that social media helped KGM cope with her trauma). It is highly likely that most or all of the other plaintiffs in the social media addiction cases have sources of trauma in their lives that might negate the responsibility of social media.

The jury was asked whether the companies' negligence was "a substantial factor" in causing harm. Not *the* factor. Not the primary factor. A substantial factor.

This standard is doing enormous work here, and nobody in the coverage seems to be paying attention to it. In most product liability cases, causation is relatively straightforward: the car's brakes failed, the car crashed, the plaintiff was injured. You can trace a mechanical chain of events. There needs to be a clear causal chain between the product and the harm.

But what's the equivalent chain here? The plaintiff scrolled Instagram, saw content that made her feel bad about her body, developed body dysmorphic disorder? Which content? Which scroll session? How do you isolate the "design" from the specific posts she saw, the comments she read, the accounts she followed?

With a standard that loose, applied to a teenager with multiple documented sources of trauma in her life, how do you disentangle what was caused by social media and what was caused by everything else? The honest answer is: you can't. And neither could the jury, not with any scientific rigor. They made a judgment call based on vibes and sympathy — which is what juries do, but it's a terrifying foundation for reshaping internet law.

The research on social media's causal relationship to teen mental health problems is incredibly weak. Over and over and over again researchers have tried to find a causal link. [And failed](#). Every time.

Lots of people (including related to both these cases) keep comparing social media to things like cigarettes or lead paint. But, as we've discussed, [that's a horrible comparison](#). Cigarettes cause cancer regardless of what else is happening in a smoker's life. Lead paint causes neurological damage regardless of a child's home environment. Social media is not like that. The relationship between social media use and mental health outcomes is complex, highly individual, and mediated by dozens of confounding factors that researchers are still trying to untangle.

And, also, neither cigarettes nor lead paint are speech. The issues involving social media are all about speech. And yes, speech can be powerful. It can both delight and offend. It can make people feel wonderful or horrible. But we protect speech, in part, because it's so powerful.

But a jury doesn't need to untangle those factors. A jury just needs to feel that a sympathetic plaintiff was harmed and that a deeply unsympathetic defendant probably had something to do with it. And when the defendant is Mark Zuckerberg, that's a very easy emotional call to make. Which is exactly why this is so dangerous as precedent. If "a substantial factor" is the standard, and the defendant's internal documents showing employees *discussing concerns about safety* count as proof of wrongdoing, then essentially any plaintiff who used social media and experienced mental health difficulties has a viable lawsuit. Multiply that by every teenager in America and you start to see the scale of the problem.

Then recognize that this applies to *everything* on the internet, not just the companies you hate. A Discord server for a gaming community uses a bot to surface active conversations — design choice. A small forum for chronic illness patients sends email notifications when someone replies to your post — design choice. A blog lets readers comment on articles and notifies writers when they do — design choice. A local news site has a comments section that displays newest-first — design choice. Every one of these could theoretically be characterized as "features that increase engagement" and therefore potential vectors of liability.

And the claims of "addiction" are even worse. As we've discussed, studies show very little support for the idea that "social media addiction" is a real thing, but [many people believe it is](#). But it's not difficult for a lawyer to turn anything that makes people want to use a service more into a claimed "addictive" feature. Oh, that forum has added gifs? That makes people use it more! Sue!

Yes, some of these may sound crazy, but lawyers are going to start suing everyone, and the sites you like are going to be doing everything they can to appease them, which will involve making services way worse.

Who's Not in the Room

There's also something that got zero attention in either trial: the people for whom social media is genuinely, meaningfully beneficial.

Goldman's observation on this deserves to be read carefully:

Due to the legal pressure from the jury verdicts and the enacted and pending legislation, the social media industry faces existential legal liability and inevitably will need to reconfigure their core offerings if they can't get broad-based relief on appeal. While any reconfiguration of social media offerings may help some victims, the changes will almost certainly harm many other communities that rely upon and derive important benefits from social media today. Those other communities didn't have any voice in the trial; and their voices are at risk of being silenced on social media as well.

LGBTQ+ teenagers in hostile communities who [find support and connection online](#). People with rare diseases who [find communities of fellow patients](#). Activists in authoritarian countries who use social media to organize. Artists and creators who built careers on these platforms. People with disabilities who rely on social media as their primary social outlet. None of them were in that courtroom. None of them had a voice in the proceedings that will reshape the platforms they depend on.

When platforms are forced to "reconfigure their core offerings" to reduce liability — which could mean anything from removing algorithmic recommendations to eliminating features that enable connection and discovery — the costs won't fall evenly. Meta and Google will survive. They'll make their products blander, less useful, and more locked down. It's the users who relied on those features who will pay the price.

Bad Defendants Make Bad Law

Both Meta and YouTube have said they will appeal, and they have plausible grounds. The product liability theory applied to what are fundamentally speech platforms raises serious First Amendment questions. The Section 230 issue — whether "design choices" about presenting third-party content are really just

editorial decisions that 230 was designed to protect — will almost certainly get a serious look from appellate courts. The causation questions are genuinely unresolved.

But appeals take years. In the meantime, every plaintiffs' attorney in America now has a proven template for suing any social media platform. The bellwether structure means more trials are already scheduled — the next California state court one is in July, with a similar federal case starting in June. The litigation flood has started, and 230's procedural protection — the ability to get these cases dismissed before they become multi-million-dollar ordeals — has already been neutralized.

Goldman is right to frame this as existential:

There are thousands of other plaintiffs with pending claims; and with potentially millions of dollars at stake for each victim, many more will emerge. The total amount of damages at issue could be many tens of billions of dollars.

None of this means the harms kids face don't deserve serious attention. They do. There are ways to address legitimate concerns about teen mental health that don't require treating every editorial decision about third-party content as a defective product — but they involve hard, unglamorous work, like actually funding mental health care for young people.

But suing Meta is more fun!

Meta can absorb tens of billions. But this legal theory doesn't apply only to Meta. It applies to every platform that makes "design choices" about how to present content — which again, is every platform. The next wave of lawsuits won't just target trillion-dollar companies. They'll target anyone with a recommendation algorithm, a notification system, or an infinite scroll feature, which in 2025 is basically everyone.

We got Section 230 because Congress looked at the *Stratton Oakmont* decision and realized the legal system had created a set of incentives that would destroy the open internet. The incentive now is arguably worse: not just "don't moderate" but "don't build anything that makes user-generated content engaging, discoverable, or easy to access, because if someone is harmed by that content, the way you presented it makes you liable."

I get why people are cheering. Meta is a bad company that has made bad choices and treated its users badly. Zuckerberg has earned most of the contempt coming his way. Kids have been genuinely harmed, and the instinct to want someone powerful to be held accountable is about as human as it gets.

But bad defendants make bad law. And the law being made here — that platforms are liable for the “design” of how they present the third-party content that is their entire reason for existing — will not stay confined to companies you don’t like. It will be used against every website, every app, every platform, every small operator who ever made a choice about how to display user-generated content. It will make Section 230 a dead letter without anyone having to vote to repeal it. It will create a legal environment where only the largest companies can afford to operate, because only they can absorb the cost of endless litigation.

What you won’t get out of this is anything approaching “accountability.” You’ll get overly lawyered-up systems that prevent you from doing useful things online, and eventually the end of the open internet — cheered on by people who think they’re punishing a bully but are actually handing the bully’s biggest competitors a death sentence.

[Everyone Cheering The Social Media Addiction Verdicts Against Meta Should Understand What They're Actually Cheering For](#)

from the *bad-defendants-make-bad-law* dept

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[America's Self-Proclaimed Free Speech Warrior, Brendan Carr, Gets A Letter Documenting His First Amendment Violations](#)
[Trump Issues Meaningless Executive Order To Try And Protect Larry Ellison's CBS \(And The Army Navy Game\) From Competition](#)
[Judge Rejects Government's Weak Attempt To Memory-Hole DOGE Deposition Videos](#)

California Brief

How a Social Media Trial Verdict Threatens Big Tech: Explainer

March 26, 2026, 9:03 AM PDT

A flood of lawsuits filed in recent years against social media giants claim that by engineering their platforms to be hard to resist, the companies are causing serious harm to young users. In the first case to go to trial, a jury on March 25 found Meta Platforms Inc. and Google negligent in the design and operation of their platforms – a landmark verdict.

The trial, which was held in Los Angeles, centered on a 20-year-old woman who said her nonstop use for more than a decade of sites including Meta's Instagram and Google's YouTube caused her to suffer anxiety, depression and body dysmorphia.

The Los Angeles trial is the first of several planned for this year. Further defeats for the companies could spur settlement negotiations — drawing comparisons to Big Tobacco's reckoning with consumer addiction three decades ago.

What are the cases?

The Los Angeles trial was over a complaint brought by a woman from Chico, California, who's identified in filings as Kaley G.M. rather than her full name because she was still a minor when she sued. Snap Inc. and TikTok parent ByteDance Ltd. weren't involved in the Los Angeles trial because they reached confidential settlements with Kaley.

More than 3,000 cases brought by children, adolescents and young adults — sometimes via their parents, siblings or other family members — based on claims of psychological distress, physical impairment and death have been filed against Meta, Google, Snap and TikTok across the US. Two more personal injury cases like Kaley's are expected to go to trial this year in Los Angeles state court.

Dozens of state attorneys general are also suing the companies, and a case against Meta is set for trial in federal court in Oakland, California in August.

Additionally, public school districts have brought more than 1,200 complaints on behalf of students. The first trial among the school cases is scheduled for Oakland in June.

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

What's the legal foundation?

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

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

How does the alleged addiction happen?

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

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

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

In 2021, **Frances Haugen**, a former product manager-turned-whistleblower at Facebook, revealed internal documents showing that Meta had long known that its platforms had ill effects on young people, especially girls struggling with their body image. Lawyers at Kaley's trial showed internal chats and emails from employees discussing the alleged addictive qualities of Meta's products. Much of the same evidence is expected to be used at the other trials.



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

Photographer: Matt McClain/The Washington Post/Bloomberg

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

What do the companies say?

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

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

Read more: Meta, Google Risk Big Tobacco-Like Fallout After Addiction Trial

Both companies say they plan to appeal the verdict in Kaley's trial.

In the past, the first line of defense for social media companies has been Section 230 of the Communications Decency Act, the 1996 federal statute that shields companies from liability over comments, ads, pictures and videos on their platforms. But both judges overseeing the current wave of lawsuits ruled that Section 230 doesn't protect the companies from negligence claims.

What consequences are the companies facing?

Jurors said Meta must pay \$4.2 million to Kaley, 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.

If the companies continue to lose in other trials this year, pressure could mount for them to pursue settlements reaching the low billions of dollars per company, according to Bloomberg Intelligence.

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

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

--With assistance from Madlin Mekelburg and Maia Spoto.

