

Geopolitics, Export Controls, and D&O Risk

K [dandodiary.com/2026/03/articles/geopolitical-risk/geopolitics-export-controls-and-do-risk/](https://www.dandodiary.com/2026/03/articles/geopolitical-risk/geopolitics-export-controls-and-do-risk/)

Kevin LaCroix

March 29, 2026



Financial news sites were ablaze recently with the [news](#) that a co-founder and board member of the data server company Super Micro Computer had been indicted, along with two other company executives, for allegedly conspiring to smuggle high-end Nvidia chips into China, in violation of U.S. export control laws. With news that sensational, and in light of the ensuing stock price drop, it was only a matter of time before plaintiffs' lawyers would file a securities class action lawsuit. And, sure enough, late last week, a plaintiff shareholder did file a securities suit against the company.

The complaint in the new lawsuit, which can be found [here](#), is interesting in and of itself, relating as it does to the sensational circumstances involved. But the lawsuit is arguably even more interesting for what it represents – that is, as an illustration of the ways that geopolitical issues can – and increasingly are – translating into securities class action lawsuits.

Background

Super Micro Computer designs, develops, and manufactures data server and storage systems. The company's flagship products are servers that integrate Nvidia Corporation's graphics processing units (GPUs) and are subject to strict U.S. export controls barring their sale to China without a license.

On March 19, 2026, the U.S. Department of Justice [announced](#) the unsealing of an indictment against three Super Micro executives – including company senior VP, board member, and co-founder Yih-Shyan "Wally" Liaw – of "conspiring to divert high-performance servers assembled in the United States and integrating sophisticated U.S. artificial intelligence technology to China, in violation of U.S. export control laws."

The DOJ's press release quotes the U.S. Assistant Attorney General for National Security, John Eisenberg, as saying "The indictment unsealed today details alleged efforts to evade U.S. export laws through false documents, staged dummy servers to mislead investigators, and convoluted transshipment scheme, in order to obfuscate the true destination of restricted AI technology – China."

Super Micro, which was not named as a defendant in the indictment, [said](#) that upon learning of the indictment, the company had placed Liuw on leave. The next day, Liuw [resigned from the company's board](#).

According to the complaint, Super Micro's stock price declined over 33% on the news of the indictment.

The Lawsuit

On March 25, 2026, a plaintiff shareholder filed a securities class action lawsuit in the Northern District of California against Super Micro and two of its executives (neither of whom were named as defendants in the criminal indictment). The complaint purports to be filed on behalf of investors who purchased the company's shares between April 20, 2024, and March 19, 2026.

The complaint alleges that during the class period the defendants failed to disclose to investors that: "(1) a significant portion of the Company's sales of servers were to companies based in China; (2) these transactions violated U.S. export control laws; (3) there were material weaknesses in the Company's controls to ensure compliance with applicable export control laws and regulations; and (4) 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 class.

Discussion

As Sarah Abrams noted in a recent post on this site ([here](#)), in the current political environment, geopolitics represents an increasingly important component of D&O risk.

Among other things, as I have detailed in previous posts on this site (for example, [here](#)), the current Trump administration's tariff policies have not only had a significant impact on the U.S. trade and the global economy, but have also translated into a series of recent D&O claims.

Other geopolitical sources of D&O stress also pertain to global trade issues, particularly export controls and trade sanctions. In many instances, stresses involving these trade issues have translated directly into D&O claims, as this new lawsuit against Super Micro shows. Indeed, securities class action lawsuit filings arising export control issues are, in fact, nothing new.

For example, as I noted [here](#), in March 2020, a U.S. semiconductor company was hit with a securities class action lawsuit after disclosing that it was under investigation from the U.S. Department of Justice regarding the company's compliance with export controls relating to business transactions with the Chinese technology company Huawei.

Similarly, in 2015, the software firm Vasco Data Security was sued in a securities class action lawsuit after the company disclosed that it had self-reported a possible violation of federal prohibitions against sales of goods to parties in Iran, as discussed [here](#).

Interestingly, among the claims in the list of prior securities suits involving export control issues is a securities suit filed in October 2024 against none other than Super Micro Computers. The lawsuit, which drew heavily on a short seller report, contained a number of allegations, including the assertion that the company had misrepresented its compliance with trade control regulations restricting exports to Russia, as I discussed in a [blog post](#) at the time the suit was filed. That case remains pending in the Northern District of California. The court heard oral argument on the defendants' motion to dismiss on March 12, 2026.

It should be emphasized that tariff concerns and export control issues are not the only geopolitical factors contributing to D&O risk. Other areas of geopolitical concern include money laundering laws, trade sanctions, and anti-bribery and corruption laws.

A recent example of a securities suit arising out of trade sanction-related issues is the December 2024 lawsuit filed against the U.S.-listed Kazakhstan banking corporation Kaspi.kz, in which the plaintiff alleged that the company had

misrepresented the extent to which its bank subsidiary was being used for unlawful purposes, including assisting Russians to evade sanctions imposed in the wake of the 2022 invasion of Russia. The lawsuit is discussed in detail [here](#).

In an example of a shareholder derivative lawsuit arising out of trade sanction-related issues, as discussed [here](#), a shareholder of J.P. Morgan Chase filed a derivative lawsuit against the company, as nominal defendant, and certain of its directors and officers alleging breaches of fiduciary duty in connection with the company's \$88.3 settlement with the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC).

And in an example of the ways in which alleged money laundering law (AML) violations can translate into securities litigation, in January 2025, as discussed [here](#), a plaintiff shareholder filed a securities suit against the money transfer firm Block based on allegations that the company's failure to maintain basic AML protocols had created a "haven for criminal and illicit activities," allegedly contrary to the company's representations.

Geopolitical Issues Seem Likely to Become Increasingly Important This Year:

Under the current conditions, the influence of geopolitical factors on D&O risk is only likely to increase — among other things, because of the war in Iran. The Iran war has not only disrupted the global flow of oil, gas, and diesel fuel, it [threatens the global food supply](#); it has [snarled global supply chains](#); it is [driving up shipping costs](#); and it is [boosting prices for a wide range of goods and products](#), including fertilizer, helium, cotton, and aluminum, among many other things. All of these things are likely to drive economic inflation.

In other words, it seems likely that in the weeks and months ahead that geopolitical concerns are likely to have an enormous impact on economies and businesses alike. I expect that as the year progresses we will have many more occasions on this blog to write about geopolitical issues

A Final Note About This Lawsuit Filing: One final note about this new lawsuit against Super Micro is that qualifies as an AI-related securities suit. Indeed, in its press release to which I linked above, the DOJ went out of its way to emphasize that the technology at issue in the indictment is critically important precisely because it relates to artificial intelligence. The agency emphasized that the smuggled servers contained "artificial intelligence technology," and also highlighted that the purpose of the indictment was to "bring justice to bad actors who aim to profit from illegally exporting U.S. artificial intelligence technology." As

far as the DOJ was concerned, the fact that the trade control violation related to sensitive AI technology was at the crux of the seriousness of the alleged criminal violation.

So for that reason I have no difficulty categorizing this new lawsuit as AI-related, making this case the seventh AI-related securities suit filed this year, and suggesting that as the year progresses AI-related securities suits will represent a significant part of the year's overall securities suit filings.

The Backstory on the Super Micro Allegations: As interesting as I think these larger geopolitical issues are, it is also undeniably true that the underlying allegations in the criminal indictment are also quite interesting. If you have a few minutes, I highly recommend taking the time to read the DOJ press release, which describes in detail how the defendants allegedly managed the scheme to smuggle the prohibited technology into China. The alleged scheme was quite involved, including dummy servers, false labelling, encrypted messages, and the unlicensed movement of goods.

There is an interesting backstory to these allegations, including, among other things, the prior allegations noted above that the company supposedly had previously misrepresented its compliance with trade controls on the shipment of prohibited items to Russia.

However, there apparently is even more to the backstory than that. As Jonathan Weil detailed in a March 20, 2026 Heard on the Street column in the *Wall Street Journal* ([here](#)), Liaw's recent resignation as a director of Micro Computer was in fact not the first time he had been forced to resign from the company. As Weil details in his column, Liaw previously resigned from the company in 2018, along with the company's finance chief, after an investigation by the company's audit committee led the company to restate its financial results. Super Micro paid \$17.5 million in 2020 to settle SEC allegations of widespread accounting violations.

Weil reports that Liaw returned to Super Micro as a consultant in 2021, then as senior vice president in 2022, and was re-appointed to the board in late 2023. The short seller report that was the basis of the 2024 lawsuit against the company (involving the Russian trade control violation allegations) included in its litany of concern with the company that Liaw had been rehired notwithstanding the 2018 accounting mess.

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A confidential witness walks it back – but a securities case moves forward

 [reuters.com/legal/government/confidential-witness-walks-it-back-securities-case-moves-forward-2026-03-30](https://www.reuters.com/legal/government/confidential-witness-walks-it-back-securities-case-moves-forward-2026-03-30)

Jenna Greene

March 30, 2026

The U.S. flag, a judge gavel and a vintage scale are seen in this illustration taken August 6, 2024. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

March 30 (Reuters) - Confidential witnesses are [near-ubiquitous](#)  [, opens new tab](#) in securities fraud class actions, relied on by plaintiffs' lawyers to bolster allegations of intentional wrongdoing by company leaders. But what happens when a witness recants?

That question landed before a federal judge in Manhattan this month, when a key confidential witness disavowed many statements attributed to him in a complaint targeting European semiconductor giant STMicroelectronics.

U.S. District Judge Alvin Hellerstein refused to toss the suit, [ruling](#)  [, opens new tab](#) instead that issues related to witness credibility "are misplaced at this stage" of the litigation. He ordered the case to proceed to discovery. STM and plaintiffs' lawyers from Pomerantz declined comment.

The episode highlights a [long-running tension](#)  [, opens new tab](#) in securities fraud class actions. Under the Private Securities Litigation Reform Act, plaintiffs' lawyers must provide detailed, specific allegations that corporate defendants intentionally deceived investors — a formidable pleading standard. At the same time, shareholder lawyers aren't entitled to discovery from defendants until they've survived a defense motion to dismiss. The challenge for plaintiffs' lawyers is how to get the requisite insider information up front, without the benefit of discovery.

Enter confidential witnesses — typically disaffected current or former employees or contractors of the company being sued, who agree to speak to the plaintiffs' lawyers provided they are not identified by name in the filings.

Here, STM was hit with an investor class action in 2024 after its stock, which trades on the New York Stock Exchange, dropped from a high of \$42 a share to under \$26 over a six-month span. Potential damages could be in the hundreds of

millions of dollars.

The plaintiffs allege STM, its CEO Jean-Marc Chery and its CFO Lorenzo Grandi misled investors about STM's financial health, offering rosy public statements that hid a significant deterioration in its business.

STM denies wrongdoing and has argued the executives' comments were protected, forward-looking statements.

The [complaint](#)  [opens new tab](#), which survived a motion to dismiss last year, leaned heavily on information from "Confidential Witness 1," who served as president of STM's automotive division from 2012 until he was fired in 2023. According to the complaint, the witness said he lost his job because he objected to STM's "artificial financing reporting" and sales tactics "designed to conceal the Company's true exposure to a decline in demand." But the man — whose name was later revealed by the Italian press as Marco Monti — said in a [sworn declaration](#)  [opens new tab](#) earlier this month that he was never given an opportunity to review the complaint before it was filed. The allegations attributed to him are "untrue or inaccurate," Monti said under penalty of perjury, offering a point-by-point refutation of the claims. Plaintiffs "should not use me as a 'confidential witness' in their lawsuit," he said.

Monti could not be reached for comment.

He isn't the first confidential witness in a securities fraud class action to repudiate his testimony in the early stages of the case — but how judges respond has [varied considerably](#). Some have dismissed the cases with prejudice, while others have allowed the matters to proceed, opting to weigh the significance of the recantations later.

STM's lawyers from Sullivan & Cromwell in a [motion for reconsideration](#)  [opens new tab](#) urged Hellerstein to rethink his prior decision refusing to dismiss the case. "Plaintiffs' claims are built on fabricated evidence," defense counsel wrote. "All that now remains are insufficient allegations of ordinary business conduct."

Plaintiffs' lawyers from Pomerantz responded that Monti continued to cooperate with them for months after the suit was filed without sounding any alarm. They said they're confident they accurately recounted the information he provided.

The belated recantation "raises very serious concerns of intimidation and undue pressure on the witness," Pomerantz partner Omar Jafri wrote in a March 9 [letter](#)

[to the court](#)  [,opens new tab](#), alleging that Monti repeatedly expressed fear of retaliation from STM.

Hellerstein in his March 18 decision allowing the case to move forward made no call on Monti's credibility — at least not yet.

Instead, the judge pointed to [2015 decision](#)  [,opens new tab](#) from the Northern District of California involving another recanting securities fraud witness. In that case, the court held questions arising when a witness walks back allegations should be considered at a later stage, "after the benefit of full discovery, or for consideration by a jury."

For STM, that means that despite a star witness recanting, there's no escape hatch — at least not now — from the suit.

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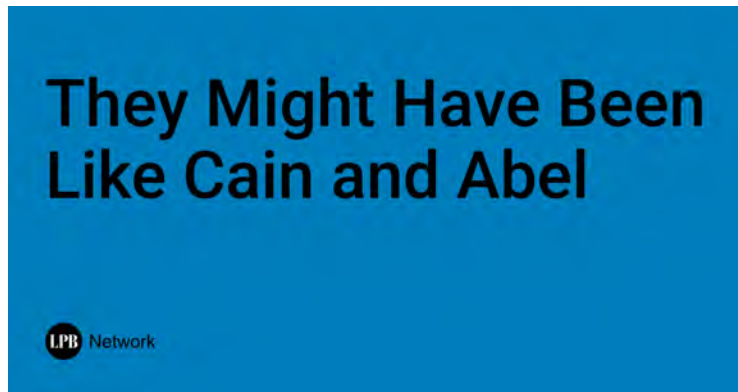
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They Might Have Been Like Cain and Abel

 [businesslawprofessors.com/2026/03/they-might-have-been-like-cain-and-abel](https://www.businesslawprofessors.com/2026/03/they-might-have-been-like-cain-and-abel)

Ann Lipton

March 27, 2026



I am intrigued by this opinion in *Walker v. Chidambaran*, 2026 WL 787964 (D. Md. March 20, 2026), dismissing a securities fraud complaint against various former officers and directors of an artificial intelligence company called iLearnEngines (“iLE”).

iLE went public in a SPAC merger in 2024, and its SEC filings stated that a significant portion of its revenues and sales came from an unnamed “Technology Partner.” The Technology Partner and iLE had a complicated web of relationships, buying and selling services from each other, the revenues of which may – or may not – have been netted out against each other (the registration statement appears to have been inconsistent on this point). Prior to the SPAC merger, the SEC inquired whether the Technology Partner was a related party, and iLE answered no. (Guess where this is going).

Anyhoo, things started to go south when short seller Hindenburg issued a report on August 29, 2024, identifying the technology partner as Experion Technologies. iLE’s founder and CEO was listed as Experion’s American contact in 2020, and his personal residence was the official residence of Experion Americas in 2022. Experion India and Experion Middle East and Africa were 35% and 45% owned, respectively, by the brother of an iLE officer. Two iLE officers were directors and shareholders of Experion’s India affiliate in 2023, one of whom occupied various roles at various times of Experion Middle East and Africa; and Experion Middle East and Africa was partially owned by yet another iLE officer. The Hindenburg report claimed that iLE’s revenues were “fake” as a result of round-tripping with Experion.

iLE denied the allegations but also formed a special committee to investigate; in the meantime, its founder insisted that its financial statements could be relied upon because they had received clean audit opinions (from Marcum, which became infamous for shoddy SPAC audits after it was sanctioned in 2023).

Soon thereafter, Marcum withdrew its audit opinions, iLE announced that none of its financial statements since 2020 could be relied upon, almost all of its top management were placed on administrative leave, and the whole thing ended in delisting and bankruptcy. The bankruptcy filing identified two Experion entities as “insiders” and related parties.

Plaintiffs filed a 10(b) lawsuit, as one does in this situation, generally alleging that iLE’s financials were misleading for failure to properly account for round-tripping arrangements with Experion, and for misleadingly failing to identify Experion as a related party.

And yet, the district court for the District of Maryland rejected the allegations that there had been anything misleading in iLE’s SEC filings at all.

In order to qualify as a related party, the court explained, plaintiffs had to show the entities had overlapping management or members of their immediate families, or that one entity had enough control over the other to prevent it from pursuing its separate interests, and despite all the tangled overlapping relationships between Experion and iLE, the plaintiffs had failed to specifically identify how one was able to influence the other. After all, reasoned the court, the founder of iLE might once have housed Experion America at his own personal residence, but that was *two whole years* before the SPAC merger. And the bankruptcy code’s concept of “related party” is totally different than the GAAP concept. To top it all off, “the Philip brothers’ relationship also does not render Experion a related party because Plaintiffs do not explain why the sibling relationship is sufficient to satisfy the significant influence or control test.”

Meanwhile, the fact that iLE collapsed into bankruptcy with no reliable financial statements hardly demonstrated that its Experion revenues were falsely accounted for. After all, the registration statement said in one place that it was *not* netting amounts due to Experion against amounts due from Experion, and in another place said it *was* netting them, and therefore falsity could not be inferred because *plaintiffs failed to identify which it was*.

I mean ... I really don't know what else exactly to say about this except that it strikes me as an especially egregious example of that thing where courts read the PSLRA to require a level of particularity in pleading that leaves literally no question unanswered, an impossibly high bar.

Anyway, there are frivolous securities cases, absolutely, I see them all the time, it's a problem, but this kind of case is why, in general, I'm not terribly sympathetic when defense attorneys insist that we need to tighten the screws still further, [that every decision in plaintiffs' favor requires another trip to the Supreme Court](#), because, for sure, cases make it through the gauntlet that shouldn't – but it cuts at least as much, if not more, the other way, and that's a problem too.

No other thing. No new [Shareholder Primacy](#) podcast this week, but back soon! [Subscribe Now](#)

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Securities

ImmunityBio, Soon-Shiong Sued by Investor Over FDA Admonition

March 27, 2026, 12:56 PM PDT

ImmunityBio Inc. and its billionaire executive chairman Patrick Soon-Shiong overhyped its bladder cancer drug on former White House spokesman Sean Spicer's podcast, an investor's proposed class action said.

The complaint, filed Thursday in the US District Court for the Central District of California, centers around a US Food and Drug Administration warning letter about these and other comments issued to ImmunityBio and Soon-Shiong.

The letter publicized this week targeted Soon-Shiong's claim that the drug, Anktiva, could treat "all cancers" and other statements on a January episode of The Sean Spicer Show. The FDA said these comments and a TV advertisement were false or misleading for referring to Anktiva as a "cancer vaccine" and other claims, even though the drug's only FDA approved to treat patients with a form of bladder cancer, making the drug's distribution in violation of a federal act governing the regulation of food, drugs, and cosmetics. The FDA gave ImmunityBio 15 days to write to the agency about its compliance plans and correct issues.

"Failure to adequately address any violations may result in legal action without further notice, including, without limitation, seizure and injunction," the letter said.

ImmunityBio's stock price plunged more than 21% to close at \$7.42 March 24, the day the warning letter was posted online. It was the stock's sharpest one-day drop in over a year, according to data compiled by Bloomberg.



Soon-Shiong, a surgeon and businessman who also owns the Los Angeles Times, has been on a public pressure campaign to get the FDA to give broader approval to Anktiva, initially approved in 2024 for patients with a specific bladder cancer.

The FDA last year refused to review ImmunityBio's expanded approval application, requesting more data. ImmunityBio said it resubmitted its application this month.

The proposed class would include those who acquired ImmunityBio securities from Jan. 19, when the former Donald Trump press secretary's podcast episode dropped, through March 24.

The Rosen Law Firm PA represents investor Jeremiah Douglas, who seeks damages for alleged securities fraud by ImmunityBio and Soon-Shiong.

A spokesperson for ImmunityBio didn't immediately respond to an email seeking comment.

The case is Douglas v. ImmunityBio, Inc. , C.D. Cal., No. 2:26-cv-03261, complaint filed 3/26/26 .

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

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Securities

Manage Newsletters

ASML Investors Advance Suit Over Semiconductor Parts Outlook

March 30, 2026, 8:12 AM PDT

Summary by Bloomberg AI

AI Generated



- Shareholders alleged ASML Holding NV and its executives misrepresented the company's 2025 financial guidance and ability to recover from an industry-wide downturn.
- A US District Court judge said shareholders adequately alleged the company knew it wasn't going to reach the upper range of its 2025 sales outlook while representing otherwise.
- The judge allowed securities fraud claims to proceed, but dismissed an insider trading claim and other claims, including allegations of a scheme to defraud investors and some alleged misstatements as inactionable expressions of optimism or opinion.

ASML Holding NV and current and former executives must defend against investor allegations they misrepresented the semiconductor parts supplier's 2025 financial guidance and ability to recover from an industry-wide downturn.

Shareholders leading the case adequately alleged the Dutch company knew it wasn't going to reach the upper range of its 2025 sales outlook while representing otherwise, Judge Naomi Reice Buchwald said, letting securities fraud claims proceed. Stock sales by CEO Christophe Fouquet, chief financial officer Roger Dassen, and ASML board members bolstered this pleading of conscious misbehavior to deceive investors, the US District Court for the Southern District of New York judge said.

ASML argued that sales were made pursuant to a trading plan and to cover tax liabilities, and that the investors improperly calculated the percentage of insider holdings. But these points weren't issues for the pleading stage, according to the March 27 order.

The investors, a group of pension funds, bolstered their pleading of intent or recklessness to defraud by citing executives' later statements indicating that several quarters earlier they'd known of issues with key customer demand and that the semiconductor industry wasn't likely to bounce back, Buchwald said.

The pension funds sufficiently alleged ASML overhyped expected 2025 performance while executives were aware “leading-edge” customers’ utilization was falling, she said. They adequately alleged ASML misstated customers’ plans for semiconductor chip fabrication plants, that the industry would recover, and that demand in China would be strong when it was allegedly propped up by stockpiling.

And the funds adequately alleged loss causation at this stage, Buchwald said. ASML’s US share price plummeted after the company revealed low quarterly sales and reduced its 2025 guidance on Oct. 15, 2024, and after a related earnings call to discuss financial figures.

The share price dropped more than 16% to close at \$730.43 the day of the earnings release—then its biggest single-day tumble since March 2020, according to Bloomberg data. It dropped an additional 6.4% Oct. 16, the day of the Dutch company’s earnings call held before the US markets opened.

Dismissed Claims

An insider trading claim can’t proceed against Fouquet and Dassen, who sold shares on Euronext and not a US market, Buchwald said. The pension funds didn’t adequately allege the executives’ conduct was expressly aimed at US shareholders, which is necessary for personal jurisdiction.

Nor did the funds sufficiently plead ASML or the executives participated in a scheme to defraud investors. And some alleged misstatements regarding its 2025 performance, demand in China, and other topics were inactionable expressions of optimism or opinion, Buchwald said.

The proposed class includes those who acquired ASML shares, or acquired call options or sold put options, in a domestic transaction or US exchange from Jan. 24, 2024, through Oct. 15, 2024.

