

NewsRoom

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March 31, 2026

FirstEnergy bribery trial ends in hung jury when jury can't reach verdict
The jury was not able to reach a verdict on any of the criminal charges
against former FirstEnergy executives Chuck Jones and Michael Dowling.

Patrick Williams, Akron Beacon Journal

Jurors have been released from their service in the bribery trial of two former FirstEnergy executives, and prosecutors will seek to begin anew after the jury announced March 31 that it could not reach a verdict on any of the charges.

The jury deliberated for nine days, telling Judge Susan Baker Ross they had reached an impasse March 30 and receiving instructions to continue to try to reach a unanimous decision.

Defendants Charles "Chuck" Jones, former FirstEnergy CEO, and Michael Dowling, ex-FirstEnergy senior vice president of external affairs, are charged with bribing former Public Utilities Commission of Ohio Chair Sam Randazzo with a roughly \$4.3 million payment before Randazzo entered the position.

Ohio Attorney General Matthew Meyer requested that Judge Susan Baker Ross declare a mistrial and set a status conference in 30 days.

Carole Rendon, an attorney for Jones, and John McCaffrey, an attorney for Dowling, said they are awaiting a ruling from Baker Ross on acquittal of various charges and that they plan to file a new motion for acquittal.

"At this time, I will refrain from making any rulings on any pending motions, as well as the motion for a mistrial," Baker Ross said in response.

In a written statement, McCaffrey thanked the jury for their "attention to the evidence and their service in the case."

Prosecutors and defense attorneys together met with jurors March 31 after their dismissal.

Ohio Attorney General says defendants will be retried

"The state of Ohio can and will retry these defendants. Justice needs to be done," Ohio Attorney General Dave Yost said in a recorded statement.

He also thanked jurors for devoting more than two months of their time to the trial.

Inside defendants' trial for allegedly bribing top Ohio utility regulator

Meyer previously said that in exchange for the alleged bribe, Randazzo nixed a requirement that FirstEnergy file for a PUCO rate case in 2024, wrote part of House Bill 6 – which included a \$1.3 billion bailout of two nuclear plants then owned by a FirstEnergy subsidiary – and lobbied the Ohio General Assembly for the passage of House Bill 6.

In the case, Dowling faced a maximum of 50 years in prison, and Jones faced up to 33 years in prison.

Defense attorneys contend the defendants made the payment to Randazzo to terminate an existing settlement agreement with a trade group called Industrial Energy Users of Ohio. But, they said, Randazzo stole the money.

The last of four witnesses who the defense called to testify, Kroll Managing Director Sherine Ebadi, testified March 11 that she concluded through a defense team-funded investigation that Randazzo stole the roughly \$4.3 million from IEU-Ohio.

Defense attorneys also argued that Jones and Dowling did not want Randazzo as PUCO chair and instead wanted Columbus attorney Jason Rafeld in that position. The defense called Rafeld to the witness stand March 6.

Prosecutors said the defendants switched gears when they heard Randazzo was the "ascendant candidate" for the top PUCO spot and "scrambled" to pay him the alleged bribe.

Rachael Israel, an attorney for Jones, said March 9 that bribery charges as defined by Ohio law do not apply in the case because Randazzo was not a public servant or candidate for a public servant position at the time of the alleged criminal acts.

From Dec. 19, 2018, when Jones agreed to pay Randazzo the roughly \$4.3 million, and Jan. 2, 2019, when FirstEnergy wired the money to Randazzo, the recipient was not a public servant

or candidate for public office, Israel said. She pointed to a Cleveland.com news clip from early February 2019 that said Randazzo applied for the PUCO chair position "three weeks ago."

Carole Rendon, an attorney for Jones, raised the point in her March 17 closing statements, stating, "... the only way that Chuck Jones could ever be convicted of bribing Sam Randazzo is if he was a candidate for that office on December 19 of 2018."

Jurors appeared to take this point into serious consideration, writing the judge a question about when a payment needs to occur to coincide with the statute of bribery under state law.

Over about six weeks, attorneys have argued and questioned witnesses about multiple subjects pertaining to the case – Randazzo's concealment of income, including from FirstEnergy and to what end he did it; what people who spent time around Randazzo knew about his relationship with FirstEnergy and the defendants; what people in and around FirstEnergy knew about the defendants' relationship with Randazzo; the function of lobbying in Ohio and what disclosures are required to lobby in the state; the authority of PUCO chairs, commissioners and staff; and much more.

Randazzo, a previous defendant in the case, was not able to defend himself, as he died by suicide in 2024.

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

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

Throughout the trial, the jury and witnesses have been required to abide by several admonitions. Among these, the jury was instructed not to view media about the case or perform research on related matters, while witnesses were required not to discuss several topics.

Witness admonitions included 14 listed topics, including Randazzo's suicide; Jones and Dowling facing charges in federal court; FirstEnergy's non-prosecution and deferred prosecution agreements; the arrest, trial and conviction of ex-Ohio House Speaker Larry Householder on federal charges for orchestrating a nearly \$60 million illegal bribery scheme, largely bankrolled by FirstEnergy; and Householder's related ongoing criminal case in state court.

Beacon Journal enterprise reporter Stephanie Warsmith; Beacon Journal court reporter Bryce Buyakie; and Jessie Balmert, reporter for the USA TODAY Network Ohio Bureau , contributed to this report.

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

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March 31, 2026

FirstEnergy bribery trial ends in hung jury. What jurors didn't know
The judge in the trial of two ex-FirstEnergy executives placed various
restrictions on witness testimony. Here are topics jurors were not considering.

Patrick Williams, Akron Beacon Journal

After nine days of deliberations, jurors in the bribery trial of former FirstEnergy executives Charles "Chuck" Jones and Michael Dowling said they'd reached an impasse and couldn't agree on a verdict on any of the charges.

Jones, former FirstEnergy CEO, and Dowling, an ex-senior vice president at the Akron-based utility, are accused of paying a \$4.3 million bribe to energy lawyer Sam Randazzo before he became chair of the Public Utilities Commission of Ohio.

The case is tied to the House Bill 6 bribery scandal that led to the downfall and, ultimately, the conviction of former Ohio House Speaker Larry Householder.

But this and many other facets of the highly publicized HB 6 scandal weren't disclosed to jurors.

Because the judge placed various restrictions on witness testimony, the jurors couldn't consider certain topics related to the defendants and bribes that FirstEnergy admitted to paying.

In January, Judge Susan Baker Ross filed an admonition to witnesses. Prosecutors and defense attorneys shared the admonition with their witnesses before the witnesses took the stand.

Here's what jurors in the trial weren't allowed to know:

What couldn't witnesses and lawyers talk about during the trial?

Baker Ross' order included 14 points that couldn't be raised at trial.

The judge admonished witnesses from testifying about "The arrest, indictment, prosecution, trial, or conviction of Larry Householder or any other defendant in United States v. Householder ... or State v. Householder"

In 2023, former Ohio House Speaker Larry Householder was found guilty and sentenced to 20 years in prison for orchestrating a \$60 million bribery scheme to pass House Bill 6 four years prior. The law provided a \$1.3 billion bailout to two nuclear power plants formerly owned by FirstEnergy Solutions and a "decoupling" provision that permitted FirstEnergy to charge customers a flat rate based on 2018 energy consumption, when energy usage and rates were higher than in other years.

The state's case against Householder is set for a June 8 trial date in the Cuyahoga County Court of Common Pleas. Ohio Assistant Attorney General Matthew Meyer and Deputy Attorney General Carol O'Brien, who prosecuted Jones and Dowling, are also prosecuting Householder on state charges.

Prosecutors in Jones' and Dowling's state case said Randazzo wrote part of House Bill 6 and lobbied for the bill – as well as quashed a scheduled 2024 FirstEnergy rate review at the PUCO – in exchange for the roughly \$4.3 million payment.

In 2021, FirstEnergy admitted to bribing both Randazzo and Householder, which was also not allowed to be disclosed to jurors during the Jones and Dowling trial.

Householder's name was raised during the trial – but not to point to his status as a public official who was convicted of receiving bribes from FirstEnergy.

Witnesses and lawyers in the case couldn't talk about FirstEnergy contributions "or interactions with any 501(c)(4) organization or political action committee," per the judge's order. Partners for Progress is one 501(c)(4) organization specifically listed in the admonition.

FirstEnergy paid \$20 million to Partners for Progress, which was also considered a dark-money group, The Columbus Dispatch reported in 2021.

Partners for Progress sent \$13 million to Generation Now, another dark-money group, and FirstEnergy sent \$36.6 million directly to Generation Now, the Dispatch reported.

Generation Now, connected to Householder and central to a federal criminal case against Householder, had been charged for its role in a corruption racketeering conspiracy.

Jeffrey Longstreth, who served as Householder's campaign and political strategist, signed a plea document on Generation Now's behalf in 2021, according to the Southern District of Ohio of the U.S. Attorney's Office.

Jones, Dowling federal case blocked from testimony, jury consideration

In January 2025, Jones and Dowling were indicted on federal charges accusing them of being the FirstEnergy representatives responsible for bribing Householder and Randazzo.

The federal indictment says Jones and Dowling purposely used dark money groups because the source of funds didn't have to be disclosed.

Jurors in the Jones-Dowling state case didn't hear about this because of an admonition referencing "The federal investigation, indictment or prosecution of Mr. Dowling, Mr. Jones or Mr. Randazzo."

Admonitions covered Randazzo suicide, ways FirstEnergy money flowed

The admonition covered the points of any "contributions or interactions" between the former FirstEnergy Solutions power generation subsidiary and any 501(c)(4) or political action committee.

Attorneys and witnesses also couldn't talk in trial about any 501(c)(4) or PAC – or specific ones, such as Partners for Progress. They also couldn't talk about the groups Hardworking Ohioans, Coalition for Growth & Opportunity and Growth & Opportunity PAC.

FirstEnergy, other corporate interests and Generation Now contributed to Hardworking Ohioans. In FirstEnergy's case, the company paid \$500,000. And the 501(c)(4) group in turn bought media buys to support political candidates on "Team Householder," the Dispatch reported.

The Coalition for Growth & Opportunity and Growth & Opportunity PAC spent money to support candidates that Householder chose. In 2017, FirstEnergy paid \$1.2 million to Generation Now and the Coalition for Growth & Opportunity, another dark-money group, Canary Media reported. Money in the coffers of the Coalition for Opportunity & Growth was laundered through the Growth & Opportunity PAC, the Dispatch reported.

Additionally, jurors could not hear about any money spent by FirstEnergy or FirstEnergy Solutions to support any legislation or political issue.

Other admonishments included the "manner or method of Sam Randazzo's death." Randazzo died by suicide in 2024.

And jurors couldn't hear about whether Randazzo "complied with the Ohio Rules of Professional Conduct applicable to lawyers."

What else were jurors banned from hearing in the FirstEnergy bribery trial?

Here's what else the admonition covered:

"Any events or conduct related to the ballot initiative seeking a referendum to repeal HB6, except for evidence relating to Sam Randazzo's efforts to prevent the repeal of HB6." "The indictment or prosecution of any defendants in this case other than Mr. Dowling and Mr. Jones (including Sam Randazzo, Sustainability Funding Alliance and IEU-Ohio Administration)." "Any guilty plea entered by any defendant in this case." "Information you learned as a result of the internal investigation conducted by FirstEnergy following Larry Householder's arrest or any remedial measures FirstEnergy implemented following the internal investigation." "Any finding by the Public Utilities Commission of Ohio ... stemming from its four investigations into matters concerning FirstEnergy's distribution utility companies that are related to the allegations in this case. Excluded findings include the discoverability of a side deal during the ESP-IV proceedings, the use of funds received under the Distribution Modernization Rider, and any penalties, fines or restitution assessed by PUCO against the FirstEnergy utility companies."

Randazzo was previously a defendant in the ongoing state case in Akron. Through Randazzo's widow, SFA pleaded guilty to various felonies and agreed to forfeit more than \$2.1 million. IEU-Ohio Administration was dissolved before Randazzo's death and did not have assets or a surviving shareholder, a Summit County Prosecutor's Office spokesman previously said via text message.

The PUCO announced in January that it would end its House Bill 6-related investigations into FirstEnergy by approving a settlement agreement filed with the agency last month. The settlement outlined, among other measures, that FirstEnergy customers will receive \$249 million in restitution over three billing periods.

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](https://twitter.com/pwilliamsOH). Sign up for the Beacon Journal's business and consumer newsletter, "What's The Deal?"

This article originally appeared on Akron Beacon Journal: FirstEnergy bribery trial ends in hung jury. What jurors didn't know

---- Index References ----

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March 31, 2026

Section: News

Bribery trial jury signals impasse
Unable to agree on charges on 8th day

Patrick Williams

March 31, 2026

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 engaging in a corrupt activity charge against co-defendant Michael Dowling.

Defendants Chuck Jones, former FirstEnergy CEO, and Dowling, former 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.

The jury sent the court multiple written questions March 30.

In two of the questions, the jury asked about tampering with records charges that Dowling faces. The jury sought to confirm that Dowling is accused of not filling out Ohio Joint Legislative Ethics Committee forms for Randazzo to lobby on behalf of FirstEnergy. The judge confirmed that is accurate.

In another of March 30 question, the jury asked who the defendants are accused of giving "any valuable thing or valuable benefit." They asked for confirmation that the recipient the defendants have been charged with bribing is Sam Randazzo, not IEU-Ohio.

"Yes — That is correct," the judge wrote.

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March 31, 2026

FirstEnergy bribery trial ends in hung jury. State will seek retrial
The jury was not able to reach a verdict on any of the criminal charges
against former FirstEnergy executives Chuck Jones and Michael Dowling.

Patrick Williams, Akron Beacon Journal

This story has been updated with additional information.

State prosecutors plan to retry two former FirstEnergy executives on bribery and other charges after jurors in the weeks-long trial announced March 31 they couldn't reach a verdict on any of the charges.

The jury deliberated for nine days, telling Judge Susan Baker Ross they had reached an impasse March 30 and receiving instructions to continue to try to reach a unanimous decision.

Defendants Charles "Chuck" Jones, former FirstEnergy CEO, and Michael Dowling, ex-FirstEnergy senior vice president of external affairs, are charged with bribing former Public Utilities Commission of Ohio Chair Sam Randazzo with a roughly \$4.3 million payment before Randazzo entered the position.

Ohio Assistant Attorney General Matthew Meyer requested that Judge Susan Baker Ross declare a mistrial and set a status conference in 30 days.

"The state of Ohio can and will retry these defendants. Justice needs to be done," Ohio Attorney General Dave Yost said in a recorded statement.

He also thanked jurors for devoting more than two months of their time to the trial.

Meanwhile, Carole Rendon, an attorney for Jones, and John McCaffrey, an attorney for Dowling, said they are awaiting a ruling from Baker Ross on acquittal of all charges and that they will to seek to have the case dismissed.