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New Mexico lays out options to force changes at Meta after court win

 [reuters.com/legal/litigation/new-mexico-lays-out-options-force-changes-meta-after-court-win-2026-03-26](https://www.reuters.com/legal/litigation/new-mexico-lays-out-options-force-changes-meta-after-court-win-2026-03-26)

Jeff Horwitz, Diana Jones

March 26, 2026

New Mexico Attorney General Raul Torrez speaks during the Community Impact Hearing on the public impact of federal firings and DOGE funding freezes by U.S. President Donald Trump's... [Purchase Licensing Rights, opens new tab](#) Read more

- Court-ordered changes could affect social media platforms significantly
- New Mexico may seek restrictions on content for minors, 'infinite scroll'
- State may seek greater award in second phase of trial

NEW YORK, March 26 - Talk about regulating social media to make it safer for children often gravitates around the U.S. Capitol and the EU headquarters in Brussels. But following a [New Mexico jury verdict](#), a district court in Santa Fe carries some heft, too.

On Tuesday, a jury found Meta liable for violating New Mexico's consumer protection laws and endangering children by enabling child sexual exploitation on its platforms, imposing a \$375 million penalty. The verdict sets up a second phase of the case in May, when Judge Bryan Biedscheid is scheduled to hold a bench trial on the state's claims that Meta created a "public nuisance" that harmed residents' health and safety. That proceeding could result in the court ordering changes to the design of Facebook, Instagram and other apps used by teenagers.

Sign up [here](#).

This power to compel product changes sets New Mexico's case apart from thousands of private suits filed on behalf of plaintiffs alleging Meta's services harmed them, like another landmark [social media addiction case](#) in Los Angeles that Meta and Google lost this week.

New Mexico's win also bolsters states seeking to assert themselves in compelling change at tech companies amid paralysis in Washington, including legislation requiring tougher age-checking measures and restricting algorithmic feeds for young people.

NEW MEXICO EYES OPTIONS FOR META CHANGES

In an interview, New Mexico Attorney General Raúl Torrez laid out a wide range of prospective changes to Meta's products that the state may pursue. They include asking the court to restrict the types of content recommended to minors, to limit the frequency and timing of social media notifications prodding teenagers to log on, to restrict the "infinite scroll" of content for children and to tighten age verification procedures.

The state will also propose a plan to mitigate harm already done by Meta's products to New Mexico residents.

"It's not out of the realm of possibility that we ask for and receive an even greater award" at the second stage of the trial than the first, Torrez said. "But my perspective has been to focus on the changes of the product itself."

Torrez, a Democrat, said the state would likely ask Biedscheid to appoint an independent monitor or special master who would oversee Meta's compliance with New Mexico consumer protection law over the course of years.

"I'm not sure at the initial stage we're going to be articulating a super specific path in terms of what the court would do," he said.

Attorneys general have increasingly turned to public nuisance law, a legal doctrine that allows governments to sue over conduct they say unreasonably interferes with public health or safety, to target industries accused of causing widespread social harm, including opioid manufacturers.

LIABILITY SHIELD IN FOCUS

Even if successful, New Mexico's effort faces a long road. Meta spokesperson Andy Stone said the company would appeal the original jury verdict and that "we will continue to defend ourselves vigorously."

The appeal is expected to raise questions about Section 230 of the Communications Decency Act, the federal law that has long shielded tech companies from liability over user-generated content.

Stone noted that Meta has made numerous safety upgrades to its platforms since the suit was filed – some that overlap with features sought by Torrez. The company has launched dedicated accounts for teen users with notifications turned

off by default at night, added age verification features and announced its intention to filter out age-inappropriate content.

Meta recently said it was removing end-to-end encryption from Instagram's messaging feature. While Meta said it is removing encryption due to lack of use, the change was celebrated by child safety advocates.

The company indicated it would continue offering encrypted messaging on WhatsApp, without addressing its plans for Facebook's Messenger.

Max Willens, an analyst for eMarketer, said he was skeptical New Mexico would be able to force changes to the content recommendation systems at the core of Facebook and Instagram.

"Algorithm modification is not a likely remedy, but it is among the list of possible changes that could be required," he said. "The second phase of this trial may be more consequential to social media platforms than the first."

Court-ordered relief is even more difficult to secure for individual plaintiffs, noted Matthew Bergman of the Social Media Victims Law Center, one of the attorneys representing the plaintiff in the Los Angeles case that alleged Meta, YouTube and other social media companies negligently designed their products in ways that harmed users' mental health.

On Wednesday, a jury awarded the woman a \$6 million combined judgment against Meta and Google, in what is widely regarded as a test case for thousands of cases alleging similar harm.

Torrez acknowledged that regulating global social media platforms' approach to online youth via state courts was "probably not the most efficient" way of tackling social media product design, but said he did not want to "wait any longer for a system to deliver what it should have 15 years ago."

He added while New Mexico's case is focused on child predation and grooming, the dozens of state attorneys general pursuing cases against Meta for damaging youth mental health more broadly also aim to force changes to products. Since the verdict, Torrez said his office has fielded questions from other states and regulatory bodies overseas.

"I have an expectation that Meta is in for a wave of litigation," he said. "I've been real clear with colleagues that they could set up undercover investigations on these platforms right now and yield the same results."

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Opinion

Meta and Alphabet's Verdict Turns 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:

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California Brief

Meta Hit With Consumer Suit Over Access to WhatsApp Messages (1)

March 26, 2026, 3:22 PM PDT; Updated: March 26, 2026, 3:55 PM PDT

Meta Platforms Inc. is facing a consumer lawsuit alleging the technology company illegally intercepted, read, and stored the personal messages of users of its WhatsApp platform in violation of promises that only the sender and the recipient of messages would be able to read them.

Lead plaintiffs Brian Shirazi and Nida Samson alleged that WhatsApp has consistently marketed itself since its founding in 2009 as a private and secure messaging service with end-to-end encryption and a commitment to keeping user messages secure, even from WhatsApp itself, according to a complaint filed Wednesday in the US District Court for the Northern District of California.

But the company's marketing and promises have been shown to be false by whistleblowers who have told law enforcement officials that personnel from Meta, which bought WhatsApp in 2024, are able to see the content of WhatsApp messages, the complaint said, citing a recent Bloomberg Law report on the issue.

US law enforcement officials have been investigating the whistleblower reports, according to interviews and an agent's report seen by Bloomberg News.

"These claims are categorically false and absurd," Meta said in a statement. "WhatsApp has been end-to-end encrypted using the Signal protocol for a decade."

According to the WhatsApp privacy policy, messages are stored on the user's device rather than on company servers, and its end-to-end encryption ensures that messages are "encrypted to protect against us and third parties from reading them," the complaint said.

Despite those promises, WhatsApp allows its own employees and those of Meta, co-defendant Accenture PLC, and other third parties to access user messages, it said.

The plaintiffs seek to represent a nationwide class, a California subclass, and a Pennsylvania subclass of people who sent or received messages via the WhatsApp platform since April 5, 2016.

The complaint brings claims of invasion of privacy, breach of express contract, breach of implied contract, statutory larceny, false and misleading representations under the California Business and Professions Code, and violations of the Electronic Communications Privacy Act, the Stored Communications Act, the California Invasion of Privacy Act, the California Comprehensive Computer Data Access and Fraud Act, the California Unfair Competition Law, and the Pennsylvania Wiretapping and Electronic Surveillance Act.

The plaintiffs are seeking statutory, compensatory, punitive, exemplary, and treble damages; restitution and disgorgement; attorneys' fees and costs; and pre- and post-judgment interest.

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

Kessler Topaz Meltzer & Check LLP represents the plaintiffs and the proposed class.

The case is Shirazi v. Meta Platforms Inc. , N.D. Cal., No. 3:26-cv-02615, complaint filed 3/25/26 .

(Updates story with a response from Meta starting in the fifth paragraph.)

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Litigation

Manage Newsletters

Social Media Verdicts Spur Online Product Safety Reassessments

March 27, 2026, 9:53 AM PDT

Summary by Bloomberg AI

AI Generated



- A pair of landmark verdicts found Meta and Google negligent in their platform design, forcing companies to refocus products on kids' safety, with an emphasis on features such as age verification.
- The verdicts are a warning that platforms will be held accountable for how their designs impact consumers, and companies may reassess their platforms in terms of safety.
- Platforms could explore options such as warning labels about product harms, instead of invasive age gates, to reduce risk and address claims of negligent design.

A pair of landmark verdicts this week finding Meta and Google negligent in their platform design is forcing companies to refocus products on kids' safety, with an emphasis on features such as age verification.

The verdicts are bellwethers for the disposition of more than 1,000 similar complaints along with litigation from more than 40 other attorneys general. They're also a warning that platforms will be held accountable for how their designs impact consumers, even if the law doesn't spell out exact design requirements.

"I think it's going to cause some waves because companies are going to be reassessing their platforms in terms of safety and making sure they understand the platform," said Amy Mushahwar, partner at Lowenstein Sandler.

"The signal that it sets for other social media platforms and also generative AI platforms is you can have policies but you need to have the engineering pipelines to prove the policies," she said. "You should have metrics if you have a safety program."

State Law Void

A Los Angeles jury found Meta and Google negligent in how they designed their products, awarding \$6 million in damages to a woman who claimed the platforms knowingly deployed addictive features that caused her mental harm. The verdict followed a \$375 million win for the New Mexico attorney general in a lawsuit accusing Meta of deceiving users about kids' safety.

The verdicts coincide with a new wave of state laws that require platforms to bake user safety into their product designs as well as restrict access to features that could cause harm to kids.

While many of those state laws have been blocked by the courts, the recent verdicts demonstrate that legislation isn't the only avenue to remedy company behavior. New Mexico's suit calls for Meta to "enact effective age verification" as part of its injunctive relief.

"The common theme is still if you're going to build products responsibly and in a way that matches what both regulators and users expect, you need to be able to build products that are either just not available to minors or have different experiences for minors," said Roman Karachinsky, chief product officer at Incode, an identity verification company.

Next Steps

It's not entirely clear, however, what product choices companies will make to address claims like those in the Los Angeles lawsuit, in which a woman said Instagram and YouTube knowingly deployed addictive features that caused her mental health issues.

Platforms could explore "simpler options," to reduce risk, such as warning labels about product harms, instead of invasive age gates, Jesse Saivar, chair of Greenberg Glusker's Technology Group, wrote in an email.

"I think one of the most fascinating things about these cases will be seeing how the platforms adapt," he wrote.

Trials could force expectations for platforms to change, even as state laws implementing age appropriate design codes and other limitations on social media features get held up in federal court challenges.

"We could see more of an expectation that the platform itself is designed appropriately rather than designed for consent to access," said Casey Waughn, senior associate at Armstrong Teasdale.

Meta said it disagreed with the New Mexico and Los Angeles verdicts and will be appealing. Google also plans to appeal the Los Angeles ruling.

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California Brief

Opinion

Social Media's Courtroom Losses May Not Last: Stephen L. Carter

March 27, 2026, 3:00 AM PDT

Social media biggies have taken it on the chin from juries this week. And although, for reasons I'll get to, I'm skeptical that the verdicts will hold up on appeal, I do think there are some important lessons here.

The cases themselves are, by now, well known. On Tuesday, a jury in New Mexico awarded \$375 million against Meta Platforms Inc. for harm that its products allegedly cause to children and teens. The next day, a California jury handed down a \$6 million judgment against Meta and Alphabet Inc.'s Google for allegedly creating the plaintiff's social media addiction, which in turn led to broader mental health challenges.

If nothing else, the outcomes of these trials illustrate the scope of national anger at Big Tech generally, and social media companies in particular. Literally thousands more lawsuits are pending.