Bernstein Litowitz Berger & Grossmann LLP and Kessler Topaz Meltzer & Check LLP are co-lead counsel for the proposed class. Freshfields US LLP, which declined to comment, represents ASML and the executives. Neither ASML nor the two investor law firms immediately responded to requests seeking comment.

The case is *In re ASML Holding NV Sec. Litig.*, S.D.N.Y., No. 1:24-cv-08664, 3/27/26 .

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Litigation

Manage Newsletters

Lilium Investor Suit Over Jet Startup's Insolvency Falls Short

March 30, 2026, 10:13 AM PDT

Summary by Bloomberg AI

AI Generated



- A US District Court judge dismissed a proposed class suit against electric jet startup Lilium NV and its top executives, who were accused of omitting information about the company's risk of insolvency.
- The judge said Lilium had a duty to disclose any key change in its fundraising capabilities, but the complaint didn't explain why bankruptcy was imminent without a German government loan.
- The investor, TLP One LLC, can file an amended complaint by April 3, based solely on claims tied to the alleged omission of Lilium's insolvency risk without a loan from the German government.

Failed electric jet startup Lilium NV and its top executives defeated investor allegations they touted its fundraising success before disclosing its main subsidiaries lacked sufficient funds and would file for insolvency.

The private investment vehicle leading the case sufficiently alleged Lilium omitted its risk of imminent insolvency absent a German government loan, Judge Rodney Smith said. Because Lilium made statements about its fundraising capabilities, it had a duty to disclose any key change in that ability, and a reasonable investor could've viewed that omission tied to the German loan as significantly altering the information available to shareholders.

But the complaint didn't explain "why bankruptcy was imminent only if Lilium failed to obtain the support of the German and French governments, and when Lilium knew this," the US District Court for the Southern District of Florida judge said, dismissing the proposed class suit.

Absent this information, investor TLP One LLC failed to plead intent or recklessness for securities fraud, the March 27 order said. TLP One can file an amended complaint by April 3 based solely on claims tied to the alleged omission of its insolvency risk without a loan from the German government.

Other alleged omissions and misstatements about the German startup engaging government partners, pre-delivery payments, and delays for its first manned flight timeline weren't actionable, Smith said. TLP One didn't adequately establish statements on Lilium's funding were false when made, and the jet maker provided warnings about its ability to access funds, rendering statements forward-looking and inactionable.

Even if investors weren't told the company needed this first flight to survive, the fact that an aircraft developer needed flight was so obvious it needn't have been disclosed, Smith said. And Lilium alerted investors that there wasn't a guarantee its suppliers could achieve cost-effective commercial components on schedule.

The proposed class aims to cover those who acquired Lilium securities from June 11, 2024, through Nov. 3, 2024.

On Oct. 24, 2024, Lilium said its wholly owned German subsidiaries had become overindebted and would need to file for insolvency. Lilium's share price dropped almost 62% to close at \$0.21 per share that day, then the stock's steepest one-day plunge on record, according to Bloomberg data. On Nov. 4, Lilium said it too would need to file for insolvency.

Electric air taxi company Archer Aviation Inc. won a bid process for Lilium's portfolio of 300 advanced air mobility patents last year. Lilium had been developing an electric-powered jet with vertical takeoff and landing capabilities.

Bragar Eagel & Squire PC is lead counsel for the investor. Attorneys didn't immediately respond to an email seeking comment. Freshfields US LLP, which declined to comment, and Shraiberg Page PA represent Lilium and the executives.

The case is Kloster v. Lilium NV , S.D. Fla., No. 9:24-cv-81428, 3/27/26 .

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Securities

This Week in Chancery Court: Revived Kraft Heinz Litigation

March 30, 2026, 2:00 AM PDT

Shareholder litigation over \$1.2 billion in sales of Kraft Heinz stock just before its share price plummeted in 2018 gets another airing in the Delaware Chancery Court this week.

Here are the highlights from a calendar that's shortened by the upcoming holiday:

Monday: Rosenbaum v. Quarles, Del. Ch., No. 2024-0552, oral arguments 3/30/26.

At issue: The former president and CEO of Trecora Resources, which makes synthetic wax and other specialty petrochemicals, has asked the Chancery Court to dismiss a lawsuit alleging shareholders were misled about conflicts of interest in the company's \$247 million sale to Balmoral Funds LLC in 2022. Neither Texas-based Trecora nor Balmoral were named as defendants in the lawsuit. The hearing on the motion to dismiss has been rescheduled twice since June 2025.

Court action: Oral arguments in Wilmington.

Trecora Resources Ex-CEO Sued Over \$247 Million Balmoral Buyout

Thursday: In re Kraft Heinz Co. Derivative Litig., Del. Ch., No. 2019-0587, teleconference 4/2/26.

At issue: The Delaware Supreme Court resurrected the Kraft Heinz case last year based on new evidence revealing the company had misrepresented a board member's consulting role, which may have prevented shareholders from properly presenting their claims. The evidence showed that John Cahill had continued to receive compensation through stock options, contradicting 2019 proxy disclosures. Cahill served as Kraft's CEO before its merger with Heinz. Vice Chancellor Lori W. Will scheduled oral arguments on the shareholders' motion for leave to file a second amended complaint in consolidated litigation. The company opposes the motion.

Court action: Teleconference.

Kraft Heinz Insider Trading Case Revived by Top Delaware Court

Bloomberg Law Automation also contributed to this story.

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Elon Musk

Delaware judge reassigns Elon Musk cases after LinkedIn row

Chancellor Kathaleen McCormick denies bias but cites media glare as risk to justice



Elon Musk has regularly complained about Delaware courts and Kathaleen McCormick after his trial losses in the pay case © Britta Pedersen/POOL/AFP/Getty Images

Sujeet Indap in New York

Published 3 HOURS AGO



Elon Musk's legal battles in Delaware will be handed to new judges after the state's top corporate jurist moved to reassign three cases amid a row over impartiality.

The move follows a request by Musk's lawyers that Chancellor Kathaleen McCormick step aside after her LinkedIn account appeared to "like" a post celebrating a recent loss for the billionaire. She has rejected the suggestion of bias, saying she had neither seen nor endorsed the post.

In a Monday letter to lawyers involved in the [Musk](#) cases in Delaware she wrote that "[t]he motion for recusal rests on a false premise — that I support a LinkedIn post about Mr. Musk, which I do not in fact support. I am not biased against the defendants in these actions. In fact, I dismissed a suit against Mr. Musk just last year."

But while she stopped short of a formal recusal, she said "disproportionate media attention surrounding a judge's handling of an action is detrimental to the administration of justice".

The Musk cases will instead be reassigned to three other Delaware judges, known as vice-chancellors.

One of the cases to be reassigned is the remnants of a shareholder lawsuit that challenged a \$56bn pay package for Musk. McCormick in two separate rulings cancelled the award, citing a Tesla board that was too close with Musk. In December, the Delaware Supreme Court reversed the cancellation of the shares.

A second case is a fee dispute among lawyers in a case brought by a Detroit municipal pension over excessive pay for Tesla directors that was eventually settled for more than \$900mn.

The third case involves an individual Tesla shareholder seeking books and records of the EV company over Musk's 2018 tweets about a possible go-private transaction that were the subject of federal securities litigation.

Musk has regularly complained about Delaware courts and McCormick after his trial losses in the pay case.

McCormick had also overseen the case in 2022 brought by Twitter to force Musk to close the \$44bn buyout after the richest man in the world had threatened to walk away. Musk decided to close that transaction at the agreed-upon price just before a trial was to begin.

Musk has since moved Tesla's incorporation to Texas.

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Delaware judge accused of bias reassigns Musk cases

 [reuters.com/sustainability/boards-policy-regulation/delaware-judge-accused-bias-reassigns-musk-cases-2026-03-30](https://www.reuters.com/sustainability/boards-policy-regulation/delaware-judge-accused-bias-reassigns-musk-cases-2026-03-30)

Tom Hals

March 30, 2026

Tesla CEO Elon Musk looks on next to U.S. President Donald Trump talking to the media, at the White House in Washington, D.C., U.S., March 11, 2025.

REUTERS/Kevin Lamarque//File Photo [Purchase Licensing Rights, opens new tab](#)

- Judge McCormick reassigns Musk cases to avoid media bias claims
- Defendants cite LinkedIn post as evidence of judge's bias
- One shareholder dismisses his case after the reassignment

WILMINGTON, Delaware, March 30 (Reuters) - The chief judge on Delaware's corporate court said she will reassign three cases involving [Elon Musk](#) to avoid unnecessary media attention after the billionaire entrepreneur complained that her activity on social media had shown bias against him.

Chancellor Kathaleen McCormick of the Court of Chancery said she was reassigning three cases against Musk and Tesla ([TSLA.O](#))  [, opens new tab](#)

board members that are potentially worth billions of dollars after the defendants said she supported a post on LinkedIn celebrating a [jury verdict against Musk](#) in an unrelated securities fraud case.

"As should be obvious, disproportionate media attention surrounding a judge's handling of an action is detrimental to the administration of justice," McCormick wrote in her letter to the legal teams in the three cases, adding she was not biased against the defendants. She also said the motion for her recusal was based on the false premise that she was supportive of the LinkedIn post.

The defendants' motion included a screenshot of a LinkedIn post by a jury consultant that congratulated the legal teams that led a federal securities fraud case against Musk for "standing up for the little guy against the richest man in the world." It showed McCormick had supported the post using her personal LinkedIn account.

In a letter to the legal teams last week, McCormick said she had not read the post and reported the incident as suspicious activity to LinkedIn.

The defendants said if McCormick eventually sided with Tesla's shareholders, her ruling would be tainted by her "support" for the people standing up to Musk.

McCormick said she would select a time for the reassignment to take place and directed the attorneys who requested the move to attend to "witness what they requested."

After McCormick posted her letter on the court docket, Tesla shareholder David Wagner dismissed his case. Wagner sued in 2022 alleging the Tesla board failed to enforce a 2018 agreement with the Securities and Exchange Commission that required Musk to obtain Tesla approval for social media posts about the company.

Attorneys for the shareholders and defendants did not immediately respond to requests for comment.

Musk has attacked McCormick and Delaware courts since her ruling in 2024 stripping him of his record pay package from Tesla after she found the board breached its fiduciary duties to shareholders in approving it. The Delaware Supreme Court [reinstated the pay package](#), worth more than \$100 billion, in December.

After McCormick's ruling against Musk's pay package, Musk led his companies including SpaceX and Tesla to reincorporate outside of Delaware. Just before Tesla left, several of the company's shareholders brought legal claims against its board in Delaware's Court of Chancery, which include the cases that McCormick reassigned.

McCormick is reassigning the cases as the parties are waiting for her to rule on a request by the defendants to dismiss the cases before going to trial.

The cases allege that Musk's acquisition of Twitter, now known as X, and his work with artificial intelligence company xAI came at the expense of Tesla. The shareholders want Musk to be ordered to disgorge his equity stake in xAI, among other remedies.

The defendants denied the allegations and said that Tesla has thrived under Musk and that his activities were not unfair to the automaker.

Reporting by Tom Hals in Wilmington, Delaware; Editing by Matthew Lewis

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

Litigation

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Musk Cases in Delaware to Be Reassigned After Bias Alleged (1)

March 30, 2026, 9:04 AM PDT

Summary by Bloomberg AI

AI Generated



- Delaware Chancery Court Chief Judge Kathaleen St. J. McCormick will reassign multiple Elon Musk-related cases to other judges after Musk's lawyers alleged she had shown bias.
- McCormick denied supporting a LinkedIn post celebrating Musk's defeat in a California civil fraud trial and said she is not biased against Musk.
- McCormick will distribute her cases involving Musk to other vice chancellors in Delaware, citing that "disproportionate media attention surrounding a judge's handling of an action is detrimental to the administration of justice"

A top judge in Delaware said she will no longer preside over multiple lawsuits involving Elon Musk and his companies after the billionaire's lawyers alleged she had shown bias after ruling against him in high-profile cases.

Delaware Chancery Court Chief Judge **Kathaleen St. J. McCormick** said in a letter Monday that she will reassign multiple Musk-related cases to other judges. Musk's attorneys wrote to the court last week alleging that she signaled her support for a LinkedIn post celebrating Musk's defeat in a California civil fraud trial, in which a jury found the billionaire defrauded Twitter Inc. shareholders before acquiring the platform in 2022.

McCormick denied supporting the post and said she is not biased against Musk. But she agreed to distribute her cases involving Musk to other vice chancellors in Delaware.

"The motion for recusal rests on a false premise – that I support a LinkedIn post about Mr. Musk, which I do not in fact support," McCormick wrote in the letter to Musk's lawyers. "I am not biased against the defendants in these actions."

McCormick has been overseeing multiple suits against Musk, including one that claims he sold more than \$7 billion in Tesla Inc. shares after obtaining insider information. Another case accuses Musk of diverting resources from the car company in his move to buy Twitter, now known as X. And a third suit alleges that he improperly steered artificial intelligence talent and hardware from Tesla to his xAI startup, maker of the Grok chatbot.

In her letter, McCormick noted that she had dismissed a suit against Musk last year as evidence that she wasn't biased against him. But she said she would reassign the cases because "disproportionate media attention surrounding a judge's handling of an action is detrimental to the administration of justice" and that "the Court of Chancery is far greater than any one person."

McCormick wrote in a letter last week that she does not support the post and while she may have hit the "support" button accidentally, she doesn't think she did. The judge said she reported "suspicious activity" to LinkedIn and was locked out of her account when she tried to log in and check the status of that report.

Musk has previously taken aim at McCormick on X after she twice in 2024 voided his Tesla pay package – which was the biggest executive compensation plan in US history when the electric-vehicle maker's board awarded it to him in 2018.

The judge reasoned in her [January 2024 ruling](#) that the company's directors were too beholden to Musk. He posted the next month on X that McCormick "has done more damage to the state of Delaware than any judge in modern history." When McCormick again struck down the pay plan that December, Musk posted "absolute corruption." The Delaware Supreme Court in December 2025 [overruled McCormick](#) and reinstated the pay plan.

Musk testified in the Twitter case in San Francisco earlier this month that his lawyers advised him that he was destined to lose his Delaware court battle with Twitter's board over his refusal to follow through with buying the platform because McCormick, who was handling the case, was "biased" against him. He said that was the only reason he agreed to pay the \$44 billion he had originally offered for the company.

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

Musk also recently took aim at the judge who oversaw the Twitter case in San Francisco, reposting a comment from another X account about Senior US District Judge Charles Breyer that included a smiling photo of the 84-year-old judge wearing his trademark red bowtie. Musk said the "probability of me getting a fair trial if this is how the judge dresses is 0.0%."

When asked if Breyer had a comment, a spokesperson for the Northern District of California said judges don't comment on individual cases.

Securities

Musk Takes a Swipe at Bowtied Judge in Twitter Investor Case

March 27, 2026, 2:42 PM PDT

Elon Musk took to his social media network to attack the judge in the trial he lost last week when a jury found the billionaire defrauded Twitter Inc. shareholders before acquiring the platform in 2022.

"Probability of me getting a fair trial if this is how the judge dresses is 0.0%," Musk posted on what's now known as X to his millions of followers. He was reposting a comment from another X account about Senior US District Judge Charles Breyer that included a smiling photo of the 84-year-old judge wearing his trademark red bowtie.

Musk's lawyer complained in a letter to Breyer Thursday that the jury mocked the billionaire by slipping a "bizarre and highly questionable" joke into the verdict form for the civil trial. The jury highlighted the number \$4.20 when computing how much Twitter stock's price was depressed by Musk's 2022 tweets at the heart of the case. The number 420 is cultural slang for pot smoking.

A spokesperson for the court where Breyer sits said judges do not comment on individual cases. Breyer, the younger brother of retired US Supreme Court Justice Stephen Breyer, was appointed to the court in 1997 by then-President **Bill Clinton**.

Targeting judges in cases that don't go his way is not new for Musk. He has previously taken aim at the chief judge of the Delaware Chancery Court on X after she twice in 2024 voided his Tesla Inc. pay package — which was the biggest executive compensation plan in US history when the electric-vehicle maker's board awarded it to him in 2018.

In February of that year he wrote that Judge **Kathaleen St. J. McCormick** "has done more damage to the state of Delaware than any judge in modern history."

Musk didn't let it rest even after Delaware lawmakers changed the ground rules for investor litigation in the state's business court and Delaware's supreme court reinstated his pay package in December.

Read More: Musk Deepens Feud With Delaware Judge, Alleging Bias on LinkedIn

Earlier this week, Musk's lawyers urged McCormick to step aside from other lawsuits she is overseeing involving him and his companies, alleging she has repeatedly shown bias against him.

In the San Francisco case, an eight-person jury last Friday 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.

During the trial, Breyer rejected a request by Musk's lawyers for a mistrial. They'd argued that the jury selection process had revealed "animosity in the community toward Mr. Musk."

After Musk lawyer **Alex Spiro** wrote to the judge Thursday about the jury's "joke" on the verdict form, lawyers for the investors urged Breyer to strike Spiro's letter from the record as improper. They said it "does not even appear to seek any particular form of relief" and "is egregiously unfaithful to the record in this case."

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Securities

Eagle Settles Investors' Drug Revenue Lawsuit for \$9.5 Million

March 27, 2026, 2:15 PM PDT

Eagle Pharmaceuticals Inc. has agreed to pay investors \$9.5 million to settle class claims that it “stuffed” its drug distribution channels to boost its reported revenue, according to a court filing.

The proposed deal is fair and should receive preliminary approval, the investors leading the suit told the US District Court for the District of New Jersey on Thursday. The settlement amount represents about 9% of the \$104.6 million in estimated maximum damages, according to the filing.

“Eagle has recently disclosed that substantial doubt exists about the Company’s ability to continue as a going concern,” the investors said. That calls into question the investors’ ability to collect any judgment if they were to pursue “additional years of costly litigation,” they said.

The suit centers on Eagle’s Pemfexy cancer drug, which gained limited entry to the market—and subsequent uncapped entry—under an agreement with Eli Lilly, which held regulatory exclusivity for a similar chemotherapy product, according to the complaint. “Eagle began selling Pemfexy in February 2022, and it quickly became one of the Company’s most important products,” representing 32% of Eagle’s total revenue for the first quarter of that fiscal year, the investors said.

But as initial stocking orders stopped in the second quarter and generics entered the market, Eagle and two top executives “secretly carried out a fraudulent ‘channel stuffing’ scheme to inflate Eagle’s reported Pemfexy revenue,” they alleged, referring to the practice of sending a wholesaler or retailer more of a product than it wants.

Eagle eventually acknowledged that its accounting for Q2 of 2022 shouldn’t be relied on and would have to be restated, sending the company’s stock into a tailspin. From highs of about \$40 per share during the relevant period, the stock came to trade for less than \$1.00 per share, losing more than 90% of its value and getting delisted from Nasdaq along the way, the investors said.



A hearing on the plaintiffs' settlement approval request is scheduled for April 20 before Magistrate Judge Michael A. Hammer.

Glancy Prongay Wolke & Rotter LLP is lead counsel for the investors. Saul Ewing LLP and Cooley LLP represent Eagle and former chief financial officer Brian Cahill. Ropes & Gray LLP represents founder and former CEO Scott Tarriff.

The case is Miller v. Eagle Pharms., Inc. , D.N.J., No. 2:23-cv-23011, motion 3/26/26 .

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Securities

Investors Suing to Vote on ESG Proposals Meet Corporate Pushback

March 30, 2026, 2:00 AM PDT

Chubb Ltd. and BJ's Wholesale Club Holdings Inc. have a message for shareholders suing companies to demand action on environmental, social, and governance issues this year: Back off.

The companies are forming a budding resistance to an influx of investor lawsuits aimed at getting ESG proposals on annual meeting ballots. The litigation came after the Securities and Exchange Commission under Republican Chairman Paul Atkins in November stopped refereeing most proposal disputes between shareholders and companies, which often sought SEC advice before blocking resolutions from annual meeting votes.

In contrast with Chubb and BJ's, PepsiCo Inc. and AT&T Inc. quickly settled lawsuits with deals to permit shareholder resolutions, offering little or no pushback. Taser-maker Axon Enterprise Inc. also rapidly reached a settlement in another shareholder proposal case, though the company did tell a court it had followed SEC rules on resolutions.

Shareholders rarely sued companies planning to block their proposals until the SEC policy shift last year. Investors have since brought at least six cases, including a lawsuit against UnitedHealth Group Inc. March 20. So far, none of them have ended without corporate concessions.

The litigation is the latest front in a decades-long struggle between activist investors and companies over shareholder rights. Investor advocacy group As You Sow, New York state's pension fund, and other organizations behind the lawsuits have fought companies at the SEC for years to offer ESG proposals, including on issues surrounding climate change and other environmental risks.

"Few of us are surprised" by the litigation, said Mike Flood, senior vice president of the US Chamber of Commerce's Center for Capital Markets Competitiveness. "That doesn't mean we're happy."

'In-the-Weeds Interference'

The lawsuits are the "necessary result" of having a shareholder proposal process that doesn't work, said Danielle Fugere, president and chief counsel of As You Sow. The organization is suing the SEC over its decision to stop weighing in on investor proposals, while also pursuing a case against Chubb.

As You Sow filed its lawsuit against Chubb March 3 after the insurer said it intended to block the group's proposal to report on any company efforts to seek compensation for losses related to climate change.

The case came after the SEC told Chubb in January it "will not object" if the company omits the resolution from the voting materials for its upcoming annual meeting. The insurer had told the regulator it planned to bar the resolution under agency rules that let companies prohibit proposals concerning their ordinary business operations and seeking to micromanage them. If cases against Chubb and other companies continue, courts will be tasked with interpreting how far "ordinary business" goes.

The agency in November started sending companies letters saying it won't object to their exclusion plans, if they request the declaration. The SEC previously told companies whether it accepted—or rejected—their use of agency rules to scuttle proposals. The regulator can bring cases alleging companies wrongly omitted proposals.

As You Sow said in its complaint in the US District Court for the District of Columbia that Chubb's plans would violate the SEC's shareholder proposal regulations. The insurer has disputed the claims, saying in a March 19 court filing that As You Sow's resolution is an "axiomatic example of in-the-weeds interference with daily operations."

Investor Rights

BJ's Wholesale Club is fighting similar claims from New York Comptroller Tom DiNapoli in the US District Court for the District of Massachusetts. He manages the New York State Common Retirement Fund, a BJ's investor.

DiNapoli said in a March 2 complaint that the retailer would break SEC shareholder proposal rules with plans to block a New York State Common Retirement Fund proposal. The resolution seeks a report on risks BJ's may face from deforestation.

Like Chubb, BJ's told the SEC it intended to bar the proposal under agency rules that permit companies to forbid resolutions related to normal operations or that try to micromanage them. BJ's also solicited a letter from the SEC saying the agency won't object to its plan to prohibit the New York pension fund proposal. The company has challenged DiNapoli's lawsuit, saying in a court filing it "properly excluded" the proposal.

A spokesperson for DiNapoli said the comptroller is "committed to protecting shareholder rights." Representatives of BJ's and Chubb didn't respond to requests for comment.

Giving Up the Fight

The pushback from Chubb and BJ's comes as the companies are fast approaching periods when they're expected to issue proxy voting materials to investors and hold annual meetings.