"At this time, I will refrain from making any rulings on any pending motions, as well as the motion for a mistrial," Baker Ross said in response.

Prosecutors and defense attorneys together met with jurors March 31 after their dismissal.

Juror No. 3 shares aspects of deliberations

Juror No. 3, Mark Baughman of Akron, spoke with media after his eight-week service on the jury ended.

Baughman said most jurors thought the defendants were guilty of the various charges, but some changed their minds throughout deliberations. At one point, the jury was split 8-4, and at other times they were split 10-2, on different counts, he said.

"I didn't think there was enough evidence to show that they were guilty of bribery," Baughman said. "But there was a shady contract that wasn't well defined, that I think ... there were some charges where I felt that they were guilty."

"I ... always knew that it's a possibility that someone could be bribed," Baughman said, adding of his time on the jury, "It doesn't change my opinion on public officials. For the most part, I think they're honest."

Inside trial alleging bribery of top Ohio utility regulator

Meyer previously said that in exchange for the alleged bribe, Randazzo nixed a requirement that FirstEnergy file for a PUCO rate case in 2024, wrote part of House Bill 6 – which included a \$1.3 billion bailout of two nuclear plants then owned by a FirstEnergy subsidiary – and lobbied the Ohio General Assembly for the passage of House Bill 6.

In the case, Dowling faced a maximum of 50 years in prison, and Jones faced up to 33 years in prison.

Defense attorneys contend the defendants made the payment to Randazzo to terminate an existing settlement agreement with a trade group called Industrial Energy Users of Ohio. But, they said, Randazzo stole the money.

The last of four witnesses who the defense called to testify, Kroll Managing Director Sherine Ebadi, testified March 11 that she concluded through a defense team-funded investigation that Randazzo stole the roughly \$4.3 million from IEU-Ohio.

Defense attorneys also argued that Jones and Dowling did not want Randazzo as PUCO chair and instead wanted Columbus attorney Jason Rafeld in that position. The defense called Rafeld to the witness stand March 6.

Prosecutors said the defendants switched gears when they heard Randazzo was the "ascendant candidate" for the top PUCO spot and "scrambled" to pay him the alleged bribe.

Rachael Israel, an attorney for Jones, said March 9 that bribery charges as defined by Ohio law do not apply in the case because Randazzo was not a public servant or candidate for a public servant position at the time of the alleged criminal acts.

From Dec. 19, 2018, when Jones agreed to pay Randazzo the roughly \$4.3 million, and Jan. 2, 2019, when FirstEnergy wired the money to Randazzo, the recipient was not a public servant or candidate for public office, Israel said. She pointed to a Cleveland.com news clip from early February 2019 that said Randazzo applied for the PUCO chair position "three weeks ago."

Carole Rendon, an attorney for Jones, raised the point in her March 17 closing statements, stating, "... the only way that Chuck Jones could ever be convicted of bribing Sam Randazzo is if he was a candidate for that office on December 19 of 2018."

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U.S. Sen. Jon Husted among witnesses called in bribery case

Over about six weeks, attorneys argued and questioned witnesses about multiple subjects pertaining to the case – Randazzo's concealment of income, including from FirstEnergy and to what end he did it; what people who spent time around Randazzo knew about his relationship with FirstEnergy and the defendants; what people in and around FirstEnergy knew about the defendants' relationship with Randazzo; the function of lobbying in Ohio and what disclosures are required to lobby in the state; the authority of PUCO chairs, commissioners and staff; and much more.

Randazzo, a previous defendant in the case, was not able to defend himself, as he died by suicide in 2024.

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

Husted testified that he didn't remember what he discussed with Jones, Dowling and DeWine at a Dec. 18, 2018, dinner in Columbus. At the time, DeWine had been elected to lead the state's executive branch, but he and then-lieutenant governor-elect Husted had not yet been sworn in.

After the dinner, the defendants drove to the Columbus condo of Randazzo, their friend who worked as an energy lawyer.

Throughout the trial, the jury and witnesses have been required to abide by several admonitions. Among these, the jury was instructed not to view media about the case or perform research on related matters, while witnesses were required not to discuss several topics.

Witness admonitions included 14 listed topics, including Randazzo's suicide; Jones and Dowling facing charges in federal court; FirstEnergy's non-prosecution and deferred prosecution agreements; the arrest, trial and conviction of ex-Ohio House Speaker Larry Householder on federal charges for orchestrating a nearly \$60 million illegal bribery scheme, largely bankrolled by FirstEnergy; and Householder's related ongoing criminal case in state court.

What happens next?

With prosecutors immediately saying they will seek retrial, they await the procedural step of Baker Ross ruling on their motion for a mistrial. When a mistrial is declared in a criminal case because jurors were unable to reach a verdict, prosecutors also have the option of dismissing charges or offering a plea deal.

The defense, meanwhile, will continue to petition the judge to dismiss the case – just as it has done since the charges were announced.

Prosecutors often are willing to retry cases until they get a conviction. Michael Roper, for example, was tried four times in Summit County Common Pleas Court before being convicted in the April 2000 shooting death of a convenience store owner. He is serving a life sentence.

After a jury failed for a second time to convict Leon Newsome for starting a fire that killed two people in February 2024, prosecutors opted for a plea deal. Newsome pleaded guilty to reckless homicide in July 2024 and was sentenced to three years in prison. He had originally faced life without parole.

In the case of two brothers convicted in the assault death of 17-year-old Ethan Liming, prosecutors opted not to retry Deshawn Stafford for first-degree involuntary manslaughter, the most serious charge either brother faced and the one on which jurors deadlocked. Liming's family was upset with this decision. The Stafford brothers received the maximum sentences for the assault charges for which they were convicted.

Beacon Journal enterprise reporter Stephanie Warsmith; Beacon Journal court reporter Bryce Buyakie; and Jessie Balmert, reporter for the USA TODAY Network Ohio Bureau, contributed to this report.

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Ex-FirstEnergy Executives' Ohio Trial Ends With Hung Jury (1)

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Summary by Bloomberg AI

AI Generated



- A jury is deadlocked on the fate of two FirstEnergy Corp. executives, including its former CEO, after more than eight days of deliberation.
- The office of Attorney General Dave Yost now has the opportunity to re-try the ex-executives, and Yost said he'll take that opportunity, stating "Justice needs to be done".
- The jury couldn't reach a decision on any of the seven charges against the defendants, which include violations of Ohio's racketeering statute, bribery, and telecommunications fraud.

A jury tasked with deciding the fate of two FirstEnergy Corp. executives, including its former CEO, emerged deadlocked on Tuesday.

The end of the trial in an Akron, Ohio courtroom for ex-CEO Charles Jones and former Vice President of External Affairs Michael Dowling leaves both sides with a mixed bag. While neither side emerged victorious, the office of Attorney General Dave Yost (R) now has the opportunity to re-try the ex-executives.

And Yost said he'll take that opportunity.

"Justice needs to be done," he said in a video statement following the verdict.

The jury, following more than eight days of deliberation and weeks of testimony that included US Sen. Jon Husted (R-Ohio) taking the stand, said they couldn't reach a decision on any of the seven charges against the defendants, which include violations of Ohio's racketeering statute, bribery, and telecommunications fraud.

Summit County Common Pleas Judge Susan Baker Ross didn't declare a mistrial as requested by prosecutors after she excused the jury, instead saying she'll "kind of regroup here" before scheduling a hearing to discuss how to move forward. Jones and Dowlings' lawyers noted they have pending dismissal motions and that others were forthcoming.

One of Dowling's attorneys noted the forthcoming acquittal request in a statement and said they appreciated the jury's work. A lawyer for Jones didn't immediately respond to a text message seeking comment.

Wide-Reaching Scandal

The allegations centered on a \$4.3 million payment FirstEnergy made to Samuel C. Randazzo, an attorney who worked at McNees Wallace & Nurick LLC who later became the head of the Public Utilities Commission of Ohio. Prosecutors said the payment was for favorable treatment, which panned out as Randazzo helped author provisions of what became a \$1.3 billion legislative package and scuttled a rate case that could've hurt the utility's bottom line.

All of this was done to raise FirstEnergy's stock price and enrich the executives, the government said. But the defense was quick to place blame on Randazzo, who was charged along with the executives but died by suicide in 2024.

Jones and Dowling maintain the payment wasn't a bribe, but rather the remaining money owed from a settlement reached a few years prior. The executives had every reason to believe the money would go to Randazzo's clients, but the attorneys said he instead stole the money and obfuscated his theft through a series of complex financial maneuvers.

Eight people were charged in the myriad investigations, which became public after the FBI arrested then-Ohio House Speaker Larry Householder (R), former Ohio Republican Party Chairman Matthew Borges, and others in 2020. Householder was found guilty of taking about \$60 million in bribes from FirstEnergy to further his political aims and is serving 20 years in federal prison.

Borges was sentenced to five years in federal prison. Two others pleaded guilty while another two, including Randazzo, died by suicide.

Jones and Dowling also face federal charges based on similar allegations.

The government is also represented by the Summit County Prosecutor's Office. Jones is represented by Baker & Hostetler LLP, Vinson & Elkins LLP, and Ohio Defense Firm Attorneys at Law. Dowling is represented by Tucker Ellis and Winston & Strawn LLP.

The cases are Ohio v. Dowling, Ohio Ct. Com. Pl., No. CR-2024-02-0473-B, jury deadlocked 3/31/26 and Ohio v. Jones, Ohio Ct. Com. Pl., No. CR-2024-02-0473-C, jury deadlocked 3/31/26 .

(Updates throughout, including statements from Dowling's attorney and Yost.)

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News from Bloomberg Terminal

URGENT: Jury can't reach verdict in corruption trial of 2 ex-FirstEnergy executives in \$60M bribery scandal

March 31, 2026, 10:05 AM PDT

URGENT: Jury can't reach verdict in corruption trial of 2 ex-FirstEnergy executives in \$60M bribery scandal

By JULIE CARR SMYTH

COLUMBUS, Ohio (AP) - Jurors failed to reach a verdict on Tuesday in the corruption trial of two fired FirstEnergy Corp. executives charged with alleged roles in a \$60 million scheme to bribe politicians for a \$1 billion nuclear bailout and other favors.

The declaration of an impasse came after more than eight days of deliberations following the six-week trial in Akron of former CEO Chuck Jones and former senior vice president Michael Dowling. Over that time, the jury had repeatedly sent clarifying questions to Summit County Common Pleas Judge Susan Baker Ross, who had once before sent them back into the deliberating room after they said they could not agree.

Baker Ross said she would allow lawyers to confer with jurors if desired, meet with the attorneys to discuss next steps and decide later whether to declare a mistrial.

"Let me kind of regroup here," she said.

In a video statement, Republican Ohio Attorney General Dave Yost said, "The state of Ohio can and will retry these defendants. Justice needs to be done."

John McCaffrey, one of the lawyers representing Dowling, said the defense would be "filing a motion for judgement of acquittal."

The deadlock leaves Jones and Dowling in limbo for now, and comes as a rare blow to prosecutors - who long ago secured an admission from FirstEnergy that it underwrote the bribery scheme, and later saw former Ohio House Speaker Larry Householder sentenced to 20 years in prison for orchestrating it.

The scheme involved Householder electing allies, securing legislative power, passing the nuclear bailout bill and then using a dirty-tricks campaign to defend it from a citizen referendum.

But the case against Jones and Dowling was more nuanced. The two were charged with felony corruption, bribery, conspiracy and aggravated theft for paying \$4.3 million whose purpose was debated at trial to a man who was not yet in a position of influence - though he was well on his way.

Prosecutors had argued that Jones and Dowling bribed Public Utilities Commission of Ohio chair-to-be Sam Randazzo for legislative and regulatory favors, most notably his work championing House Bill 6, a \$1 billion bailout for two aging FirstEnergy-affiliated nuclear plants at the center of the bribery scheme.

The defense, meanwhile, painted Randazzo as "a thief" and "a con man" who bore sole responsibility for the misuse of FirstEnergy money. They argued that the \$4.3 million payment represented an above-board legal settlement to Randazzo for services he provided to the Akron-based power giant and that he alone was responsible for its illegal use. Randazzo was initially charged alongside Jones and Dowling, but he died by suicide after pleading not guilty.

Jones' attorney, Carole Rendon, told the judge Tuesday that a mistrial should be declared due to insufficient evidence of bribery, the central charge, against her client.

The highest profile witness to testify during the six-week trial was U.S. Sen. Jon Husted, a former Ohio lieutenant governor who confirmed to jurors that he was present at a key Dec. 18, 2018, dinner between himself, then-Gov.-elect Mike DeWine, Jones, Dowling and Josh Rubin, who doubled as an advisor to the governor's campaign and a lobbyist for FirstEnergy.

Rubin provided advice to the executives earlier that day on how to lobby DeWine to favor the company's preferences to chair the PUCO, according to a text contained in the criminal complaint.

Rubin cautioned them not to mention to DeWine that they would be meeting Randazzo at his residence after the dinner. Later in the day, Randazzo texted Dowling a list of figures for the years 2019 through 2024, "Total 4,333,333." "Got it, Sam," Dowling replied. "Good seeing you as well. Thanks for the hospitality. Cool condo."

The next day, Jones also texted Randazzo. "We're going to get this handled this year, paid in full, no discount," he wrote. "Don't forget about us or Hurricane Chuck may show up on your doorstep! Of course, no guarantee he won't show up sometime anyway."

Randazzo replied, "Made me laugh - you guys are welcome anytime and anywhere I can open the door. Let me know how you want me to structure the invoices. Thanks."

[Editor notes: Eds: UPDATES: Adds background. Recasts 1st and 2nd grafs.; Updates Media.]

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Securities

Pinterest Investor Sues Over Tariff Impact, AI-Fueled Turnaround

March 30, 2026, 12:47 PM PDT

Pinterest Inc. overhyped its resiliency in the face of Trump administration tariffs impacting its advertising partners, a proposed class action said.

The social platform's stock price deflated as the scope of the ad revenue issue came to light and Pinterest announced an artificial-intelligence focused turnaround, according to the lawsuit filed Monday.

On Nov. 4, 2025, Pinterest filed a financial report for its third quarter of 2025 which included fourth quarter revenue guidance below Wall Street expectations. Pinterest's share price plunged almost 22% to close at \$25.75 on Nov. 5—the stock's biggest one-day drop since 2022, according to data compiled by Bloomberg.

Despite this disclosure and stock drop, Pinterest and top executives kept its share prices propped up by continuing to mislead investors about the risk Pinterest faced from weaker ad revenues, its ability to manage the impact from US tariffs hitting its ad partners, "and the increasing likelihood that Pinterest would restructure its operations in response to the impact of the foregoing issues," the investor told the US District Court for the Northern District of California.

The platform said in a Jan. 27 financial filing it was laying off "less than 15%" of its employees, reducing office spaces, and prioritizing AI efforts as part of a global restructuring. Its stock price dipped 9.6% to close at \$23.41 per share that day.