But I'm not sure the money will ever get paid. On appeal, the principal battle will be whether Meta and Alphabet fall within the safe harbor protections of Section 230 of the Communications Decency Act of 1996, which immunizes social media companies from most forms of liability for content created by third parties.

In the trials that ended this week, and in dozens of pending cases around the country, plaintiffs have tried to get around Section 230 by arguing, for example, that the companies have made false and deceptive statements to the public, and that they've created a product designed to addict their users. The arguments aren't bad — some are quite clever — but my realist side still suspects that the defendants will win in the end.

Exhibit One: In recent years, the US Supreme Court has been noticeably skeptical of efforts to impose expansive liability on companies that primarily connect users to other users' content. The justices have been unsympathetic to efforts to tag the social media giants for the activities of their users, no matter what knowledge the companies are alleged to have had, even when YouTube was alleged to have indirectly (and accidentally) given a share of advertising revenue to ISIS. (Please note: *alleged*.)

If there's any doubt about where the justices' sympathies lie, a less-remarked decision this week serves as a reminder. In *Cox Communications v. Sony Music Entertainment*, decided on Wednesday, the Supreme Court ruled unanimously that an internet service provider is not liable for providing services to known copyright infringers. The statutes involved are, of course, quite different, but however distant the melody, the rhythm is familiar.

The ISPs, too, have their safe harbor, a provision of the Digital Millennium Copyright Act that expressly protects them against certain copyright infringement claims. The justices rejected the argument that, because the particular claim brought by the plaintiffs isn't listed among those safely harbored, that omission means the suit should proceed.

I'd expect the justices to cast the same skeptical eye on the claim that Section 230's safe harbor doesn't apply to Meta and Alphabet. To be clear, I am expressing no view on whether the social media companies should be liable. Rather, I am predicting what the Supreme Court will do when the cases get there. Even if we should judge that skepticism to be a mistake, the skepticism still exists.

But maybe I'm wrong. Let's assume, for the sake of argument, that the effort by the plaintiffs' lawyers to find a path around Section 230 succeeds. The liability shield vanishes. Does that mean the verdicts should stand?

Maybe. Maybe not. My libertarian side believes in resolving most harms in jury trials rather than, say, through regulatory processes. But science can be tough for juries (and judges!) to comprehend, and the extensive scholarship on how well it's explained or understood by judges or juries suggests that the answer is "poorly."

I wasn't in either courtroom and didn't follow the trials day by day, so I can't evaluate the evidence presented on addictiveness or emotional and mental harm. What one can safely say is that these are matters of enormous complexity. We aren't being unsympathetic toward those facing mental health challenges when we note that the evidence of causation is sharply disputed and, among serious researchers, the key questions remain far from settled. Even the definition of addiction is seriously contested.

None of that is meant to get Meta and Alphabet off the hook. As I said, I wasn't present for the trials. But, as I will be telling the students in my evidence class next week, there are few, if any, legal scholars (and I'd bet, fewer scientists) who imagine that a jury trial is the path toward uncovering scientific truth.

But even if one thinks a legislative solution is more sensible, how on earth does one get Congress to act? One thoughtful suggestion is that a few big jury verdicts — which in turn signal a judicial narrowing of the safe harbor provisions of Section 230 — would spur Big Tech into a round of fierce lobbying that might in turn lead Congress to adopt new legislation clarifying these tough questions.

In that sense, Meta CEO Mark Zuckerberg was entirely rational this week in accepting an invitation to join President Donald Trump's Council of Advisors on Science and Technology. Nevertheless, when these lawsuits inevitably reach the Supreme Court, I'd be surprised if the justices chose to wait for either legislative action or the whim of our executive-orderer-in-chief.

Which leads to a final point.

I spend almost no time on social media, but I recognize that my disinterest leaves me seriously out of step with contemporary society. Still, among regular users, I detect a variety of affective responses. The same user might love staying in touch and hate the habit that's formed, might love following politics through others' posts and hate that this is what democracy has become. It's our national Rorschach; the testing is constant, and everybody seems to wind up mad.

Social media takes it on the chin for lots of things these days: depression among teens, the rise of the conciliatory left, the rise of the vengeful right, the enshrinement of tl;dr as a justification for not applying oneself to the task of comprehending complex issues, the collapse in consumption of serious news — if there is a problem in the world today, chances are somebody has an explanation for how social media is to blame. Maybe the claims are all bunk. Maybe some or even most of the blame is deserved. Either way, I think the courtroom isn't the forum to resolve them.

Oh — and neither is arguing on social media.

More From Bloomberg Opinion:

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

Slowing Down the Internet Won't Stop Music Piracy: Stephen L. Carter

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

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California Brief

Movate Stuck With Claims Over Massive Powerschool Data Breach

March 26, 2026, 10:54 AM PDT

Movate Inc. must face several claims of a lawsuit alleging its negligence contributed to a 2024 data breach of Powerschool's education-technology platform that exposed the personal information of nearly 50 million K-12 students and teachers and 4,700 school districts.

Plaintiff students and teachers showed they had standing to sue in federal court and adequately pleaded claims of negligence, negligent hiring and supervision, and breach of fiduciary duty, Judge Roger T. Benitez of the US District Court for the District of California said Wednesday. Benitez also ruled in a separate order that one group of plaintiff school districts adequately pleaded claims of negligence and negligent hiring and supervision.

The rulings come one week after Benitez largely denied motions by Powerschool Holdings Inc. and Bain Capital LP, which has a 51% stake in the edtech firm, to dismiss the claims of individual students, and of teachers and school districts bringing claims directly.

Benitez dismissed the students and teachers' claims against Movate for invasion of privacy, unjust enrichment, and declaratory judgment, and the school districts' claims of breach of contract as intended beneficiaries.

Back Office Support

Movate provided technical support, customer service, and platform configuration for Powerschool, a provider of education-management software for school systems, Benitez said. The plaintiffs alleged that cybercriminals used the stolen employee credentials of a Movate employee in the Philippines with access to the Powerschool system to carry out the breach.

A 19-year-old former student at Assumption University, Matthew Lane, pleaded guilty in July 2025 to charges related to the cyberattack, Benitez said.

The plaintiffs alleged that Powerschool and Movate breached their duties under common law, contract law, industry standards, and the Federal Trade Commission Act to protect the sensitive data of students and teachers. Information exposed in the incident included Social Security numbers, medical information, financial information, addresses, disability records, and custody information, Benitez said.

Movate argued that the students' and teachers' negligence claims failed because they had no direct relationship with Movate, but Benitez said their allegations that it had control of their data and failed to take adequate measures to protect it were enough at the pleading stage.

"Movate's attempt to characterize its role as merely providing contracted backend services does not negate the duty of care arising from its access to and control over plaintiffs' private information," he said.

The plaintiffs' allegation that Movate's failure to implement multi-factor authentication or other security measures sufficiently established the causation element of their negligence claim, Benitez said.

Their allegations of organization-wide failures in training employees on data-security measures and managing their access to sensitive data were enough to allow their negligent-hiring-and-supervision claims to survive, he said.

Casey Gerry Francavilla Blatt LLP, Labaton Keller Sucharow LLP, and Hausfeld LLP represent the plaintiffs and the proposed classes. Brown Rudnick LLP represents Movate.

The case is *In re Powerschool Holdings Inc. and Powerschool Grp. LLC Customer Sec. Breach Litig.*, S.D. Cal., No. 3:25-md-03149, 3/25/26 .

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California Brief

Insight

ChatGPT-Drafted Legal Filings Could Drown Unprepared Companies

March 27, 2026, 1:30 AM PDT

The acceleration of artificial intelligence is swiftly pushing into professional disciplines. Users are turning to AI chatbots for traditionally licensed professional advice in accounting, financial planning, medicine, and law.

Licensing regimes for these professions exist to preserve rigor, standards, and professionalism, but also to protect the public from abuse and fraud.

The risk of AI generating legal advice has been brought to the fore in a recent federal lawsuit. Nippon Life Insurance Company of America successfully defended itself against two frivolous lawsuits brought by an individual relying on OpenAI's ChatGPT for advice and the generation of legal documents.

On March 4, Nippon sued OpenAI in the US District Court for the Northern District of Illinois to recoup its legal costs, alleging the unlicensed practice of law, tortious interference with a contract, and abuse of process. Nippon is seeking \$10 million in punitive damages and \$300,000 in compensatory damages, and a permanent injunction prohibiting OpenAI from the practice of law.

Practice of Law

Passing the bar signals the beginning of a career in a regulated profession with high barriers to entry. The self-regulating legal industry has mechanisms to correct improper conduct: Lawyers are liable for malpractice when they give reckless advice, they are subject to disbarment when they cross ethical lines, and they can be sanctioned for frivolous claims or otherwise abuse the legal system. AI chatbots thus far have faced none of these constraints, effectively allowing AI providers such as ChatGPT to free ride on the discipline and discretion of the legal industry without assuming equivalent responsibility.

While technology has long accelerated the ability to perform basic legal work more efficiently and accurately, large language models can now perform certain drafting, research, and analytical tasks once reserved exclusively for licensed lawyers.

AI can also now generate documents that appear legally sophisticated; however, these documents may contain significant errors, increasing both the risk to companies that rely on them without review by a licensed lawyer, and, as Nippon has experienced, the likelihood of needing to defend against frivolous or procedurally defective lawsuits.

Nippon's Case

The central question in the Nippon case is whether OpenAI, by suggesting a legal strategy and generating documents to be filed in court, engaged in unauthorized practice of law.

As Nippon tells it: Graciela Dela Torre (then represented by counsel) and Nippon settled a pre-existing lawsuit regarding a denied insurance claim, followed by a release of all claims with prejudice. Dela Torre wished to reopen the case and sought advice from licensed counsel, who declined to reopen and reminded her of the finality of the settlement agreement.

Dela Torre then sought guidance from ChatGPT, asking if she was being “gaslighted” by her lawyer; ChatGPT proposed strategies to challenge the settlement, and generated legal documents that Dela Torre filed pro se with the court involving the same issues that had been resolved in the settlement. Ultimately, Dela Torre filed 74 motions, subpoenas, notices, statements memoranda, demands, petitions, and requests, across 2 docketed lawsuits, each of which was drafted with the assistance of ChatGPT.

In Illinois, as with most jurisdictions, the practice of law includes the preparation of pleadings and related documents, the management of proceedings before judges and courts, the preparation of legal instruments of all kinds, and, in general, all advice to clients. Nippon alleges that ChatGPT was intentionally designed with available features allowing users to acquire legal assistance including legal research, legal analysis, legal advice and draft legal documents.

Protection

Companies should adopt a layered strategy to protect against AI-generated legal documents and lawsuits, such as:

Implement corporate policies that restrict employees from seeking or following AI-generated legal advice, and require routing any legal questions through licensed in-house counsel. These policies should govern when and how AI tools may be used for internal drafting, mandate review and approval by company lawyers, and prohibit inputting confidential or privileged information into external AI systems without approved safeguards.

Establish a litigation readiness program focused on AI-originated filings. This includes triage protocols for identifying AI-drafted pleadings, standardized response templates to address common defects, cost controls for rapid dismissal strategies, and escalation criteria for settlement or sanctions where appropriate, all under the direction of licensed counsel.