Chubb has slated its annual meeting for May 21, with final voting paperwork due by April 7, according to a preliminary proxy statement. BJ's has yet to announce an annual meeting date, though it generally hosts the gathering in June. Companies must give investors proxy voting materials with any shareholder proposals up for consideration at least 40 days before their annual meetings.

Axon initially fought back in court against the Nathan Cummings Foundation, which sued in February over company plans to bar the investor's political spending proposal. But the company quickly agreed to disclose the information, resolving the case three weeks later.

PepsiCo and AT&T settled investor lawsuits over their plans to block proposals even faster. Both agreed in February to include the resolutions on their ballots within days of being sued.

The Axon, PepsiCo, and AT&T deals came less than two months before they normally send out proxy materials. The companies have held their annual meetings in May in recent years.

Including proposals is often easier and more efficient than entering a court battle, said Shuangjun Wang, a partner at Cleary Gottlieb Steen & Hamilton LLP. Companies must weigh the possibility of plaintiffs getting preliminary injunctions compelling a proposal vote or being ordered to hold a special meeting later to consider the resolution, she said.

"There may be some cases where it's worth fighting, but in many cases they have bigger fish to fry," Wang said.

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US judge slashes lawyers' fee request by more than \$100 million in Google privacy case

 [reuters.com/legal/government/us-judge-slashes-lawyers-fee-request-by-more-than-100-million-google-privacy-2026-03-27](https://www.reuters.com/legal/government/us-judge-slashes-lawyers-fee-request-by-more-than-100-million-google-privacy-2026-03-27)

Mike Scarcella

March 27, 2026

The logo of Google is pictured in Paris, France, May 25, 2018. REUTERS/Charles Platiau [Purchase Licensing Rights, opens new tab](#)

- [Google Inc](#)
- [Alphabet Inc](#)

March 27 (Reuters) - Lawyers who negotiated a class action privacy settlement with Google are entitled to just a fraction of the \$128 million in fees they sought as an award for their work, a U.S. federal judge ruled, finding that the attorneys achieved only limited success.

U.S. District Judge Yvonne Gonzalez Rogers in Oakland on Thursday [approved the settlement](#)  [, opens new tab](#), which requires Google to provide a new privacy controls but does not include any payment to class members. She awarded the plaintiffs' lawyers \$21.8 million in legal fees as class counsel in the case, slashing the amount of their request by 80%.

The lead attorneys for the plaintiffs did not immediately respond to requests for comment.

The lawsuit was filed in 2021 and accused Google of sharing and selling personal information to third parties in Google's real-time bidding (RTB) auction service for digital advertising.

The consumer lawyers said the [settlement](#)  [, opens new tab](#) would give millions of U.S. Google account holders greater control over their privacy by allowing them to limit the information Google shares about them in the ad auctions. In a statement, Google said it does not sell or share personal data and that "we already have the strictest real-time bidding restrictions in the industry." The company said it was "pleased to put this case behind us."

Lawyers for the consumers told the court they spent more than 46,500 hours over four years on the litigation. An expert working for the plaintiffs placed the overall value of the settlement at more than \$1 billion, court records show.

Gonzalez Rogers in her order called the settlement adequate "but by no means excellent." She said the plaintiffs' estimate of the settlement value was "purely speculative" and questioned whether the privacy controls would meaningfully impact Google.

Google had opposed the \$128 million fee request, urging the court to award the attorneys about \$14 million.

The case is In re Google RTB Consumer Privacy Litigation, U.S. District Court, Northern District of California, No. 4:21-cv-02155-YGR.

For plaintiffs: Elizabeth Pritzker and Jon Levine of Pritzker Levine

For defendant: Whitty Somvichian and Reece Trevor of Cooley

Read more:

[Judge rejects lawyers' preemptive fee bid in Google ad tech class action](#)
[Google defeats bid for billions of dollars of new penalties in US privacy class action](#)

[Texas awards law firm Norton Rose \\$156 million in legal fees from Google settlement](#)

[Lawyers behind \\$700 million Google settlement ask for \\$85 million fee award](#)

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How Meta's victim-blaming failed to sway jurors in landmark social media addiction trial

 [theguardian.com/technology/2026/mar/29/meta-loss-social-media-addiction-trial](https://www.theguardian.com/technology/2026/mar/29/meta-loss-social-media-addiction-trial)

Nick Robins-Early

March 29, 2026

When [Meta](#), the parent company of Facebook and Instagram, sought to defend itself in the [landmark social media addiction lawsuit](#) alleging its products caused personal injury to a young user, it went on the offensive. The mental health problems that the 20-year-old known as KGM suffered since she was a child were not the result of exposure to harm on Instagram, Meta's lawyers and public relations team argued, but instead linked to her mother's parenting and her offline social problems.

In a bench memo filed before the trial began, lawyers for Meta quoted excerpts from KGM's teenage text messages, personal writings and social media posts complaining about her mother. They combed through therapy notes and called on doctors to testify to examples of personal conflict. Throughout the proceedings, Meta's communications team sent reporters repeated updates from the trial and quotes from testimony that highlighted her familial issues. Far from causing harm, they alleged that [Instagram](#) offered a helpful respite from the real world.

Meta's arguments did not resonate with jurors, who decided 10-2 this week in favor of the plaintiffs and found that [Meta](#) deliberately designed an addictive product that hooked KGM and induced body dysmorphia and self-harm. The jury awarded her \$4.2m in damages from Meta and \$1.8m from co-defendant YouTube in a bellwether decision that could set a precedent for thousands of similar trials already in the works against social media companies.

Meta's aggressive pushback strategy and its subsequent loss in the trial highlight a problem for tech firms that now face a flood of jury trials: a widespread distrust of social media companies and a negative view of how their products affect society. In attempting to shift the focus to users of their product and families, Meta failed to sway a jury that saw the company as making intentional, negligent choices to entrap users in a potentially harmful online world.

"We wanted them to feel it, we wanted them to know this was unacceptable," one juror [told NPR](#) following the verdict, and also [said to the Wall Street Journal](#) that Meta CEO Mark Zuckerberg's testimony in the trial seemed inconsistent and "didn't sit well with us".

Parent advocates who attended the trial also took note of the bare-knuckle, ad hominem defense strategy.

"For the biggest tech executives, I want to say something: stop blaming the parents. It's on you," said Julianna Arnold, a co-founder of advocacy group Parents Rise! who has said her 17-year-old daughter died after meeting a man through Instagram who gave her fentanyl.

Meta did not respond to a request for comment on its legal and public relations strategy in the case. It has said it will appeal the verdict.

"Teen mental health is profoundly complex and cannot be linked to a single app. We will continue to defend ourselves vigorously as every case is different, and we remain confident in our record of protecting teens online," a Meta spokesperson said in an earlier statement to the Guardian.

A defense that focused on family conflict

Over the course of the trial, lawyers for Meta continually tried to paint much of KGM's mental health issues as the result of verbal and physical abuse from her mother and bullying at school. A bench brief focused on texts that included KGM complaining about a "toxic home" and saying "my mom is legit insane". In communications with the press, Meta's public relations team emphasized these messages. In one email, a spokesperson for Meta also highlighted parts of one therapist's testimony that stated social media addiction is not a recognized mental health condition in the DSM-5 guide of medical disorders.

Psychologists do not classify social media addiction as an official diagnosis, but [researchers have documented](#) the harmful consequences of compulsive use among young people. KGM herself [testified that social media](#) use starting at six years old had caused her to spiral into anxiety and insecurity that led to self harm and depression. While acknowledging that she and her mother had a difficult relationship, she described her as a loving parent and still lives with her today. Her mother was present for the entire trial.

KGM stated that her mother "wasn't perfect but she was trying her best", adding: "I don't think I would call it abuse or neglect or anything like that."

In contrast, the plaintiff's lawyers [presented internal communications](#) from Meta employees that appeared to show them discussing the addictive qualities of social media – in one case a Meta employee saying "oh my gosh yall IG is a drug" and

another responding “we’re basically pushers”. The plaintiff’s arguments focused on the structural design decisions Meta made to encourage engagement and unfettered use of its products like the creation of an infinitely scrollable feed and defaulting to autoplaying videos.

Meta’s defense targeting parenting as the cause of KGM’s mental health drew backlash from parental advocates that have been vocal in calling for stronger regulation against big tech.

“This was a conscious decision that they made. It was not an accident, and parents are not to blame. They knew the harm. They knew the damage. They assessed the risk, and they moved forward anyway,” Arnold said at a press conference following the trial.

Social media companies face widespread distrust

Even as a growing number of Americans choose to [use social media platforms](#), a strong majority believe that these same platforms have a negative impact on the country – around 64% of US adults think so, [according to a Pew Research Survey](#) conducted last year. That number has remained constant over the past five years, despite some changing views depending on political affiliation. Around two-thirds of Americans also have a negative view of Zuckerberg personally, [according to a 2024 Pew survey](#), including 26% who have a very unfavorable view of the Facebook co-founder.

There has historically been a wider gap between how young people view social media versus older generations and parents, but that, too, appears to be closing in recent years. Another [Pew Survey conducted in 2024](#) found that around 48% of teens say social media use harms people their age, up dramatically from only two years before when 32% of teens held that view.

“These verdicts mark an unsurprising breaking point,” said Mike Proulx, research director at the market research firm Forrester. “Negative sentiment toward social media has been building for years, and now it’s finally boiled over.”

The overall distaste for social media companies and concern over their effects have begun to manifest in policies targeting social media companies as well as legal cases. Australia last year became the first country to institute a nationwide social media ban for children under 16 years old, a policy imitated by Indonesia

and under consideration by [other countries](#). Following the California verdict, Australian law firms are investigating whether they can [press their own cases](#) against social media companies for creating personal harms.

Years of garnering bad will from the public has left social media companies searching for a persuasive argument around why they are not liable for societal harms, and the trial in California at least initially shows they have yet to find it. Advocates for reining in big tech have reacted to the verdict with celebration, as well as a hint of smelling blood in the water.

"This trial was proof that if you put CEOs like Mark Zuckerberg on the stand before a judge and jury of their peers, the tech industry's wanton disregard for people will be on full display," said Sacha Haworth, the executive director of nonprofit advocacy group The Tech Oversight Project, in a written statement. In a later press call, she said, "They're really truly pulling from big tobacco's playbook. Blame the victim, blame the parents, blame the child, blame anyone but the products they designed."

Dara Kerr contributed reporting.

Verdict against Meta, Google raises stakes in pending addiction lawsuits

DJ [dailyjournal.com/articles/390444-verdict-against-meta-google-raises-stakes-in-pending-addiction-lawsuits](https://www.dailyjournal.com/articles/390444-verdict-against-meta-google-raises-stakes-in-pending-addiction-lawsuits)

Kimberly Pallen of Withers

A Los Angeles jury's first-of-its-kind finding that social media platforms can be held liable for "addictive design" could reshape product liability law and expectations in thousands of pending cases, even as legal observers question whether the novel theory can survive appellate scrutiny.

The first bellwether trial to test whether platform design features such as autoplay and notifications could be considered substantial factors in a young plaintiff's mental health struggles ended Wednesday in a \$6 million verdict against Meta Platforms and Google.

Both said they will appeal.

Represented at trial by Lanier Law Firm founder Mark Lanier, plaintiff Kaley G.M., now 20, claimed she became addicted to Instagram and YouTube. She claimed the platforms' design features incited compulsive use throughout her adolescence, disrupting her development and leading to anxiety and body dysmorphia. She said she began using YouTube at 6 and Instagram at 9.

Defended by Covington & Burling LLP and Wilson Sonsini Goodrich & Rosati, Meta and Google pointed jurors to evidence they said showed stressors that predated or were unrelated to Kaley's social media use. These included her parents' divorce when she was 3, physical and emotional abuse by her mother and fears during her childhood that her sister would commit suicide due to an eating disorder.

In statements after the verdict, Google said Kaley's case "misunderstands YouTube, which is a responsibly built streaming platform, not a social media site," while Meta said teen mental health is "profoundly" complex and cannot be linked to a single app. The company said it does "everything it can" to protect teens on its platforms.

Some attorneys who've been following the case debate whether a "defective" platform design can be treated as a basis for liability under existing law.

Withers partner Kimberly A. Pallen, a trial attorney who specializes in complex civil litigation for high-profile plaintiffs and defendants, said she was "stunned" by the verdict, given what she viewed as weaknesses in the plaintiff's case, particularly on causation.

"The plaintiff had all of these pre-existing mental health issues and a complex history with her family. I think the defense argued pretty credibly ... that there's not one single thing ... or a single platform that was really the substantial factor in causing her injuries," Pallen said in a phone interview Friday.

"It's interesting that [jurors] found, regardless of all of that ... that the constant scrolling, and whatever else she was doing, was a substantial factor in her harm."

At trial, expert testimony diverged on whether social media played a meaningful role in Kaley's mental health problems. The plaintiff's experts testified that while social media addiction is not a recognized clinical diagnosis, "problematic use" could manifest through or exacerbate underlying mental health disorders.

Defense experts, by contrast, attributed Kaley's condition primarily to family conflict and other preexisting factors, noting social media was never flagged as a concern during her treatment.

Some defense-side observers said Kaley's verdict reflects the risk of asking juries to resolve novel legal theories involving complex questions of causation and product design. They opined the jury's finding that user engagement features themselves constituted a defect pushes the boundaries of traditional products liability law, particularly where alleged harms involve mental health problems with multiple contributing factors.

"The question of legal causation here is pretty questionable, in my mind," said Jessica K. Nall, a Withers partner who defends technology entities. "At the heart of it, the jury decided that the user engagement function was the defect. ... It's a really strange interpretation of the law and the tech companies have no choice but to appeal it."

Nall said the verdict was not entirely surprising to her given the sympathetic nature of the plaintiff and the dynamics of a jury trial but questioned whether the theory will ultimately withstand appellate review.

"As soon as it becomes a jury trial, it's very hard for jurors, as well-meaning as they are, to be able to follow the law and the requirements of the law," she said. "This is really something that is going to have to be decided by the appellate court ultimately interpreting the law."

She added that if taken to its logical conclusion, the ruling could extend beyond social media platforms. "Do I now have a claim against OpenAI because their product is too effective and keeps me engaged? Where's the end of it?" she said, adding that any product designed to promote user engagement could potentially be framed as defective.

Pallen opined that Kaley's verdict may be more durable than critics suggest, noting the difficulty of overturning jury findings on appeal. She said appellate courts are generally reluctant to reweigh evidence or second-guess jurors' credibility determinations.

"I think, typically, the question is whether there was substantial evidence that ... supports the verdict," Pallen said. "I think there was clearly enough there. I think it's going to be very difficult to get this overturned on appeal in my opinion."

Eric Goldman, an internet law professor at Santa Clara University, said the verdict - along with a similar decision against Meta in New Mexico - signals that juries may be increasingly willing to impose liability on social media companies based on addiction-related claims.

"That liability exposure jeopardizes the entire social media industry," Goldman said, pointing to the thousands of similar cases pending nationwide and estimating the damages could potentially reach into the tens of billions of dollars.

In New Mexico, jurors punished Meta with a \$375 million verdict over claims initiated by state prosecutors that the company violated consumer protection laws by misleading users about platform safety and failing to protect children from sexual exploitation and other harms. The verdict was delivered a day before Kaley's.

At the same time, Goldman cautioned that the Los Angeles verdict is only one data point in a series of bellwether trials, and that future juries could reach different conclusions.

"This jury verdict isn't the final word on any matter," he said, adding that appellate courts will likely grapple with fundamental questions about how product liability law applies to digital platforms, as well as the continued scope of First Amendment protection and Section 230 - the statute that shields online platforms from third-party content liability.

"If the appeals court disagrees with the lower court on one or more of these issues or others, the jury verdicts might be reduced or wiped away entirely," he said.

Amy S. Mushahwar of Lowenstein Sandler LLP, a partner in Washington, D.C. who specializes in data security and safety, said both verdicts mark a potential turning point in how courts and juries view social media liability, particularly where claims focus on platform design rather than content.

"This is not about third-party content - it's about the product design itself," she said, adding that the rulings could signal a path for plaintiffs to sidestep Section 230 protections.

"This is a watershed moment because it's not just privacy, it's actual addictive behavior and scrolling," she continued. "It's not the collection of data, it's the actual engineering of the platform itself ... that lead to depression, anxiety, body dysmorphia ... and, in this case, potential addiction. I think it's a significant change from what we have seen with past enforcement of social media platforms that are largely privacy or data collection oriented."

The rulings could also raise questions about how far design-based liability could extend if upheld.

Nall warned that treating engagement features as defects could open the door to claims against a wide range of products, including emerging technologies such as artificial intelligence.

For now, the verdict is likely to influence litigation strategy on both sides. Observers say plaintiffs may view it as validation of a path around Section 230, while defendants must weigh whether to continue trying cases or pursue settlements as additional bellwether trials approach.

Kaley's case is the first of three bellwethers to be tried before Los Angeles County Superior Court Judge Carolyn B. Kuhl this year. *Social Media Cases*, JCCP5255 (L.A. Super. Ct., filed Oct. 24, 2022).

Parallel proceedings are also underway in a federal multidistrict litigation before U.S. District Judge Yvonne Gonzalez Rogers in Oakland, where similar claims brought by school districts and state attorneys general allege addictive design features contribute to minors' mental health struggles. *In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation*, 4:22-MD-03047 (N.D. Cal., filed Oct. 6, 2022).

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Litigation

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Eyemart Meets Doubtful Panel Over Meta Health Info Sharing Win

March 30, 2026, 10:25 AM PDT

An attorney for Eyemart Express LLC faced skeptical questions from a federal appeals court as she attempted to preserve the prescription-eyeglass retailer's lower-court win over allegedly sharing health information with Meta Platforms Inc.

The plaintiffs alleged in the proposed class action that Eyemart incorporated online tracking technology from Meta on its website, allowing the social-media company to collect their protected health information without their consent. The US District Court for the Northern District of Texas dismissed the suit after finding that the information shared with Meta wasn't protected under the Health Insurance Portability and Accountability Act, a requirement for the plaintiffs' claims to succeed.

Eyemart's attorney Starr Turner Drum told a panel of the US Court of Appeals for the Fifth Circuit during oral argument Monday that the lower court correctly concluded the complaint didn't allege the disclosure of PHI, but Judge Stephen A. Higginson said the complaint included allegations related to prescription information and the scheduling of eye exams.

"That sounds like there's some health condition there," he said.

Drum, a shareholder with Polsinelli, said the company conceded that prescription information was collected by Eyemart, but not that the information was disclosed to Meta.

Not according to the complaint, said Higginson. It said that "the descriptions and summaries of prescriptions were shared with the tracking entity," he said.

Drum said the wording of the complaint was "pretty careful," and that the included screenshots and examples didn't show that "actual prescription values" were shared.

"Given the complexity of this, why was this appropriate to resolve on a motion to dismiss?" asked Judge Catharina Haynes.

Drum said the plaintiffs were required under case law to plead more than the mere possibility of a harm. The pleading standard requires the plaintiffs to take their allegations from the realm of the possible to the plausible, she said.

"So they can't do discovery?" asked Haynes.

"That's correct, your honor, they haven't satisfied the requirements that this court and others have adopted."

Protected Health Information

Judge David C. Godbey of the US District Court for the Northern District of Texas granted Eyemart's motion to dismiss in a May 2025 order.

The plaintiffs' failure to plead that Eyemart disclosed their health information in violation of HIPAA was fatal to their claims under the Electronic Communications Privacy Act, which requires an allegation of a criminal or tortious purpose to defeat ECPA's exception from liability for a party to a communication, Godbey said.

Higginson asked plaintiffs' attorney Gary Ishimoto whether merely browsing on the Eyemart website led to the disclosure of protected health information. "We think the fact that a person is visiting a retailer for prescription goods is different from a generic Google search," he said.

The lower court held that the plaintiffs were required to show either that prescription data was actually transmitted to Meta, or that data identifying the transaction as prescription-related was sent to Meta, said Ishimoto, an associate with Levi & Korsinsky LLP.

But the plaintiffs argue that the allegations were sufficient to meet the second test, he said.

Consumers can only put an order for lenses into their online shopping cart after they've put in their prescription information, he said. That event "essentially identifies someone as having prescription goods," making it close enough to qualify as protected health information, he said.

Judge James C. Ho was also on the panel.

Foster Yarborough Killingsworth PLLC also represents the plaintiffs.

The case is *Rand v. Eyemart Express LLC*, 5th Cir., No. 25-10784, oral argument 3/30/26 .

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Bank of America Agrees To \$72.5M Deal to End Epstein Survivor's Lawsuit

Boies Schiller Flexner and Edwards Henderson stated that the deal provided a substantial recovery for survivors of Jeffrey Epstein, while sparing them the risk of further litigation.

March 30, 2026 at 10:46 AM By **Alyssa Aquino**



Bank of America branch in Baltimore, MD. September 3, 2023. Photo: Diego M. Radzinski/ALM

Bank of America N.A. agreed to pay \$72.5 million to settle litigation from one of Jeffrey Epstein's victims seeking to hold the bank accountable for the financier's abuse, according to recent filings in the Manhattan federal court.

Boies Schiller Flexner and Edwards Henderson, who represent the survivor, stated that the deal provided a substantial recovery for their client and other survivors, while sparing them the risk of further litigation.

"Class counsel and lead plaintiff submit that the proposed settlement is fair, reasonable, adequate and in the best interests of the class. This is especially so considering the risk that the class might recover substantially less if the action were litigated through summary judgment, trial, and the

likely post-trial motions and appeals that would follow (a process that could last several years),” according to [settlement documents](#) that were filed late Friday in the U.S. District Court for the Southern District of New York.

A representative for the survivor, who filed the complaint under the pseudonym “Jane Doe,” didn’t immediately respond to a Monday request for comment.

If approved, the settlement would cover a class of “all women who were sexually abused or trafficked by Jeffrey Epstein” between June 30, 2008 and July 6, 2019.

Doe filed suit on behalf of this proposed class in October, arguing that Bank of America enabled Epstein’s abuse by ignoring suspicious payments between Epstein and Leon Black, the billionaire co-founder of Apollo Global Management.

Black was not named as a co-defendant in the suit. But as a key witness in the case, Black will have to undergo [hours of deposition](#), should the case continue.

Bank of America, represented by Jones Day, has repeatedly denied claims of participating in or facilitating Epstein’s abuse and stated, in one of the settlement documents, that it was making “no admission of liability, fault, damages or any form of wrongdoing whatsoever.”

“This resolution allows us to put this matter behind us and provides further closure for the plaintiffs,” a spokesperson for Bank of America said in a written statement to [Law.com](#) and the New York Law Journal.

The case was one of several pursued by Boies Schiller against major banks, including a virtually identical lawsuit that was filed by Doe against the Bank of New York Mellon.

In late January, U.S. District Judge Jed Rakoff, who was presiding over both the Bank of America and BNY cases, [dismissed the suit](#) against BNY, but allowed the case against Bank of America to proceed.

Boies Schiller has also brought similar cases against Deutsche Bank AG and JPMorgan Chase & Co. Those cases resulted in the banks paying a collective \$365 million to Epstein’s victims.

In court filings, Bank of America differentiated itself from those other cases, arguing that Deutsche Bank and JPMorgan served as Epstein’s primary banks.