And Pinterest's stock price plummeted nearly 17% to close at \$15.42 on Feb. 13, the day after the social platform projected sales short of analyst estimates for the first quarter of 2026 while reporting 2025 financial results.

The proposed class would include those who acquired Pinterest securities from Feb. 7, 2025, through Feb. 12, 2026.



Pomerantz LLP represents investor Ivan Uziel, who seeks damages for alleged securities fraud by Pinterest, CEO William Ready, and Chief Financial Officer Julia Brau Donnelly.

Uziel also said they violated a regulation for financial disclosures by allegedly failing to describe “the true extent of the reduced revenues” the company was getting or likely to receive from ad partners and “the true scope and severity of the risk that such reduced revenues posed to its operations.”

Pinterest didn’t immediately respond to an email seeking comment.

The case is Uziel v. Pinterest, Inc. , N.D. Cal., No. 3:26-cv-02745, complaint filed 3/30/26 .

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Securities

Manage Newsletters

Outset Medical Gets Investor Suit Over Device Approval Trimmed

March 31, 2026, 9:55 AM PDT

Summary by Bloomberg AI

AI Generated



- A federal court ruled that investors can't proceed with securities fraud claims over most of Outset Medical Inc.'s statements about its dialysis machine business.
- Three statements are actionable, including two that allegedly describe the TabloCart product as a "non-medical accessory" and one that allegedly overstated demand for the system.
- Judge Edward J. Davila rejected more than 80 statements as potential subjects for claims, but gave the investors permission to re-plead the inadequately alleged claims.

Outset Medical Inc. investors can't proceed with securities fraud claims over most of the company's statements about its dialysis machine business that the lawsuit targeted as misleading, a federal court ruled.

But three statements are actionable, Judge Edward J. Davila said Monday for the US District Court for the Northern District of California. Two of them allegedly describe Outset's TabloCart product, which is a water-filtering adjunct to a dialysis machine called the Tablo Hemodialysis System, as a "non-medical accessory"—that is, a product that didn't need US Food and Drug Administration clearance. The third statement that can proceed as a basis for the proposed class action allegedly overstated demand for the system after the FDA approved the TabloCart accessory.

Davila rejected more than 80 statements as potential subjects for claims. These included all the ones undergirding the investors' theories about understated regulatory risks related to Tablo system's alleged off-label marketing for continuous dialysis; about the impact of off-label marketing sales growth and revenue; and about business value related to the off-label use. He gave the investors permission to re-plead the inadequately alleged claims, but warned that ones related to statements he identified as mere corporate optimism, or "puffery," likely won't be fixable.

The investors allege Outset didn't disclose enough information about the Tablo system and cart, its primary products. The company allegedly announced after hours on July 7, 2023 that the FDA had sent it a letter warning against using the Tablo machine for continuous renal replacement therapy and warning it that it would need premarket authorization for the TabloCart.

Subsequent shocks to the market included Outset's Aug. 2, 2023, announcement of a pause in shipping the Tablo Cart; an Oct. 12, 2023, announcement of third-quarter 2023 financial results showing an impact on revenue growth; and lower 2024 revenue guidance released Aug. 7, 2024, the complaint says.

Outset's stock dropped 50% to close at \$3.39 per share the day after the 3Q 2023 results, and 69% to close at \$1.07 per share the day after the 2024 revenue guidance was shared.



Berman Tabacco is lead counsel for the investors. Sidley Austin LLP represents Outset.

The case is In re Outset Medical, Inc. Sec. Litig. , N.D. Cal., No. 5:24-cv-06124, 3/30/26 .

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ASML Investors Advance Suit Over Semiconductor Parts Outlook (1)

March 30, 2026, 8:12 AM PDT; Updated: March 30, 2026, 12:07 PM PDT

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. Neither of these firms immediately responded to emails seeking comment. Freshfields US LLP represents ASML and the executives. Freshfields and ASML declined to comment.

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

(Updates to reflect ASML declined to comment in the 11th paragraph.)

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Securities

UBS Stuck With Securities Claims Over Credit Suisse Bond Wipeout

March 30, 2026, 1:50 PM PDT

Hedge fund Appaloosa LP can proceed with securities fraud claims over Credit Suisse Group AG bonds written down to zero during the bank's collapse and acquisition by UBS Group AG, a federal court ruled.

Appaloosa and two funds it manages and advises, Palomino Master Ltd. and Azteca Partners LLC, adequately alleged their purchases were "domestic" and therefore within the reach of US securities laws, Judge Colleen McMahon said. But in her opinion, docketed March 27 in the US District Court for the Southern District of New York, she said the firms failed to sufficiently plead racketeering claims under New Jersey state law.

The suit—which isn't on behalf of a proposed class—will be consolidated for pretrial purposes before a parallel class action over the same "Additional Tier 1" bonds and a separate class action over Credit Suisse American Depositary Shares, McMahon decided.

The high-risk, high-yield AT1 bonds were designed to help banks absorb losses when stressed.

The litigation arises from the 166-year-old Swiss banking institution's deteriorating financial condition in the wake of several scandals, including its exposure to the collapses of hedge fund Archegos Capital Management and Silicon Valley Bank. Credit Suisse folded into UBS in March 2023 in a rescue arranged by the Swiss government.

Investors sued the bank and former Credit Suisse corporate officers and directors for allegedly misleading them about its financial condition during a period of significant customer withdrawals. The individual defendants in the Appaloosa case are former chairman of the board Axel Lehmann and former CEO Ulrich Körner.

Palomino and Azteca, through Appaloosa, allegedly purchased substantial positions in AT1 bonds in the days following positive statements by the pair on March 14 and 15, 2023. By March 19, however, the Swiss government and UBS stepped in, and the Swiss Financial Market Supervisory Authority ordered the AT1 bonds' write-down, according to the complaint.

The bank sought dismissal of the hedge funds' federal securities claims on the basis that the transactions weren't domestic. When securities aren't purchased on a US exchange, determining whether a transaction is foreign or domestic can be complex, revolving partly around "irrevocable liability," or commitment, to take and pay for the security—and the law is in flux.

Under applicable law, the hedge funds needed to "allege facts supporting a plausible inference that irrevocable liability attached, or title passed, in the United States," McMahon said. The funds did so here through allegations of orders placed from New Jersey, payment in US dollars through a US-based prime broker, and other factors, she said.

But the funds' claims under the New Jersey Racketeer Influenced and Corrupt Organizations Act fail, the judge said. They didn't show an enterprise distinct from the alleged racketeering conduct or the people and corporations involved, she said.

Rolnick Kramer Sadighi LLP represents the funds. Counsel for Credit Suisse includes Cahill Gordon & Reindel LLP. Counsel for Lehmann includes Goodwin Procter LLP, and counsel for Körner includes Milbank LLP.

The case is Palomino Master Ltd. v. Credit Suisse Grp. AG , S.D.N.Y., No. 1:25-cv-08264, docketed 3/27/26 .

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Litigation

Manage Newsletters

Musk Faces Fresh Setback in Lawsuits Over 2022 Twitter Buyout

March 31, 2026, 11:39 AM PDT

Summary by Bloomberg AI

AI Generated



- Twitter shareholders gained traction in a lawsuit against Elon Musk over his 2022 buyout of the social media platform, with a judge granting class-action status to the investors.
- The investors claim they were harmed when Musk secretly amassed more than 13 million in Twitter shares and allegedly posted "misleading tweets about Twitter's future".
- A separate investor lawsuit in San Francisco 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.

Twitter shareholders gained traction in another lawsuit against Elon Musk over the run up to his 2022 buyout of the social media platform, with a judge granting class-action status to the investors.

The investors claim they were harmed when Musk secretly amassed more than 13 million in Twitter shares for 11 days starting on March 25, 2022. US District Judge Andrew Carter in New York ruled the investors can sue together in a single case, amplifying their leverage to force a settlement or go forward to trial.

The judge cited the investors' claims of his late filings to the US Securities and Exchange Commission, his alleged posting of "misleading tweets about Twitter's future" and "a coordinated trading strategy to silently build up" his position in the social media company. The case was filed in April 2022.

Earlier this month, in a separate investor lawsuit in San Francisco a [jury found Musk misled](#) the investors in 2022 when he tweeted that Twitter – now called X – had too many fake accounts and then tried to back out of his \$44 billion offer to buy the company. The investors who sued claimed Musk acted intentionally and they lost money when the shares fell. Musk's legal team has vowed to appeal the verdict.

Jurors in the San Francisco case 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.

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Chancellor Grants Random Reassignment of Tesla Shareholder Litigation

Chancellor Kathaleen McCormick, the top jurist on the Delaware Court of Chancery, sent a letter to counsel on Monday granting Musk's motion to reassign the cases but denying the motion for her recusal.

March 31, 2026 at 09:04 AM By  **Ellen Bardash**



Elon Musk, chief executive officer of Tesla (left), and Chancellor Kathaleen McCormick of the Delaware Chancery Court. Photos: Sarah Sibling/Bloomberg and Eric Crossan/Delaware Chancery Court via Wikipedia

Three Court of Chancery shareholder cases involving Elon Musk's sale of Tesla stock in the leadup to his acquisition of Twitter Inc. will be removed from Chancellor Kathaleen St. J. McCormick's docket and reassigned to vice chancellors.

McCormick sent a [letter](#) to counsel on Monday granting Musk's motion to reassign the cases but denying the motion for her recusal.

"As should be obvious, disproportionate media attention surrounding a judge's handling of an action is detrimental to the administration of justice," McCormick wrote. "Fortunately, the Court of Chancery is far greater than any one person. I have complete faith in the vice chancellors' abilities to adjudicate these matters. And three of them will."

Musk, represented by Quinn Emanuel Urquhart & Sullivan, moved for McCormick's recusal or for the cases to be reassigned [last week](#), claiming her LinkedIn account and one belonging to a member of her staff had each reacted positively to a post criticizing Musk and Quinn Emanuel in the context of a Northern District of California jury trial held this month.

Tesla directors named as defendants in the Chancery litigation joined in the motion, which alleged the reaction from McCormick's account—one that McCormick said she either did not select or clicked accidentally—created a public perception of bias against the defense in litigation involving overlapping factual allegations.

McCormick denied the motion for recusal, stating it was based on the false premise that she supported the LinkedIn post. Her letter stated she isn't biased against the defendants in the three cases, citing her [dismissal](#) last July of *Khalid v. Musk*, a separate case brought against Musk by a retail investor in what was previously Twitter Inc. In that action, McCormick subsequently denied the shareholder plaintiff's motions for reargument in [August](#) and [September](#).

The letter asks counsel to contact McCormick's chambers to schedule a time for random reassignment and says that, while all counsel can attend, those who signed the motion for reassignment or subsequent joinder must appear.

The court's current automated system for assigning cases has been in place since last September, one of [several changes](#) made to streamline the court's workflow when cases are first filed. The three cases now set to be reassigned were all filed before that system was implemented.

Page printed from: <https://www.law.com/delbizcourt/2026/03/31/chancellor-grants-random-reassignment-of-tesla-shareholder-litigation/print/>

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Warren, Whitehouse, Waters Lead Probe into Elon Musk's Potential Involvement in Gutting National Security Law

 wallstreetonparade.com/2026/03/warren-whitehouse-waters-lead-probe-into-elon-musks-potential-involvement-in-gutting-national-security-law

Pam Martens

March 31, 2026



Elon Musk, CEO of
Tesla

March 31, 2026: On Monday, **Congresswoman Maxine Waters (D-CA)**, the Ranking Member of the House Financial Services Committee, along with **U.S. Senator Elizabeth Warren (D-Mass.)**, Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee; and **Senator Sheldon Whitehouse (D-RI)**, Co-Chair of the Senate Caucus on International Narcotics Control sent a [letter](#) to Scott Bessent, Secretary of the Treasury, raising questions about the extent of Elon Musk's role in the Treasury Department decision to limit key requirements of the bipartisan Corporate Transparency Act (CTA). The lawmakers expressed particular concern given new reporting that Mr. Musk uses a network of dozens of secretive companies that are potentially the same type of entities that would be subject to the law's transparency requirements. (See *Wall Street On Parade's* previous reporting on Elon's Musk's threat to national security: [The U.S. Government Is Plowing Billions into SpaceX, Overlooking Drug Use, Sex Parties, and Elon Musk's Coziness with Putin.](#))

"(N)ew reporting has revealed that Mr. Musk uses a network of dozens of secretive companies—potentially the type of entities that, under the CTA, are required to report ownership information to the Treasury Department. It would be deeply troubling if Mr. Musk intervened in any way to limit these transparency requirements," wrote the lawmakers.

"Congress passed the CTA with support from the first Trump Administration, after extensive negotiations between Congress, the Administration, law enforcement organizations, state governments, anti-corruption advocates, financial institutions, and small businesses," the lawmakers emphasized. "But in March 2025, Treasury

abruptly changed course... Treasury issued an interim final rule removing 'the requirement for U.S. companies and U.S. persons to report beneficial ownership information' to FinCEN." Congress drafted the law to cover those domestic entities and U.S. persons.

The lawmakers continued in their letter:

"Treasury has taken this approach despite ample evidence that criminals and foreign adversaries use shell companies or opaque corporate structures in the United States."

"In other words," the lawmakers summarized, "the Treasury Department announced its plans to gut the CTA one day after Elon Musk, who at the time served as the head of DOGE, announced that he would 'look into' the law. Mr. Musk owns a slew of private companies that, had Treasury continued to enforce the CTA as required in statute, would likely have been required to report their true owners to FinCEN. Instead, the Treasury Department issued an interim final rule that permits entities tied to Mr. Musk to continue operating in obscurity."

Last year, Ranking Members Waters and Senator Warren [launched a probe](#) into the Trump Administration's gutting of the CTA. In the months since the Treasury Department reversed course on implementing the law, new reporting has shown how the decision makes it easier for criminals and adversaries to move money through the U.S. financial system:

- The Trump Administration itself published several documents showing how [Chinese money laundering networks use shell and front companies](#) to launder drug proceeds and illicit funds for drug cartels.
- [The Treasury Department published an analysis criticizing three foreign jurisdictions for having "opaque corporate registries" that Iran exploits to evade sanctions](#)—while simultaneously gutting corporate transparency requirements in the United States, where Iranian sanctions evaders have been known to operate.
- The Government Accountability Office (GAO) released a report finding that ["bad actors \[hiding behind shell entities\] may target federal programs... to improperly receive federal contracts or fraudulently access federal benefits."](#)

Yet the Trump Administration eliminated requirements that U.S. companies provide this information—increasing the risk of fraud.