Design technical controls that can flag or quarantine AI-generated legal content. Companies can use enterprise AI tools with logging, access controls, content classification, and prompts that steer users away from legal reliance.

Reinforce vendor governance and contractual protections. Agreements with AI vendors and SaaS providers should include representations about prohibited legal advice functionality, commitments to implement detection and guardrails for legal queries, restrictions on training with company data, confidentiality obligations, audit rights, and indemnities tailored to unauthorized-practice or consumer-protection claims to the extent available. Conduct employee training to explain why AI outputs can be unreliable in legal matters, illustrate the risks of privilege waiver and confidential data leakage, and provide clear channels to engage in-house counsel promptly when legal issues arise.

Collaboration Between Stakeholders

The ease with which Dela Torre generated and filed legal documents with a court is a cautionary tale. Legal and technical stakeholders need to collaborate to reduce institutional risk while enabling responsible innovation.

Lawyers can author articles, ethics opinions, and research that help draw a clearer line between permissible information and impermissible legal advice and educate clients on the risks.

AI providers need to provide safeguards to protect themselves and their users from the unauthorized practice of law. This balanced approach recognizes that AI will continue to enhance efficiency and access to information, while preserving the essential function of licensed counsel to provide accountable, jurisdiction-specific legal advice.

As Nippon's experience demonstrates, AI-generated legal guidance can precipitate extensive, costly litigation activity, burdening our legal system without delivering legal relief.

Until technology and regulatory frameworks mature, companies should pair the benefits of AI-enabled efficiencies with disciplined legal governance led by licensed attorneys, ensuring that innovation doesn't outpace accountability.

The case is Nippon Life Insurance Company of America v. OpenAI Foundation , N.D. Ill., No. 1:26-cv-02448, complaint filed 3/4/26 .

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Write for Us: Author Guidelines

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'Oh my God': Legal experts stunned after judge catches ICE lawyers citing bogus cases

 [rawstory.com/trump-doj-2676627128](https://www.rawstory.com/trump-doj-2676627128)

Daniel Hampton

March 26, 2026

Attorney General Pam Bondi speaks to the media as President Donald Trump listens. REUTERS/Ken Cedeno

Attorneys and legal observers were left in disbelief after a federal judge in Minnesota tore into the legal team for U.S. Immigration and Customs Enforcement on Thursday for submitting a brief "riddled with misreadings and misquotations," and said she questioned defense counsel at the hearing and "received unsatisfactory responses."

U.S. District Judge Nancy Brasel [issued a scathing 69-page preliminary injunction](#) against ICE's detention practices at the Bishop Henry Whipple Federal Building in Minnesota, ordering the agency to restore detainees' access to attorneys, phone calls, and legal materials.

The ruling delivered a sharp rebuke to the government's lawyers.

In contesting the injunction, ICE's legal team twice cited [Planned Parenthood v. Rounds](#) for the propositions that mandatory injunctions are "particularly disfavored" and that plaintiffs must meet a "heavy and compelling weight of evidence" standard.

Neither quote appears in that case, nor in any Eighth Circuit case the judge could find.

"Neither of these quotes appear in Planned Parenthood, nor in any Eighth Circuit case the Court has found that addresses injunctions," Brasel wrote flatly. "Even under the most charitable of readings, Planned Parenthood cannot possibly stand for such a proposition; the case discusses the heightened burden that applies to enjoining state statutes and does not involve mandatory injunctions at all."

"The Eighth Circuit does not apply—and has specifically rejected—a heightened standard for mandatory injunctions," the judge wrote.

The nonexistent citations came in a case where the judge had already found ICE's sole witness not credible, calling the witness's testimony "inconsistent at best and incredible at worst." To boot, the agency was found to have violated detainees'

Fifth Amendment rights by blocking access to attorneys during Operation Metro Surge.

The blistering takedown astounded legal experts.

[Appellate attorney Gabriel Malor](#) wrote on Bluesky, "[Oh my God](#)."

[Aaron Reichlin-Melnick](#), senior fellow at the American Immigration Council, wrote on Bluesky, "The [collapse of the DOJ continues](#); suggestions that they used ChatGPT or another LLM to research/write a legal brief in a case involving [conditions](#) in ICE confinement at the Whipple building in Minneapolis."

He added: "Also worth reading here: the judge found the ICE witness completely unreliable, finding that her declarations were contradictory and she gave [inconsistent answers](#) on the stand, and even says the way she testified made her seem even less credible.

[Matthew Hoppock](#), and immigration advocate and litigator, wrote on Bluesky, "It's [also just a bad brief](#). Formatting errors, weird font changes mid-sentence, some case citations are fully italicized and others just the case title is. Some URLs are embedded, some aren't. But I found a few more examples of completely miscited cases."

Attorney [Andrew Kinsey](#) wrote on Bluesky, "DOJ included fake cites? Holy s--- [this is embarrassing](#). The GOP has absolutely devastated the DOJ."

Ex-federal prosecutors in Chicago taking on Trump's 'troubling' DOJ: 'We feel compelled to speak and act'

★ chicago.suntimes.com/donald-trump/2026/03/26/chicago-trump-justice-department-doj-webb-lassar-fitzgerald

Jon Seidel

March 26, 2026

Then-U.S. Attorney Patrick Fitzgerald talks to reporters about his decision to leave the office on May 24, 2012. Fitzgerald is among the 15 former federal prosecutors who signed a letter proposing efforts to act against President Donald Trump's Justice Department.

Rich Hein/Sun-Times file

Fearing President Donald Trump's Department of Justice is "ignoring its founding principles," a prominent group of former Chicago federal prosecutors invited more than 300 fellow alumns this week to join them in moving "from handwringing to action" to preserve the agency's integrity.

The 14 signatories on the "Call to Action" email include three former Chicago U.S. attorneys: Dan Webb, Scott Lassar and Patrick Fitzgerald. They're calling for a non-partisan effort led by former department officials acting as "private citizens," according to a copy obtained by the Chicago Sun-Times.

"As lawyers who cherish the role DOJ should play in our criminal justice system, we feel compelled to speak and act against the troubling events underway at the Department," the email states, "and we invite you to participate in those efforts."

It appears to be the first Chicago-specific group of its kind, formed to push back against Trump's Justice Department. But the group's email acknowledges that "many like-minded non-partisan organizations" already exist that could serve as partners.

Their efforts could involve litigation aimed at protecting the "integrity of elections" and a push to ensure federal prosecutors can still be held accountable for misconduct, according to the email.

Related

- [Remaining Broadview 6 defendants want records showing Trump administration's influence on conspiracy case](#)

The Justice Department did not immediately respond to a message from the Sun-Times seeking comment. But current U.S. Attorney Andrew Boutros said in a statement that his office is "busy doing the people's business, which means prosecuting criminals who commit serious crimes."

"We recognize the immense power we wield over life, liberty, and reputation, and therefore, we strive every day to exercise that enormous responsibility with integrity, fairness, decency, and humility," Boutros said. "We are not interested in anything that distracts us from our mission."

The email follows more than a year of Justice Department controversies, including claims that Trump has used the agency to [retaliate against political foes](#) like ex-FBI Director James Comey.

Fitzgerald represented Comey in court after Trump's Justice Department secured an indictment against the former FBI boss. That indictment, in the Eastern District of Virginia, was tossed after a judge found the top prosecutor there acted as U.S. attorney without authorization.

Former federal prosecutor Ron Safer sent this week's email and is among its 14 authors. They describe themselves as "Republicans, Independents, Democrats and everything in between." Webb, Lassar and Fitzgerald were nominated to be U.S. attorney by Presidents Ronald Reagan, Bill Clinton and George W. Bush, respectively.

Former federal prosecutor Ron Safer in 2018 during a trial at the Leighton Criminal Court Building.

Sun-Times files

The other signatories include Sergio Acosta, Sean Berkowitz, Patrick Collins, John Gallo, Kathy Murdock, Lawrence Oliver, Andrew Porter, Julie Porter, Mark Rotert and Andrea Zopp.

Acosta, Collins, Gallo, Lassar and Safer confirmed their involvement but declined to comment further. The other signatories either did not respond to messages or could not be reached for comment.

Former President Joe Biden once considered Acosta as a finalist to be Chicago's U.S. attorney. Berkowitz prosecuted top Enron executives in the 2000s. Collins helped put ex-Gov. George Ryan in prison. And as a defense attorney, Gallo once represented former U.S. House Speaker Dennis Hastert. Zopp is a former head of the Chicago Urban League.

Former federal prosecutors have pushed back in myriad ways against the direction of the Justice Department since Trump's return to office 14 months ago. Several [left the U.S. attorney's office](#) in Chicago, including most criminal section chiefs. Others have played prominent roles defending criminal defendants or in litigation against government agencies.

Related

- ['Superstar' prosecutor who helped bring down Madigan, Burke parting ways with U.S. attorney's office](#)

The new Chicago effort is also reminiscent of the [Fight Against Federal Overreach](#), a national coalition of state court prosecutors who say they've come together "to ensure federal officials are held accountable when they exceed their lawful authority."

But the authors of the Chicago email simply describe themselves as "a very informal group of former colleagues ... who have chatted about whether we could move from handwringing to action." They're now at law firms of various sizes, and some are retired.

They say they've done "preliminary research" into three specific ways the group might push back against the Justice Department. One involves litigation revolving around what the group called "core issues."

Former federal prosecutor Dan Webb speaks during a news conference at the Loop offices of the law firm of Winston & Strawn, announcing a lawsuit filed on behalf of Northwestern University's former head football coach, Patrick Fitzgerald, on Oct. 5, 2023.

Ashlee Rezin/Sun-Times

"One particular issue is potential litigation to protect the integrity of elections," they wrote. "There are many like-minded non-partisan organizations who are already at work with which we could partner in these efforts."

The group might also craft a comment pushing back against a Justice Department proposal that appears designed to help its attorneys avoid discipline for ethics violations.

Under a proposal published in the Federal Register, ethics probes by state bar authorities into Justice Department lawyers could be suspended while the Justice Department conducts its own investigation.

"We believe that is a dangerous precedent," the former Chicago prosecutors wrote in their email.

Related

- [Tracking every known federal prosecution in Chicago tied to Trump's deportation blitz](#)

Finally, they wrote, "there are current efforts to encourage individual lawyers to sign onto statements of principles that represent the core values of our system of justice."

The group's members said they were "privileged" to once serve in the Justice Department.

"Today's email is an invitation to serve the public again in tangible ways as private citizens, but private citizens who are alums of the U.S. Attorney's office in Chicago, who share common values about the Department of Justice from our prior service," they wrote.

California Brief

Fund With Stakes in Anthropic, SpaceX Plunges After Short Report

March 26, 2026, 1:44 PM PDT

Shares of the Fundrise Innovation Fund sharply reversed course Thursday, falling by a third as Citron Research revealed it was shorting the stock in the newly public venture capital investment vehicle.

The fund's shares sank 31% to close at \$262 on Thursday in New York. Even after that drop, that's a far cry from the estimated net asset value of \$18.97 per share before the stock began trading on the New York Stock Exchange a week ago.

In an X post earlier Thursday, Citron said its short call was “simple math” given the recent rise in the stock to more than 20 times its net asset value. Based on the much smaller 35% NAV premium at which the similar Destiny Tech100 Inc. vehicle commands, Fundrise Innovation should trade at around \$26 per share, the post said.