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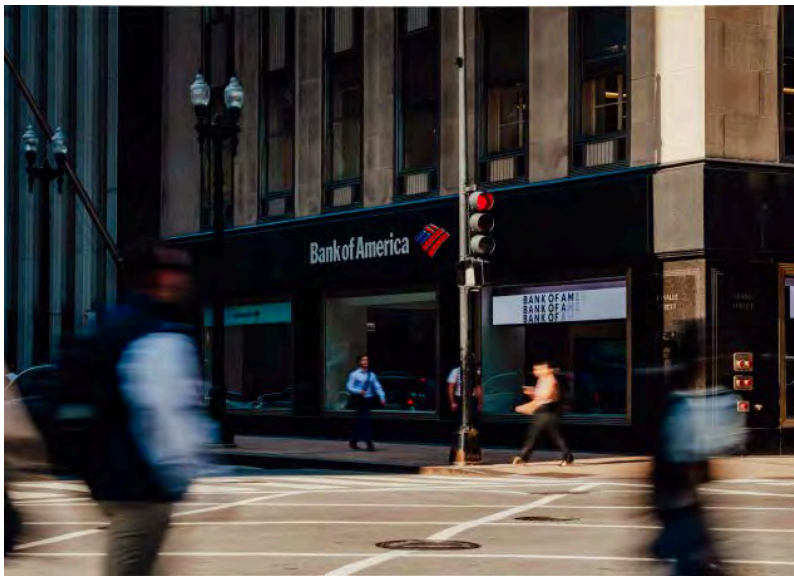
MARKETS & FINANCE • BANKING

Bank of America Agrees to Pay \$72.5 Million to Settle Epstein Lawsuit

Leon Black used Bank of America while paying Epstein \$170 million, according to the lawsuit

By Gina Heeb [Follow](#)

March 27, 2026 7:58 pm ET



KEVIN SERNA FOR WSJ

Bank of America **BAC -2.63%** ▼ agreed to pay \$72.5 million to settle a lawsuit that alleged the bank kept ties to people close to Jeffrey Epstein and failed to flag suspicious payments between the convicted sex offender and his associates and victims.

The proposed class-action lawsuit was filed last year on behalf of a woman who said she was sexually abused and trafficked by Epstein between 2011 and 2019, as well as on behalf of other victims.

The lawsuit alleged that Bank of America “financially benefited” from Epstein’s circle and failed to file suspicious activity reports with the government, despite the information it gleaned from the accounts it provided to those around him. Unlike other lawsuits against banks that resulted in settlements, this suit wasn’t primarily about Epstein having his own accounts at Bank of America.

Epstein was indicted in 2019 on federal sex-trafficking charges involving underage girls and had more than a decade earlier been convicted of soliciting prostitution from a teenage girl.

Bank of America said the settlement wasn’t an admission of wrongdoing.

“While we stand by our prior statements made in the filings in this case, including that Bank of America did not facilitate sex trafficking crimes, this resolution allows us to put this matter behind us and provides further closure for the plaintiffs,” a spokeswoman said.

The settlement still requires court approval.

According to the lawsuit, it was a Bank of America account that former Apollo Global Management Chief Executive Officer Leon Black used to pay Epstein some \$170 million over the years. A settlement between Black and the U.S. Virgin Islands included “an admission that ‘Epstein used the money Black paid him to partially fund his operations in the Virgin Islands,’” the lawsuit said.

A spokesman for Black declined to comment. Black has previously said he paid Epstein for estate planning, tax work, structuring of art entities and philanthropic advice and that he didn’t engage in wrongdoing. Black had been set to be deposed as part of the Bank of America lawsuit before the sides reached a settlement.

Bank of America was also aware that known associates of Epstein had accounts, including Ghislaine Maxwell, the lawsuit alleged.

In 2013, a woman referred to as Jane Doe opened an account at Bank of America at the direction of Epstein associates as part of a “plan to defraud immigration officials,” according to the lawsuit. The woman had lived in Russia when she met Epstein in 2011 and was sexually abused by him “on at least 100 occasions” between then and 2019, the suit said.

Epstein and associates used the Jane Doe accounts for years, including at least one until 2019, the lawsuit alleged. One account was used to “regularly provide Jane Doe with reimbursement money,” from Epstein’s accounts at other banks including Deutsche Bank, the suit said.

JPMorgan Chase and Deutsche Bank have agreed to pay what together amounted to hundreds of millions of dollars to settle similar lawsuits in recent years. Those lawsuits focused on accounts that Epstein held in his own name.

Gina Heeb covers banks and finance at The Wall Street Journal in New York. She previously covered corporate governance and financial regulation as an intern reporter at Bloomberg Law and reported on crime as a metro stringer at the New York Times....

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Securities

BofA to Pay \$72.5 Million to Settle Epstein Victim Lawsuit

March 27, 2026, 4:48 PM PDT

Bank of America Corp. agreed to pay \$72.5 million to settle a lawsuit on behalf of **Jeffrey Epstein** victims claiming the bank aided in the late financier's sex-trafficking.

The parties on Friday presented details of the previously announced settlement to US District Judge Jed Rakoff in Manhattan. Rakoff, who must approve the deal, put the case on hold on March 16, disclosing only that the parties had reached a "settlement in principle."

Bank of America doesn't admit wrongdoing in the agreement.

"While we stand by our prior statements made in the filings in this case, including that Bank of America did not facilitate sex trafficking crimes, this resolution allows us to put this matter behind us and provides further closure for the plaintiffs," bank spokesman **Bill Halldin** said in an emailed statement.

Bank of America's proposed settlement is lower than the the \$290 million that JPMorgan Chase & Co. agreed to pay Epstein victims in 2023. While the case against JPMorgan focused on the bank's client relationship with Epstein, the one against Bank of America mainly alleged that it was used by "his co-conspirators, associates and victims."

"I believe the settlement agreement was the highest number that the plaintiffs could have achieved at the time of resolution," Layn Phillips, a former federal judge who acted as a mediator in the settlement, said in a court filing supporting the deal.

The money is to be paid to a class of all women who were sexually abused or trafficked by Epstein or his associates between June 30, 2008 and July 6, 2019.

According to the suit, Apollo Global Management Inc. co-founder Leon Black used Bank of America accounts to transfer \$170 million to Epstein. Lawyers for the victims alleged those transfers were "the primary means by which the sex-trafficking venture was funded and for which there was no apparent business or lawful purpose."

Black has consistently denied wrongdoing and was not named as a defendant in the case. The settlement agreement allowed Black to avoid sitting for an eight-hour deposition in the case on March 26. A spokesman for Black declined to comment on the Bank of America settlement.

According to the suit, Epstein's former girlfriend **Ghislaine Maxwell** used accounts at Bank of America. Maxwell was convicted of sex-trafficking in 2021 and is currently serving a 20-year prison sentence.

The suit accused Bank of America of actively concealing "details and evidence concerning its assisting and facilitating Epstein's sex trafficking."

In addition to Bank of America and JPMorgan, Deutsche Bank AG also agreed to settle Epstein-related claims. The German bank reached a \$75 million deal in 2023.

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

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Securities

Exclusive

Epstein's Lawyer Sought to Vet, Influence Victims' Attorneys

March 30, 2026, 2:00 AM PDT

Jeffrey Epstein's defense team, in an effort led by Jay Lefkowitz from Kirkland & Ellis, pressured officials at the Justice Department about the legal representation of Epstein's victims, according to files released in January.

Experts say the defense team's conduct amidst the negotiations for the disgraced financier's 2007 plea deal was an unusual use of influence.

Lefkowitz, along with other lawyers representing Epstein, pressed the victims' lawyer to take out-of-court settlements and to waive their right to sue Epstein under federal law, the emails and letters show. Lefkowitz recently announced that he plans to retire from the firm this spring.

Lefkowitz joined Epstein's defense team in 2007. At the time, they were negotiating the plea deal with federal prosecutors in South Florida to ward off a 60-count indictment related to the sex trafficking of minors. Investigators had identified 34 victims who said Epstein sexually abused them or trafficked them to other people. Epstein's lawyers and Department of Justice attorneys have been highly criticized for the agreement for years .

The documents detail how Lefkowitz pushed prosecutors to let him vet and influence the government's selection of an independent lawyer to represent Epstein's victims, inserting language into the deal that limited what that lawyer could do while Epstein would foot the bill. When Alex Acosta, the US attorney for the Southern District of Florida, rejected the proposals, Lefkowitz indicated he would escalate the issue "in Washington." Kirkland lawyers would then complain to DOJ leaders in the nation's capital. Lefkowitz had worked as senior advisor to then-President George W. Bush and while working at Kirkland was serving as Bush's human rights envoy to North Korea.

"If I were to put myself in Epstein's shoes, paying for them and threatening to withhold the money seems to be a way of controlling the entire situation," said Shea Rhodes, director and co-founder of the Villanova Law Institute to Address Commercial Sexual Exploitation, which educates both criminal defense attorneys and prosecutors on survivors' rights and sex trafficking laws. "It doesn't matter who's paying the lawyer's bills. The lawyer still works for the client, not the person who's paying the bills."

Epstein eventually pleaded guilty to state charges of procuring a minor for prostitution in 2008 and served a year in prison.

The documents shed new light on the approach that Epstein's legal defense team used to protect the powerful hedge fund mogul for years.

"Their job was to protect his criminal liability in that case and not to rig the civil litigation system against the victims," Scott Cummings, a legal ethics professor at UCLA's School of Law, claimed. "That's not something that you should do."

The tactics appeared to work. Lefkowitz succeeded in pressuring prosecutors to change language in the plea bargain, giving Epstein the right to approve or reject the independent lawyer picked by the government to represent the victims. Lefkowitz avoided the government's appointment of protective guardianship for the underage girls and scrapped wording that required the attorney's firm to have experience handling multiple trials at once.

Lefkowitz, Acosta, and Kirkland & Ellis did not respond to requests for comment from Bloomberg Law.

It's ultimately on the prosecution for allowing the concessions, Cummings said.

"Their obligation is to protect the integrity of the process and to make sure that the victims would have some say, not just to give in to the Kirkland lawyers," he said.

Victims' rights attorney Carrie Goldberg described the defense team's maneuvers as "extraordinary," and "absurd".

"We do see these kinds of negotiations with very high net-worth people accused of crimes who hire these super fancy lawyers who make the government bend to their will," Goldberg said.

But she said this isn't normal.

"What's extraordinary about this situation is just the amount of control that Epstein's lawyers are asserting over everybody in the process — the DOJ, as well as the guardian for the victims," Goldberg said.

Satisfying Concern

Their effort to distance the women Epstein abused as girls from pathways to sue Epstein began in the fall of 2007.

Lefkowitz requested the US Attorney's Office remove language from the draft non-prosecution deal that would require the government to appoint a guardian ad litem to represent up to 40 identified victims, who could pursue monetary damages from Epstein under federal law. He repeatedly questioned the need for a guardian in emails to A. Marie Villafaña, the assistant US attorney handling the federal Epstein investigation. Lefkowitz built a reputation representing high-profile clients, including major healthcare and pharmaceutical companies, throughout his three-decade plus tenure at Kirkland, where his online profile boasts about Kirkland being a "feared" litigation firm.

"You may want to consider simply appointing a representative," Lefkowitz wrote to her in September 2007. "We would agree to someone you considered appropriate. I am just not sure the guardian is the right procedural vehicle."

Later that day, when Epstein signed the non-prosecution agreement, the section outlining legal representation had changed. They would be represented not by a guardian ad litem but by an attorney picked by the US Attorney's Office and approved by Epstein. The agreement also stated that the Palm Beach financier would pay that attorney's fees.

John Browning, a retired Texas appellate justice and legal ethics professor at Faulkner University's Thomas Goode Jones School of Law, described Epstein paying for his victims' legal representation and having any say over who that was as "highly unusual." It's one thing to pay into a victims' compensation fund or be ordered to pay restitution, but such an arrangement is "beyond the pale," he said.

Over the next few weeks, Lefkowitz screened and scrutinized lawyers Villafaña proposed, while floating names he preferred, according to the emails.

When prosecutors decided to appoint an independent party, which they called a special master, to pick the victims' attorney instead, Lefkowitz pushed to place limits on who the special master could choose, questioning proposed language requiring the lawyer work for a firm large enough to handle multiple trials at once, according to the emails.

"That seems to be directly at odds with the purpose of the agreement, which is to facilitate out of court settlements," Lefkowitz wrote to Jeffrey Sloman, the first assistant US attorney in South Florida.

Sloman responded a few days later, saying he would remove the requirement "to satisfy your concern."

Sloman and Villafaña did not respond to requests for comment.

After the special master had picked attorneys Robert "Bob" Josefsberg and one of his partners, Lefkowitz raised concerns in a letter over vetting them more thoroughly. Sloman pointed out that the defense team had seemed comfortable with the selection, and that Alan Dershowitz, another of Epstein's lawyers, said he went to law school with Josefsberg. He also pointed out that Josefsberg and his partner have "stellar reputations" based on their legal acumen and ethics.

"It's hard for me to imagine how much more vetting needs to be done," Sloman wrote to Lefkowitz. "Tomorrow will make one full week since you were formally notified of the selection. I must insist that the vetting process come to an end."

At the same time, Lefkowitz was fighting to enforce the deal's privacy clause, which was added by Epstein's team, and keep the victims and their attorney in the dark about the existence of the deal and its associated charges against Epstein.

"Neither federal agents nor anyone from your Office should contact the identified individuals to inform them of the resolution of the case, including appointment of the attorney representative and the settlement process," Lefkowitz said to Acosta in an October 2007 email. "Not only would that violate the confidentiality of the Agreement but Mr. Epstein also will have no control over what is communicated to the identified individuals at this most critical stage."

Goldberg says the moves by Lefkowitz and the defense prevented the victims from putting more pressure on the government to act on Epstein's criminal matter.

"When you have this kind of cooperation between the government and criminal attorneys conspiring against the victims – that's unusual and exceptional," Goldberg said.

Not a Clerk

Lefkowitz eventually agreed to Josefsberg's selection, but still disagreed on the scope of compensation available to victims under the Federal Civil Remedy for Personal Injuries, the law which grants victims of sexual abuse and exploitation damages.

"We hope to address these issues with Assistant Attorney General Fisher in Washington," Lefkowitz wrote in a letter faxed to Acosta in December 2007, referring to Alice Fisher, then the head of the DOJ's criminal division. The letter was also signed by Kirkland lawyer Kenneth Starr, the former independent counsel whose investigation led to former President Bill Clinton's impeachment.

It was one of several appeals they would make to Washington in the following months. While it was known that Starr worked for Epstein around that time, the newly released files show how involved he was in shaping the outcome of the non-prosecution agreement.

Weeks before that December 2007 fax to Acosta, Starr had requested a meeting with Fisher, accusing South Florida prosecutors of improperly compelling Epstein to pay civil damages under federal law for a plea on state charges. Fisher later told investigators that she didn't remember reading the letter, and a Justice Department report said that Fisher did not grant the requested meeting.

By the end of 2007, correspondence about the victims' representation between the Justice Department and Lefkowitz had grown contentious.

"Your attacks on me and on the victims establish why I wanted to find someone whom I could trust with safeguarding the victims' best interests in the face of intense pressure from an unlimited number of highly skilled and well paid attorneys," an assistant US attorney in Acosta's office wrote to Lefkowitz in December of that year.

Once Josefsberg got to work and began evaluating the claims of his new clients, he also clashed with Lefkowitz, who said in an email that Josefsberg couldn't sue Epstein on their behalf. Lefkowitz threatened to stop paying Josefsberg's fees if he didn't focus on getting the victims to settle for \$50,000.

Josefsberg fumed and accused Epstein of breaching the plea deal.

"Perhaps your client thought that he could victimize and intimidate countless underage girls, that he would then agree to provide minimal compensation to them for the damage he inflicted upon them and that I would then simply let them come in and 'sign the paperwork' for the absolute minimum recovery," Josefsberg emailed Lefkowitz in response.

He added that he was not a clerk, just there to document a settlement and get the minimum payout without fully evaluating their claims.

"Settling their cases in a vacuum would amount to malpractice," he wrote.

Lefkowitz denied breaching the agreement, and reiterated his view that Josefsberg's work far exceeded the scope of the plea deal.

Cummings of UCLA said the defense lawyers can't exert influence just because their client is paying, and they can't help their client interfere with the independent judgement of the victims' lawyers.

In May 2009, Josefsberg sued Epstein on behalf of Virginia Giuffre, who claimed that she was sexually abused by Epstein and trafficked to prominent men, including Andrew Mountbatten-Windsor, the former Prince Andrew. By June, Epstein stopped paying Josefsberg's fees. He would eventually take Epstein to court for breaching the plea deal, and they reached a settlement for an undisclosed amount.

With assistance from Surya Mattu and Jeff Kao.

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Exclusive: How UBS helped Epstein accomplice Maxwell buy her hideout, 'Tucked Away'

By Tom Sims, Naomi Rovnick, John O'Donnell and Lawrence White

March 27, 2026 3:01 AM PDT · Updated March 28, 2026

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[1/5] The property where Ghislaine Maxwell, former associate of late disgraced financier Jeffrey Epstein, was arrested by the Federal Bureau of Investigation (FBI) is seen in an aerial photograph in... [Purchase Licensing Rights](#) [Read more](#)



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SummaryCompanies

- UBS sent Maxwell funds a month before she purchased the property and went into hiding
- Maxwell, who was convicted of trafficking children for sex, was found hiding at the property in 2020
- UBS did business for Maxwell after receiving subpoena and saying it would stop banking her
- DOJ files show the central role UBS played in managing Maxwell's finances, Barclays also a key bank

FRANKFURT/LONDON, March 27 - In rural New Hampshire, a compound on a [156-acre estate](#) dubbed “Tucked Away” became Ghislaine Maxwell’s final residence before she was charged and arrested in July 2020.

Behind the cash purchase of the \$1.1 million home in December 2019 were funds sent by Swiss banking giant UBS on Maxwell’s behalf a month earlier, documents in a cache of files released by the Department of Justice related to the convicted sex offender Jeffrey Epstein show. The money then cascaded

through a web of trusts and banks to buy the secluded property as she sought to go into hiding.

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UBS processed the transfer for an account linked to Maxwell three months after U.S. criminal investigators issued the bank a [grand jury subpoena](#) to divulge information on all her financial dealings on August 16 that year, citing an investigation into sex trafficking of children. UBS told Maxwell by [email](#) on August 1 that it would cease doing business with her within a month, without giving a reason.

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Banks are required to show they take measures to prevent their services being used to facilitate crime. Failures can lead to large penalties by regulators, legal action from victims and costly reputational damage. Lenders must closely monitor high-risk customers and curb or cut their services if they suspect dubious activities.

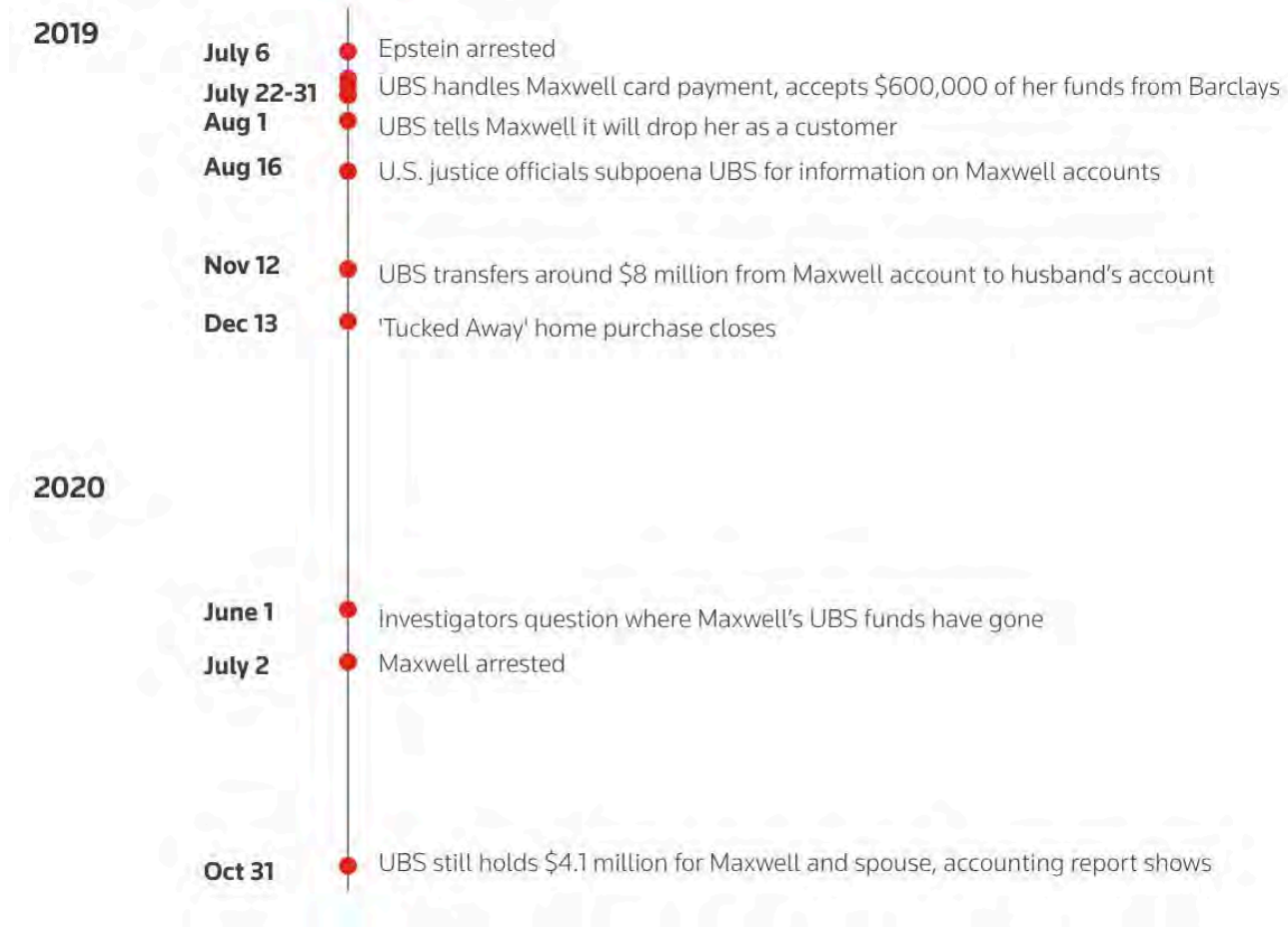
Together with other transactions and investigators' reports, the documents underscore the [central role](#) UBS ([UBSG.S](#)) played in managing the finances of Epstein's chief accomplice, whose proximity to the convicted felon had been reported years before the wealth manager had taken her on as a client.

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Feedback

Key dates

UBS banked Jeffrey Epstein's associate Ghislaine Maxwell for years and was behind the money that paid for her New Hampshire hideout where she was arrested, U.S. Department of Justice documents show.



Source: US DOJ emails and documents | Reuters, March 26, 2026 | Tom Sims and Naomi Rovnick

A timeline of key dates in the UBS relationship with Ghislaine Maxwell

The files shed rare light on how banks deal with rich customers and can ignore some of the red flags that might disqualify a regular client, said Tom Kirchmaier, a financial crime expert with the London School of Economics.