- The Financial Action Task Force issued a new warning that [shell companies provide criminals with a “getaway car” to evade law enforcement.](#)
- Law enforcement groups came out in opposition to Treasury’s decision, stating that “it is the criminal enterprises—[drug traffickers, money launderers, and their financial enablers—who stand to gain if this law is weakened.](#)”
- New reports indicate that [Jeffrey Epstein, already known to have used dozens of shell companies, exploited U.S. Virgin Islands-registered shell companies](#) to facilitate sex trafficking after bank officials [raised concerns about his constant cash withdrawals.](#) Treasury’s decision to roll back enforcement of the CTA means that shell companies based in the U.S. Virgin Islands can stay anonymous.

The lawmakers are requesting detailed information on Elon Musk’s involvement in the Treasury Department’s efforts to suspend CTA enforcement no later than April 13, 2026.

Related Articles:

[Elon Musk’s Companies Were Under Investigation by Five Inspectors General When the Trump Administration Fired Them and Made Musk the Investigator](#)

[Who Benefits Alongside Elon Musk If He Succeeds in Killing the CFPB: the Megabanks on Wall Street that Underwrite His Tesla Stock Offerings](#)

[After Tech Geeks Built a Back Door to Loot Billions from FTX, Republicans Refuse to Investigate What Elon Musk’s Tech-Squad Did Inside the U.S. Treasury’s Payment System](#)

Securities

Drugmaker Geron Gets Investor Suit Over Slowing Growth Dismissed

March 30, 2026, 2:55 PM PDT

Geron Corp. investors failed to allege false statements and fraudulent intent by the drugmaker's leaders about sales growth, a federal court said Monday.

A December 2024 statement touting "strong continued growth" is the basis of the investors' strongest claim, but they have only an uncorroborated statement suggesting that sales had flattened by that time, Judge Vince Chhabria said for the US District Court for the Northern District of California. Chhabria dismissed the complaint with a chance to re-plead.

The investors alleged the company misled them about their expectations for the launch and growth potential of Rytelo, a drug used to treat blood conditions

An innocent explanation of the timing of the flattened sales is more compelling than the one the investors advanced, Chhabria said

"The rest of the plaintiffs' claims do not even come close to surviving dismissal," he said, pointing to inactionable expressions of corporate optimism and other problems.

Levi & Korsinsky LLP is lead counsel for the investors. Cooley LLP represents Geron.

The case is Dabestani v. Geron Corp. , N.D. Cal., No. 3:25-cv-02507, 3/30/26 .

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Class Action

Manage Newsletters

BlackRock-Linked Renewables Venture Sued Over Restructuring (1)

March 31, 2026, 8:09 AM PDT; Updated: March 31, 2026, 9:06 AM PDT

Summary by Bloomberg AI

AI Generated



- Clearway Energy Inc. is planning to adopt a novel capital structure that would hand perpetual control of the renewable energy business to a BlackRock Inc. affiliate.
- A Teamsters fund sued Clearway, challenging a proposed stock reshuffling that would allegedly reduce the influence of public shareholders while cementing the control enjoyed by a major financial backer.
- The lawsuit seeks an order blocking the restructuring, alleging that Clearway's board and management didn't appear to have sought any concessions from the joint venture before approving the proposal.

Clearway Energy Inc. is planning to adopt a novel capital structure that would hand perpetual control of the renewable energy business to a BlackRock Inc. affiliate even if it unloads nearly its entire stake, according to an investor lawsuit.

A Teamsters fund sued Clearway on Monday in Delaware's Chancery Court, challenging a proposed stock reshuffling that would allegedly reduce the influence of public shareholders 100-fold while cementing the control enjoyed by a major financial backer, a partnership between BlackRock and TotalEnergies SE. That entity, Clearway Energy Group LLC, is also named as a defendant.

Publicly traded Class A shares would automatically convert into Class C shares with only 0.01 votes apiece, while the joint venture would be able to keep full-voting Class B shares and convert them at its own preferred pace, according to the proposed class action. The partnership "will only need to retain slightly more than 1 million Class B shares, or a little less than 1% of the company's total outstanding equity, to maintain control," the suit says.

Byzantine stock structures reflect a running theme for Delaware's main business tribunal, which regularly hears disputes over alleged abuses by financiers wielding outsize voting power through convoluted governance mechanisms. The joint venture allegedly controls 55% of Clearway's vote despite owning only a 41% economic stake.

State lawmakers made those lawsuits harder to bring last year, enacting a significant overhaul that lowered the guardrails around self-dealing and imposed a narrow definition of corporate control excluding most minority investors. The Delaware Supreme Court upheld the changes in February in an unrelated case involving Clearway.

Global Infrastructure Partners, the BlackRock subsidiary that holds its joint venture stake, declined to comment through a spokesperson Tuesday. Clearway and TotalEnergies didn't immediately respond to requests for comment.

According to Monday's lawsuit, Clearway's board and management don't appear to have sought any concessions from the joint venture before rubber-stamping the proposal. It's not even clear they were properly informed of the transaction's substance, the suit says.

It seeks an order blocking the restructuring.

The Teamsters fund is represented by Labaton Keller Sucharow LLP, Friedlander & Gorris PA, and Friedman Oster & Tejtell PLLC. Clearway and its affiliates haven't yet made court appearances.

The case is N.E. Teamsters Pension Fund v. Clearway Energy Inc. , Del. Ch., No. 2026-0427, complaint filed 3/30/26 .

(Updates with no comment from BlackRock affiliate in sixth paragraph.)

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Game Over for Investors Suing Warner Bros. Over Failed NBA Broadcast Talks

U.S. District Judge Katherine Polk Failla for the Southern District of New York found that Warner Bros. had disclosed "all material facts" for its negotiations over the rights to broadcast National Basketball Association games, rejecting claims of misleading investors on the chances of securing the rights.

March 31, 2026 at 02:01 PM By **Alyssa Aquino**



U.S. District Judge Katherine Polk Failla for the Southern District of New York. Courtesy photo

A New York federal judge tossed a lawsuit alleging Warner Bros. Discovery misled investors on its chances of maintaining lucrative sports broadcasting rights, saying the shareholders hadn't shown how they were misled.

U.S. District Judge Katherine Polk Failla for the Southern District of New York rejected investor claims that Warner Bros. had given investors incomplete information on its discussions with the National Basketball Association to continue broadcasting games, finding that Warner Bros. had disclosed "all material facts."

“To the extent those disclosures fell short (and the court finds they did not), media reporting filled in the gaps,” Failla said in [a decision](#) released Monday.

She dismissed the case with prejudice, writing that the investors—represented by Pomerantz, The Rosen Law Firm and Bronstein, Gewirtz & Grossman—had already had the chance to amend their case.

“More pointedly, plaintiffs ‘have failed to indicate in any way that these defects can be cured by an amended complaint,’” Failla said.

Warner Bros. had been represented by White & Case. Counsel for the investors and Warner Bros didn’t immediately respond to Tuesday requests for comment.

The order comes nearly a year-and-a-half after a shareholder sued Warner Bros. president and CEO David Zaslav and chief financial officer Gunnar Wiedenfels over their failure to renew the company’s decades-old rights to exclusively broadcast NBA games.

The broadcast deal was up for expiration in 2024. Warner Bros. had the chance to exclusively negotiate a follow-up deal, but Amazon Prime and NBCUniversal both got the chance to bid when the exclusive negotiation period was up. Amazon ultimately won the rights with a \$77 billion offer.

The lost broadcast rights had been a blow for Warner Bros., resulting in litigation between Warner Bros. and the NBA in a New York state court. That case settled.

But a group of investors pursued their [own case](#) against Warner Bros., alleging the company downplayed the importance of the NBA rights, while overstating its ability to match any rival offers.

Failla rejected both sets of claims, saying Warner Bros. “repeatedly communicated” how essential the broadcast rights were to Warner Bros.

She also stressed when Warner Bros. issued statements on its ability to match rival bids: in April and May 2024, months before the NBA revealed the exact terms of NBCUniversal’s and Amazon’s offers.

“Quite obviously, therefore, defendants could not have known in May that WBD would not reach a deal with the NBA or match competing offers in July. The law does not require defendants to predict the future,” she said.

Page printed from: <https://www.law.com/newyorklawjournal/2026/03/31/game-over-for-investors-suing-warner-bros-over-failed-nba-broadcast-talks/print/>

David Boies-led legal team seeks \$147 million in fees from Google verdict

 [reuters.com/legal/government/david-boies-led-legal-team-seeks-147-million-fees-google-verdict-2026-03-31](https://www.reuters.com/legal/government/david-boies-led-legal-team-seeks-147-million-fees-google-verdict-2026-03-31)

Mike Scarcella

March 31, 2026

Lawyer David Boies leaves the courthouse in New York City, U.S. July 15, 2019.

REUTERS/Lucas Jackson [Purchase Licensing Rights, opens new tab](#)

WASHINGTON, March 31 (Reuters) - David Boies and other lawyers who won a \$425 million jury verdict against Alphabet's Google in a data privacy trial last year have asked a judge to award them \$147 million in legal fees, according to new court filings that describe some of the highest hourly attorney rates in the U.S.

In [their request](#)  [, opens new tab](#) on Monday in federal court in San Francisco, law firms Boies Schiller Flexner, Susman Godfrey and Morgan & Morgan said awarding the full amount would encourage plaintiffs' lawyers to take difficult cases to trial rather than accept settlements that could shortchange class members. A jury in September found [Google liable](#) for secretly collecting app activity data from millions of users who had disabled a tracking feature. The law firms had sought billions of dollars in damages and said they devoted 49,670 hours so far to the litigation.

The firms asked U.S. District Judge Richard Seeborg in San Francisco to award them one-third of the judgment, which has grown to more than \$440 million with interest. They called the verdict "historic" and said it was likely the largest ever in a data privacy class action tried to verdict in federal court.

Google and the lead attorneys for the consumers did not immediately respond to requests for comment. Google has denied any wrongdoing and said it will appeal the jury verdict.

The lawyers as part of their fee request submitted details about their standard billing rates, which would exceed \$56 million if based solely on the time they spent on the case, Boies, the lead trial lawyer for the consumers, said he has a standard billing rate of \$2,730 an hour this year. Boies logged more than 1,425 hours in the case, the filings show.

The attorneys asked for a multiplier to their usual rates to account for the importance and difficulty of the lawsuit and other factors.

Boies rose to prominence as a lawyer for the U.S. government in its landmark antitrust case against Microsoft in the 1990s and for representing Democratic presidential candidate Al Gore in his unsuccessful 2000 U.S. Supreme Court battle with George W. Bush.

Another top biller, William Carmody of Susman Godfrey, charges [\\$4,000 an hour](#), the records show. The firm said Carmody's rate "is reasonable given his stature as one of the nation's leading trial lawyers and the exceedingly complex nature of this litigation."

Susman's Shawn Rabin is billing in other cases at \$2,500 an hour, and Morgan & Morgan's John Yanchunis, who leads the firm's class action group, [charges](#)  [opens new tab](#) \$2,400 an hour.

The plaintiffs' lawyers told Seeborg that "the substantial risk undertaken by Class Counsel in this complex case further supports the fee request."

A hearing on the fee request is scheduled for Aug. 13.

The case is Rodriguez v. Google LLC, U.S. District Court for the Northern District of California, No. 3:20-cv-04688.

For plaintiffs: David Boies and Mark Mao of Boies Schiller Flexner; Bill Carmody and Shawn Rabin of Susman Godfrey; and John Yanchunis and Ryan McGee of Morgan & Morgan

For Google: Michael Attanasio, Benedict Hur and Simona Agnolucci of Cooley

Read more:

[Judge rejects lawyers' preemptive fee bid in Google ad tech class action](#)

[US appeals court says law firm's size doesn't limit legal fees](#)

[As lawyer rates surge, US firm charges \\$4,000 an hour for top partners](#)

[Want to hire Elon Musk's lawyer? That will be \\$3,000 an hour](#)

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California Brief

Meta's \$280 Billion Tailspin Sparks 'Tobacco Moment' Questions

March 30, 2026, 9:38 AM PDT

Meta Platforms Inc. was looking like the best Big Tech stock in the market when the year began. But investors' fears of legal risks and heavy spending on artificial intelligence are bubbling to the surface, culminating in last week's 11% rout.

Shares of the Facebook and Instagram parent are down 17% this month, putting them on pace for their worst performance since October 2022. That was when Meta gave a disappointing revenue outlook, and Chief Executive Officer Mark Zuckerberg pleaded with investors to stay patient with the company's ballooning spending on the metaverse.

The March selloff has erased nearly \$300 billion in market cap

The chart displays the monthly percentage change in the labor force. The y-axis ranges from -40% to 30% in 10% increments. The x-axis shows years from 2020 to 2026. The data is represented by vertical bars. Most bars are orange, but the final bar in early 2026 is purple, indicating a significant drop to approximately -20%.

Year	Month	Percentage Change (%)
2019	Dec	3
2019	Jan	16
2019	Feb	-7
2019	Mar	9
2019	Apr	1
2019	May	-3
2019	Jun	-4
2019	Jul	7
2019	Aug	5
2019	Sep	2
2019	Oct	-1
2019	Nov	-4
2019	Dec	-13
2020	Jan	23
2020	Feb	10
2020	Mar	1
2020	Apr	1
2020	May	12
2020	Jun	15
2020	Jul	-11
2020	Aug	1
2020	Sep	5
2020	Oct	-1
2020	Nov	-4
2020	Dec	0
2021	Jan	14
2021	Feb	11
2021	Mar	1
2021	Apr	1
2021	May	6
2021	Jun	3
2021	Jul	7
2021	Aug	-11
2021	Sep	0
2021	Oct	4
2021	Nov	-4
2021	Dec	0
2022	Jan	-34
2022	Feb	6
2022	Mar	-9
2022	Apr	-1
2022	May	-15
2022	Jun	-1
2022	Jul	-16
2022	Aug	-1
2022	Sep	3
2022	Oct	-16
2022	Nov	-34
2022	Dec	2
2023	Jan	26
2023	Feb	2
2023	Mar	24
2023	Apr	18
2023	May	21
2023	Jun	14
2023	Jul	10
2023	Aug	9
2023	Sep	12
2023	Oct	-7
2023	Nov	2
2023	Dec	0
2024	Jan	8
2024	Feb	8
2024	Mar	8
2024	Apr	25
2024	May	10
2024	Jun	-1
2024	Jul	-13
2024	Aug	8
2024	Sep	8
2024	Oct	-5
2024	Nov	9
2024	Dec	9
2025	Jan	-1
2025	Feb	1
2025	Mar	2
2025	Apr	18
2025	May	-3
2025	Jun	-14
2025	Jul	-4
2025	Aug	18
2025	Sep	14
2025	Oct	5
2025	Nov	-4
2025	Dec	-12
2026	Jan	2
2026	Feb	9
2026	Mar	-10
2026	Apr	-20

Today, Meta is deemphasizing the metaverse to focus on AI. But the concerns about runaway spending have only grown. And there's a rising existential risk surrounding the company after a jury in New Mexico found that Meta misled teenagers in the state about the safety of its social networks, and Meta and Alphabet Inc. were found liable in a trial related to social-media addiction. The stock has lost \$280 billion in market capitalization in March alone.