A representative for Fundrise didn't immediately respond to a request for comment.

"Citron has a pretty good track record," said **Stephanie Link**, the chief investment strategist at Hightower Securities. "They do detailed analysis. Whenever they go short something it's worth paying attention to."

The slide on Thursday marked the first time the stock traded in the red since its debut on March 19. The eye-catching rally in the past week sent its market value soaring well above \$13 billion versus its net assets of \$650 million.

Fundrise Innovation holds 20.7% of its assets in shares of Anthropic PBC and 5% in SpaceX, thereby offering investors a way to get exposure to these large private tech companies before their potential IPOs this year.

Most of the fund's 100,000 investors that bought shares prior to the listing cannot sell their shares for six months, limiting the amount of shares available for sale until that lockup expires.

"Many of these closed end funds are structured in a way that encourages speculative trading by the retail masses because oftentimes more and more locked-up shares get released with higher share prices of the fund," said Jack Shannon, equity strategies principal at Morningstar Inc.

US judiciary withdraws new requirements for amicus brief disclosures

 [reuters.com/legal/government/us-judiciary-withdraws-new-requirements-amicus-brief-disclosures-2026-03-27](https://www.reuters.com/legal/government/us-judiciary-withdraws-new-requirements-amicus-brief-disclosures-2026-03-27)

Nate Raymond

March 27, 2026

The James R. Browning U.S. Court of Appeals Building, home of the 9th U.S. Circuit Court of Appeals, is pictured in San Francisco, California February 7, 2017.

REUTERS/Noah Berger [Purchase Licensing Rights, opens new tab](#)

- Judiciary withdraws rule over privacy concerns
- Judicial Conference feared chilling effect on amicus briefs
- Democrats sought transparency on special interest influence

March 27 (Reuters) - The U.S. federal judiciary has withdrawn a measure that would have boosted disclosure of who finances friend-of-the-court briefs filed by advocacy groups to influence litigation months before it potentially would have gone into effect.

The about-face was disclosed in a letter [made public on Thursday](#) , [opens new tab](#) from top judges who help set federal court rules to the U.S. Supreme Court, whose approval is required for the change to take effect on December 1. [The rule](#) would have required the filer of an amicus brief to name any donor who provided more than \$100 for the preparation of the brief if that person or entity had been a member of the organization filing it for less than 12 months. In the March 10 letter, judicial rulemakers said they had recently learned of concerns by leaders of the U.S. Judicial Conference, the judiciary's top policymaking body, that the disclosure requirement "could interfere with the privacy of those organizations and of their members."

The Judicial Conference's executive committee was concerned those groups then "may be chilled from contributing to their organization's amicus briefs if they were required to announce their membership to the public," the letter said.

It was unclear why those concerns were not addressed before the rule reached the U.S. Supreme Court for its consideration, given the U.S. Judicial Conference had approved the change to the Federal Rules of Appellate Procedure at its September 2025 meeting.

Had the Supreme Court transmitted it to Congress by May 1, the rule would have taken effect December 1, absent action from lawmakers. It will now return to the Judicial Conference's Advisory Committee on Appellate Rules for further consideration.

"We apologize to the Court for the inconvenience occasioned by this matter," U.S. District Judge James Dever III, who chairs the Judicial Conference's Committee on Rules of Practice and Procedure, and U.S. Circuit Judge Allison Eid, who chairs its Advisory Committee on Appellate Rules, said in the letter.

The matter is expected to be addressed next at the appellate rules committee's April 16 meeting. A spokesperson for the Administrative Office of the U.S. Courts declined to comment.

The judiciary first began considering the rule following the introduction of legislation in 2019 by Democratic lawmakers, including Democratic U.S. Senator Sheldon Whitehouse of Rhode Island, that would regulate amicus brief filers.

He and other Democrats argued changes were needed to expose how special interests can secretly disguise their advocacy by funneling donations through non-profits that file amicus briefs.

No bill was ever passed, and Whitehouse expressed disappointment after the Advisory Committee on Appellate Rules in April 2025 [voted 5-4 against](#) a broader rule change that would have required amicus briefs to disclose if a party or its counsel in a given case contributed 25% or more of the organization's annual revenue.

The proposal was widely opposed by groups that frequently file such briefs in cases, like the U.S. Chamber of Commerce, which argued mandatory disclosure of a group's members would violate its right to free association under the U.S. Constitution's First Amendment.

"Even the Judicial Conference's watered-down disclosure rule would have brought some much needed transparency to the shadowy world of billionaire-funded flotillas of amicus briefs," Whitehouse said in a statement on Friday. "Pulling this rule at the last minute – after years of discussion, public comment, and revision – raises questions about why this happened and deserves further explanation."

Read more:

[US judicial panel tweaks amicus brief disclosure rule, seeks public views on AI](#)

'Pig butchering' schemes are an emerging risk for U.S. financial institutions

 [reuters.com/legal/legalindustry/pig-butchering-schemes-are-an-emerging-risk-us-financial-institutions--pracin-2026-03-24](https://www.reuters.com/legal/legalindustry/pig-butchering-schemes-are-an-emerging-risk-us-financial-institutions--pracin-2026-03-24)

Joseph Cioffi, Nicole Zatserkovniy

March 24, 2026

U.S. Dollar banknotes are seen in this illustration taken July 17, 2022.

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

March 24, 2026 - "Pig butchering" schemes, once considered a niche type of consumer fraud predominantly occurring overseas, have become a source of legal exposure for U.S. financial institutions that facilitate payments authorized by their customers but induced by a scam.

Recent lawsuits, including a highprofile case against HSBC's U.S. banking arm brought on behalf of an elderly customer, highlight the stakes for any bank that fails to identify and stop such a scheme before the consumer is harmed.

Anatomy of a pig butchering scheme

Pig butchering victims are the subject of prolonged grooming by fraudsters. The fraudsters typically initiate contact through social media, dating apps, or messaging platforms and build trust, often in a romantic context, over weeks or months. They then introduce a purported investment opportunity, often involving cryptocurrency or foreign exchange. After victims make an initial transfer, they are then shown fabricated "returns," which induce them to escalate their investments until, finally, the scammer disappears with their funds.

The Financial Crimes Enforcement Network (FinCEN) has identified this typology as a national priority risk, noting that these schemes rely on legitimate U.S. banking channels, wires, ACH transfers, and fiatcrypto conversions before funds are laundered offshore. Unlike account takeovers or identity theft, the transactions are typically authorized by the customer, complicating both reimbursement and enforcement.

The HSBC lawsuit as a bellwether

Filed in California federal court by conservators, the HSBC case centers on an elderly customer who allegedly lost more than \$8 million after being groomed online through two separate romancebased scams. See *Song Dow Lee v. HSBC*

Bank USA, Nat'l Ass'n, No. 2:26cv01198 (C.D. Cal. Feb. 5, 2026).

According to the complaint, the victim was first contacted on social media by an individual posing as a successful investor. The investor gradually built trust with the victim before introducing a purported overseas investment opportunity. What appeared to be early returns were allegedly fabrications designed to encourage increasingly large wire transfers.

After another bank curtailed his ability to continue wiring funds, the victim allegedly opened an account with HSBC and resumed the transfers. Plaintiffs claim the bank processed high-dollar, in-person wire transfers despite escalating amounts, foreign beneficiaries, and patterns inconsistent with the customer's prior banking history.

Although HSBC reportedly imposed account restrictions, those controls were allegedly lifted, allowing additional transfers to proceed. The complaint asserts claims of negligence, breach of fiduciary duty and violations of California's elder financial abuse laws. More broadly, the case presents a developing legal theory that prolonged inaction in the face of clear indicators of social engineering fraud may support civil liability, even where the customer technically authorized the transactions.

As of the time of writing, HSBC has not yet answered the complaint as the case has been referred to mediation and the deadline to file an answer was extended to March 25, 2026.

Existing federal law: a patchwork fit for a different era

Under current federal law, consumer protection for fraudulent transfers largely depends on whether the transaction was "unauthorized." The Electronic Fund Transfer Act (EFTA) and its implementing Regulation E generally require consumers to be reimbursed for unauthorized electronic transfers. They do not address, however, transactions the customer personally authorizes that are induced by fraud. Pig butchering schemes fall squarely into that gap.

Even so, banks are not free from federal obligations. The Bank Secrecy Act (BSA) requires financial institutions to maintain anti-money laundering (AML) programs, conduct customer due diligence and file Suspicious Activity Reports (SARs) when transactions raise red flags of fraud or money laundering. In September 2023, FinCEN issued a specific alert on pig butchering scams, identifying behavioral and

transactional indicators and directing institutions to tag SARs accordingly. See [FinCEN Alert](#), FIN-2023-Alert005, September 8, 2023.

The BSA does not create a private right of action, but it can be used by plaintiffs indirectly. The theory is that failure to act on obvious red flags, particularly after FinCEN guidance, supports a finding of negligence or actual knowledge. In elderfraud cases, plaintiffs could argue that banks crossed the line from passive intermediaries to active facilitators by repeatedly processing suspicious transfers without intervention.

Potential paths for U.S. regulation

In the United States, regulatory change is more likely to be incremental than sweeping. One plausible path is the expansion of safeharbor regimes that both encourage and require intervention. Federal regulators could, for example, authorize temporary holds on suspicious wires tied to socialengineering fraud, coupled with immunity from liability when banks delay transactions in good faith.

Many states already authorize financial institutions to impose temporary holds or freezes on accounts when there is reasonable suspicion of fraud or financial exploitation. Given the proliferation of fraudulent schemes, there appears to be a growing acceptance that shortterm, preventive restrictions on account access are an appropriate consumerprotection measure. This existing patchwork of state laws may serve as a foundation for more uniform standards governing when and how such temporary freezes may be imposed.

Another pathway is clearer federal guidance tying AML obligations to consumerprotection outcomes. FinCEN's pig butchering alert already moves in this direction by articulating specific red flags and expectations. Over time, such guidance may crystallize into examination standards, raising the stakes for noncompliance.

Looking ahead, regulators may also consider a federal regulation akin to FINRA Rule 2165, which currently permits brokerdealers to place temporary holds on disbursements or transactions for "specified adults," generally individuals aged 65 and older or vulnerable adults, when financial exploitation is reasonably suspected.

A similar federal rule applicable to banks or payment providers could formalize the authority to impose shortterm holds while investigations proceed, pairing that authority with notice, documentation, and timelimit safeguards. Such an approach

would build on existing state frameworks and reflect growing regulatory acceptance of preventive intervention in cases of suspected exploitation.

Even absent statutory overhaul, courts may prove more receptive to arguments that banks cannot ignore prolonged, obvious fraud simply because the customer clicked "send."

Conclusion

Pig butchering schemes challenge longstanding distinctions between authorized and unauthorized transactions. Regulators have made clear that these scams are no longer novel or obscure, and litigation such as the HSBC case signals a growing willingness by plaintiffs to argue that repeated processing of transactions with obvious red flags can give rise to civil liability, particularly where vulnerable customers are involved.

Going forward, compliance frameworks built solely around technical authorization may be viewed as insufficient. Courts and regulators may have higher expectations for judgment and intervention when exploitation is apparent. As pig butchering schemes proliferate, bankers beware: Inaction may be actionable.