"Banks that are told of a secret criminal inquiry, as UBS was, typically do everything they can to find publicly available information to justify holding up the suspect's money," he said.

In the Southern District of New York subpoena, the U.S. attorney told UBS the information was part of a criminal "felony" investigation, requesting it to keep the request secret in case a disclosure would "impede" the probe, the files show.

Epstein had died in jail days earlier, on August 10, as he faced sex trafficking charges.

UBS declined to comment on Maxwell or respond to Reuters' questions about why the bank processed the payment, saying that it does not speak about client-related matters.

Maxwell was convicted in 2021 and is serving a 20-year prison sentence for recruiting and grooming teenage girls for sex, as well as for participating in the abuse of minor victims in some instances. Her lawyers had argued at that trial she was scapegoated for Epstein's crimes. A spokesperson for the prison where she is staying said Maxwell would not comment.

David Oscar Markus, the criminal defense attorney who last month represented Maxwell in a deposition to the House Oversight Committee, declined to comment.

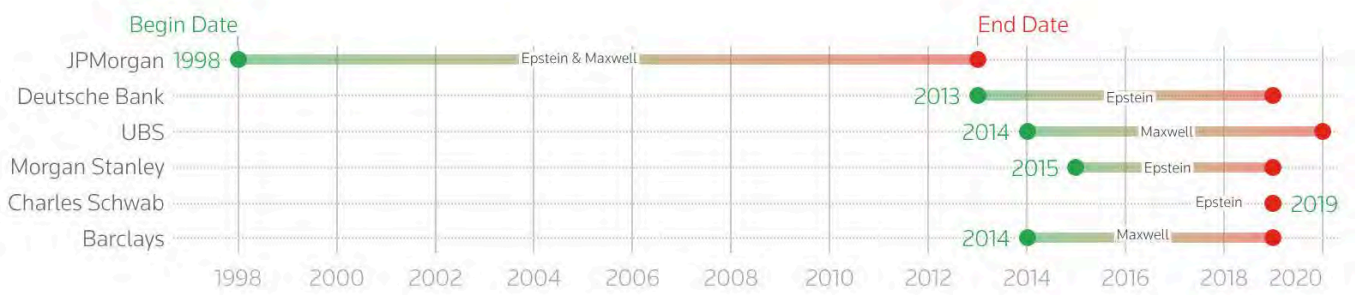
"The pattern we've seen from our investigations of Epstein and a lot of other high-net-worth criminals is that the banks look the other way because they know ultra-wealthy clients can pack up and take their money across the street any time they want," said Senator Ron Wyden, who has scrutinized the money flows from Epstein's crimes.

"Ghislaine Maxwell wasn't just some minor accessory to Epstein's crimes, she was an essential part of his trafficking operation that reached all around the globe, and she's accused of participating in abuse herself," Wyden said.

While information on Epstein's financial dealings remains incomplete, the files show he maintained access to major Wall Street firms well after his 2008 conviction: Deutsche Bank continued servicing Epstein's accounts into 2019 even after moving to cut ties, while Morgan Stanley opened accounts for Epstein-linked trusts as late as March of that year, Reuters has reported.

Banking Jeffrey Epstein

The late financier and convicted sex offender Jeffrey Epstein and his jailed accomplice Ghislaine Maxwell used a host of global banks over the years, including before and after their legal troubles began, U.S. Department of Justice files show. This list is based on a Reuters analysis of documents in the files and is not exhaustive.



Note: The Morgan Stanley relationship was interrupted in 2017 but resumed in 2019.
Source: US DOJ emails and documents | Reuters, March 26, 2026 | Tom Sims and Lawrence White
A graphic showing banking relationships over the years.

JOURNALIST JANET

Maxwell was arrested by FBI agents forcing entry into the compound at the end of a half-mile dirt driveway with "No Trespassing" signs, on the outskirts of Bradford, a small town known for its colonial white homes and horse farms.

Maxwell used the name Janet Marshall and posed as a journalist "who wants privacy" to buy the house when she met with the realtor, according to court documents from a bail hearing.

During her arrest, FBI agents discovered a mobile phone covered in aluminum foil to avoid being traced and a security team staffed by former British military members that had been hired to guard Maxwell during her stay there, the court documents show.

A document by federal U.S. investigators probing Maxwell's money links UBS to the New Hampshire hideout. The file, dated April 12, 2022, includes a flow chart detailing the wire transfers entitled "338 Washington Rd Bradford NH," a reference to the address of her home, Tucked Away.

The document states that the information is based on U.S. Treasury financial-crime records and is marked "sensitive".

It shows UBS transferred nearly \$8 million on November 12, 2019, from an account held for Montpelier Trust, an entity set up by Maxwell as its so-called grantor. Her then-husband Scott Borgerson was one of the trustees, UBS records show. The cash went to a TD Ameritrade account, of which Borgerson was the custodian.

Days before the transfer, on November 6, 2019, UBS was still in discussions with the Federal Bureau of Investigation on documents it would send as requested by the grand jury subpoena of August. Reuters could not establish if UBS alerted the authorities to the \$8 million transfer.

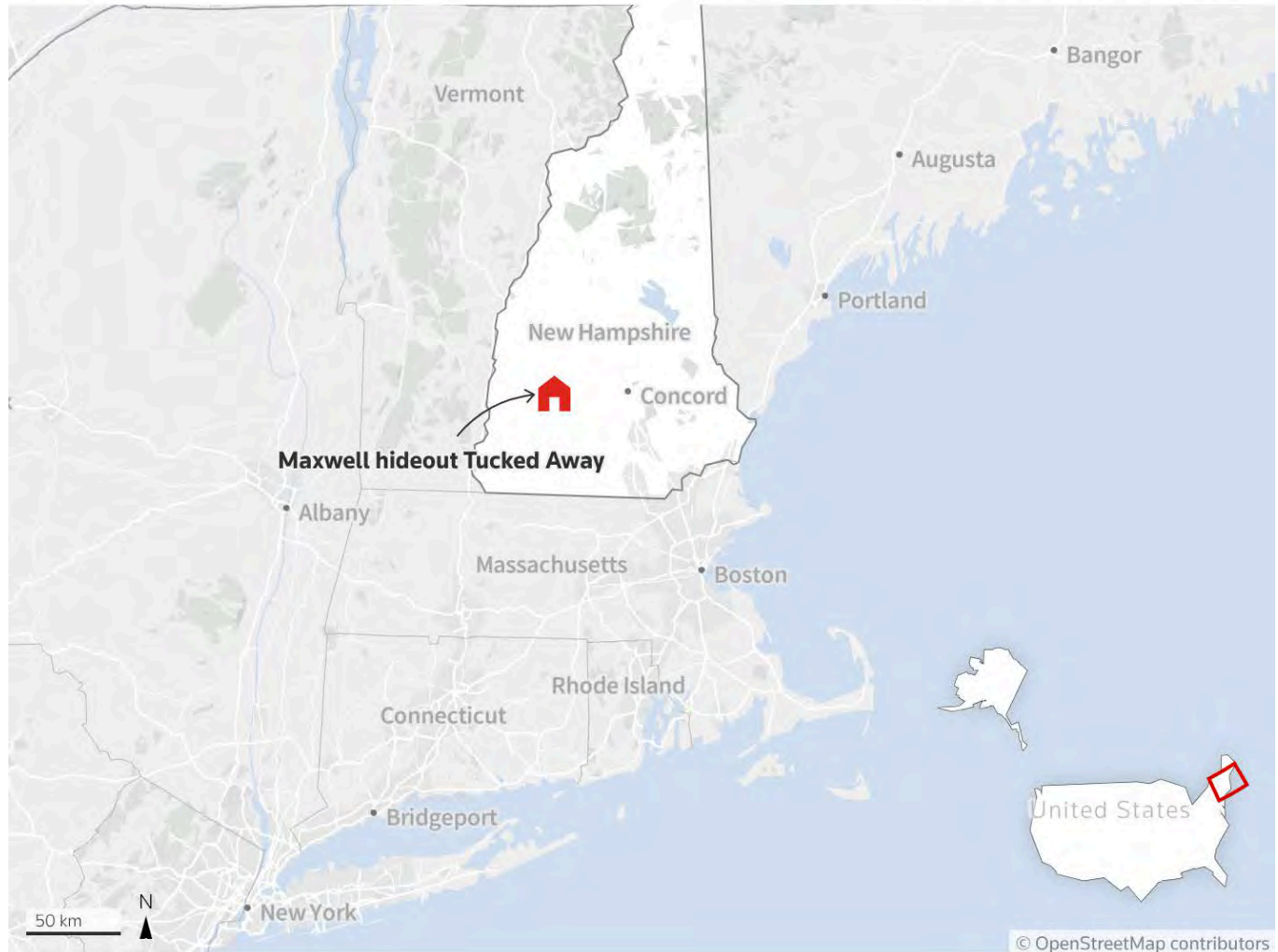
Banks operating in the U.S. are obliged to inform the U.S. Treasury of suspicious transactions related to a possible regulatory or legal violation within 30 days.

TD Ameritrade sent the money to a trust that was used to buy the house in Bradford, New Hampshire. TD Ameritrade has since been taken over by Charles Schwab, which declined to comment.

Feedback

'Tucked Away'

U.S. authorities arrested Ghislaine Maxwell at a 156-acre compound in New Hampshire in 2020.



Source: Reuters, March 26, 2026 | Tom Sims

A locator map for the New Hampshire home.

\$22.5 MILLION WEALTH

Maxwell's and Borgerson's combined wealth was estimated at around \$22.5 million as of October 2020, [according to a report](#) filed to court in the Southern District of New York later that year by accountants hired by her lawyers at Cohen & Gresser.

They found that much of her wealth could be traced to the 2015 sale of a town house on the Upper East Side of Manhattan for \$15 million.

It remains unclear how she came to own the house and what, if any, due diligence UBS carried out when more than \$14 million [went into her bank account](#) in 2016.

The accountants' report stated the proceeds went to a UBS account and from there to other UBS accounts to buy properties.

The Swiss lender held accounts with cash, shares and other investments for Maxwell, and assigned her two relationship managers during her time as a customer, documents show. At one point the bank was managing [\\$19 million](#) for her, Reuters reported in February.

Maxwell and Borgerson still held \$4.1 million at UBS at the end of October 2020, according to the accountants.

Borgerson didn't respond to a request for comment.

Suspicious Activity Reports (SARs), which banks use to alert authorities to suspect money movement, shed some light on Maxwell's dealings.

In [the email correspondence](#) between the FBI and federal law enforcement in April 2022, the agencies discuss a SAR that suggests the New Hampshire property "was purchased with proceeds from Human Trafficking." It is unclear which bank alerted regulators to the irregularity of the transaction.

After her arrest, UBS filed a SAR covering more than \$18 million worth of transfers from her accounts at the Swiss bank to Borgerson between December 2014 and July 10, 2020, according to an untitled and [undated document](#) summarizing several such filings.

The U.S. Justice and Treasury Departments declined to comment on Maxwell, her relationship with UBS, the home purchase and the banking transactions.

British bank Barclays also played an important role for Maxwell, according to the files, as the only lender she held money with outside the U.S. from 2017, [according to the report](#) on her wealth.

She had held \$2.4 million at the bank at the end of 2018, the reports show.

In the three weeks after Epstein's July 6, 2019, arrest, UBS received more than [\\$600,000](#) of deposits from her Barclays account as she rounded up money to pay for a [credit card bill](#), email exchanges show.

Barclays declined to comment on its dealings with Maxwell.

It remains unclear how much money Maxwell has left.

Tucked Away has since changed hands, according to property records and real estate agents, and is set to be [sold again](#). Four Seasons Sotheby's International Realty describes it as a privacy-lover's dream.

Additional reporting by Ariane Luthi in Zurich and Tommy Reggiori Wilkes in London; Editing by Elisa Martinuzzi and Michael Learmonth

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Tom Sims
Thomson Reuters

Covers German finance with a focus on big banks, insurance companies, regulation and financial crime, previous experience at the Wall Street Journal and New York Times in Europe and Asia.





John O'Donnell
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As one of Reuters' chief correspondents, John focuses on stories at the intersection of industry, the economy, finance and politics. From around Europe, chiefly London, Germany and Brussels, he has reported about the fallout of war, the energy crisis, China's sanctions regime, economic rescue efforts for Afghanistan, money laundering in the Baltics, corporate frauds and bank scandals. He has also covered the 2008 economic crash and aftermath, the European Central Bank, European politics and banking.



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Feedback

'No Forewarning Necessary': Divided 3rd Circuit Weighs Discipline for Attorney's Use of AI Hallucinations

The dissenting judge said that the majority doesn't need to warn attorneys to use artificial intelligence responsibly, opining that "[n]o forewarning is necessary when it is clear what standard the attorney was required to follow."

March 30, 2026 at 12:44 PM By  Riley Brennan



Credit: InfiniteFlow/Adobe Stock

In a matter of first impression, a divided U.S. Court of Appeals for the Third Circuit has reprimanded a Pennsylvania attorney whose work featured fabricated case law and various inaccuracies through artificial intelligence tools, putting litigators on notice for future instances.

On [Friday](#), the Third Circuit reprimanded attorney Daniel A. Pallen of the Law Offices of Daniel A. Pallen, in Media, Pennsylvania, for filing briefs containing AI hallucinations while representing the plaintiff in *McCarthy v. United States Drug Enforcement Administration*. In 2024, Pallen filed an opening brief that included summaries of eight DEA adjudications generated by AI and supplied to him by a nonattorney. He failed to verify the cases and summaries, seven of which were filled with factual and legal errors, and one case that didn't exist. The court emphasized that Pallen not only

failed to verify citations generated by AI but also failed to alert the court for months, even after opposing counsel identified the potential errors.

In a 2-1 ruling, the majority concluded that sanctions were warranted as Pallen violated Pennsylvania Rules of Professional Conduct Rule 1.1 and Third Circuit Disciplinary Rule 2.1(d) by failing to provide competent representation. The panel noted that because it was the court's "first opportunity to address the use of AI," and because it hadn't notified Pallen that it would consider whether his conduct violated Pa. R.P.C. 1.1, it wouldn't issue monetary sanctions. However, the majority noted that going forward, attorneys could face any of the sanctions available under the Circuit Disciplinary Rules 4.1-4.2, including suspension and disbarment.

"In considering sanctions, we also find mitigating the fact that this court has not yet addressed the failure of attorneys to use AI with appropriate guardrails. While attorney had ample reason to question the reliability of the authorities he submitted, and arguably had reason to know the pitfalls of AI, this court has not yet had the opportunity to speak on the issue and emphasize that, when using AI, litigants must still strictly adhere to all rules of professional conduct," said Judge Cindy K. Chung, who authored the opinion. Judge Peter J. Phipps was also present.

Judge Jane R. Roth concurred in part and dissented in part, opining that Pallen violated Pa. R.P.C. 3.3(a)(1), making a false statement of fact or law to a tribunal, on at least two occasions and that more severe sanctions were warranted.

"The sanctionable conduct is not merely attorney's filing of a brief with incorrect and hallucinated citations, but also his subsequent actions, inactions, and lack of candor that continued until he was eventually held accountable by this court," Roth said.

Roth said that the majority doesn't need to warn attorneys to use artificial intelligence responsibly, opining that "[n]o forewarning is necessary when it is clear what standard the attorney was required to follow."

"We need not explicitly forewarn against improper AI use when it falls within the strictures on legal argument of Pa. R.P.C. 3.3," Roth said. "Moreover, we can take notice of the numerous courts across the country that have already addressed attorneys' obligation to take ownership over their work product."

When the government flagged the issues in Pallen's brief in February 2025, Pallen still did not verify the citations and instead dismissed the errors in his reply brief as "minor discrepancies." Days later, he realized the summaries had been generated by AI, but he took no corrective action until May, when the court ordered him to produce the cited authorities. Only then did he review the cases, uncover the errors, and disclose them to the court, according to the opinion.

The majority noted that Pallen had wasted court time and resources by failing to verify the case authorities multiple times, and in doubling down on the conduct by submitting another brief where he labeled his complete lack of legal research as a "good faith effort" and his misrepresentations as "immaterial."

However, the majority also noted that Pallen's conduct was "somewhat mitigated" by his actions after disclosing the errors to the court, including displaying "sincere contrition," being forthcoming, admitting his failures "without minimizing his conduct," and taking corrective measures to prevent a similar incident from occurring again.

Pallen declined to comment.

U.S. Attorney Anita J. Gay of the Department of Justice in Washington, D.C., represented the defendant and did not immediately respond to a request for comment.

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FT PROFESSIONAL

Accountancy**You can't blame AI for mistakes, regulator tells auditors**

Financial Reporting Council issues guidance stressing need for human oversight



The regulator is also expanding its own use of AI to 'interrogate and synthesise very significant amounts of documentation' © Timon Schneider/Dreamstime

Ellesheva Kissin in London

Published AN HOUR AGO



The UK's accountancy regulator has told auditors they cannot blame AI for audit failures as it published what it called the world's first guidance on how the firms should use the new technology.

"You can't blame it on the box," Mark Babington, executive director of regulatory standards at the Financial Reporting Council, told the FT. "If you use this technology, you are still accountable for it." Accountability would remain with audit partners, not the designers of any AI, he added.

His comments came as the FRC set out guidance for how firms should deploy AI tools, warning that "these technologies pose risks to audit quality".

The risks include “misuse” of AI’s outputs, as well as “deficient” outputs such as hallucinations or distortions of data that could lead to an “inappropriate conclusion in the audit”.

The Big Four audit firms have collectively spent billions on a bet that AI will revolutionise the audit process, speeding up work and cutting costs. They have already used the promise of efficiency to sell: KPMG’s US business [boasted](#) of winning an audit tender from a rival earlier this year after showcasing its AI platform.

In February, KPMG pressed its own auditor, Grant Thornton, for [lower fees by arguing that AI](#) will make it cheaper to do the work.



KPMG has pressed its own auditor, Grant Thornton, for lower fees © Chrispictures/Alamy

While concerns persist about AI replacing auditors, Babington said there was too much “hand-wringing and panic” over job losses, adding that audits remained “still reliant on really good, professionally sceptical judgement”.

PwC and KPMG have both set plans in motion to [cut hundreds of audit jobs](#), blaming fewer mid-level staff leaving for roles elsewhere amid a cooling labour market.

Babington said it was “really important” for firms to invest in AI: “If audit can’t keep up with [AI adoption elsewhere in the corporate world], we’re in quite a low place.”

The FRC said firms are currently using AI for tools ranging from automated checks of financial statements to chatbots assisting audit teams and AI agents carrying out elements of audit procedures.

But the regulator stressed that firms must maintain human oversight and professional judgment, and invest in staff education and safe system design.

“You’ve got to think about how you are going to identify threats,” said Babington. “At what point might [an AI agent’s] behaviour change in a way that you would no longer consider it appropriate to use without further human intervention?”

The regulator is also expanding its own use of AI, including to triage corporate reporting evidence and to “interrogate and synthesise very significant amounts of documentation”.

The FRC’s planning budget for the next two years included a below-inflation rise, constraining how much expertise it can hire in, Babington said, increasing the push to use AI.

There are concerns that AI investment could widen gaps in audit quality and capability. Deloitte, EY, KPMG and PwC hoovered up [90 per cent of audit fees](#) paid by the FTSE 350 in 2024.

“There are massive differences about the level of resource that firms are able to invest,” said Babington.

But he said he was speaking to regulators in the US about how private equity investments in smaller firms could help level the playing field, which he said the smaller firms were actively seeking out. “[Private equity] is going to help,” he said.

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Edison extends \$380M in Eaton fire settlement offers

DJ [dailyjournal.com/articles/390445-edison-extends-380m-in-eaton-fire-settlement-offers](https://www.dailyjournal.com/articles/390445-edison-extends-380m-in-eaton-fire-settlement-offers)

Southern California Edison announced Friday that its voluntary Wildfire Recovery Compensation Program has now extended more than 1,000 settlement offers, totaling nearly \$380 million -- to those affected by the January 2025 Eaton Fire.

The offers cover more than 2,800 claimants since the program's inception. SCE said in a news release Friday.

Over 400 claimants have already been paid a total exceeding \$52 million, the announcement said.

"The Eaton Fire had a profound and lasting impact on the community. Each day we're seeing signs of meaningful progress," Pedro J. Pizarro, president and CEO of Edison International, SCE's parent company, said in the news release. "This program reflects our commitment to provide quick, compassionate support and help community members take the next steps forward. Surpassing 1,000 offers is an important milestone in our efforts to support recovery."

According to the utility, 2,827 claims have been submitted, representing approximately 8,400 individuals, trusts and legal entities.

The Eaton Fire, which ignited on Jan. 7, 2025, burned over 14,000 acres and damaged over 9,400 structures. The disaster also caused 19 deaths, 18 of which occurred in West Altadena, where residents said they received delayed evacuation warnings.

While Edison touts the settlement program as a "quick, compassionate" alternative to the "lengthy, expensive and uncertain" nature of traditional litigation, some plaintiffs' attorneys have remained skeptical. Lawyers representing thousands of victims criticized the program in December as a "discount" settlement tactic intended to buy off claims before they reach a jury. Critics also point out that the program requires victims to forgo potential punitive damages available at trial.

To address some concerns, Edison in February doubled its legal fee reimbursements to 20% to help claimants cover representation costs.

The litigation side of the disaster remains active, with a jury trial scheduled for Jan. 25, 2027. In recent months, Edison has aggressively sought to shift liability through cross-complaints against public agencies, alleging that emergency responders failed to issue timely alerts and that water providers suffered pressure losses that hampered firefighting. *Gursey v Southern California Edison et al.*, 25STCV00731 (L.A. Super. Ct. filed Jan. 13, 2025).

The utility also recently secured a significant legal victory when Los Angeles County Superior Court Judge Laura A. Seigle blocked attempts to depose top executives, including Pizarro, ruling that plaintiffs failed to show these "apex" officials possessed unique, firsthand knowledge of the fire's cause.

The settlement program remains open for new claims through Nov. 30, 2026, according to Friday's announcement.

#390445

Skyler Romero

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California Brief

Live Nation Trial Shines Light on US Concert Market (Correct)

March 30, 2026, 6:39 AM PDT

Live Nation Entertainment Inc. has faced an intense spotlight over the past few weeks as dozens of state attorneys general sought to persuade a New York jury that the company used its various businesses to illegally monopolize the market for live events.

Now the company, which is the largest US concert promoter and ticket seller and has hundreds of its own venues, has begun to fight back in court with defense witnesses as it seeks to rebut antitrust claims that could force a breakup of Live Nation and its Ticketmaster unit.

The states claim Live Nation monopolizes the live music market by leveraging the influence of Ticketmaster, its concert promotion business and the 61 amphitheaters it owns. The company allegedly forces customers to use its services by threatening anyone who tries to switch or blocking out rivals. Live Nation disputes those claims and has already settled the lawsuit with the US Justice Department.

Here's a summary of key testimony so far:

Withholding Concerts Over Ticketing

According to the states, Live Nation has used its concert promotion business — which helps artists select the locations for concert tours — to sway venue owners to use Ticketmaster instead of other ticketing providers.