Mark Zuckerberg exits Los Angeles Superior Court in Los Angeles on Feb. 18.

Photographer: Kyle Grillot/Bloomberg

Wall Street is now grappling with the possibility that social media companies could face a similar risk to the shrinking of the tobacco industry following stronger smoking regulations, though many say it is too early to tell.

"I don't necessarily see this as the same as tobacco, but stranger things have happened," said **Tim Ghriskey**, senior portfolio strategist at Ingalls & Snyder, which has about \$11 billion in assets and owns Meta shares. He started his analyst career covering tobacco and spent a lot of time gaming out litigation risks.

"Some would say the only way to remove any negative impact of social media is if you shut the whole thing down," Ghriskey said. "Obviously that would just devastate the company."

The tobacco comparison is "the persistent question we have gotten from investors" in the wake of the verdict, **Mark Mahaney**, an analyst at Evercore ISI, wrote in a note to clients on March 26. "Is this Meta's Big Tobacco moment? In other words, is Meta uninvestible today? It's possible, but we think unlikely."

Read more: [How a Social Media Trial Verdict Threatens Big Tech](#)

Investors, however, appear less sure. The stock plunged in the wake of the rulings, falling to its worst week since October. Meta shares are down 32% from their all-time high and dramatically lagging the Nasdaq 100 Index this year. The stock was up 2.2% at midday on Monday.

That's a sharp reversal from January, when the shares gained 8.5% in a month and were among the 25 best performers in the tech-heavy benchmark. At the time, a robust sales forecast was considered a sign the company's aggressive AI-related capital expenditures were paying off. Meta's revenue is expected to grow about 25% this year, up from last year's 22% pace.

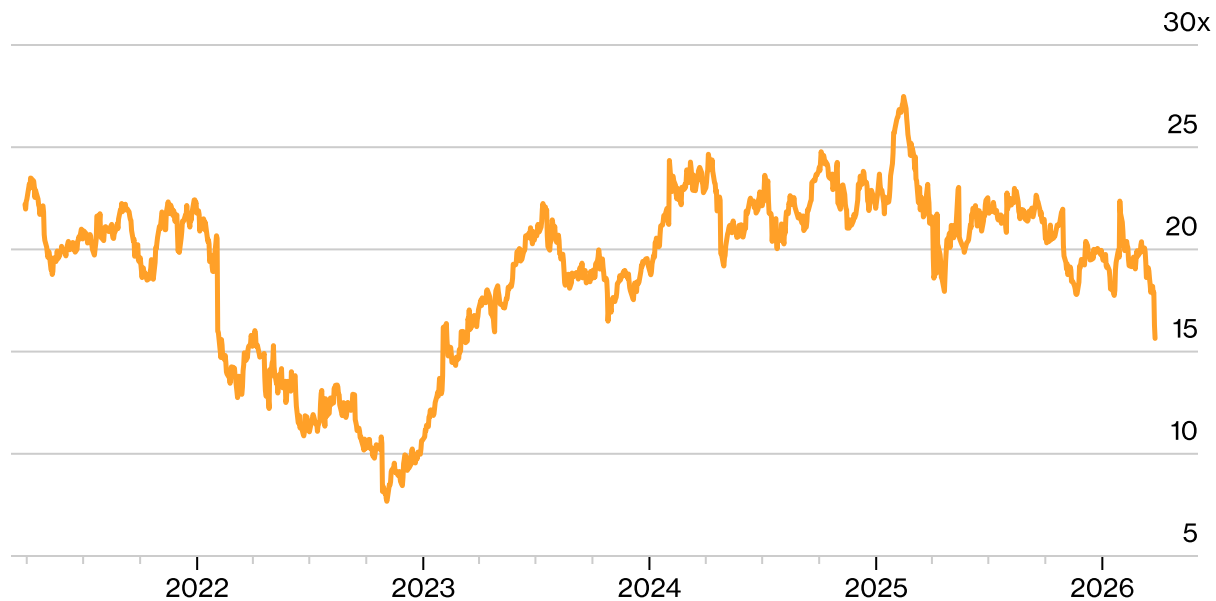
However, a look at Meta's free cash flow shows why investors are souring on exorbitant AI spending. Even with its revenues rising fast, free cash flow is expected to shrink 83% this year to less than \$8 billion from \$46 billion in 2025. Meanwhile, its capex is projected to soar 77% to \$123.5 billion this year and above \$140 billion in 2027. The company is cutting several hundred jobs amid the AI spending.

With several other social media cases scheduled to go to trial in California state court this year, legal issues are expected to remain an overhang on shares for some time. Unless Meta and Alphabet are confident that the Supreme Court will step in and protect them, the rulings "could lead Meta and Google to redesign their services for teens and explore financial settlements with other plaintiffs," TD Cowen analyst **Paul Gallant** wrote in a note to clients on Thursday.

Meta is far more exposed to the risk than Alphabet, whose YouTube business is the primary focus. Nearly all of Meta's revenue comes from advertising at its "Family of Apps" business. But Wall Street remains widely bullish on the stock. Of the 80 analysts covering Meta that are tracked by Bloomberg, 72 rate it a buy and only one has a sell rating. And based on the average price target, the shares are expected to rise 61% over the next 12 months, the strongest implied return since 2022.

Meta's Multiple at Three-Year Low

Meta P/E



Source: Bloomberg

Bloomberg

In fact, analysts have gotten more bullish on Meta's long-term prospects this quarter. Consensus estimates for the company's 2027 earnings are up 2.4% over the last three months, while the view for revenue is up 6.4% over the same period.

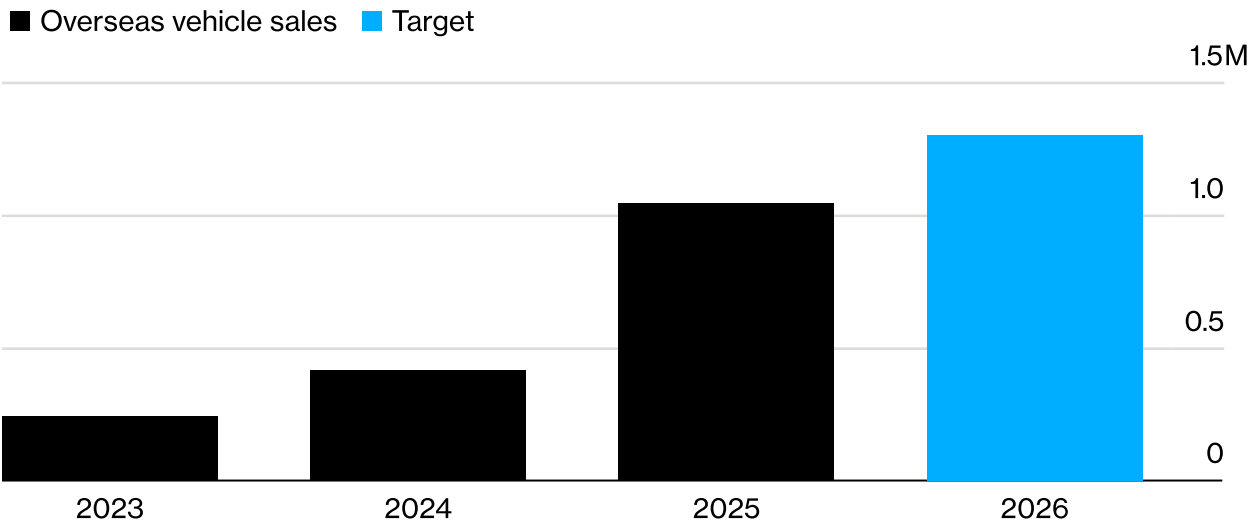
The combination of upward revisions and a sinking share price have made Meta the cheapest stock in the Magnificent Seven. Its shares trade around 16 times estimated earnings over the next 12 months, their lowest valuation since March 2023.

That relatively cheap price more than offsets the rest of the issues weighing on the stock price, according to **Phil DeAngelo**, who helps oversee \$2.3 billion in assets as a managing director at Focused Wealth Management, which owns Meta shares.

"So far the penalties have been small, and it can adopt new parameters to diminish the issues behind the suits, so I don't see this as a tobacco-like overhang," he said. "At the same time, Meta has gotten extremely attractive, and the acceleration in revenue shows that even though the level of spending is huge, it knows how to monetize the investments."

Tech Chart of the Day

BYD Aims to Sell 1.3 Million Cars Outside China
The automaker delivered 1.05 million vehicles last year



Source: Company statements Bloomberg

BYD Co. shares sank after earnings missed estimates and Chairman Wang Chuanfu warned of further pain ahead for China's electric vehicle industry. Its steeper-than-expected decline in fourth-quarter earnings capped a year in which the company saw its first annual profit drop in four years and its smallest revenue growth in six despite outselling Tesla Inc. globally.

Top Tech News

- DeepSeek's chatbot suffered a major outage of more than seven hours overnight in China, forcing the AI pioneer to deploy several updates to rectify the issue.
- Industrial robot maker Shenzhen Inovance Technology Co. has picked banks for a Hong Kong listing that could raise as much as \$2 billion, according to people familiar with the matter.
- Meta Platforms Inc. plans to debut two new Ray-Ban smart glasses models intended for prescription wearers.
- Apple's revamped AI and Siri strategy shows the company is recommitting to its core business model: selling hardware and services.
- Physical Intelligence, a two-year-old robotics startup founded by AI academics and former Google DeepMind researchers, is discussing a new funding round of about \$1 billion that would bring the company's valuation to more than \$11 billion including dollars raised, according to people familiar with the matter.

Earnings Due Monday

Postmarket

Progress Software (PRGS US)

Legal Impact of 2 Social Media Verdicts: 'A Road Map to Beating the Big Tech Companies'

Last week's \$375 million verdict against Meta Platforms in New Mexico, and \$6 million jury award against Meta and YouTube, owned by Google, were the first to use new legal theories to blame social media on harm to children.

March 31, 2026 at 02:00 PM By  **Amanda Bronstad**



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

What You Need to Know

- Both trials introduced jurors to internal documents and emails at Meta discussing the impact and engagement of its platforms when it comes to young users.
- The next individual trial in Los Angeles Superior Court is slated for July, but Meta and YouTube plan to appeal the \$6 million verdict.

- The first federal trials are scheduled June 15, for a school district, and Aug. 6, for a state attorney general, in the multidistrict litigation in the Northern District of California.

Two groundbreaking verdicts against Meta Platforms Inc. this month gave the first glimpse of how successful both plaintiffs' lawyers and states could be in blaming social media for harm to children.

On March 24, jurors in Santa Fe, New Mexico, came back with [a \\$375 million verdict](#) against Meta, which owns Instagram and Facebook. The next day, a Los Angeles jury hit Meta and YouTube, owned by Google, with [a \\$6 million verdict](#). While the cases were brought under different legal theories—one on behalf of the state of New Mexico, the other for a 20-year-old woman—the jury awards reverberated around the world about the limits that social media should have when it comes to children.

Allison Fitzpatrick, a partner at Davis & Gilbert in New York focused on social media marketing, called the verdicts a “turning point.”

“It seems there is a road map to beating the big tech companies in court when it comes to similar types of claims,” she said.

For the first time, jurors found that two of the largest social media giants addicted an adolescent user, causing her mental health struggles, which included depression and body dysmorphia. They also found Meta misrepresented the safety of its platforms under the state's unfair business practices laws, leading to child exploitation on its platform.

“In the span of 24 hours, juries in New Mexico and Los Angeles independently both concluded that Meta intentionally designed its platforms to prioritize growth and engagement over the safety of its youngest users,” said Sarah London, of San Francisco's Girard Sharp, who is co-lead plaintiffs' counsel in child exploitation cases against Roblox. “We see real good developments in these verdicts, good positive signs for those most vulnerable people who've been harmed for getting their day in court and justice. It's very positive.”

A “common theme” in both cases were internal documents and emails at Meta discussing the impact and engagement of its platforms when it comes to young users. On the stand, Meta CEO Mark Zuckerberg [faced questions](#) about why the company, internally, was discussing preteen and teen users while insisting in public that kids under 13 weren't allowed on its platforms.

“The emails were particularly compelling and powerful,” Joe McNally, director of emerging litigation at Los Angeles-based McNicholas & McNicholas, who is a former federal prosecutor, told Law.com. “I think in any case, when a plaintiff has internal emails showing the debate going on,

that creates a real challenge for the defendants to explain why they didn't take those concerns more seriously."

The LA Trial: 'The Jury Can Understand the Concept of Addiction'

In Los Angeles Superior Court, lawyers for both companies tried to assure jurors that their platforms had multiple benefits and that other factors caused mental health struggles for the plaintiff, who was anonymous and referred to as Kaley, or K.G.M., such as an absentee father and bullying at school. But Kaley's lawyer, W. Mark Lanier, of The Lanier Law Firm, based in Houston, flipped that argument, acknowledging to jurors in his opening statement that his client was an "eggshell" plaintiff who was among the most vulnerable targeted by Meta and YouTube.

"By



Joseph McNally, director of emerging litigation with McNicholas & McNicholas. Courtesy photo

embracing those vulnerabilities," McNally said of Lanier, "he effectively embraced the weak part of his case and used it to his advantage."

The trial focused on the design features of the platforms, such as infinite scroll and autoplay, that made them addictive, not the content of the videos, for which tech companies are not liable under Section 230 of the Communications Decency Act.

"It's absolutely remarkable because it's the first time this theory that social media is a product and, as such, defective and harmful, has been successful," Nikolas Guggenberger, assistant professor at the University of Houston Law Center, told Law.com.

Jurors sided with the plaintiff 10-2 on a host of liability questions, including whether the design of the platforms was defective, whether Meta and YouTube failed to warn of their dangers and

whether those acts were a “substantial factor” in Kaley’s harm.

But not all the jurors agreed.

“There are other things that could’ve made a juror pause,” Guggenberger said. “One thing is causality, and that’s problematic in many torts, in general, but specifically, in product liability torts.”

The outcome is important for future trials, the next of which is anticipated to start in July in the same courtroom before Los Angeles Superior Court Judge Carolyn Kuhl, who is overseeing thousands of similar cases against Meta, YouTube and two other social media companies: TikTok and Snapchat, owned by Snap Inc. The next trial involves a teenage boy from Panama City, Florida, who alleges his social media addiction caused depression, anxiety and suicidal ideation. All four social media companies are named as defendants.

Causation is likely to resurface at the second trial, McNally said.

“And so much of the defense on other cases going forward will focus on the causation issue: was it the app that caused self-harm and other issues or other things in the plaintiff’s life that caused that?” he said.

But Morgan & Morgan’s Emily Jeffcott, in Pensacola, Florida, who represented K.G.M. and will be on the trial team at the second trial, told Law.com a lot was learned from the first trial.