Joseph Cioffi is a regular contributing columnist on consumer and commercial financing for Reuters Legal News and Westlaw Today.

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Eos Energy Execs Hid Issues Before Raising \$1B, Suit Says

By **Sydney Price**

Law360 (March 26, 2026, 5:07 PM EDT) -- Directors and officers of zinc battery manufacturer Eos Energy have been hit with a shareholder's derivative lawsuit accusing them of allowing the company to raise about \$1 billion while concealing negative information about revenue and production issues from the market.

Eos Energy Enterprises Inc. distributes zinc-based lithium storage products that are purportedly a safer and more stable alternative to lithium-ion products, according to the **complaint** Ronald F. Skaff filed Wednesday in New Jersey federal court. The suit says the company was able to raise an "enormous" amount of money based on its representations to investors that the company's operations were strong.

The shareholder alleged that before disappointing financial results caused Eos' shares to fall nearly 40% earlier this year, the company announced a registered direct offering in November of more than 35 million shares of common stock sold at \$12.78 each. According to the company's website, it raised \$458.2 million from the offering and \$600 million from closing a convertible senior notes offering.

Then, in February, Eos announced fourth-quarter and full-year 2025 financial results. According to the complaint, the firm's full-year 2025 revenue of \$114.2 million fell "far short" of its previously issued revenue guidance of between \$150 million and \$160 million for the fiscal year.

Eos also revealed during the February earnings call that its battery line downtime — the period in which production stopped — was running "well above" industry norms, and that "the ability for the automated bipolar production to hit quality targets took longer than expected," the investor said.

Following the announcements, shares of Eos Energy declined by \$4.39 each, or nearly 40%, to close at \$6.74 per share Feb. 26, according to the suit.

In addition to the company, a nominal defendant, the suit's individual defendants include Eos Energy CEO Joe Mastrangelo, former Chief Financial Officer Nathan Kroeker and several directors. The complaint also noted Eos is facing a securities fraud suit for related claims, also pending in New Jersey federal court.

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

Skaff is represented by Gary S. Graifman of Kantrowitz Goldhamer & Graifman PC and Brett D. Stecker of Shuman Glenn & Stecker.

Counsel information for Eos and the individual defendants was not immediately available.

The case is Ronald v. Nigro et al., case number 2:26-cv-03158, in the U.S. District Court for the District of New Jersey.

--Editing by Covey Son.



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Elon Musk Slams Twitter Stock Verdict Over Jury's \$4.20 'Joke'

By **Lauren Berg**

Law360 (March 26, 2026, 10:40 PM EDT) -- Elon Musk did not get a fair trial over claims he defrauded Twitter investors before acquiring the social media platform, the tech billionaire's lawyer told a California federal judge Thursday, saying the jury rolled a marijuana "joke" into the verdict form to mock Musk and the trial process.

August 3, 2022	\$ __. __	4.87
August 4, 2022	\$ __. __	4.85
August 5, 2022	\$ __. __	4.31
August 8, 2022	\$ __. __	4.16
August 9, 2022	\$ __. __	4.20
August 10, 2022	\$ __. __	3.61
August 11, 2022	\$ __. __	3.79
August 12, 2022	\$ __. __	3.67
August 15, 2022	\$	3.94

Elon Musk's attorney, Alex Spiro of Quinn Emanuel, argues his client did not get a fair trial because the jury used its verdict to make a numerical joke — coloring and emphasizing in bright blue the number \$4.20 in its damages verdict — and mock the tech billionaire. (Court Documents)

In a **letter** to U.S. District Judge Charles R. Breyer — who **oversaw the trial** on claims Musk made **false or misleading statements** about Twitter's fake "bot" accounts problem in a bid to ditch or renegotiate his \$44 billion deal to acquire the social media platform — Alex Spiro of Quinn Emanuel Urquhart & Sullivan LLP argued his client did not get a fair trial in front of an impartial jury.

"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," Spiro wrote.

The jury was not asked to calculate a total damages amount. Rather, a 15-page verdict form asked jurors to determine the amount of damages incurred per share on each of the 98 days of trading at issue.

For one of those days — Aug. 9, 2022 — the jury calculated that Musk's false or misleading statements caused \$4.20 in damages per share, writing the number with a blue pen rather than the black pen used on the rest of the verdict form. That amount mirrors the cultural slang for smoking marijuana and is a number to which Musk has frequently made references.

"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," Spiro continued.

The eight-member jury deliberated for about 20 hours over four days before reaching its **unanimous verdict** last week, finding that Musk duped investors with two tweets in May 2022, including his May 13 tweet that the \$44 billion deal was "temporarily on hold" while he awaited information on the volume of bots and spam on Twitter.

The jury, however, didn't find Musk liable based on the investors' claim of an overall "scheme to defraud Twitter investors."

The certified class is made up of investors who sold the publicly traded stock or call options or purchased put options of Twitter between May 13, 2022, and Oct. 4, 2022.

Total damages will eventually be calculated based on when each class member traded their Twitter stock.

In his letter Thursday, Spiro said that, even before the trial got underway, he was concerned that Musk would not be able to seat an impartial jury "given his notoriety and reputation" in the Northern District of California. He added that the juror questionnaires "substantiated this fear," when they came back with answers that showed "hostility to Mr. Musk that ran wide and deep in the venire."

"Because so many jurors had antipathy toward Mr. Musk, the court was unable to simply excuse those who expressed negative feelings towards him," the letter states. "Instead, it effectively imposed a higher bar to excuse jurors who had preexisting opinions and animosity toward Mr. Musk than it would for a typical defendant because the community's negative feelings toward him were so pervasive."

"But the law counsels the opposite: where biases are particularly strong and widespread, it is more important — not less — to ensure a fair and impartial jury," it states, noting that in this case, even some of the prospective jurors "who admitted to outright bias ... were not excused for cause."

Then, once the jury was chosen, the investors' counsel "repeatedly violated the court's orders and inserted prejudicial and irrelevant questioning and evidence into the trial," according to Spiro.

And though the jury rejected the investors' core theory that Musk engaged in a multi-month fraudulent scheme to deliberately drive down the price of Twitter's stock to force the company to renegotiate the acquisition, the verdict form shows that the jury's decision to find any liability "was driven by a desire to send a message to Mr. Musk, rather than to faithfully apply the law," the letter states.

When filling out the deflation numbers, the jury decided to use blue ink only for the entry of \$4.20 on the date of Aug. 9, 2022, with the apparent intent of making that number stand out, according to the letter.

"The jury's emphasis ... appears to be a mocking reference to a number previously associated with Mr. Musk, [and] 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," Spiro wrote.

"The purpose of a fair trial is for a jury to reach a verdict based on evidence without outside influence and noise," he wrote. "This jury not only failed to avoid being influenced by the ongoing media environment and discourse about Mr. Musk, it sought to use its verdict to contribute to it."

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

The investors are represented by Joseph W. Cotchett, Mark C. Molumphy, Tyson C. Redenbarger, Gia Jung, Elle D. Lewis and Caroline A. Yuen of Cotchett Pitre & McCarthy LLP and Frank Bottini Jr. and Aaron P. Arnzen of Bottini & Bottini Inc.

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

The case is Giuseppe Pampena et al. v. Elon R. Musk, case number 3:22-cv-05937, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger. Editing by Dave Trumbore.

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Fintech Firm Beats Investor Suit Over Noncompliance Risks

By **Sydney Price**

Law360 (March 26, 2026, 10:01 PM EDT) -- China-based online brokerage firm operator UP Fintech Holding Ltd. has escaped a proposed class action accusing it of misleading investors by concealing risks associated with its noncompliance with New Zealand and Chinese securities laws after a New York federal judge found the company's statements to be full and justified.

In their suit, the investors allege that UP Fintech only issued hypothetical warnings in its risk disclosures regarding its failure to follow China and New Zealand's trading standards, but investors learned in April 2020 that the risk had already materialized. The previous month, the Financial Markets Authority of New Zealand had issued UP Fintech's subsidiary a formal warning for its failure to implement practices meant to curb money laundering, the suit states.

On Wednesday, U.S. District Judge Jessica G. L. Clarke of the Southern District of New York dismissed the suit with prejudice, saying that UP Fintech "fully and timely disclosed all actions and findings" by the Financial Markets Authority.

"At the time of the 2019, 2020, and 2021 annual reports' filings, the FMA had not taken any enforcement action against UPF other than those that UPF described in its annual reports — the investigation, public warning and subsequent remedial requirements," the order states.

UP Fintech subsidiary Tiger Brokers received the Financial Markets Authority's inspection report in December 2020, about three months before the formal warning was issued, says the complaint, which was most recently amended in April. The company was ordered to pay NZ\$900,000 (\$519,000) to settle claims in 2023, the suit says.

The investors also alleged that UP Fintech's lack of compliance with New Zealand standards made the company's statements regarding its compliance with Chinese laws misleading, but Judge Clarke said the suit does not show a connection between the claims.

"Plaintiffs fail to explain why enforcement actions by a New Zealand agency against UPF's New Zealand subsidiary for breach of New Zealand law would necessarily subject UPF to similar regulatory enforcement by the Chinese government," Judge Clarke said.

Judge Clarke also determined that the investors cannot use a 2019 research report by short seller GeoInvesting to establish that UP Financial misled investors about allegedly illegal Chinese operations.

Even though the investors allege that the report revealed that UP Financial did not obtain certain business licenses and encouraged customers to make false claims to Chinese banks, Judge Clarke said, "Short-seller reports like this raise reliability concerns."

"Here, the GeoInvesting Report is of limited reliability," Judge Clarke said. "Plaintiffs failed to allege any facts corroborating the GeoInvesting Report, and both parties identify its source as one anonymous 'customer service rep.'"

Even if the claims in the short-seller report were true, Judge Clarke said, they still would not show that UP Financial's statements regarding its compliance in China were false or misleading.

"UPF disclosed its operations in China and its decision to not obtain certain licenses, which 'sufficiently warned investors about the risks of their activities in China,'" the order states.

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

The investors are represented by Robert V. Prongay, Ex Kano S. Sams II, Charles H. Linehan and Pavithra Rajesh of Glancy Prongay Wolke & Rotter LLP.

UP Financial is represented by Jacob J. Waldman and Jesse Bernstein of Quinn Emanuel Urquhart & Sullivan LLP.

The case is Lavale Burns v. UP Fintech Holding Limited et al., case number 1:24-cv-01632, in the U.S. District Court for the Southern District of New York.

--Editing by Karin Roberts.

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Elanco Beats Investor Suit Over Dog Drug's Reg Challenges

By **Katryna Perera**

Law360 (March 26, 2026, 8:58 PM EDT) -- A Maryland federal judge Thursday dismissed a proposed securities class action against Elanco Animal Health Inc. that claimed the animal pharmaceuticals company misled investors about the safety of a canine dermatitis treatment it was developing and its timeline for the medication's commercial launch.

U.S. District Judge Brendan A. Hurson issued an **opinion** agreeing with the company's arguments that most of the suit's challenged statements were opinions or forward-looking, and it never made any promises about the timing, approval, or "future prospects" of its once-daily oral dermatitis medication Zenrelia.