The most prominent example involved New York's Barclays Center, home to the Brooklyn Nets basketball team. **John Abbamondi**, the former chief executive officer of the center's owner, BSE Global, testified that Live Nation CEO **Michael Rapino** threatened to withhold concerts after the venue decided to switch to Ticketmaster rival SeatGeek Inc.

In a phone call played for the jury, Rapino said Live Nation was going to have "a tough time" offering concerts to the Barclays Center despite an agreement where it endeavored to give the venue at least 25 concerts each year. After the switch, Abbamondi said some scheduled concerts were moved elsewhere, including one by pop star Billie Eilish.

Rapino, who also testified, denied threatening Abbamondi, and accused the BSE CEO of engaging in an “entrapment strategy” by bringing up concert promotion during their discussion about ticketing. Rapino and other company executives said Live Nation sent fewer concerts to Barclays because of the opening of the nearby UBS Arena, not because of the ticketing switch.

The states allege that wasn’t the only time Live Nation threatened Barclays, showing emails from 2011, when the first ticketing deal was negotiated before the arena opened in 2012.

Live Nation needs to find a way to subtly “remind them on the content side they need us a lot more than we need them,” one Ticketmaster executive wrote. Michael Evans, a Live Nation executive, responded that the touring team could convey to Barclays that it “has other options in the market with Madonna.”

In another case in 2017, the H-E-B Center, where the Dallas Stars hockey team plays, was negotiating with Ticketmaster about whether to extend a ticketing deal or switch to SeatGeek.

Where are they “getting impression that LN will continue to bring content if TM isn’t in venue?” a Ticketmaster executive wrote about the HEB negotiations.

Evans, whose job at Live Nation involves helping arenas book concerts and other outside events, wrote back asking whether he should alert Live Nation’s main concert promoter in Texas “that we no longer need his focus on this venue.”

Evans testified that he never told venues they wouldn’t get shows unless they used Ticketmaster. “I’m not aware of anybody that would” do that, he said.

Paying to Undercut Rivals

In 2022, Live Nation entered into a 10-year deal with venue management firm Oak View Group LLC, which the states allege played a central role in Live Nation’s anticompetitive conduct. Oak View is led by high-profile music manager and former Ticketmaster CEO **Irving Azoff** and **Tim Leiweke**, former head of AEG, Live Nation’s chief rival.

The 2022 deal required Oak View to use Ticketmaster for the seven arenas it owns and advocate for Live Nation’s ticketing platform with 200 third-party venues it services. Oak View received \$20 million when it signed the agreement, with additional annual incentive payments depending on how many Ticketmaster-serviced tickets are sold at its venues, according to evidence shown at the trial.

Chris Granger, chief executive officer at OVG, testified that the company has received an additional \$20 million from Live Nation so far.

However, he acknowledged that Oak View didn’t disclose to its venue clients that it had a contract that required it to support Ticketmaster. “We should have” informed them, Granger said. “We have subsequently told everybody.”

Granger said Oak View only made suggestions, and the venues ultimately chose their ticketer.

In one case, Oak View determined that Ticketmaster was offering a worse deal for six arenas, according to court documents. But Oak View still advocated for Ticketmaster because it believed the company's database and backend technology were better and would result in more concerts being booked and more tickets being sold, Granger said.

Christian Lewis, an executive at ticketer Paciolan, testified that after Oak View took over operation of some venues, the ticketing contracts nearly always switched from Paciolan to Ticketmaster. Paciolan, a unit of Learfield that tickets mainly college athletic events, often wasn't even given an opportunity to compete, he said.

Granger disputed that, saying Paciolan was permitted to bid on renewing ticketing contracts. But he didn't know whether other ticketers, like AEG's AXS, were allowed to submit proposals. At least one venue posted its request for proposals on its website, he said, so competitors like AEG should have been tracking that if they wanted to win the business.

Not all of the venues switched to Ticketmaster, Granger said. The PeoplesBank Arena in Hartford, Connecticut, switched from Paciolan to Ticketmaster, but later reopened its request for proposals. AEG's AXS ultimately won that business, he said.

Blocking Out Promoters

The states alleged that Live Nation – which owns or operates 42 of the top 50 outdoor amphitheaters – has used its control over those venues to block out rival promoters.

Live Nation doesn't allow other promoters to use amphitheaters it owns. As Colin Lewis, vice president for the Live Nation touring division, put it: "You can only play our amps with us."

Robert Roux, Live Nation's head of US concerts, acknowledged the company declined for a time to send shows to Red Mountain, a promoter that owned some venues in Mississippi and Alabama. Live Nation later acquired Red Mountain.

"Either we are together or we are competitors," Roux wrote of Red Mountain. "Velvet Hammer."

Roux testified that was in line with Live Nation's policy.

"They actually wanted us to take artists that we had exclusive rights to and book into their venues," Roux said. "I don't send shows to AEG. I don't send shows to Red Mountain. You just don't do that in our business."

In another 2018 email, Roux urged promoters to "'use the leverage' of your Amphitheater Offer" to encourage artists to use Live Nation's services for their arena concerts.

"There is no leverage," Roux testified, saying he only meant to encourage his subordinates to make offers for arena tours at the same time as they did for amphitheaters.

Amphitheater exclusivity also gives Live Nation the power to influence how much it pays to artists, the states allege.

In one instance, Lewis told colleagues not to pay **Snoop Dogg** and **Wiz Khalifa** more for their appearances at Live Nation's amphitheaters during a 2022 tour.

"There's no reason to pay them more because they don't have options to play other amps," Lewis wrote in the email.

In his testimony, Lewis acknowledged that his comments "came across the wrong way."

"I was trying to say these are the venues they want to play, these are the amphitheaters they want to play, they don't have other options," Lewis said. "Both artists had played our amphitheaters many times so we were very aware of what their business is, and the offer we made was an aggressive offer for them together."

The company has disputed that it has lowered artist pay.

"The company puts the artist at the center of everything we do," testified Omar Al-joulani, president of touring for Live Nation. "I make recommendations and the artists make the decision. We've never forced an artist to play anywhere they don't want to play."

Higher Prices for Concert Goers

Ticketmaster's fees depend on the face value of the ticket, according to Ben Baker, who heads ticketing at Live Nation's venues. He testified the company includes some fees "on the inside" of the face value of a ticket instead of listing them separately.

Starting in 2018, Ticketmaster began separately disclosing some of its fees to consumers. But the company still charges some "inside" fees including a 5% to promoters for using its dynamic pricing tools, and facility fees of between \$5 and \$11 at Live Nation amphitheaters, according to court testimony.

As of September 2023, Ticketmaster's standard rate card called for charging \$3.25 on tickets of up to \$5.99. From there, the fees increase based on ticket prices with the highest – above \$116 – garnering a 20% fee. Ticketmaster caps its fees at \$70 a ticket.

Rosa Abrantes-Metz, a damages expert testifying for the states, found that fans paid on average between \$1.56 and \$1.72 more per ticket when buying from Ticketmaster between 2017 to 2024.

Ticketmaster charged \$2.30 more per ticket than its closest competitor, AXS, mostly because of retained fees such as credit card processing costs, venue facility fees and so-called convenience, service or processing fees, said Abrantes-Metz, an economist at Berkeley Research Group.

The average ticket price paid by fans during that time is \$120, she said, based on her analysis of 237 million tickets. Of that, about \$93 goes directly to the artists and promoters, while venues keep about \$12 and Ticketmaster keeps about \$7, she said. Credit card processing fees are also added to the price of the ticket, she said.

Abrantes-Metz testified that her estimate of the overcharges is likely “conservative,” based on her use of AXS as a benchmark, and that the actual difference is likely to be higher in reality.

The states also alleged that Live Nation has raised prices on some venues by seeking rebates on shows the company promotes. Pat Nagle, an employee for the village of Rosemont, Illinois, who books events at the Allstate Arena outside Chicago and the Rosemont Theater, testified that Live Nation raised the rebates the venues must pay to between \$10 and \$14 per ticket in January 2023. “There was no negotiation really,” Nagle said. “They just said they needed more revenue.”

Live Nation’s Rapino said that Ticketmaster’s fees are in line with those charged by others that offer primary tickets.

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

(Corrects spelling of Snoop Dogg’s name in 33rd paragraph.)

--With assistance from **Ashley Carman** and **Josh Sisco**.

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NewsRoom

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2026 WLNR 9204802

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March 30, 2026

Section: News

FirstEnergy trial will carry into week 9 as jury debates

Patrick Williams

March 30, 2026

After seven days of deliberations, the jury in the bribery trial of two former FirstEnergy executives was entering another weekend with no verdict.

The 12-member jury, consisting of seven women and five men, began deliberations March 18. They have deliberated every business day since then except for March 24 and have not been asked to gather at the courthouse on weekends.

Defendants Chuck Jones, former FirstEnergy CEO, and Michael Dowling, an ex-senior vice president at the utility, are accused of paying a roughly \$4.3 million bribe to a friend and energy lawyer who was interested in becoming Ohio's top utility regulator.

Court accidentally sends back documents to jury

The defendants, as well as their attorneys and prosecutors, returned to the courtroom March 27.

After a discussion with lawyers in her chambers, Judge Susan Baker Ross brought the jury back to the courtroom mid-deliberations to determine which of them saw documents that she said the court had accidentally sent back to the jury deliberation room. The judge also said the jurors who saw the documents should not share them with other jurors or consider them in the deliberations process.

Baker Ross held up two documents, labeled court exhibit one and court exhibit two, asking if the jurors saw them when they landed in the deliberation room.

One of the documents was part of a dated indictment showing money laundering charges that have since been thrown out.

The other contained the cover page of a transcript of an interview that Ohio Assistant Attorney General Matthew Meyer conducted with state witness James F. O'Neil III months before the trial, in October 2025.

O'Neil, a member of FirstEnergy's board of directors, testified in March.

Neither the prosecution nor defense had additional information to put on the record in open court after the March 27 hearing.

However, Cleveland State University law professor Jonathan Witmer-Rich said the issue could arise later.

"I would say it's definitely something that can be raised on a motion for a new trial or an appeal," Witmer-Rich said. "But there's a pretty significant likelihood in a trial of this length, with a very large amount of evidence, that the court of appeals would decide that this was a harmless error. But of course, that depends on the particular details involved."

**What are some of the things
the jury is considering?**

Carole Rendon, an attorney for Jones, argued in her closing statements that because Jones and Dowling pushed for the company to pay Sam Randazzo before he applied to become chair of the Public Utilities Commission of Ohio, the jury cannot convict Jones of bribing Randazzo. Rendon said that's because on Dec. 19, 2018, when Jones texted Randazzo that FirstEnergy would pay him "in full, no discount," Randazzo was not officially a candidate for chair.

Last week, the jury asked the judge about what constitutes "before" in the jury instructions, which said a bribe can be paid "before or after the public servant was elected, appointed, qualified, employed, summoned, or sworn."

The court wrote in reply, "All of the elements and definitions have been provided to you on this question and it is for you to decide as a factual matter."

In addition to pointing to the timeline of the \$4.3 million payment, defense attorneys argued that Randazzo stole the money from FirstEnergy. The defendants sought to make a lump sum payment to terminate a settlement agreement with the Industrial Energy Users of Ohio group that Randazzo

represented as an attorney, said Rendon and Steve Grimes, an attorney for Dowling, in closings last week.

Jurors have sent at least four questions to the court, two of which have not been shared with the media and broader public.

In one of the questions, the jury asked whether a state witness, a lawyer who served as FirstEnergy's chief ethics officer, testified that she took the settlement agreement "to Chucks office for a meeting on 12/18/18." Judge Susan Baker Ross answered that the witness did not state that in her testimony.

In orders posted to the case docket, the judge explained her reasoning for not sharing two other questions with the media, stating that they go "to the internal workings of an ongoing deliberation and perhaps to the heart of the matters being discussed in the jury room."

One of the questions withheld from the public prompted the judge to reread a page of instructions to the jury on March 26 – when the defendants and various prosecutors and defense attorneys returned to the courtroom.

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

---- Index References ----

Company: FIRSTENERGY CORP; CLEVELAND STATE UNIVERSITY

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Judicial Cases & Rulings (1JU36); Legal (1LE33); Social Issues (1SO05))

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March 30, 2026

Judge tells divided jury to push toward verdict in FirstEnergy case
Jurors in the bribery trial of ex-FirstEnergy executives have not been able to agree on any charges by midafternoon on day eight of deliberations.

Patrick Williams, Akron Beacon Journal

Jurors in the bribery trial of two former FirstEnergy executives have been told they must continue to deliberate after they told the judge they've reached an impasse.

Judge Susan Baker Ross confirmed with the 12 jurors around 2 p.m. March 30 – their eighth day of deliberations – that they have not been able to agree on any of the 11 total charges against the two defendants.

Baker Ross read the 12 jury members a "Howard charge," instructing them to agree on a verdict. She also read an interrogatory – or more detailed explanation – of the bribery charge against co-defendant Michael Dowling.

Defendants Chuck Jones, former FirstEnergy CEO, and Dowling, ex-FirstEnergy senior vice president of external affairs, are accused of paying a more than \$4.3 million bribe to energy lawyer Sam Randazzo before he became chair of the Public Utilities Commission of Ohio.

Jones faces one count each of engaging in a pattern of corrupt activity, bribery, telecommunications fraud and conspiracy.

Dowling faces one count of engaging in a pattern of corrupt activity, one count of bribery, two counts of telecommunications fraud, two counts of tampering with records and one count of conspiracy.

Defense attorneys said Randazzo stole the roughly \$4.3 million from FirstEnergy and that the defendants coordinated the payment to terminate a settlement agreement with a trade group. As an attorney, Randazzo represented the Industrial Energy Users of Ohio, and FirstEnergy paid the group in exchange for the group's non-opposition to the utility's Electric Security Plan 4 that was before the PUCO at the time.

This is a developing story.

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

This article originally appeared on Akron Beacon Journal: Judge tells divided jury to push toward verdict in FirstEnergy case

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Financial Fraud (1FI18); Fraud (1FR30); Social Issues (1SO05))

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

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Word Count: 317

Securities

FTE Ex-CEO to Pay \$6 Million SEC Recovery Through Restitution

March 27, 2026, 10:10 AM PDT

The former chairman and chief executive of FTE Networks Inc. must pay \$6.3 million in an SEC fraud enforcement action, which would be satisfied by paying \$13.5 million already ordered as restitution in a parallel criminal case.

Michael Palleschi is liable for \$4.3 million in disgorgement and nearly \$2 million of prejudgment interest for his role in a scheme that involved improper accounting for expenses related to convertible notes the company issued to private lenders, Judge Sheri Polster Chappell said in the order approving a consent judgment Thursday.

The former executive also falsely recognized over \$13 million in fraudulent revenue in FTE's disclosures, while embezzling funds and using the company jet for personal trips, according to the SEC's 2021 complaint.

Palleschi was sentenced to 12 years in prison and three years of supervised release after pleading guilty to conspiring to commit securities and wire fraud in the Justice Department's separate criminal case, as well a monetary forfeiture of \$547,000 in addition to the restitution total.

The SEC will receive no civil penalty from Palleschi, according to the order in the US District Court for the Middle District of Florida.

Under the leadership of Chairman Paul Atkins, the regulator has signaled its focus on deterring individual fraudsters, while deemphasizing the amount it extracts through settlements or penalties in enforcement actions.

An SEC spokesperson declined to comment.

James W. Chandler, who is based in Naples, Fla., represented Palleschi and didn't immediately respond to a request for comment.

The case is SEC v. Palleschi , M.D. Fla., No. 2:21-cv-00530, 3/26/26 .

NewsRoom

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March 30, 2026

Jury in FirstEnergy bribery trial at 'impasse' on verdict, judge says

Adam Ferrise; cleveland.com

AKRON, Ohio — Jurors deliberating in the FirstEnergy bribery trial told a judge on Monday that they can't agree on a unanimous verdict.

Summit County Common Pleas Judge Susan Baker Ross urged the jury to continue deliberating and reconsider their individual positions.

The jury informed the judge on its "impasse" on the eighth day of deliberations in the trial of former FirstEnergy CEO Chuck Jones and ex-top lobbyist Michael Dowling, who are accused of bribing a state utility regulator with \$4.3 million in exchange for official actions worth more than \$1 billion to the Akron-based electricity utility.

Baker Ross read the jury simpler instructions aimed at helping the jury break down each charge.

"That would be helpful," the jury foreperson told Baker Ross.

The instructions, called interrogatories, are typically used in civil cases.

The judge also read what's known as an Allen Charge or Howard Charge, essentially the judge urging jurors to re-consider their opinions and the opinions of their fellow jurors.

If the jury remains deadlocked, the case will end in a mistrial. In that event, prosecutors could choose to retry the case or dismiss the charges.

The jury so far has asked at least nine questions, including three that Baker Ross withheld from the public. She re-read parts of her instructions on Thursday about how each juror must decide for themselves what evidence and testimony was important.

Testimony in the case lasted six weeks and included 30 witnesses and some 600 exhibits. Jones and Dowling face charges of bribery, engaging in a pattern of corrupt activity, conspiracy and telecommunications fraud. Dowling is additionally charged with three counts of tampering with records.

Prosecutors argued that Jones and Dowling bribed Sam Randazzo in 2018, months before he was appointed chairman of the Public Utilities Commission of Ohio. The commission controls how much revenue a utility like FirstEnergy can make.

After the bribe, Randazzo made key decisions at FirstEnergy's behest, prosecutors said.

Randazzo in 2019 helped draft House Bill 6, the legislation at the center of one of Ohio's largest corruption scandals. The bill gave a \$1.3 billion bailout to two aging nuclear power plants owned by a FirstEnergy subsidiary. Randazzo also pushed for a provision in the bill that allowed FirstEnergy to make inflated profits and killed a PUCO review of the company's finances, prosecutors said.

HB 6 has been largely rolled back after several investigations, including one that led to then-Ohio House speaker Larry Householder's bribery conviction and 20-year prison sentence.

Randazzo was initially charged in the case but took his own life in April 2024.

Defense attorneys argued that the payment wasn't a bribe, but a payment for a legal settlement that the company owed to Randazzo's clients when he was a private attorney.

Randazzo in 2015 negotiated the initial multi-million-dollar settlement on behalf of IEU-Ohio, a trade group of industrial businesses that use large amounts of energy. As part of the settlement, IEU-Ohio agreed not to oppose a FirstEnergy surcharge, defense attorneys said. A settlement extension later that year, also negotiated by Randazzo, called for \$4.3 million to be paid between 2018 and 2024, according to defense attorneys.

When FirstEnergy had a particularly good year in 2018, officials sought ways to get future payments, such as the \$4.3 million settlement, off the company's books ahead of schedule and Jones signed off on the payment, defense attorneys said.

---- **Index References** ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

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

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NewsRoom

Securities

Deep Dive

SEC Shakeup Renews Dispute Over Wall Street, Crypto Enforcement

March 30, 2026, 2:00 AM PDT

The abrupt departure of the SEC's enforcement chief is stirring speculation about who will serve as its next top cop, adding to scrutiny over plunging enforcement numbers and cases dropped against crypto defendants tied to President Donald Trump.

The Securities and Exchange Commission is confronting the latest gap in its ranks after Margaret Ryan stepped down as enforcement director March 16, less than seven months into the job. Her short tenure overlapped with an exodus of employees out of the enforcement division—an 18% cut through voluntary buyouts and other departures in fiscal 2025, according to a new report from the Government Accountability Office.

She's also exiting as SEC Chairman Paul Atkins finds himself under fire from Sen. Elizabeth Warren (Mass.), Rep. Maxine Waters (Calif.), and other Democratic lawmakers who say the agency dropped its case against billionaire Justin Sun after he bought Trump family cryptocurrencies, while abandoning other Biden-era actions.

"You can say as a matter of policy, 'we don't want to prioritize these cases or advance certain legal theories,' but these were cases that the commission filed in good faith," said Marc Fagel, a lecturer at Stanford Law School who served as regional director and head of enforcement for the SEC's San Francisco office. "Enforcement is not supposed to be partisan."

Atkins says the enforcement division is on a "course correction" after the Biden administration, telling the crowd at the SEC Speaks conference in Washington this month that his staff will no longer prioritize "volume over real investor protection."

Instead, Atkins touts the agency's work on insider trading, affinity fraud, and Ponzi schemes, focusing on defendants who "lie, cheat, and steal."

Narrower Focus

Atkins and acting enforcement chief Sam Waldon have also brushed aside reports from Cornerstone Research and others indicating new SEC actions against public companies and financial recoveries from fraudsters under Trump-appointed leadership are at their lowest levels in at least a decade.

"I've never thought that those are particularly good ways of evaluating the effectiveness of an enforcement program," Waldon said at SEC Speaks. "I know that Chairman Atkins does not."

But the narrower enforcement focus—along with an SEC policy requiring commissioners to sign off on any subpoena orders—could limit the talent pool for a new enforcement director.

"This is a commission that's clearly not going to be doing anything terribly creative or interesting in enforcement, and if you're an accomplished securities lawyer, do you want to give up your career to lead a division that's going to be bringing Ponzi scheme cases?" Fagel said.

An SEC spokesperson in a statement acknowledged that debate is common within the agency's ranks, but stressed that votes on enforcement matters are made by commissioners based on facts, law, and policy, rather than politics.

"The SEC is equipped with the staff and resources necessary to fulfill the agency's important mission," the SEC spokesperson said, and staff departures are opportunities for new talent to join the agency, with Atkins working to address hiring needs in a timely manner.

'Not Going to Happen'

Some securities lawyers and former SEC staff defended Atkins' narrower approach to enforcement and downplayed concerns about turnover.

Peter Chan, a former SEC assistant regional director in Chicago who's now a partner at Baker McKenzie, said he sees the division maintaining flexibility to pursue a wide array of cases.

"Even though lying, cheating, and stealing is the priority, they're not going to ignore non-fraud violations if people have had opportunities to clean things up and they fail to do so," Chan said.

"It actually takes more resources to investigate intentional fraud, because you're talking about the type of people who take active steps to conceal the fraud and misconduct," he added.

Waldon also alluded to the agency's focus on fiduciary breaches, evidenced by a spate of six adviser enforcement actions filed concurrently in late 2025.

"My caution is that you see some headlines saying, 'if it's not intentional fraud, don't worry about it,' but that is the furthest from the truth, based on what we are hearing and consistent with some of the cases," Chan said.

Others questioned whether private plaintiffs or states are equipped to pick up any slack left by a scaled-back SEC enforcement unit, especially after its pullback on crypto-related actions.

"If you're talking about a case that's novel or without a lot of precedent, there's risks to the plaintiffs' bar, which is working on a contingency fee," Fagel said. "So I think they'll pick up some of the slack, and I think state attorneys general will take up some of this, but I think a lot is just not going to happen."

Building 'Confidence'

Ryan, a former marine and senior judge in the US Court of Appeals for the Armed Forces, was widely seen as an unusual pick for the SEC enforcement post, as her predecessors typically hailed from white-shoe law firms or had experience bringing securities cases.

"There's never been an enforcement director who had so little connection to SEC enforcement or government prosecutions," Fagel said. "It's hard to imagine they do that again."

Chan, the SEC Chicago alum, echoed the call for a securities veteran to helm the enforcement unit.

"Finding someone who is very knowledgeable about the SEC's enforcement program and the history of it is important, not just to build confidence in the markets, but really to build confidence with the staff," he said.