“What we learned is that the jury can understand the concept of addiction and how it impacts other mental health issues,” she said. “We took time to instruct that and that was beneficial to framing the case.”

Damages: 'Obviously, We Were Hoping for Something Bigger'

As to damages, the jury’s award provides the first potential value to an addiction case, one of thousands against social media companies. That value could prove important for settlement discussions later.

In his closing, Lanier didn’t give the jury a number, but, after they awarded \$3 million in compensatory damages, he held up a jar of 415 M&Ms, representing the \$415 billion stipulated value of Alphabet, the parent of Google—then removed one, then two, then a handful, to demonstrate how much they would have to award to be noticed. Meta attorney Paul Schmidt, of Covington & Burling, in New York, suggested punitive damages could be equal to compensatory damages, and the jurors, after 30 minutes of deliberations, came back with \$3 million.

Fitzpatrick acknowledged that \$3 million pales in comparison to \$375 million, but the Los Angeles case involved an individual, not thousands of residents of New Mexico. And thousands of other

individuals have sued the same companies for similar harms.

“The thinking of jurors was we can’t give everyone \$200 million, let’s tone it down to how much she was actually injured,” she said. “While \$6 million is a drop in the bucket for Meta right now, multiply by 1,000 or more than that, and you have to defend these lawsuits, that’s enough to make changes so that they can stop these lawsuits.”



Emily Jeffcott, with Morgan & Morgan. Courtesy photo

The jury instructions told jurors to consider K.G.M.’s harm, not the harm done to hundreds of thousands of kids, Jeffcott said.

“In their mindset, they’re thinking, ‘we already got this number here, how do we multiply that to come up with the punitive damages amount?’” she said. “Logically, I can see how they got there. Obviously, we were hoping for something bigger. But I don’t think it changes the message: the jury found equivocally ‘yes,’ and found these companies liable.”

Meta and YouTube have vowed to appeal, and their arguments are likely to center on Section 230 and the First Amendment, lawyers say.

“A case like this has the potential to go to the Supreme Court because we’re talking about the interpretation of Section 230 and also the First Amendment, the Constitution,” Guggenberger said.

The NM Verdict: A Roadmap for AG Trials?

In the case brought by New Mexico Attorney General Raul Torrez, the jury looked to the state’s unfair competition laws, which comes with statutory damages of up to \$5,000 per violation. Although many of the experts were the same, the trial focused on the alleged misrepresentations Meta made to users in New Mexico.

“It’s easier to establish you need to warn of potential harm than it is to prove actual damages that have accrued to one particular specific plaintiff,” Guggenberger said.

The verdict, however, comes as dozens of other states have sued Meta, many of which have cases in federal court in the social media addiction multidistrict litigation in California’s Northern District. Those states, said Fitzpatrick, now have a roadmap for success under each unfair business practices statute.



Judge Yvonne Gonzalez Rogers at a sexual harrassment panel, called panel called "Making the Future #NOTMeToo" at the Northern District of California

U.S. District Judge Yvonne Gonzalez Rogers, who is overseeing 18 of those cases, has scheduled the first attorney general case for an Aug. 6 trial. The lead states that could go first are California, Colorado, Kentucky and New Jersey.

But the first bellwether trial in the multidistrict litigation will be June 15 on behalf of a school district in Jackson, Kentucky.

"We look forward to continuing to present evidence of misconduct by Meta and Google, as well as TikTok and Snap," the multidistrict litigation's co-lead counsel Lexi Hazam, of San Francisco's Lieff Cabraser Heimann & Bernstein, and Previn Warren, of Motley Rice in Washington D.C., said in a statement. "Our nation's first school district bellwether trial begins in June and seeks to hold social media companies accountable for the damage their platforms have done to schools, schoolchildren and public education."

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California Brief

Social Media Jury Verdicts Ignite Internet Free Speech Debates

March 31, 2026, 2:00 AM PDT

An unlikely coalition of advocates opposing the wave of Big Tobacco-style litigation targeting social media companies over youth addiction is speaking out against a pair of landmark jury verdicts that last week found internet platforms legally responsible for harming teenagers.

The groups have reinvigorated an intense debate—frequently occurring on social media—about sound internet policy, First Amendment rights, and the tech industry's legal shield known as Section 230.

Two jury decisions—a \$6 million verdict against Meta Platforms Inc. and Google LLC in Los Angeles and a \$375 million verdict against Meta in New Mexico—saw widespread applause from tech critics, consumer advocates, and plaintiffs-side attorneys who for years have fought an uphill battle to hold social media networks liable in court.

But just as quickly, an unusual alliance of libertarian-leaning First Amendment advocates and left-wing civil rights groups argued that the legal logic behind these trials will be detrimental to expression on the internet and could bolster legislation that will target minority groups and undermine privacy rights. The groups range from the advocates at the conservative Cato Institute to the progressive digital rights group Fight For the Future.

"It's always been a weird coalition of people supporting free speech, right?" said Neeraja Deshpande, a policy analyst at Independent Women.

Talking About Mental Health

The fact that the two cases even reached trial spotlights a dramatic change in the legal landscape.

In the past, most courts have rejected lawsuits targeting internet platforms based on the legal protections of Section 230 of the federal Communications Decency Act, a 1996 law that prohibits lawsuits against platforms based on harmful content posted by users.

But plaintiff-side attorneys have managed to pierce that shield by arguing under traditional products liability theories that harms faced by teenagers, like depression, anxiety, and anorexia, flow from the design of addictive algorithms, not the content.

Critics of the verdicts say the cases are inescapably about content—an algorithm that serves only videos of TV static, for example, wouldn't be as sticky for users. That's why the cigarette analogy falls flat, said Ari Cohn, lead tech policy counsel for the Foundation for Individual Rights and Expression.

"A cigarette, when used as intended, will invariably and inherently kill you," Cohn said. "The impact of speech on a person is so varied from individual to individual."

The Los Angeles trial centered on a 20-year-old woman who started using YouTube when she was six and Instagram when she was nine—the same time her attorney Mark Lanier said at trial that internal documents show Meta was trying to maximize user time spent on its platforms.

Her lawyers argued she was vulnerable to the companies' efforts to keep her attention glued to their sites. The companies argued that she used the platforms as an outlet to cope with offline stress.

Some observers warn of unintended consequences related to free speech.

If the verdict holding companies liable for harms experienced by users stands, it could lead websites "to effectively start to monitor for vulnerable users and serve them a different online experience," said Jess Miers, assistant professor at the University of Akron School of Law.

That could mean removing content that touches on mental health in any form, including posts related to suicide prevention or open discussions about anxiety and depression, Miers said.

"The social media services don't really have a good way currently of identifying what kinds of content will be specifically triggering" for a particular user, Miers said. "And so either they start tracking how users are using their services and serving them different experiences, or, I mean, even easier—they sort of take a broad axe to any kind of content that could present a risk."

Trevor Timm, co-founder and executive director of Freedom of the Press Foundation, said he's concerned the Los Angeles verdict's logic could be applied to target news organizations that use algorithms to promote stories to readers. They could hypothetically be held liable because reading bad news is linked to poor mental health outcomes.

"I definitely don't think social media is good for us, especially to be consuming in large quantities," Timm said. "But it is possible that the solution to that problem can be worse than the harms that it's producing."

All Eyes on Appeal

Both Meta and Google have said they plan to appeal, and their challenges will allow them to attack the rulings that sent the cases to trial in the first place.

YouTube has said it's not a social media platform, and a Meta spokesperson said it's continually improving safety measures on its platforms, regardless of any verdict.

"I wouldn't assume that the plaintiffs have a slam dunk victory on appeal," said Eric Goldman, an internet law professor at Santa Clara University School of Law who has been an advocate for Section 230. "One scenario is that these trials get entirely vaporized."

Just last year, the US Court of Appeals for the Ninth Circuit, the federal appellate court overseeing California and much of the American West, ruled that Section 230 immunizes the LGBTQ+ dating app Grindr from a defective design lawsuit. That case contained similar claims of Grindr's failure to prevent sexual abuse on its platform when it allowed an underage boy to create an account and meet an adult who raped him.

The US Supreme Court has largely stayed away from the law. While it heard a Section 230 case in 2023 relating to YouTube and Twitter recommendations of terrorist propaganda, it ultimately punted on the issue and declined to make any substantive ruling.

But the lawsuits have drawn the interest of lawmakers as well: numerous states in the past few years have passed legislation regulating social media platforms, requiring measures such as age verification, which some privacy advocates say will require users to hand more data to tech companies.

"Even if the defendants find a magic way to eliminate these cases, they still have to contend with the statutes that the legislature has created," Goldman said. "Social media is in trouble."

—Madlin Mekelburg contributed to this story.

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Defense experts barred in federal social media addiction trial

DJ [dailyjournal.com/articles/390463](https://www.dailyjournal.com/articles/390463)

Defendants Meta, Snapchat, YouTube and TikTok can't present expert testimony that social media isn't harmful for children when the first bellwether case in the federal multidistrict litigation over alleged addiction goes to trial in June, U.S. District Judge Yvonne Gonzalez Rogers ruled Monday.

Gonzalez Rogers granted Kentucky-based plaintiff Breathitt County School District's motion to exclude three opinions offered by two of the defendants' experts. The litigation consists of lawsuits brought by dozens of school districts and state attorneys general.

The defendants intended to call Michigan State University sociologist Keith Hampton to testify that concerns about social media are akin to a "moral panic" over a new technology and that he's seen no evidence in his work suggesting the platforms have harmful effects. *In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation*, 4:22-md-03047 (N.D. Cal., filed Oct. 6, 2022).

Breathitt, represented by Gibbs Mura, A Law Group and Lieff Cabraser, pointed out that Los Angeles County Superior Court Judge Carolyn B. Kuhl excluded the opinions in the recently concluded state court trial over similar allegations.

Gonzalez Rogers agreed, quoting Kuhl's ruling that Hampton's opinions are based on faulty logic, since he uses evidence about society's reaction to social media to jump to a conclusion about its effects.

"The Court agrees with plaintiff and Judge Kuhl that Dr. Hampton's 'moral panic' opinion is based entirely on circular reasoning that 'assumes (without providing a basis for that assumption) that a society's negative reactions to a new technology suggest that the technology does not cause harm to individuals in that society,'" Gonzalez Rogers wrote. "Dr. Hampton's opinion that there is no evidence of harm resulting from social media is not a conclusion drawn from sound methodology nor is it supported by the available evidence."

In the state court case, a jury awarded the first bellwether plaintiffs \$6 million against Meta and Google last week. The other two companies settled before trial.

Gonzalez Rogers also threw out an opinion presented by University of North Carolina education professor Ethan Hutt about the role schools should play in controlling student social media use. Hutt said that the way schools have responded to student social media use represents "a predictable continuation" of a historical trend where the responsibilities of schools are broadened to include any new social ills that affect students.

Gonzalez Rogers said that the opinion hinted at legal conclusions that Hutt isn't qualified to offer.

"Although Dr. Hutt has sufficient qualifications to speak to the history of education, he may not advocate for certain legal conclusions, such as to limit the role of public schools in addressing perceived social ills," Gonzalez Rogers wrote.

The defendants are represented by Munger, Tolles & Olson LLP, Covington & Burling LLP, Williams & Connolly LLP, Davis Polk & Wardwell LLP and King & Spalding LLP, among several other high-profile firms.

In another win for Breathitt, Gonzalez Rogers denied the defendants' motion to exclude evidence related to content, which they say is barred by the protections against content-based liability for internet platforms in 47 U.S. Code Section 230. However, she also denied a motion filed by the plaintiff to exclude testimony about the social media companies' content moderation efforts.

Gonzalez Rogers called the motions "overbroad," and said that she can't simply throw out any evidence that could, in some way, touch upon content.

She said she will "provide a limiting instruction to the jury to remind them during witness testimony that defendants may not be held liable for third-party content. However, the Court will not broadly exclude either party's proposed category, which is essentially any content-related evidence."

While Gonzalez Rogers denied most of the defendants' motions in limine, she did partially grant one -- a motion to exclude evidence related to foreign regulatory bodies' investigations into the companies.

The defendants argued that informing the jury about foreign investigations would unfairly lead them to the conclusion that the companies violated U.S. law, when the two are distinct. Breathitt argued that it planned to present the evidence to show the defendants knew about the potential harms caused by the alleged defects in their platforms and not to suggest they violated any law in the U.S.

Gonzalez Rogers said it could be used for that narrow purpose but nothing else. She said neither side could present evidence regarding potential violations of foreign regulations and that she wouldn't have any "mini trials" on another country's laws.

Jury selection is slated to begin June 12.

#390463

Daniel Schrager

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California Brief

Meta, TikTok Flagged for Potential Breaches of Australia Ban (1)

March 30, 2026, 10:31 PM PDT

Australia's online safety regulator is investigating Meta Platforms Inc., Snap Inc., TikTok and YouTube for potentially failing to comply with the country's social media ban for under-16s, in the first formal assessment of Big Tech's response to the world-first crackdown.

In its first compliance report on Tuesday, eSafety said it has "significant concerns" about the platforms' adherence to the law, and major gaps remain in their policing measures. There aren't enough safeguards to stop under-16s creating new accounts, while some platforms are allowing underage kids to repeatedly attempt the same age-check methods until they're successful, the regulator said. The law took effect Dec. 10, 2025.

The assessment opens the door to fines of as much as A\$49.5 million (\$34 million), and eSafety said it has started gathering evidence for possible action. The report underlines concerns that children are finding ways to get around age checks, and that technology firms are reluctant to stop them.

[Read More: Australia's Social Media Ban Meets a Wave of Teen Workarounds](#)

The report comes just days after Meta and Alphabet Inc.'s Google were found liable for a 20-year-old US woman's mental health struggles, which she said were caused by her addiction to social media, and ordered to pay damages. The verdict has raised concerns social media companies are facing a 'Big Tobacco' moment — a potential crack in their shield from legal responsibility for what happens on their platforms.

ESafety said it's aiming to finalize at least some of its probes and decide on any enforcement action by the middle of the year. It's investigating Facebook and Instagram — both owned by Meta — Snapchat, TikTok and Google-owned YouTube, it said.

"These platforms have the capability to comply today and we certainly expect companies operating in Australia to comply with our safety laws," eSafety Commissioner Julie Inman Grant said in a statement. "They can choose to do so or face escalating consequences, including profound reputational erosion with governments and consumers globally."

In a statement, Meta said it's committed to complying with the ban and working constructively with eSafety and the government. "We've also been clear that accurately determining age online is a challenge for the whole industry," Meta said.

Read More: How Does Australia's Social Media Ban for Kids Work?: QuickTake

In some cases, children are being prompted to prove they are over 16 even when they have already declared they are underage, the regulator said. For any successful enforcement, evidence must establish the platform has not taken reasonable steps to prevent children aged under 16 from having an account.

While there are fewer under-16s with social media accounts than there were four months ago, it's clear significant numbers of children aged under 16 are still on social media, eSafety said.