The suit, filed in 2024, **claims** Elanco set timelines for obtaining U.S. Food and Drug Administration approval of Zenrelia but later revealed that the medication would need a warning label based on the outcome of a trial in which unvaccinated dogs received three times the label dose. This disclosure, in turn, delayed the launch of the treatment in the United States and caused Elanco's stock price to fall, according to investors.

The judge said the "vast majority" of challenged statements in the complaint constitute corporate puffery or are forward-looking, and "all" of the challenged statements related to the timing of Zenrelia receiving FDA approval "sound in inactionable opinion."

"Defendants spoke consistently of their expectations and estimations, and that there was a 'path' to approval in the first half of 2024. And early on in the class period ... defendants cautioned that their statements did not 'mean it's a guaranteed first half approval,'" the opinion stated.

"Additionally, plaintiffs have not pointed to factual allegations that support their otherwise conclusory assertion that defendants did not sincerely hold the beliefs expressed regarding the predicted timeline, and plaintiffs point to no false fact provided with, or embedded in, the opinion," the judge said.

According to the opinion, the investors also accuse the defendants of concealing the existence of a dog vaccine response study of Zenrelia and that it was "likely" to negatively impact the drug's chances of FDA approval and its commercial prospects, as it resulted in the euthanization of at least two dogs and led to severe health problems in several others.

However, Judge Hurson found Thursday that Elanco had no duty to disclose anything about the study or its existence, and concluded that, aside from the study's results, nothing in the complaint alleged that the study itself would affect the timeline for FDA approval of Zenrelia.

The judge also found that the investors failed to adequately plead scienter, or knowledge of wrongdoing by Elanco's current and former executives.

The suit does not adequately allege that the executives had knowledge of the vaccine response study or its results before or during the proposed class period, and even if they did have knowledge, "it does not necessarily follow that the defendants knew what the effect of the results would be on the commercial launch of Zenrelia," the opinion stated.

The judge also rejected accounts in the suit from a former Elanco employee, which were used to

support the suit's scienter claims.

"The court concludes that little weight is due to the anonymous source invoked by plaintiffs. [Former employee-1] had no 'direct knowledge of what defendants in this matter knew,' did not have 'any direct contact with the defendants' about Zenrelia or its studies, and left the company in Q1 2022, before the vaccine response study was underway," the opinion said.

The investors also advanced a core operations doctrine argument to support their scienter claims, but Judge Hurson said the suit does not contend that the "approval and study of Zenrelia, or the roll-out and sale of Zenrelia generally, constituted nearly all of Elanco's business."

Finally, in viewing the complaint holistically, the judge said that while it is possible to infer that the executives knowingly concealed the vaccine response study from the public, the more compelling inference is that they "only offered vague reference to studies being underway and nothing more because they did not know or believe that the vaccine response study results would negatively impact FDA approval or affect the commercial launch of Zenrelia."

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

The investors are represented by Steven J. Toll, Daniel S. Sommers and S. Douglas Bunch of Cohen Milstein Sellers & Toll PLLC, Jeremy A. Lieberman and Jonathan D. Park of Pomerantz LLP, and Joshua E. Fruchter of Wohl & Fruchter LLP.

Elanco and the individual defendants are represented by Scott Lerner, Stacy Nettleton and Susan L. Grace of White & Case LLP.

The case is Barpar et al. v. Elanco Animal Health Incorporated Securities et al., case number 1:24-cv-02912, in the U.S. District Court for the District of Maryland.

--Additional reporting by Rae Ann Varona. Editing by Kristen Becker.

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Liquor Co. Beats Investor Suit Over Post-COVID Biz Downturn

By **Emilie Ruscoe**

Law360 (March 26, 2026, 5:32 PM EDT) -- Liquor company MGP Ingredients Inc. no longer faces investor claims it concealed ballooning inventory after demand for booze dropped following the COVID-19 pandemic, as a Kansas federal judge found the shareholders failed to show the company intentionally misled the markets.

In a Wednesday filing, U.S. District Judge John W. Broomes granted MGP's motion to dismiss the consolidated investor claims, finding that the suit did not show the company's brass lied to investors when discussing what turned out to be MGP's heightened inventory.

"Simply put, the nonfraudulent inferences proposed by defendants are more compelling," Judge Broomes said Wednesday. "Given the corporate structure, business practices, compensation schemes of MGPI, and the actions of the individual defendants, it is far more likely that defendants poorly handled quickly changing circumstances and market conditions affecting their business."

In the latest version of the suit, the five institutional investors leading the consolidated action allege that between May 2023 and October 2024, the company hid that it was beset by "waning demand and ballooning inventory" after initially seeing consumer thirst for liquor spike when the COVID pandemic hit the U.S.

The complaint states the company saw revenue growth of 59% from 2020 to 2021 and nearly 25% from 2021 to 2022, purportedly as consumers stayed home amid social distancing measures.

But liquor demand began to wane by mid-2022, the investors said, and the following year, annual spirits sales in the U.S. fell for the first time in 30 years.

According to the investors, those trends raised the possibility that MGP faced excess inventories that pushed down prices and increased storage costs, "a death knell for a liquor distilling business."

The investors allege they were harmed when MGP trading prices fell in October 2024 following disclosures about a drop in sales and an announcement that the company would scale back operations in the face of "elevated industry-wide barrel whiskey inventories."

MGP shares traded as high as \$123 during the class period and fell 63% from that peak by the end of the class period, the suit states.

On Wednesday, Judge Broomes pointed to the defendants' assertion that, during the relevant period of time, the company was filling liquor barrels "like gangbusters ... because its customers placed more and more fill orders."

"Plaintiffs' complaint itself recognizes that MGPI engaged in this kind of business, and generated revenue from it!" Judge Broomes said Wednesday, using an exclamation point to underscore that the company "made money when customers placed fill orders and when MGPI stored their preordered barrels."

The judge denied the investors leave to amend the suit, telling the parties that it seemed "highly likely that any amendment would be futile, given the serious flaws in plaintiffs' theory of the case."

Judge Broomes also pointed out the complaint is "99 pages long and some facts are repeated at length," noting that if the parties had not already spent time briefing a motion to dismiss the suit, he would have considered striking the complaint for failing to present a "short and plain statement of the claim" as required by the Federal Rules of Civil Procedure.

"The court encourages the parties to minimize the length of their filings with this court," the judge said.

Alongside the company, the suit names former MGP CEOs David Colo and David Bratcher, as well as current Chief Financial Officer Brandon Gall.

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

The consolidated plaintiffs, including the City of Atlanta's Firefighters' Pension Fund, General Employees' Pension Fund and Police Officers' Pension Fund, the Carpenters Pension Funds of Illinois, and the Employees' Retirement System of the City of Baltimore, are represented by Karin E. Fisch, Lauren J. Salamon and Timothy Clark B. Dauz of Grant & Eisenhofer PA, Lester R. Hooker, Dianne Pitre, Joshua H. Saltzman and Steven B. Singer of Saxena White PA, Jeffrey A. Reeves of the Reeves Law Firm PC and Norman E. Siegel of Stueve Siegel Hanson LLP.

MGP Ingredients Inc. is represented by Jonathan K. Youngwood and Janet A. Gochman of Simpson Thacher & Bartlett LLP and J. Emmett Logan of Stinson LLP.

The case is In re MGPI Ingredients Inc Securities Litigation, case number 2:25-cv-02153, in the U.S. District Court for the District of Kansas.

--Additional reporting by Katryna Perera. Editing by Vaqas Asghar.

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Smith & Wesson Brass Beat Catholic Investors' Suit, For Now

By **Bonnie Eslinger**

Law360 (March 26, 2026, 11:12 PM EDT) -- A Nevada federal judge dismissed a shareholder derivative suit brought by groups of Catholic sisters against members of Smith & Wesson's board and senior managers over the firearm-maker's AR-15 rifles marketing, finding the plaintiffs hadn't shown it would have been futile to demand the board pursue such legal action.

U.S. District Judge Gloria M. Navarro said in her Monday order that the Catholic sisters lacked standing to sue the firearms-maker because they had not proved to the court that Smith & Wesson Brands Inc.'s board of directors and senior management team were incapable of making impartial decisions. She gave them permission, however, to file a bolstered complaint.

Because "it is unclear whether amendment would be futile, the court grants plaintiffs' leave to amend to attempt to cure the deficiencies identified," the judge stated.

It's undisputed that the plaintiffs didn't make a demand on Smith & Wesson's board, she noted.

At the time the lawsuit was filed, the Smith & Wesson board consisted of seven directors. To establish demand futility, the Catholic sisters had to plead facts raising a "reasonable doubt" regarding the capability of at least four of those directors, Judge Navarro said.

The Catholic sisters argue that all seven members of the board "face a substantial risk of liability — and are therefore interested — for acting in bad faith," by knowingly permitting the company to market semi-automatic firearms in violation of laws banning individuals from buying and using them.

Judge Navarro, however, said they failed to plead allegations showing that.

For example, according to the plaintiffs, board Chair Robert Scott, who has served as a director of the company since 1999, lacks disinterest because he was on the board when Smith & Wesson entered into the 2000 settlement agreement with the federal government to resolve gun liability lawsuits.

Judge Navarro noted that the deal states it "does not constitute an admission of any violation of law, rule or regulation by the manufacturer parties to the agreement, or any of their employees."

The plaintiffs claim the directors lack disinterest because they were on the board when U.S. House of Representatives' Committee on Oversight and Reform issued a memorandum detailing an investigation into gun industry practices and profits.

But nowhere in that memo "does it say that Smith & Wesson violated the 2000 settlement agreement or violated state consumer protection laws," the judge said in her Monday order.

Without showing intent or knowledge, the plaintiffs can't show that the directors would be biased because they faced a substantial likelihood of liability, the judge added.

"Thus, plaintiffs fail to allege that any of the board members, let alone a majority of them, lack disinterestedness," the judge stated.

The plaintiffs also contend that a majority of the board has ties to the gun industry, which prevent them from being capable of independently evaluating a litigation demand. The judge was not

persuaded by that argument.

Board member Mark Smith is also the president and CEO of Smith & Wesson, and Scott has been employed as an executive for the company, so they can't be considered independent members of the board, according to the plaintiffs.

The fact that a director is employed by a corporation "is insufficient to establish that director is incapable of impartially considering a demand on that corporation," the judge said.

Board member Michelle J. Lohmeier serves as a director for ammunition manufacturer Nammo Defense Systems Inc, and Barry M. Monheit is a director for American Outdoor Brands, Inc., which was created from the same company as Smith & Wesson, the plaintiffs underscore. Both have biases favoring the gun industry, they add.

"Without more, plaintiffs merely allege that a board member of a company cannot be independent solely because they also serve on the board of other companies that are tangentially related," Judge Navarro stated in her ruling.

The Catholic sisters also argue that their derivative claims should be considered direct claims, and not subject to the demand futility requirement, but the judge rejected that assertion.

"Plaintiffs' complaint is titled 'Verified Stockholder Derivative Complaint for Breach of Fiduciary Duty and Violations of Section 14(A) of the Securities Exchange Act of 1934 and Jury Demand,' the judge noted.

Judge Navarro also pointed out that before filing the federal lawsuit, the plaintiffs filed their derivative claims in state court.

In its motion to dismiss, Smith & Wesson called the plaintiffs "activist stockholders who invest in companies to effect social change."