But Ryan's appointment last year was of a piece with the SEC's broader enforcement posture under Atkins, signaling a break from orthodoxy that many regulated business have welcomed, according to Jonathan Shapiro, a partner at Goodwin Procter who specializes in securities fraud enforcement.

"This is an administration that's been defined by out of the box choices," he said. "If you can get comfortable with the notion that we need to change the revolving door of insiders who have been running enforcement for decades, another outsider could be excellent."

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SEC Staff Cuts Risk Undermining Agency Mission, GAO Report Finds

All “mission-critical” SEC divisions lost at least 12% of its employees last fiscal year, the U.S. Government Accountability Office reported March 27.

March 30, 2026 at 12:38 PM By  **Dan Novak**



U.S. Securities and Exchange Commission building in Washington. Photo: Diego M. Radzinski/ALM

The U.S. Securities and Exchange Commission saw a potentially damaging 18% drop in enforcement staff during fiscal year 2025—which matched an SEC-wide 18% decline in personnel, a federal auditing agency reported March 27.

“The workforce changes SEC made in 2025 were significant and could pose risks to the agency’s ability to fulfill its mission,” the Government Accountability Office stated.

The GAO found all “mission-critical” SEC divisions lost at least 12% of its employees last fiscal year, the report found. The two largest SEC divisions—Enforcement and Examinations—fell by 18% and 14%, respectively, the report found.

In addition, the agency's Investment Management division—which oversees investment advisers and investment companies—lost 24% of its employees in fiscal year 2025, the largest reduction across all SEC offices, the GAO stated.

The SEC's staff reductions came amid the agency's increased employee incentives for voluntary departures following President Donald Trump's early 2025 executive orders aimed at reducing staff across the federal government, the GAO reported.

The SEC told the GAO that no staff member was removed involuntarily and that the agency's efforts to address the effects of staff reductions are ongoing. The SEC added it is forming a strategic hiring committee.

In a statement Monday, the SEC said the agency has the staff and resources necessary to fulfill its mission.

“The voluntary staff departures have created opportunities for new talent to join the dedicated public servants that work daily to protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets,” the agency stated. “[SEC] Chairman [Paul] Atkins is working closely with leadership across the agency to ensure any hiring needs are addressed in a timely manner.”

The release of the GAO report followed Atkins' comments to a Senate panel last month that the agency has “gaps” across different SEC divisions but that “I think we have a very good group of people in enforcement.”

The law firm Paul, Weiss, Rifkind, Wharton & Garrison recently reported that the decrease in SEC's enforcement staff in fiscal year 2025, which ended Sept. 30, was coupled with a steep drop-off in enforcement actions. The SEC's 313 enforcement actions in fiscal year 2025 were the fewest in a decade and down 27% from fiscal year 2024, according to the firm.

Cornerstone Research reported that the commission collected just \$808 million in penalties in 2025, the lowest of any fiscal year since 2012 and the second lowest since 2010. The regulatory consulting group also found that accounting and auditing enforcement actions in fiscal year 2025 [fell](#) to a nine-year low.

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Nutrition Co. Execs Hid Stockpiling, Competition, Suit Says

By **Katryna Perera**

Law360 (March 27, 2026, 7:46 PM EDT) -- The top brass of protein-shake maker BellRing Brands Inc. face a shareholder derivative suit in Delaware federal court, alleging they misled investors about the sales growth of "convenient nutrition" products like energy bars and protein powders, causing the company's stock price to fall when the truth was revealed.

Plaintiff Joshua Green filed a **complaint** Thursday against BellRing President and CEO Darcy Horn Davenport and several company directors, claiming they made misleading statements about the company's sales growth and failed to disclose it was largely due to inventory stockpiling.

According to the complaint, BellRing is a former subsidiary of Post Holdings Inc., the consumer-packaged goods company known for brands like Bob Evans, Honey Bunches of Oats and Weetabix. BellRing spun off from Post in 2022, and its main brand is Premier Protein, a ready-to-drink protein shake sold in major stores, including Walmart and Costco, the complaint states.

The "convenient nutrition" market has grown significantly in the past few years, according to the complaint, and BellRing's net sales and manufacturing capacity have grown with it. According to the complaint, the company reported net sales of \$1.6 billion in 2023, \$1.9 billion in 2024 and \$2.3 billion in 2025.

However, Green claims that from October 2024 to August 2025, Davenport and the other defendants misrepresented that BellRing's sales growth was due to increased end-consumer demand and downplayed any competition for the company's products, claiming BellRing had a "competitive moat" due to the "highly complex" nature of the ready-to-drink product category and the difficulty in formulating them.

According to Green, in reality, BellRing's sales growth was not due to increased customer demand but due to stores stockpiling inventory "as a safeguard against product shortages that had previously plagued the company." And with the company's increased manufacturing capacity, stores soon reduced inventory and new orders, "revealing that competitive pressures were materially weakening demand," the suit says.

The complaint says the truth came to light Aug. 4, 2025, when BellRing reported its financial results for the third quarter of fiscal 2025 and narrowed its outlook for net sales. Green says the market viewed this move as a "negative signal" about BellRing's sales momentum, and shortly afterward, it was further revealed that competition was to blame for the narrow sales outlook.

On this news, Green says the price of BellRing stock fell \$17.46 per share, or nearly 33%, from \$53.64 on Aug. 4, 2025, to \$36.18 on Aug. 5, 2025.

The suit seeks damages, restitution, disgorgement, improvements to the company's corporate governance, attorney fees and a jury trial.

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

Green is represented by Brian D. Long of Long Law LLC, Brian Murray of Murray Law PLLC and Shane T. Rowley and Danielle Rowland Lindahl of Rowley Law PLLC.

Counsel information for the defendants was not immediately available.

The case is Green v. Davenport et al., case number 1:26-cv-00341, in the U.S. District Court for the District of Delaware.

--Editing by Kristen Becker.

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Vital Farms' New Software Cracked Its Revenue, Suit Says

By **Sydney Price**

Law360 (March 27, 2026, 7:48 PM EDT) -- Pasture-raised eggs producer Vital Farms was hit with a proposed shareholder class action Friday in Texas federal court alleging the company misled investors about a software system rollout that disrupted shipments to retailers and triggered a stock drop when its impact was revealed.

In his **complaint**, Don Wilkerson said Vital Farms Inc. launched a new enterprise resource planning, or ERP, system in September that it noted was "fundamental" to operational improvements. Even though Vital Farms warned investors in its risk disclosures that the new system could cause shipment and production delays, it did not reveal these risks were actually impacting revenues until several months after the system had launched, according to the lawsuit.

As "a result of the delay in shipments and/or production, Vital Farms would lose important retail shelf space, which would negatively impact Vital Farms' business and operations," the investor said.

The proposed class period begins May 8, 2025, the day Vital Farms announced its first-quarter 2025 financial results. On that day, Vital Farms informed shareholders it had pushed back the launch of the ERP system from summer to early fall "to ensure flawless switchover," according to the complaint.

A few months later, on Aug. 7, 2025, the company told investors its planned launch was still "on track," and that it would raise full-year revenue guidance from \$740 million to \$770 million to reflect a "strong performance" in the second quarter, the complaint said. The suit alleges the raised guidance was intended to "hype up" the rollout of the ERP system.

On its third-quarter earnings call Nov. 4, 2025, Vital Farms informed investors that the ERP system, which went live Sept. 29, slowed down production for the first two weeks of the fourth quarter. The company told investors that the slowdown would not negatively impact revenue and raised guidance from \$770 million to \$775 million for the year, according to the complaint.

However, investors learned the truth, the suit asserts, on Feb. 26 during Vital Farms' fourth-quarter 2025 earnings call. That day, Vital Farms revealed its revenue for the 2025 fiscal year was \$759.4 million, missing its guidance of \$775 million. The egg producer also told shareholders that after several weeks of "slow shipments" following the ERP system implementation during the "peak holiday period," the company was still attempting to recapture retail shelf space.

Following the announcement, shares of Vital Farms declined by \$2.68 each, or about 11%, to close at \$22.11 Feb. 26, the suit says.

In addition to Vital Farms, its CEO Russel Diez-Canseco and chief financial officer are individual defendants in the case. The complaint accused them of violating the Exchange Act and acting with scienter.

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

Wilkerson is represented by Stuart L. Cochran of Condon Tobin Slade Sparks Nerenberg PLLC and Phillip Kim and Laurence M. Rosen of The Rosen Law Firm PA.

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

The case is Wilkerson v. Vital Farms Inc. et al., case number 1:26-cv-00738, in the U.S. District Court for the Western District of Texas.

--Editing by Covey Son.

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When Class Certification Issues And Crypto Nuance Collide

By **Gerald Maatman and Justin Donoho** (March 27, 2026, 1:48 PM EDT)

On March 6, U.S. District Judge Katherine Polk Failla of the U.S. District Court for the Southern District of New York **granted** class certification with modifications in a case involving a stablecoin issuer's alleged issuance of unbacked or debased stablecoins in furtherance of an alleged scheme to manipulate the market prices for crypto commodities and futures.

The ruling in *In re: Tether and Bitfinex Crypto Asset Litigation* is significant, as it shows that while crypto purchasers who file class action complaints alleging violations of the Sherman Act and Commodity Exchange Act, or CEA, may be able to satisfy Rule 23 of the Federal Rules of Civil Procedure, so long as they offer reliable expert models on classwide causation and damages, and limit their proposed classes to purchasers who used fiat currency or stablecoins to make their purchases on domestic or stateless exchanges.

Such class actions may also be subject to dismissal based on summary judgment on the question of whether the defendants' alleged provision of unbacked or debased stablecoins caused an increase in the price of crypto commodities and futures.

Background

The plaintiffs in this case — four purchasers of bitcoin, bitcoin futures and other crypto-assets — brought a class action against various entities and individuals associated with Tether, the issuer of a stablecoin of the same name, and the stablecoin issuer's sister company, Bitfinex, a crypto-asset exchange, alleging that the defendants artificially inflated the prices of the plaintiffs' crypto-asset purchases by engaging in market manipulation under the Commodity Exchange Act, and monopolization and restraint of trade under the Sherman Act.[1]

According to the plaintiffs, Tether issued hundreds of millions of unbacked or debased stablecoins while telling the market that these stablecoins were fully backed by U.S. dollars, when they were actually backed only by Bitfinex's accounts receivables and inaccessible funds.[2] Further, according to the plaintiffs, the defendants used an anonymous trader to engage in cross-exchange arbitrage by purchasing "massive" amounts of crypto commodities on other exchanges with the debased stablecoin, selling them on Bitfinex for U.S. dollars, and withdrawing those funds as the stablecoin.[3]

All these activities were allegedly performed by the defendants with the knowledge and intent to inflate crypto commodity and futures prices, and they allegedly resulted in artificially inflated prices of the crypto-assets purchased by the plaintiffs.[4]

The plaintiffs moved for class certification under Rule 23, seeking to certify classes of acquirers in the U.S. during the class period of crypto commodities and futures, respectively.[5]

In support, the plaintiffs submitted a report from an antitrust and economics expert that included an event study purporting to show that the issuance of the unbacked or debased stablecoin caused the price of bitcoin to increase, a regression analysis that purported to model how a change in the



Gerald Maatman



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outstanding volume of the stablecoin affects bitcoin prices, and an overcharge model that purported to quantify the artificial inflation of bitcoin based on the extent to which the stablecoin was debased or unbacked.[6]

The defendants moved to exclude the plaintiffs' expert and opposed class certification by challenging only adequacy and predominance — not any of the other Rule 23 requirements.

On adequacy, the defendants argued that adequacy was not satisfied due to two sources of potential intraclass conflict — intraclass trading and the plaintiffs' alternative models for showing debasement and inflation. On predominance, the defendants argued that individual questions would predominate when resolving questions of classwide impact, injury and extraterritoriality.

The Court's Decision

The court began its analysis by excluding the plaintiffs' expert's event study purporting to show that the issuance of the unbacked or debased stablecoin caused the price of bitcoin to increase.

As the court explained, the event study was unreliable because the "t-test" model it employed violated the key assumption of the model "that the values within in each tested group are independent, meaning that they are not correlated with each other." [7] However, the court denied exclusion of the expert's regression model, overcharge model and other opinions.[8]

Turning next to the defendants' two adequacy challenges, the court rejected both.

First, the court found that intraclass trading did not create any conflicts because the alleged classes included only buyers alleging only price inflation.[9] Second, the court held that there were also no intraclass conflicts based on the plaintiffs' alternative methods for showing stablecoin debasement, because the methods differed only "in the extent of the debasement they show on certain days, but they are not diametrically opposed. In fact, the debasement is, by default, one-directional." [10]

Turning to the defendants' challenges to predominance, the court found that common evidence would be used "to establish that Defendants engaged in certain conduct, such as issuing debased or unbacked [stablecoins], misrepresenting that [the stablecoins were] always backed one-to-one by USD held in reserve by Tether, disseminating debased [stablecoins] through the Anonymous Trader, and conspiring with the Anonymous Trader to increase cryptocommodity prices." [11]

The court also held that common evidence would be used for the elements relating to the defendants' scienter or intent.[12]

In sum, the court found that common questions predominated as to "issues related to defendants' anticompetitive conduct." [13] However, as the court explained, "the elements of antitrust and CEA cases that pertain to Defendants' conduct almost always present a common question that predominates. ... Because of this, class certification in CEA and antitrust cases often turns on whether common issues predominate in establishing injury, causation, or damages." [14]

Next, the court determined that the plaintiffs could demonstrate classwide impact or causation through the plaintiffs' expert's regression analysis, although the court found this to be a "closer question." [15] Although the defendants did not provide a sufficient reason to exclude the regression analysis, such as the expert's failure to account for a key variable, the court held nevertheless that the defendants called into question the plaintiffs' ability with its regression model to establish "the fact of causation." [16]

However, as the court explained,

That type of challenge sounds more in summary judgment than in Rule 23(b)(3). Indeed, the Supreme Court has warned that when "the concern about the proposed class is not that it exhibits some fatal dissimilarity but, rather, a fatal similarity — [an alleged] failure of proof as to an element of the plaintiffs' cause of action — courts should engage that question as a matter of summary judgment, not class certification." [17]

Further, the court found that the plaintiffs could measure damages on a classwide basis using the

plaintiffs' overcharge model.[18]

Finally, as to the defendants' remaining challenges to predominance, the court rejected them as to the predominance finding, but embraced them for purposes of narrowing the plaintiffs' proposed class definitions in two ways.

First, on the question of injury, the court determined that whether common issues predominate turns on whether injury occurs "(i) when a Class Member purchases an artificially inflated cryptocommodity, or (ii) when that Class Member experiences economic loss flowing from their purchase of that cryptocommodity." [19]

As the court explained, whereas the defendants argued "that economic loss is required for Class Members to establish injury — like in the securities context," the plaintiffs argued "that the magnitude of loss only matters for the calculation of damages — like in the antitrust context."

Finding this issue "close," the court ruled for the plaintiffs, reasoning as follows that the

Defendants are correct that the Class Assets share more in common with securities than commodities such as olive oil, especially given that purchasers of cryptocommodities often sell them later, either at a loss or gain ... But the Court ultimately sides with Plaintiffs because, at its core, this is an antitrust case, not a securities action. And unlike in securities cases, "antitrust injury flows from the overcharge itself." [20]

The Court "remain[ed] concerned, however, that the initial harm that is required to establish an antitrust injury is not as clearcut for Class Members who purchased cryptocommodities with other cryptocommodities," because "whether that purchaser has incurred the required initial overcharge would depend on whether the purchasing cryptocommodity was more or less inflated than the purchased cryptocommodity." [21]

In addition, the court found no injury for any alleged class members who acquired class assets only by engaging in mining, using a crypto fork or receiving them as gifts. [22] Thus, the court limited the proposed classes of crypto commodity and futures acquirers to purchasers who used fiat currency or stablecoins. [23]

Second, on the question of extraterritoriality, the court held that "[o]n Plaintiffs' CEA cause of action, individual questions predominate regarding futures trades on foreign exchanges," because "the domesticity of transactions on foreign exchanges is too fact-specific for class certification," including "facts concerning the formation of the contracts, the placement of purchase orders, the passing of title, or the exchange of money." [24]

Foreign exchanges aside, the court found that "there are no individualized questions as to domesticity for futures transactions executed on domestic exchanges." [25]

Lastly, on the remaining question of whether stateless exchanges "are governed by the domestic exchange rule or foreign exchange rule," a question the court found "especially important in the context of the crypto-economy," the court held that this inquiry satisfied predominance because it "can be determined on an exchange-by-exchange, rather than person-to-person, basis." [26]

Accordingly, the court limited the futures subclass to all purchasers of crypto commodity futures with fiat currency or stablecoins in the U.S. during the class period, so long as they purchased futures on either U.S.-based exchanges or stateless exchanges "that either (a) matched trades on servers in the United States or (b) prohibited buyers from revoking their orders once placed." [27]

For these reasons, the court granted the plaintiffs' motion for class certification and narrowed the plaintiffs' proposed class definitions. [28]

Implications For Companies

The In re: Bitfinex class certification ruling is an instructive one for litigants on either side of crypto class actions alleging antitrust and commodities violations.

For plaintiffs, it shows that table stakes for achieving class certification of such claims include (1) proffering reliable models regarding classwide causation and damages; and (2) limiting class definitions to transactions that can use common evidence to satisfy the injury element and escape the extraterritoriality defense.

For defendants, it shows that if their challenges to the plaintiffs' causation and damages models are ineffective, then summary judgment remains as a vehicle to show the absence of sufficient evidence for the plaintiff to demonstrate causation of any purported antitrust or commodities injury due to the defendants' alleged conduct.

The decision also carries broader implications for companies whose business models rely on the issuance, redemption or use of stablecoins. By treating the alleged issuance of unbacked or debased stablecoins as conduct capable of supporting classwide theories of antitrust and commodities violations, the *In re: Bitfinex* ruling raises the stakes for companies whose products or platforms depend on representations about stablecoin backing, liquidity or redemption practices.

Even in the absence of a liability finding, the court's willingness to certify classes based on regression-based theories of price impact signals that plaintiffs may be able to survive early procedural hurdles, so long as they can marshal facially reliable econometric models.

More broadly, the ruling highlights that crypto companies should expect courts to apply conventional class action principles to novel digital asset markets, albeit with careful attention paid to the unique features of crypto trading, such as stateless exchanges and crypto-to-crypto transactions.

Stablecoin-related companies therefore face a dual imperative: strengthening internal controls and disclosures around asset backing, and proactively assessing how their trading architectures, exchange relationships and transaction flows might affect class action risk.

As courts continue to adapt established antitrust and commodities doctrines to the crypto economy, companies that understand and plan for these structural litigation dynamics will be better positioned to mitigate risk.

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[1] *Id.* at *2, 26.

[2] *Id.* at *2-3.

[3] *Id.* at *4.

[4] *Id.*

[5] *Id.* at *5.

[6] *Id.* at *6.

[7] *Id.* at *6 n.5, 12-13.

[8] *Id.* at *14-19.

[9] *Id.* at *23-24.

[10] *Id.* at *25.

[11] Id. at *27.

[12] Id. at *27.

[13] Id.

[14] Id. at *26-27.

[15] Id. at *28.

[16] Id. at *28-30.

[17] Id. (quoting **Tyson Foods Inc. v. Bouaphakeo** , 577 U.S. 442, 457 (2016)).

[18] Id. at *31.

[19] Id. at *31.

[20] Id. at *32.

[21] Id. at *33.

[22] Id. at *33.

[23] Id.

[24] Id. at *34-36.

[25] Id.

[26] Id. at *35.

[27] Id. at *38.

[28] On March 9, 2026, the plaintiffs filed a petition in the U.S. Court of Appeals for the Second Circuit seeking permission to appeal the District Court's ruling pursuant to Rule 23(f). **In re: Tether & Bitfinex Crypto Asset Litigation** , No. 26-557 (2d Cir. pet. filed Mar. 9, 2026).



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Credit Suisse Gets Bondholders' NJ RICO Claim Axed

By **Katryna Perera**

Law360 (March 27, 2026, 5:52 PM EDT) -- An investor lawsuit accusing Credit Suisse of concealing its financial strains leading up to its takeover by UBS AG was trimmed by a New York federal judge, who found the suit failed to support its New Jersey racketeering claim.

U.S. District Judge Colleen McMahon issued an **opinion and order** Thursday tossing the case's New Jersey Racketeer Influenced and Corrupt Organizations Act claim after determining the bondholder plaintiffs failed to plead that Credit Suisse and its executives operated or managed a distinct enterprise outside the corporation.

"Plaintiffs allege no association with any entity outside Credit Suisse, no structure separate from the corporation itself, and no purpose distinct from the corporation's own business," according to the opinion. "They do not allege that the corporate form was used in some independent way to facilitate the scheme, nor that defendants formed any organization apart from the corporation to carry it out."

Instead, the suit simply alleges that Credit Suisse's senior officers and named defendants, Axel Lehmann and Ulrich Körner, disseminated false and misleading statements about the Swiss bank's liquidity position to prevent a bank run and its collapse.

"Averting a bank run and preserving confidence in Credit Suisse is nothing more than the objective of the corporation itself. This is not an enterprise; it is the company itself acting through its officers," Judge McMahon wrote.

The case also fails to plead a conspiracy, or an agreement among the defendants to conduct the enterprise's affairs through a pattern of racketeering activity, according to the opinion.

The judge said the suit's conspiracy allegations are conclusory because they assert only in generalized terms that the defendants "agreed," "conspired" or "participated" in a scheme, and the complaint failed to specify when the alleged agreement was formed, its terms, or that the defendants knowingly agreed to it.

The case, brought in New York federal court by plaintiffs Palomino Master Ltd., Azteca Partners LLC and Appaloosa LP, says that in the weeks following the collapse of Silicon Valley Bank in 2023, Credit Suisse and its officers falsely assured investors and the market that the bank's liquidity position was strong, when in reality the bank was experiencing "significant asset outflows and acute liquidity stress."

Relying on these false assurances, Palomino and Azteca, through their investment adviser Appaloosa, purchased "substantial" positions in Credit Suisse Additional Tier 1 Bonds, which were later written down to zero when Credit Suisse was taken over by UBS Group AG, in a **merger orchestrated by Swiss regulators** in March 2023.

The suit's claims mirror those in two other consolidated actions known as the Core Capital and Diabat actions that are ongoing in New York federal court. The Core Capital plaintiffs **secured class certification** in November 2025.

Due to the cases' similarities, Judge McMahon decided Thursday to consolidate the Palomino action with the Core Capital and Diabat actions for pre-trial purposes.

"These actions present substantially overlapping claims arising from the same alleged misstatements,

the same March 2023 collapse of Credit Suisse, and the same alleged corrective disclosures and materializations of risk," the opinion said. "Consolidation for pre-trial purposes will promote judicial economy, avoid duplicative discovery and motion practice, and will not otherwise prejudice plaintiffs' rights."

The judge also retained the Palomino action's Exchange Act claim, finding the suit plausibly alleges Palomino and Azteca purchased Credit Suisse's AT1 Bonds in domestic transactions.

"The complaint alleges that, beginning on March 14, 2023, Palomino and Azteca, through Appaloosa, purchased Credit Suisse AT1 Bonds and continued doing so through March 19, 2023," according to the opinion.