(Adds response from Meta in seventh paragraph.)

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Bloomberg Law

Manage Newsletters

Real Estate Investors Get Class Status in Video Promotion Suit

March 30, 2026, 9:37 AM PDT

Summary by Bloomberg AI

AI Generated



- A federal court ruled that investors in an allegedly fraudulent real estate scheme can proceed with their lawsuit as a class.
- Judge John F. Walter said Christine Pino, the person leading the suit, satisfied the requirements for class certification in her case against Grant Cardone and his investment firm.
- Pino alleged that Cardone made untrue statements and failed to disclose material facts in solicitations on social media, including a YouTube video and an Instagram post.

Investors in an allegedly fraudulent real estate scheme promoted on social media can proceed with their lawsuit as a class, a federal court ruled.

The person leading the suit—Christine Pino, the daughter of a deceased investor—satisfied the requirements for class certification in her case against Grant Cardone, his investment firm, and two funds he manages, Judge John F. Walter said. A class action is superior to other approaches despite Cardone's asserted offers of refunds, Walter said March 27 for the US District Court for the Central District of California.

There's "no evidence from which the Court can conclude that Cardone has or actually will offer the refunds he promises," Walter said. "The last refund Cardone paid is over five years ago, to just eighteen investors, and Cardone has never paid the ten-percent interest he claims to now offer."

Pino also showed that she's an adequate class representative and that common issues predominate over individualized ones, the judge said.

Pino's suit earlier provided the occasion for the US Court of Appeals for the Ninth Circuit to join the Eleventh Circuit in holding that social media solicitations can form the basis for liability for making false prospectus statements. The Ninth Circuit revived the suit in that 2022 opinion and did so again in June 2025, finding that Pino adequately alleged false statements.

Pino alleged Cardone made untrue statements, and failed to disclose material facts, in solicitations on social media. Cardone allegedly said in a YouTube video that investors are “gonna walk away with a 15% annualized return” and asked investors in an Instagram post if they would like to double their money.

Even though Pino simply wants to turn in her shares and get her father’s money back, she’s still an adequate class representative for those who prefer to hold onto their shares, Walter said.

And she showed the predominance of common questions about falsity, damages, and other issues, he said—including the effect of a Securities and Exchange Commission letter, posted on its EDGAR website, directing Cardone to remove a projection of a 15% internal rate of return from an offering circular. Whether “an investor of ordinary intelligence would review EDGAR before investing with Cardone is a class-wide issue,” he said.

Susman Godfrey LLP is lead counsel for the class. King and Spalding LLP represents Cardone and his business and funds.

The case is Pino v. Cardone Cap., LLC , C.D. Cal., No. 2:20-cv-08499, 3/27/26 .

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Securities

Quinn Emanuel Disqualified From Masimo Board Fight With Founder

March 30, 2026, 12:18 PM PDT

Quinn Emanuel Urquhart & Sullivan LLP has been disqualified as counsel for Masimo Corp. directors by a California state court judge in one of several lawsuits across the US in which the medical technology company and its founder have sued each other.

Orange County Superior Court Judge Thomas J. Lo granted Joe Kiani's motion to block the Los Angeles-based law firm from representing Masimo in Kiani's employment lawsuit against the company. Quinn Emanuel had previously served as Masimo and Kiani's counsel in other litigation involving Politan Capital Management LP.

Masimo's board "failed to show that they obtained Kiani's informed consent to Quinn Emanuel representing a party adverse to Kiani in a substantially related future proceeding," Lo said in an order posted Friday. "The circumstances presented here would lead to an appearance of impropriety and undermine the public's trust in the integrity of the system."

The court earlier rejected a motion to disqualify Hueston Hennigan LLP as Kiani's counsel in a related case.

Kiani has also asked the Delaware Chancery Court to disqualify Quinn Emanuel from representing Masimo in a lawsuit alleging the founder participated in a scheme to manipulate a board election.

The Chancery Court rejected Masimo's motion to disqualify Hueston Hennigan from representing Kiani in the same lawsuit. Hueston Hennigan also represented Kiani and Masimo in litigation involving Politan. The Chancery Court hasn't yet ruled on Kiani's effort to have Quinn Emanuel removed from the case.

Kiani left Masimo in September 2024 after shareholders voted in Politan's two nominees to its board. The proxy battle spawned parallel litigation in Delaware, New York, and California.

The case is Kiani v. Koffey , Cal. Super. Ct., No. 30-2025-01484637, order 3/27/26 .

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Quinn Emanuel disqualified in Masimo board dispute

DJ [dailyjournal.com/articles/390459-quinn-emanuel-disqualified-in-masimo-board-dispute](https://www.dailyjournal.com/articles/390459-quinn-emanuel-disqualified-in-masimo-board-dispute)

John C. Hueston of Hueston Hennigan LLP

An Orange County Superior Court judge disqualified Quinn Emanuel Urquhart & Sullivan LLP from representing several Masimo directors in a lawsuit brought by company founder Joe Kiani, ruling that the firm's attempt to challenge an employment agreement it previously defended on behalf of Kiani created a conflict of interest that would "undermine the public's trust in the integrity of the system."

The motion to disqualify argued that Quinn Emanuel engaged in prohibited "side-switching" by representing directors attacking the same employment agreement the firm previously defended for Kiani.

"Aspects of Kiani's employment agreement with Masimo are material to both the prior engagement and the current proceeding," Judge Thomas J. Lo ruled on Friday. "Even though the prior engagement was a joint representation and Kiani's communications to Quinn Emanuel were within the scope of the common interest, ... this fact alone fails to show that disqualification is not warranted."

Kiani is represented by Hueston Hennigan LLP attorneys John C. Hueston and Allison L. Libeu in Newport Beach, as well as Marshall A. Camp and Bram M. Alden in Los Angeles and Adam Minchew and Stewart Rickert in New York City. They declined to comment through a media representative in an email on Monday.

The defendants, six members of the board of directors of Masimo Corp., were represented prior to the disqualification order by Quinn Emanuel attorneys Joseph C. Sarles, Alex Bergjans and Rob Garsson in Los Angeles, as well as Michael E. Swartz and Michael B. Carlinsky in New York City. They did not respond to email or phone requests for comment by press time on Monday.

Kiani alleges the defendants--each either nominated by Politan Capital Management or appointed by a Politan-controlled board--ousted him from Masimo, a medical technology company, while willfully withholding contractually guaranteed termination wages. The lawsuit claims violations of the California Labor Code and Unfair Competition Law, seeking recovery of a \$35 million cash payment, 2.7 million Restricted Stock Units (RSUs), and standard severance.

Additionally, Kiani claims the defendants acted in bad faith to obstruct the exercise of his fully vested stock options. *Kiani v. Koffey et al.*, 30-2025-01484637-CU-OE-CJC (O.C. Super. Ct., filed May 22, 2025).

From October 2022 to November 2023, Quinn Emanuel defended Kiani and the Masimo board in a separate action in Delaware, in which Politan Capital Management sought to invalidate provisions of Kiani's employment agreement regarding special payments, "dead hand" clauses granting him influence after the end of his tenure and automatic renewal.

During that case, the firm drafted motions to dismiss defending the agreement as a "valid exercise of the board's business judgment."

Kiani asserted this current representation violated Rule 1.9 and duties of loyalty and confidentiality because the legal matters were substantially related. He argued that the firm possessed his personal confidences regarding his interpretation and the negotiation history of the agreement.

In response, the defendants contended the cases were distinct and that an internal ethical screen mitigated any potential conflict. Kiani countered that such screening is legally insufficient for conflicts belonging to the firm itself.

Lo agreed, ruling that under Rule 1.10, an ethical screen is only available for conflicts arising from a lawyer's association with a "prior firm." Because the conflict here arose from Quinn Emanuel's own prior work, the firm could not "cleanse" itself by simply walling off certain attorneys, he ruled.

Furthermore, the court noted the defendants provided no evidence that Kiani was ever given required notice that a screening procedure had been implemented.

#390459

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News | Law Firm Strategy

'We Don't Let Our Opponents Rest': What Gives Quinn Emanuel London its Edge, According to Ted Greeno

The London co-managing partner discusses what is behind the office's continued rise.

March 31, 2026 at 04:31 AM By **Melina Block**



Ted Greeno

As Quinn Emanuel Urquhart & Sullivan rings in another year of double-digit increases in revenue and profits, the London office has been positioning itself as essential to the firm's overall growth strategy.

Ted Greeno, co-managing partner in Quinn Emanuel's London office and co-chair of the firm's energy disputes practice, has hailed this year's London posting, which saw revenues leap 12.2% to [\\$273.5 million](#), attributing the success to the office's continuing ability to pull in "major new instructions".

“We have grown pretty much every year since I joined in 2013,” Greeno said, stating that the firm’s London revenue is almost 10 times what it was in 2013.

He added that this was remarkable for a firm which has grown organically, resisting the pull of merger mania.

Globally, the firm posted a 12.6% rise in gross revenue compared to 2024, [reaching nearly \\$2.8 billion](#), and a 16% increase in net income to around \$1.8 billion.

It hasn’t been entirely smooth sailing to this point, with a major competition litigation team [departing in 2021](#)—one of the City’s biggest group departures at the time.

But the firm believes that this has not hampered its upward trajectory, with 2025 proving to be a landmark year for Quinn Emanuel’s London office, which oversaw 11 high court trials, multiple appeals in both the Court of Appeal and Supreme Court and several major arbitrations.

While Greeno admits that there is a bit of a lull once big cases close, he suggests that this does not indicate a quiet period: “We have had some major new instructions come in.”

In recent months, the London office successfully defended SoftBank against a \$440 million insolvency claim; acted for businessman Peter Waddell and Peter Waddell Holdco in a case that centred on private equity dynamics; and advised Abu Dhabi investment company Aabar Holdings in one of the biggest securities claims in the U.K., led by London senior partner Richard East.

Last December in an [interview with Law.com](#), London East, identified Quinn Emanuel’s successes in the Werealize case and the Softbank defence as two further standout victories.

When asked what it was that had propelled the firm to the top rungs of London’s litigation market, Greeno emphasised that Quinn Emanuel isn’t conflicted out of work in the same way that other large, full-service firms in the capital are: “We are not constrained by other practice areas.”

As for the reputation which the firm has garnered for themselves as the ‘most feared’, Greeno suggests a slight alteration: “Really, the most formidable, I would say, than most feared.”

He added: “The ‘most feared’ thing is not something we labelled ourselves.”

So, what does it take to be the most formidable law firm in the world, then?

Greeno points to the thorough, aggressive work conducted by the firm’s lawyers: “What it means is that you relentlessly exploit the weaknesses in your opponent’s case.”

He also praised his firm’s ability to move quickly: “We don’t let our opponents rest.”

Whether it is as the most feared, most formidable, or both, Quinn Emanuel's ambition to be London's foremost litigation firm is rarely in doubt.

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Majority of US federal judges are using AI, study finds

 [reuters.com/legal/government/majority-us-federal-judges-are-using-ai-study-finds-2026-03-30](https://www.reuters.com/legal/government/majority-us-federal-judges-are-using-ai-study-finds-2026-03-30)

Karen Sloan

March 30, 2026

A message reading "AI artificial intelligence", a keyboard, and robot hands are seen in this illustration taken January 27, 2025. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

March 30 (Reuters) - More than half of U.S. federal judges — 60% — are using at least one AI tool in their judicial work, according to a [new study](#)  [, opens new tab](#) released on Monday.

Researchers from Northwestern University said they believe theirs is the first random-sample study of AI usage among federal judges since the use of AI in legal work took off following the 2022 release of OpenAI's ChatGPT.

While 60% of surveyed judges said they used AI at least occasionally for tasks such as reviewing documents, legal research, and drafting and editing documents, only 22% said they used the technology daily or weekly — meaning far fewer are leveraging AI in their day-to-day work — and 38% said they had never used AI in roles as judges.

"Judges see the potential here," said Northwestern law professor Daniel Linna, who co-authored the study with Northwestern computer science professor V.S. Subrahmanian, U.S. District Judge Xavier Rodriguez, and Northwestern law student Siyu Tao. "Of course there's risks, but there are benefits if we get this right."

A growing number of lawyers have faced court sanctions for submitting briefs citing cases "hallucinated" by AI, while two judges last year [admitted](#) that members of their staff used artificial intelligence to help prepare recent court orders that contained errors.

The new study is based on responses from 112 federal judges, pulled from a random sample of 502 federal bankruptcy, magistrate, district court, and appellate court judges. That's a big enough response to draw general conclusions about how federal judges are approaching AI, Linna said.

The survey asked judges about their use of popular large language models including ChatGPT and Claude, as well as AI tools designed specifically for legal use including CoCounsel, Westlaw AI-Assisted and Deep Research — each of

which is owned by Reuters parent company Thomson Reuters— and Protégé or Lexis+ AI, Vincent AI, Harvey and Legora.

The judges were more likely to use legal-specific AI tools than general ones, the researchers found.

The respondents reported using AI for legal research more than for any other tasks, at 30%. Reviewing documents was the next most-cited use, at nearly 16%.

One in three of the responding judges said they either permit or encourage AI use in their chambers, while 20% formally prohibit its use. Nearly 18% discourage the use of AI but don't formally prohibit it, while 24% said they have no formal policy.

More than 45% of judges in the survey said AI training was not provided by court administration — a finding that can help inform policy decisions surrounding court spending and training, Linna said.

Read more:

[US judges form group to tackle pitfalls and promise of AI](#)

[Two federal judges say use of AI led to errors in US court rulings](#)

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Karen Sloan reports on law firms, law schools, and the business of law. Reach her at karen.sloan@thomsonreuters.com

Legal Department Infighting Breaks Out Between AI Doubters and Devotees

A new survey of 242 legal professionals found that 42% of respondents have little to no trust in AI-generated legal work.

March 30, 2026 at 12:56 PM By **Michael Gennaro**



Credit: Julslst/Adobe Stock

AI is causing infighting on legal teams, as lawyers with deep-seated distrust of the technology clash with those eager to leverage it for greater speed and efficiency.

That was one of the findings of a new [survey](#) of 252 legal professionals on legal department AI use. The report, released by the legal staffing firm Paragon Legal, found that while AI tools have become fixtures in legal departments, skepticism about their reliability runs deep.

According to the survey, 67% of legal professionals said they have had to correct AI-generated work, and only 21% said they placed “high trust” in AI-generated legal work, while 42% said they had little to no trust at all.

Paragon's findings underscore a widening gap between adoption and confidence in the technology that is playing out in daily practice.

There is little appetite among those surveyed for delegating high-stakes tasks to AI. Fifty-eight percent of those surveyed said they would not feel comfortable submitting an AI-drafted document to a regulator or court. The findings suggest that even as legal teams integrate AI into their workflows, attorneys remain reluctant to cede final judgment to the technology because of a significant trust gap.