The judge said the complaint does not allege such political interests, "such that plaintiff's personal interests outweigh their interest in the derivative action," adding that their alleged interests "purport to pertain to corporate governance concerns."

Filed in federal court in February 2025, **the suit** from the group of Catholic sisters accuses Smith & Wesson's directors and senior executives of placing their own "greed" and "political concerns" above the interests of the company and its stockholders by ignoring the liabilities of marketing AR-15 rifles that are used to perpetrate mass shootings.

The suit was filed by four Catholic groups — the Adrian Dominican Sisters; Sisters of Bon Secours USA; Sisters of St. Francis of Philadelphia; and Sisters of the Holy Names of Jesus & Mary, U.S.-Ontario Province — that are headquartered in Michigan, Maryland, Pennsylvania and Oregon, respectively. Each of the four are Smith & Wesson shareholders though the motion to dismiss specifically notes that they own "just 0.002% of shares."

The lawsuit accuses the company's directors and officers of breaching a fiduciary duty owed to investors and of violations of securities laws in relation to the company's manufacturing and marketing of AR-15-style rifles. They claim the board ignored risks of liability from lawsuits and regulatory scrutiny when it came to marketing tactics that lean on militaristic imagery and target young men. These actions violated state laws and voided any immunity the company could have secured under the Protection of Lawful Commerce in Arms Act, thus exposing the company to financial harm that hurts investors.

In its **motion to dismiss** filed in May 2025, Smith & Wesson slams the suit as mere "social activism."

The investors are not like other shareholders in the company, who seek to make a profit from buying into Smith & Wesson, the company says.

Smith & Wesson also says that while the lawsuit attempts to claim that the company is ignoring long-

term liabilities associated with selling semiautomatic rifles used in mass killings, Smith & Wesson is acting within the bounds of the state and federal law, so concerns of future litigation associated with these killings are "speculative."

In response to the court's decision, Jeff Norton of Newman Ferrara LLP, who represents the Catholic sisters, said in a statement, "We are disappointed with the result and are considering our options, including whether to appeal and/or amend the complaint."

Smith & Wesson and its representatives did not immediately respond Thursday to requests for comment.

Smith & Wesson is represented by Jeffrey F. Barr of Ashcraft & Barr LLP and John A. Sten and Ann Makkiya of Byrd Campbell PA.

The Catholic groups are represented by Matthew L. Sharp of Matthew L. Sharp Ltd. and Jeffrey M. Norton and Benjamin D. Baker of Newman Ferrara LLP.

The case is Adrian Dominican Sisters et al. v. Smith & Wesson Brands Inc. et al., case number 2:25-cv-00236, in the U.S. District Court for the District of Nevada.

--Additional reporting by Katryna Perera and Jonathan Capriel. Editing by Kristen Becker.

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2nd Circ. Reopens Mortgage-Backed Securities ERISA Suit

By **Kellie Mejdrich**

Law360 (March 26, 2026, 4:08 PM EDT) -- The Second Circuit on Thursday revived a federal benefits lawsuit against Wells Fargo and Ocwen accusing the companies of mishandling home loans tied to a union pension fund's investments, overturning a lower court ruling that handed the bank and loan servicing companies a pretrial win in the proposed class action.



The union trustees had sued in New York federal court in 2018 seeking to hold Wells Fargo and Ocwen liable under ERISA for misconduct related to the subprime mortgages underlying their pension fund's investments. (AP Photo/Matt Rourke)

A three-judge panel in a **published opinion** partially reversed a 2023 grant of summary judgment to Wells Fargo Bank NA, Ocwen Financial Corp. and several Ocwen affiliates in the proposed Employee Retirement Income Security Act class action, which was filed by trustees of the United Food & Commercial Workers Union & Employers Midwest Pension Fund. The union trustees sued in New York federal court in 2018 in an attempt to hold Ocwen and Wells Fargo liable under ERISA for misconduct related to the subprime mortgages underlying their pension fund's investments.

The panel held that U.S. District Judge Vernon S. Broderick erred in **holding that none of the mortgages** underlying residential mortgage backed-securities investments of the union plan were ERISA plan assets.

Under U.S. Department of Labor regulations defining plan assets subject to ERISA, an ERISA plan's assets include its investments, but the underlying assets of that investment generally aren't themselves considered a plan asset subject to ERISA's fiduciary duties. However, assets underlying investments can sometimes be considered plan assets for purposes of ERISA, if the underlying asset has substantial equity features and isn't treated as indebtedness under applicable local law.

The panel agreed with Judge Broderick that RMBS issued as notes pursuant to indenture agreements were not plan assets regulated by ERISA. But the panel disagreed with Judge Broderick with regard to mortgages underlying mortgage-backed securities that were issued as regular-interest trust certificates. The mortgages underlying those RMBS were plan assets regulated by ERISA because the structure of those certificates contained substantial equity features, the panel said.

Those equity features included that the certificates represented beneficial interests in the particular mortgage-backed securities trusts, and that the controlling DOL plan assets regulation defined assets of a trust in which a plan holds a beneficial interest as plan assets, the panel said.

"The plan's regular-interest certificates are equity interests for purposes of the plan-asset regulation," the panel said.

The panel at arguments in September 2024 **appeared skeptical of reviving** claims from trustees of the UFCW pension fund alleging that Ocwen and Wells Fargo breached their fiduciary duty under ERISA by pushing struggling homeowners into foreclosure during the financial chaos of 2007 to 2009.

The fund accused the companies of breaching ERISA by mismanaging the mortgage loans underlying the fund's mortgage-backed security investments, which ultimately tanked when the market crashed. Wells Fargo — which the trustees said was a co-fiduciary — stood by while Ocwen, which it was supposed to supervise, executed risky mortgages, the trustees said.

The Second Circuit panel also rejected a separate argument in favor of affirming the lower court from Ocwen on appeal Thursday, asking the panel to hold that servicing mortgages didn't qualify as a fiduciary function under ERISA. The appellate panel said it wouldn't reach the issue because the lower court never ruled on Ocwen's fiduciary status.

When asked for comment on the decision, a spokesperson for Onity Group Inc., formerly Ocwen, said "We have received the court's order in this matter and are currently reviewing it."

Representatives of the union trustees and Wells Fargo didn't immediately respond to requests for comment on the decision Thursday.

U.S. Circuit Judges Richard J. Sullivan, Denny Chin and Susan L. Carney sat on the panel for the Second Circuit.

The United Food & Commercial Workers Union & Employers Midwest Pension Fund trustees are represented by R. Bradley Miller of R. Bradley Miller Law and Gary A. Gotto and Ron Kilgard of Keller Rohrback LLP.

Ocwen is represented by Jenya Godina and Anton Metlitsky of O'Melveny & Myers LLP and by Richard A. Jacobsen, Thomas N. Kidera and Aaron M. Rubin of Orrick Herrington & Sutcliffe LLP.

Wells Fargo is represented by Yaakov M. Roth, Evan Miller, David T. Raimer, Howard F. Sidman and Amanda L. Dollinger of Jones Day.

The case is Powell v. Ocwen Financial Corp., case number 23-999, in the U.S. Circuit Court of Appeals for the Second Circuit.

--Editing by Amy Rowe.



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Boies Schiller Knocked By Judge In Meta Copyright Fight

By **Adam Lidgett**

Law360 (March 26, 2026, 6:21 PM EDT) -- A California federal judge has criticized attorneys from law firms including Boies Schiller Flexner LLP that are representing authors accusing Meta of unlawfully using copyrighted material to train its artificial intelligence models, while still allowing the authors to amend their case again.

U.S. District Judge Vince Chhabria on Wednesday "reluctantly granted" the plaintiffs' request to amend their case again to tack on a contributory infringement claim and revise the proposed class definition, among other things.

But Judge Chhabria specifically had harsh words for the plaintiffs' attorneys at various firms, calling out Boies Schiller by name, and saying they gave a "lame excuse for failing to add the contributory infringement claim" earlier in the case. The plaintiffs said further discovery produced new evidence that warranted adding the claim, but the judge called that "a bunch of doubletalk" and said they put the blame on Meta.

"The issue of when Meta disclosed that it would assert a fair use defense to the distribution claim is irrelevant to whether the plaintiffs should be allowed to add a contributory infringement claim," Judge Chhabria said. "So there was no need for plaintiffs' counsel to complain about Meta's handling of this issue, much less to make false statements about it. But the lawyers for the plaintiffs (again, particularly the lawyers from Boies Schiller) seem unable to help themselves."

The plaintiffs in **December asked** to amend their case, saying that when they filed their proposed class action in 2023, they "were in the dark about how Meta obtained plaintiffs' copyrighted works" and that their understanding of Meta's alleged "torrenting activities" had only recently "crystallized."

The authors, who include Ta-Nehisi Coates, Sarah Silverman and Andrew Sean Greer, alleged Meta facilitated direct infringement of their works and others' using BitTorrent technology.

Meta **opposed the** bid to amend, arguing the authors' "late and unexpected attempt" to amend their pleadings "was apparently inspired by" a separate lawsuit from Entrepreneur magazine, "which included a claim for contributory infringement based on Meta's alleged torrenting."

In June, the authors lost their argument that Meta's inclusion of their books in training datasets for its Llama large language models was not covered by fair use. Judge Chhabria ruled in favor of the tech giant on that question in a summary judgment ruling. However, that decision did not end the authors' piracy claims against Meta, and Judge Chhabria ordered additional summary judgment briefing on the matter.

Joseph R. Saveri and Matthew Butterick, two of the attorneys for the authors, declined to comment. Other counsel for the authors did not immediately respond to requests for comment.

Meta did not immediately respond to a request for comment.

The authors are represented by David Boies, Maxwell V. Pritt, Joshua M. Stein, Margaux Poueymirou, Jesse Panuccio, Jay Schuffenhauer, David L. Simons and Joshua Irwin Schiller of Boies Schiller Flexner LLP, Elizabeth J. Cabraser, Daniel M. Hutchinson, Jallé H. Dafa, Rachel Geman, Kenneth S. Byrd and Betsy A. Sugar of Lieff Cabraser Heimann & Bernstein LLP, Joseph R. Saveri, Cadio Zirpoli,

Christopher K.L. Young, Louis Andrew Kessler, Holden Benon and Aaron Cera of Joseph Saveri Law Firm LLP, Bryan L. Clobes and Mohammed A. Rathur of Cafferty Clobes Meriwether & Sprengel LLP, Nada Djordjevic, Amy E. Keller, David A. Straite and James A. Ulwick of DiCello Levitt, Scott J. Sholder of Cowan DeBaets Abrahams & Sheppard LLP, and Matthew Butterick.

Meta is represented by Karen L. Dunn, Jessica E. Phillips and Kyle N. Smith of Dunn Isaacson Rhee LLP, Kathleen R. Hartnett, Bobby A. Ghajar, Mark R. Weinstein, Elizabeth Lee Stameshkin and Phillip Morton of Cooley LLP, Angela L. Dunning of Cleary Gottlieb Steen & Hamilton LLP, and Kannon K. Shanmugam of Paul Weiss Rifkind Wharton & Garrison LLP.

The case is Kadrey et al. v. Meta Platforms Inc., case number 3:23-cv-03417, in the U.S. District Court for the Northern District of California.

--Additional reporting by Ivan Moreno. Editing by Nick Siwek.

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