"It further alleges that the AT1 Bonds 'were trading in the United States'; that Appaloosa 'received quotes in U.S. dollars'; that plaintiffs paid for the bonds 'in U.S. dollars' and through Goldman Sachs, a U.S.-based prime broker; that the counterparties executing Appaloosa's trades are alleged to have been based in the United States; and that Appaloosa's traders 'were all located in New Jersey when the orders were placed,'" the judge added.

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

Palomino and the other plaintiffs are represented by Lawrence M. Rolnick and Michael J. Hampson of Rolnick Kramer Sadighi LLP.

Credit Suisse is represented by Herbert S. Washer, Jason M. Hall, Tammy L. Roy and Nicholas N. Matuschak of Cahill Gordon Reindel LLP.

Axel Lehmann is represented by Richard M. Strassberg, Daniel Roeser and Jessica Vogeles of Goodwin Procter LLP.

Ulrich Körner is represented by George S. Canellos of Milbank LLP.

The cases are Palomino Master Ltd. et al. v. Credit Suisse Group AG et al., case number 1:25-cv-08264; and In re Credit Suisse Securities Class Actions, case number 1:23-cv-05874, in the U.S. District Court for the Southern District of New York.

--Editing by Covey Son.



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Google Ad Privacy Deal OK'd, But \$128M Fee Bid Cut To \$22M

By **Dorothy Atkins**

Law360 (March 27, 2026, 9:03 PM EDT) -- A California federal judge on Thursday approved Google's nonmonetary deal resolving allegations it sells consumers' personal data in fast-paced digital ad auctions without their consent, but slashed class counsel's \$128 million fee request to \$21.8 million due to their "speculative" settlement-value estimates, "limited success" and numerous billing "errors and inefficiencies."

In a **13-page order**, U.S. District Judge Yvonne Gonzalez Rogers approved Google's nonmonetary settlement under which the company agreed to create a new user control — dubbed "RTB Control" — that allows account holders to limit the information that Google shares about them in its real-time bidding auctions.

However, the judge doubted the value of the deal's injunctive relief, noting that consumers must choose to "opt in" by turning the RTB Control on, and she rejected plaintiffs' expert's **estimate** that the injunctive relief is worth at least \$1.4 billion, slamming the estimate as "purely speculative."

Judge Gonzalez Rogers noted that she proposed during a hearing earlier this month that class counsel could be paid attorney fees based on the actual number of class members who opt to use Google's new RTB Control.

"This would require counsel to wait to be paid until the court could identify how successful the injunctive relief is, given the speculative nature of their proffered evidence," the order says. "They declined."

Since the plaintiffs' expert provides an estimate that is "purely speculative," Judge Gonzalez Rogers said she would instead apply the hourly lodestar to determine class attorney fees. However, she noted that even that figure must be reduced due to class counsel's numerous billable hour errors and the plaintiffs' "limited success."

"The court finds that the settlement is adequate, but by no means excellent," the order says.

The judge ultimately refused to award class counsel their requested \$128 million in attorney fees, and instead reduced their fees to about \$21.8 million, plus \$3.29 million in costs.

The settlement resolves consolidated litigation initially filed in **2021** accusing Google of sharing account holders' personal information with hundreds of advertisers, independent ad exchanges, social media websites and other participants in Google's "real-time bidding" advertising auction without obtaining consumers' permission or consent.

The consumers alleged the sharing happens "billions of times each day," and the data identifies individual account holders and highly personal information about their race, religion, sexual orientation and health, according to the suit. The consumers claimed that the data sales are not disclosed in Google's public-facing account documents.

After the litigation entered a **heated discovery process** in June 2022, Judge Gonzalez Rogers trimmed claims from the case, but refused to throw it out. In July 2023, the consumers filed a motion asking her to certify a class, but in April 2024, she **denied** the request without prejudice.

The consumers pursued an unsuccessful interlocutory appeal of the class certification denial, and then renewed their class certification request. But before the judge ruled, the parties **struck the settlement**.

Last year, the consumers asked the court to grant final approval without first obtaining preliminary approval, since the proposed deal doesn't involve any monetary damages and doesn't call for class members to waive their right to go after damages in the future.

In addition to creating the new RTB Control tool, under the settlement, Google also promised to alert all active account holders in the U.S. about their new ability to control the sharing of their data in the auctions.

Google additionally agreed to disclose and include, in a new dedicated webpage, the new RTB Control, with links to other relevant Google webpages. The consumers emphasized in their motion for final approval that these are "the first consumer-facing disclosures that Google has ever made about its ad auction practices."

The consumers also noted in their settlement papers that one expert analysis estimates that Google's changes are valued at between \$1.4 billion and \$2.9 billion, while another analysis values the changes at as much as \$21.6 billion.

The expert arrived at the \$1.4 billion estimate by multiplying his calculated \$36 annual benefit per account holder by the number of account holders who could choose to activate the new RTB Control, assuming an opt-in percentage of 8.8%, according to court documents.

In light of those estimates, consumers' counsel sought \$128.4 million in attorney fees — or approximately 3.5 times their proposed hourly lodestar of \$37 million — and \$3.5 million in costs.

But Google objected to the requested fees, taking issue with the hourly lodestar and various categories of time billed.

In denying class counsel's nine-figure fee request Thursday, the judge panned plaintiffs' expert's settlement-value estimates. She also noted that she reviewed class counsel's accounting of their billing and identified "various errors and inefficiencies," including improperly billing \$163,000 for their unsuccessful interlocutory appeal, the order says.

The judge also excluded 1,000 billable hours that were spent litigating discovery disputes, because the consumers "brought (**and lost**) excessive discovery motions, including seven appeals of the magistrate judge's discovery rulings, resulting in unnecessary discovery-related fees."

Judge Gonzalez Rogers additionally excluded hours that class counsel billed at the full associate rate of \$325 for reviewing 8.7 documents per hour, since the "generally accepted standard" is 50 pages of documents per hour.

The judge reduced the total billable hours further for class counsel's violation of a court order that prohibits so-called block billing, and which requires all billing to be recorded by task. Class counsel also improperly included hours related to fee issues and time spent preparing or reviewing time and expenses, the order says.

Those billable hour fee reductions result in a total lodestar of 36,242 hours, or \$28.5 million, but the judge added that she's exercising her judicial discretion to cut fees by an additional 10% due to the lack of detailed billings, which prevents her from conducting a more detailed analysis of the fees.

She also applied a 0.85 multiplier to the lodestar due to the plaintiffs' "only limited or partial success on their claims," resulting in a final fee award of \$21.8 million.

Judge Gonzalez Rogers gave class counsel a week to file a challenge to her calculation of the lodestar with "specific, detailed attorney billing."

Google said in a statement Friday that the company does not sell or share personal data, and Google already has the strictest real-time bidding restrictions in the industry.

"We are pleased to put this case behind us," the statement says.

Class counsel didn't immediately respond to requests for comment on Friday.

The account holders are represented by Elizabeth C. Pritzker and Jonathan Levine of Pritzker Levine LLP, Lesley Weaver of Bleichmar Fonti & Auld LLP, Nanci Nishimura and Brian Danitz of Cotchett Pitre & McCarthy LLP and Jason Barnes of Simmons Hanly Conroy LLP.

Google is represented by Whitty Somvichian, Reece Trevor and Joyce V. Rodriguez of Cooley LLP.

The case is In re: Google RTB Consumer Privacy Litigation, case number 4:21-cv-02155, in the U.S. District Court for the Northern District of California.

--Additional reporting by Hailey Konnath, Rae Ann Varona and Bonnie Eslinger. Editing by Michael Watanabe.

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Insurer Rips Sanctions Bid In Opioid Coverage Dispute

By Hope Patti

Law360 (March 27, 2026, 3:03 PM EDT) -- An insurer asked an Illinois federal court to reject a drug wholesaler's bid for sanctions in a dispute over coverage for underlying opioid litigation, saying the accusations that it intentionally destroyed pertinent evidence are, "at best, based on half-truths and misstatements of fact."

In a **response** filed Thursday, Cincinnati Insurance Co. contended that the sanctions sought by H.D. Smith Wholesale Drug Co. are drastic and inappropriate because no relevant information was withheld or destroyed.

"Cincinnati did comply with its obligation to preserve relevant evidence, as admitted by H.D. Smith, by issuing a litigation hold years prior to the initiation of this case which has never been suspended," the insurer said.

According to court filings, the insurer initiated a prior suit against H.D. Smith in Illinois federal court in October 2012 after the West Virginia attorney general accused the drug wholesaler and others of worsening the opioid epidemic by overdistributing prescription painkillers.

The district court found that the insurer had no duty to defend H.D. Smith because West Virginia's suit didn't seek damages due to bodily injury as defined by the Cincinnati policies; however, the Seventh Circuit **reversed the ruling** in July 2016. The district court later **ordered the insurer** to cover the company's \$3.5 million settlement with West Virginia in September 2019.

In 2017, while the first coverage suit was pending, additional opioid suits began rolling in. H.D. Smith filed the present action against Cincinnati in October 2022 seeking indemnification for a \$625 million global settlement with various government entities. The company brought similar claims against Alterra America Insurance Co. in February 2023, and the suits were consolidated that May.

In its **sanctions motion** filed March 12, H.D. Smith asserted that Cincinnati breached its duty to preserve evidence even though it was aware of its obligation to do so since 2012. The company said Cincinnati did not issue a litigation hold until 2017, "which was late and wholly deficient," and then failed to update the litigation hold or suspend its automatic deletion policies for custodial emails and underwriting files despite knowing that H.D. Smith was named in additional opioid suits.

Cincinnati on Thursday hit back at H.D. Smith's claim that the prior coverage action made clear what evidence would be relevant in the current action.

While both concern coverage for underlying suits relating to the company's distribution of opioids, the insurer said, the discovery pursued in the prior action was vastly different in scope. Cincinnati highlighted that the prior action concerned coverage for a single suit as opposed to hundreds of separate suits filed across dozens of states and involving conduct spanning different time periods.

The insurer added that it is inaccurate to say Cincinnati considered its underwriting files to be materially relevant to the claims asserted by H.D. Smith in the prior action, given that it objected to and did not produce underwriting files.

The company's request for underwriting files related to the 34 policies at issue in this case, which span from 1999 to 2018, was made in 2023, the response brief says. Despite the 10-year retention

policy, Cincinnati said, it was able to produce underwriting files pertaining to policies that were in effect from Jan. 15, 2007, forward.

Just because pre-2006 files have been destroyed in accordance with Cincinnati's document retention policies prior to the current action does not mean the insurer "intentionally destroyed relevant information in order to deprive H.D. Smith of the ability to review such materials," Cincinnati said. Moreover, the court previously held that pre-2006 information relating to knowledge-based defenses need not be produced, the insurer added.

As for the custodial files, Cincinnati said, it has made reasonable efforts to preserve and produce relevant information and it is "not required to preserve every scrap of paper or every email."

"Moreover, as Cincinnati's practice is to save pertinent information, including email communications, to its claims files, it is pure conjecture here by H.D. Smith in arguing that any relevant information contained in any emails deleted from Cincinnati employee in-boxes was not separately produced in this case," the insurer said.

The insurer further contended that H.D. Smith misrepresented the purpose and scope of the litigation hold, which was put in place when the company sought to assert a bad faith claim against Cincinnati for its handling of the West Virginia suit. The insurer said it did not amend the litigation hold or issue a new one for the claims at issue because Cincinnati's claim handling was not at issue.

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

H.D. Smith is represented by Courtney C.T. Horrigan, Brian T. Himmel, Matthew Louik, Stephanie E. Gee, Elizabeth L. Taylor, Cristina Shea, Matthew D. Rosso and Louis W. Schack of Reed Smith LLP and by Howard W. Feldman of Feldman Wasser.

Cincinnati is represented by Daniel G. Litchfield, Brian M. Reid and Paul G. Roche of Litchfield Cavo LLP.

The case is H.D. Smith Wholesale Drug Co. v. Cincinnati Insurance Co., case number 3:22-cv-03210, in the U.S. District Court for the Central District of Illinois.

--Editing by Lief Nielsen.

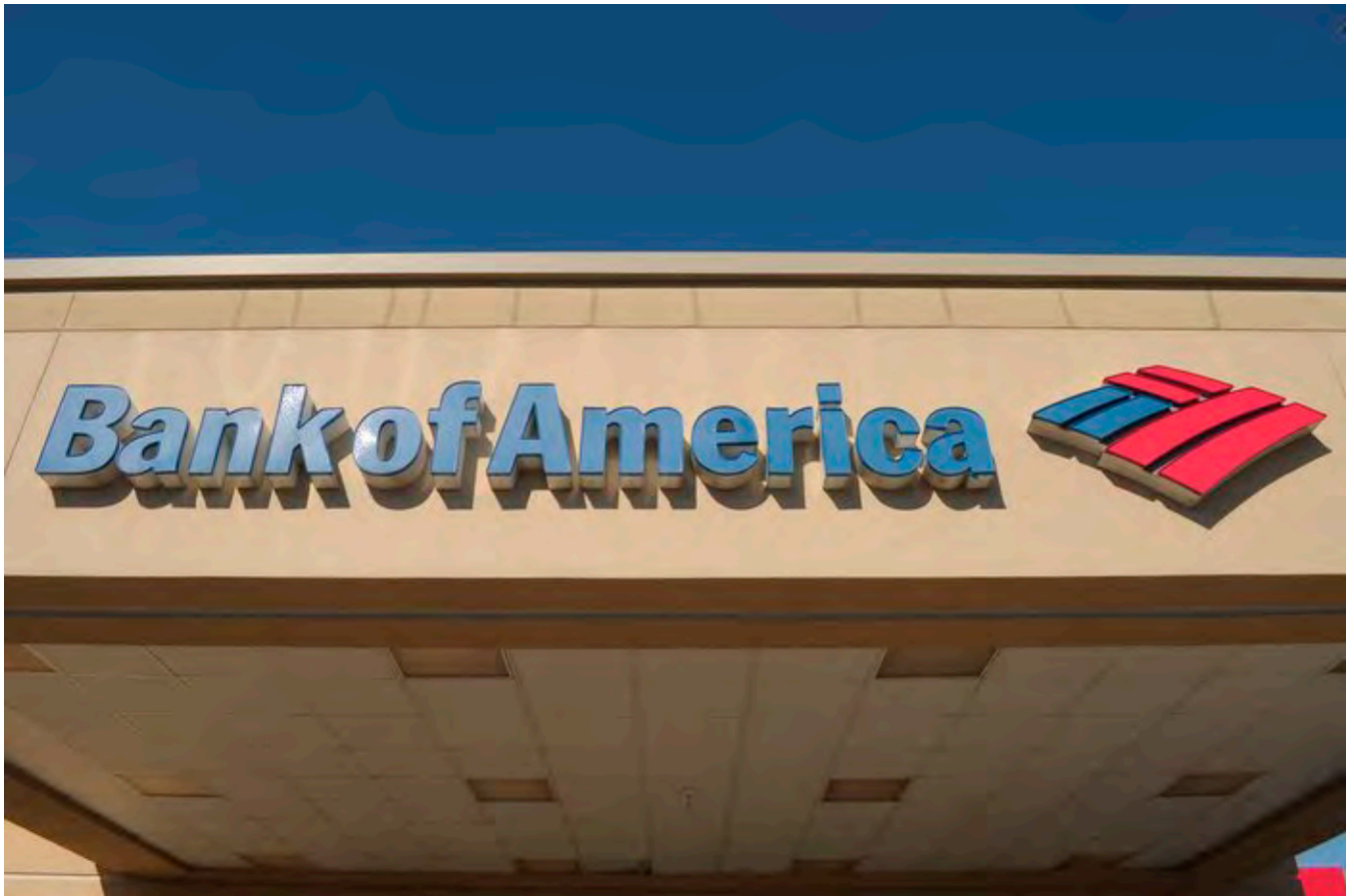


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BofA Will Pay \$72.5M In Deal Ending Epstein Ties Allegations

By **Hailey Konnath**

Law360 (March 27, 2026, 11:12 PM EDT) -- Bank of America agreed to pay \$72.5 million to put to rest a proposed class action alleging the bank helped facilitate Jeffrey Epstein's sex crimes, according to a motion for preliminary approval of the deal filed in New York federal court Friday.



Bank of America said that while it stands by prior statements that it did not facilitate Jeffrey Epstein's sex trafficking crimes, a \$72.5 million settlement reached earlier this month "allows us to put this matter behind us and provides further closure for the plaintiffs." (Sipa via AP Images/Jimin Kim)

The unnamed plaintiff — listed in the suit as Jane Doe — says the deal represents a "substantial recovery" for survivors of the late sex offender and financier. The settlement was initially reached **earlier this month**.

Bank of America hasn't admitted to any wrongdoing, according to the motion.

Doe asks the court to certify a settlement class of all women and girls who were sexually abused by Epstein or his associates, including those who received money or something of value in exchange for engaging in sexual contact.

To determine how much class members will receive, a fund administrator will consider the "circumstances, severity, type, and extent of the alleged abuse or trafficking, the nature and duration of the relationship

with Epstein, any cooperation with government investigations or refusal to cooperate with government investigations or refusal to cooperate with this civil litigation," among other factors, according to the motion.

Doe's lawyers with Boies Schiller Flexner LLP plan to request up to 30% of the total settlement amount as an attorney fee award.

A spokesperson for Bank of America said in a statement Friday that "while we stand by our prior statements made in the filings in this case, including that Bank of America did not facilitate sex trafficking crimes, this resolution allows us to put this matter behind us and provides further closure for the plaintiffs."

Counsel for Doe didn't immediately respond to a request for comment late Friday. However, Friday's motion states Doe and her attorneys also "considered the risks that are presented by any jury trial" and the possibility a trial and appeal would take several years and delay any recovery secured for the survivors.

Doe, a survivor from Russia who's now living in Florida, initially sued Bank of America and Bank of New York Mellon Corp. last year and filed expanded complaints against them in January, amid a push from the banks for dismissal.

According to Doe, Bank of America hosted accounts in her name that Epstein and his associates used for trafficking-related payments and other "alarming and erratic" transactions. She said the bank looked past red flags like her young age, foreign national status and lack of legal employment to make her a "preferred customer" and let Epstein wire tens of thousands of dollars to her.

U.S. District Judge Jed S. Rakoff, who is overseeing the case, cut loose Bank of New York Mellon in January and trimmed the claims against Bank of America.

Earlier this month, Judge Rakoff rejected Bank of America's bid to stay the case and **held that** the federal government does not have to disclose whether it was investigating the "occurrences" alleged in Doe's complaint.

Doe is represented by David Boies and Sigrid McCawley of Boies Schiller Flexner LLP, and Bradley Edwards and Brittany Henderson of Edwards Henderson LLC.

Bank of America is represented by Bethany Biesenthal, Charlotte Taylor and Paula Quist of Jones Day.

The case is Doe v. Bank of America NA, case number 1:25-cv-08520, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Sarah Jarvis and Katryna Perera. Editing by Kristen Becker.



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Meta Reads WhatsApp Users' Messages, Class Action Claims

By **Bonnie Eslinger**

Law360 (March 27, 2026, 7:53 PM EDT) -- Meta Platforms Inc. read and stored the messages of WhatsApp users' in violation of the law and of promises that the communications would only be viewable by the sender and recipient of the messages, according to a putative class action filed in California federal court.

In a **complaint filed Wednesday**, users Brian Y. Shirazi and Nida Samson underscored that WhatsApp has marketed itself since its 2009 founding as a private messaging service with end-to-end encryption.

"As any reasonable user would, plaintiffs trusted WhatsApp, a popular messaging service, to abide by its foundational, years-long promises to keep users' messages private between senders and recipients," Shirazi and Samson said.

The duo said they thus reasonably believed the messages they sent on WhatsApp were secure and not viewed by, or shared with, anyone other than their chosen recipients.

But "WhatsApp and its parent company Meta secretly intercept, read, store, access, and/or view the supposedly private messages," they alleged.

In addition, whistleblowers have said Meta permitted employees of multinational technology consulting company Accenture PLC to also see WhatsApp users' messages, Shirazi and Samson alleged. Accenture is also named as a defendant in the litigation.

"Upon information and belief, there is in fact a backdoor in WhatsApp's source code that allows Meta/WhatsApp, certain Meta/WhatsApp employees, and approved third-party contractors to circumvent the encryption in order to view users' private messages," the duo said.

That access is used to review messages flagged for fraud or conduct that violates company policies, but it also allows WhatsApp employees and third-party contractors "broad access" to users' messages, including the ability to "look back" at past messages, the suit states

WhatsApp users have not given Meta permission to read and store users' messages, Shirazi and Samson said.

While WhatsApp discloses to users in its privacy terms that there are limited exceptions to its policy of not storing or viewing the contents of messages, it does not say Meta and third parties may view the contents of all messages users send on WhatsApp, the complaint says.

The whistleblowers on whose accounts the allegations are based are not identified in the complaint.

Shirazi and Samson alleged WhatsApp used hundreds of Accenture content reviewers to review and moderate the content of purportedly encrypted user messages in 2021-2022.

The contractors and WhatsApp employees had access to all users' messages in order to pull messages in response to requests regarding criminal investigations "and/or investigations into violations of company policies," the duo said, adding that Accenture employees also worked as content moderators assigned to investigate fraud on Facebook Marketplace.

The contractors were given access via an internal Meta portal, according to the complaint.

"Upon further information and belief, once a user message was flagged for potential fraud, days of messages would be sent through the portal to be reviewed," Shirazi and Samson said. "Usernames and profile information was visible to the reviewers, along with the content of the messages."

Accenture employees told colleagues that Meta employees had access to user messages, according to the complaint.

"Accenture employees were concerned that their purportedly encrypted WhatsApp messages were being viewed by WhatsApp employees and warned colleagues," Shirazi and Samson alleged.

In addition, former Meta contractors reported to special agents with the U.S. Department of Commerce's Bureau of Industry and Security that they were able to tap into the substance of WhatsApp messages, according to the complaint.

WhatsApp touts itself as a private messaging service, stating that with "end-to-end encryption ... your personal messages and calls are secured with a lock," and "only you and the person you're talking to can read or listen to them, and no one else, not even WhatsApp," the complaint underscores.

Meta also says on its website user "privacy is our priority," and "we do not keep logs of who everyone is messaging or calling."

The suit claims violations of the federal Electronic Communications Privacy Act and the Stored Communications Act, California Invasion of Privacy Act, California Comprehensive Computer Data Access and Fraud Act, and the California False Advertising Law, along with common law intrusion upon seclusion, breach of express and implied contract, and statutory larceny through false pretenses.

The plaintiffs seek an injunction against the defendants and financial damages, their attorneys fees and costs, and other relief.

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

Shirazi and Samson are represented by Jordan E. Jacobson, Jennifer L. Joost, Joseph H. Meltzer, Melissa L. Yeates, Tyler S. Graden, Jordan E. Jacobson and Daniel S. Dicce of Kessler Topaz Meltzer & Check LLP.

Counsel information for Meta and Accenture was not available Friday.

The case is Brian Y. Shirazi et al. v. Meta Platforms Inc. et al., case number 3:26-cv-02615, in the U.S. District Court for the Northern District of California.

--Editing by Lakshna Mehta.