The survey arrives as the legal industry continues to grapple with where to draw the line on AI delegation. OpenAI earlier this year moved to halt the provision of direct legal advice through its products, a signal that even the most prominent AI developers are still working through the professional and ethical boundaries of the technology in legal contexts.

"For in-house leaders, this shift signals a need for balance, not retreat. Legal departments should continue testing AI for routine, low-risk work while reinforcing the human oversight that protects quality, compliance, and reputation. The goal isn't to eliminate human input; it's to deploy technology in ways that make your people more effective," Paragon wrote in its analysis accompanying the survey data.

The survey identified several factors dampening enthusiasm. When asked what would most increase their trust in AI systems, 41% of respondents pointed to mandatory human sign-off requirements, while 20% cited explainable decision-making and 17% called for built-in compliance guardrails.

Notably, 15% said nothing would make them trust AI regardless of safeguards, a contingent that legal technology vendors may find difficult to win over.

The top concerns of automating legal work included hallucinations and lack of accuracy, ethical concerns, liability exposure and the possibility of data breaches.

Adoption is also generating friction internally. Nearly half of respondents—47%—said AI automation had sparked conflict within their legal teams, a finding that points to unresolved questions about roles, accountability and quality control as departments scale up their use of the technology.

Paragon also asked respondents how AI has made their work better, and 69% responded that it improved the speed of their work, while 39% said it lowered costs and 31% reported it increased consistency.

Trust levels varied by company size. Legal professionals at large companies, defined as those with 250 to 999 employees, were the most likely to report high confidence in AI-generated work, at 24%. Those at small companies with 10 to 49 employees were the least likely, at 18%, a gap that may reflect differences in resources devoted to AI oversight and governance infrastructure.

Sixty-eight percent of those surveyed said their departments plan to automate new functions in 2026, with 46% saying they expected their teams' use of AI to "increase moderately." Half of respondents said they felt pressured to appear more "tech forward" by experimenting with AI, while 67% reported that they've already experimented with AI to write or improve internal policies.

The survey also asked respondents which tasks were considered off-limits for AI vs. which were fully automated.

Twenty-five percent of respondents said that document classification and risk-flagging were fully automated at their departments, while 23% said legal research was. Compliance alerts were fully automated at 26% of departments.

On the other hand, 45% of respondents said final contract approval was considered off-limits for AI. Ethics and compliance judgments, litigation decisions, regulatory correspondence and training new hires on internal processes were also not well-suited for automation, respondents said.

Paragon framed the survey's takeaways as a call for deliberate strategy rather than wholesale adoption or avoidance. Departments that move forward, the firm argued, will need professionals capable of guiding AI strategy, overseeing compliance functions and converting data outputs into actionable legal guidance—roles that require human judgment the current generation of tools cannot currently replicate.

Data for the survey was collected in October 2025.

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Checking In On The FAT Brands Matter

 fcpprofessor.com/checking-in-on-the-fat-brands-matter

March 30, 2026



In May 2024, FAT Brands (a global franchising company which owns 18 restaurant brands including Johnny Rockets, Fazoli's, Ponderosa, and Bonanza Steakhouses) as well as various current or former executives were civilly charged by the SEC and criminally charged by the DOJ. (See [here](#) for the prior post).

The matter was highlighted on these pages because it was example of a so-called non-FCPA, FCPA enforcement action (that is an action that charged violations of the FCPA's books and records and internal controls provisions yet had nothing to do with alleged foreign bribery).

It is extremely rare for a publicly traded company to force the Department of Justice to prove a criminal case in court. The vast majority of issuers opt to resolve a matter through alternative resolution vehicles such as a non-prosecution agreement, deferred prosecution, etc.

It is also very rare for a publicly traded company to force the SEC to prove a civil case in court as the vast majority of issuers under scrutiny opt to resolve through an administrative order rather than force the SEC to prove its case in court.

Fat Brands and the individuals choose the path least traveled.

In July 2025, the DOJ moved to dismiss the indictment (which charged various tax offenses, wire fraud, and false statements). See [here](#) for the company's press release.

Recently, the SEC [moved to dismiss](#) the action against all defendants and stated: "in the exercise of its discretion, and based on the facts and circumstances of this case and in light of the evidence developed in discovery, the Commission believes dismissal of this case is appropriate."

California Brief

Asylum Seekers Secure Class Status in Port of Entry Suit (1)

March 31, 2026, 5:26 AM PDT; Updated: March 31, 2026, 6:12 AM PDT

Asylum seekers can proceed as a class in their suit challenging a proclamation that prevents non-citizens from accessing the asylum process at ports of entry along the US-Mexico border.

Plaintiffs can also challenge as a class the government's cancellation of pending CBP One appointments, and disabling of the scheduling function in a mobile application that provided the only avenue for most non-citizens to seek asylum, Judge Ruth Bermudez Montenegro of the US District Court for the Southern District of California said in a March 30 order.

Evidence that US Customs and Border Protection was scheduling 1,450 appointments per day for three weeks out, and that the government canceled 30,000 CBP One scheduled appointments on Jan. 20, 2025, allows the court to conclude the number of non-citizens seeking asylum "was great," the court said.

The plaintiffs sued in June 2025, alleging that the Trump administration's proclamation and cancellation of CBP One appointments violated the Immigration and Nationality Act and Administrative Procedure Act.

The court said the plaintiffs satisfy the commonality requirement for class certification because the plaintiffs face the common threat of the government precluding them accessing the asylum process at the US-Mexico border.

An eventual determination of whether the government's policy is unlawful will resolve an issue that's central to the plaintiffs' claims, the court said.

The asylum class includes all non-citizens prevented from seeking asylum on or after Jan. 20, 2025, or will be prevented from doing so, the court said. The CBP One subclass includes all non-citizens that had appointments to present themselves at a port of entry, experienced appointment cancellation on Jan. 20, 2025, and continue to seek access to the asylum process.

The Center for Constitutional Rights, Democracy Forward Foundation, Morrison & Foerster LLP, Center for Gender and Refugee Studies, American Immigration Council, and Gibbs Houston Pauw represent the plaintiffs.

The case is *Al Otro Lado Inc. v. Trump*, S.D. Cal., No. 3:25-cv-01501, 3/30/26 .

(Updates with additional material from opinion.)

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Bloomberg Law

Manage Newsletters

Long ICE Detentions Linked to Kids' Health Issues, Judge Says

March 30, 2026, 2:18 PM PDT

Summary by Bloomberg AI

AI Generated



- A Los Angeles judge is troubled by reports of long holding times and delayed access to medical issues at a Texas immigration facility, including the attempted suicide of a child.
- Detainees at the Dilley Immigration Processing Center said that parents and children are still sick, hungry, and exhausted, despite reports from officials that services at Dilley are adequate.
- Judge Dolly M Gee said she may appoint a monitor depending on the data presented in the next set of reports, and expressed concern over "ongoing FSA violations" including inadequate medical care and lack of access to healthy food and education.

Reports of long holding times, delayed access to medical issues, and the attempted suicide of a child at a Texas immigration facility troubled a Los Angeles judge Monday who reviewed reports of some children being held for more than 100 days.

"The longer they're in custody, the more likelihood these things are going to happen," said Judge Dolly M. Gee, of the US District Court for the Central District of California.

Gee said she may appoint a monitor depending on the data presented in the next set of reports.

Dilley Immigration Processing Center received national attention recently after five-year-old Liam Conejo Ramos was arrested in Minnesota and sent to the Texas facility with his father. He was later released. However, this case before Gee dates back to 1985 and involves enforcement of a settlement regarding the treatment of migrant children. Since 1997, the settlement has required immigration officials to hold children in "safe and sanitary" facilities for a limited amount of time and be released to family members when possible.

In a new round of sworn court declarations that Gee considered at the status conference, detainees at the Dilley Immigration Processing Center said that parents and children are still sick, hungry, and exhausted, despite reports from officials that services at Dilley are adequate.

Restrictions and lockdowns were harsher after Liam arrived and media reports and public outcry surged over the treatment of kids at the center, the detainees' court filings said.

"I never got to see the little boy, Liam, when he was here, but I saw him on the news," said a 33-year-old mother identified in her declaration by the initials N.P.V. "I was happy when he was released but I couldn't help but think 'what about the rest of us?'"

The plaintiffs' report said in December and January, nearly 600 children were held at Dilley for longer than 20 days, with 55 detained for more than 100 days. The number of people held at Dilley dropped significantly between January and March, Immigration and Customs Enforcement Juvenile Coordinator Dawnisha Helland told Gee.

At the end of January, officers began to "exercise discretion" to consider releasing families from custody after twenty days in detention, rather than holding them until their removal proceedings are complete, Helland said. Now, the government is reviewing whether families are likely to evade deportation if a judge issues a final order of removal, Helland said.

Gee said she doesn't understand how an eighteen-month-old or a 10-year-old kid would pose a flight risk. Families must be allowed to choose whether their kids are released from the facility, potentially without their parents, Gee said.

"It's a terrible choice," the judge said.

'Ongoing FSA Violations'

Gee said she was concerned that of the 150 families plaintiffs' attorneys spoke to at Dilley, "not a single one" was aware of their rights under the decades-old settlement agreement in *Flores v. Bondi*.

"Ongoing [*Flores* Settlement Agreement] violations include inadequate medical care, lack of information about *Flores* rights and access to counsel, lack of access to healthy and safe child-friendly foods and snacks, the inability of class members to sleep due to lights on in their living areas all night, lack of free calls to family members, and inadequate education and developmentally appropriate activities," the report said.

Helland said families are shown a legal orientation video and provided a handbook describing their rights. Plaintiffs' attorney Leecia Welch said those materials provide no specific information about *Flores*.

"I don't think this is a matter of things falling between the cracks," Welch said. "They're not there."

Health Care Access

The filings detail a lack of support for detainees with chronic illnesses.

A 10-year-old girl with Hirschsprung's disease, a chronic intestinal condition, has received laxatives instead of the diet she needs to manage her condition, and has been at the facility for about ninety days, said her mother in a declaration, identified by the initials D.R.R.

"Now she has been unable to use the bathroom for over a month and her access to the bathroom is impeded if she had an emergency because you have to leave the room and walk down the hall to go there," the declaration said. "It has been 34 days since she had a bowel movement, and during that time she has had a consistent fever."

Helland said Monday most concerns about health care in the declarations are related to a lack of specialty care, rather than systematic problems with access. She said detainees' complaints are "similar to those encountered throughout the United States" and "especially health care in a rural area."

The child with Hirschsprung's was "very constipated" and saw "a lot of doctors," Helland said.

Stark Contrast

December declarations from detainees describe malnourishment, sickness, and fear at Dilley, while officials said the facility was sensitive to children's needs. Plaintiff's lawyers heard at least 375 new concerns about medical care at Dilley, according to the report.

The plaintiff's report said that in February, they were alerted to a 13-year-old at Dilley's suicide attempt, but when they arrived at the facility, "the family was already gone."

The government's status report said officers at Dilley documented no detainees were placed on suicide watch or hospitalized. Helland said in court Monday that there was no documentation of the 13-year-old's attempt but the facility is updating its mental health screening tool to be more age appropriate.

"It simply does not seem possible," the report signed by Welch said, "for both families' and the ICE Juvenile Coordinator's assertions to be true."

The Center for Human Rights & Constitutional Law, National Center for Youth Law, and Children's Rights submitted the report.

The case is Flores v. Bondi , C.D. Cal., No. 2:85-cv-04544, 3/30/26 .

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Eli Lilly targets Civil War-era whistleblower law at US Supreme Court

 [reuters.com/legal/government/eli-lilly-targets-civil-war-era-whistleblower-law-us-supreme-court-2026-03-27](https://www.reuters.com/legal/government/eli-lilly-targets-civil-war-era-whistleblower-law-us-supreme-court-2026-03-27)

David Thomas

March 27, 2026

Eli Lilly logo is shown on one of the company's offices in San Diego, California, U.S., September 17, 2020. REUTERS/Mike Blake [Purchase Licensing Rights, opens new tab](#)

March 27 (Reuters) - Eli Lilly ([LLY.N](#))  [, opens new tab](#) has asked the U.S.

Supreme Court to overturn a part of a Civil War-era law that allows private whistleblowers to bring fraud claims on behalf of the federal government, challenging a [\\$183 million judgment](#) in a case brought by a pharmacist who accused the drugmaker of defrauding Medicaid.

In a [petition docketed with the court](#)  [, opens new tab](#) on Thursday, Lilly said the whistleblower provisions of the federal False Claims Act violate the U.S. Constitution by placing too much federal executive power in the hands of people who are not accountable to the U.S. president.

Sign up [here](#).

"In short, this structure—unaccountable and uncontrollable private prosecutors pursuing their own ends in the name of the United States—is fundamentally incompatible with our Constitution," Lilly said in its petition to the high court.

A spokesperson for Eli Lilly did not immediately respond to a request for comment, nor did attorneys for Ronald Streck, a lawyer and pharmacist who brought the lawsuit against Lilly.

The False Claims Act, which was enacted in 1863 and strengthened in 1986, contains a "qui tam" provision that allows private individuals to sue on the government's behalf and share in recoveries.

From October 1, 2024 to Sept. 30, 2025, the federal government recovered more than \$6.8 billion in settlements and judgments in False Claims Act cases, and qui tam whistleblowers have been awarded more than \$330 million, according to the U.S. Justice Department.

In addition to providing for whistleblower awards, the law contains a fee-shifting provision that requires defendants to cover a whistleblower's "reasonable" legal fees for a successful case. That gives the lawyers two potential paydays if they win — their contingency interest in a whistleblower's award, plus recovery of their regular hourly fees.

Lilly's petition stems from a 2014 whistleblower lawsuit brought by Streck, who accused Lilly of short-changing Medicaid, a state- and federally-funded insurance program for low-income people. Lilly denied wrongdoing.

A federal jury in August 2022 found that Lilly knowingly concealed having retroactively increased prices on some drugs, and then failed to rebate Medicaid on the higher prices. A jury awarded \$61 million in damages, which was automatically tripled to \$183 million under the False Claims Act. The Chicago-based 7th U.S. Circuit Court of Appeals [upheld the jury verdict](#) in September. It was not clear from court records whether Streck has obtained a whistleblower award in the Lilly case.

In a separate case now before the 11th U.S. Circuit Court of Appeals, U.S. District Judge Kathryn Mizelle [ruled](#) in September 2024 that the provisions allow whistleblowers to use executive power without presidential oversight. The appeals court [heard arguments](#) in the case in December.

The case is Eli Lilly and Company v. United States, et al., ex rel. Ronald J. Streck, U.S. Supreme Court, No. 25-1126

For Eli Lilly: John O'Quinn and Luke McGuire of Kirkland & Ellis, and Erin Murphy, Matthew Rowen and Julia Grant, of Clement & Murphy

For Ronald Streck: Daniel Miller and Jonathan DeSantis of Walden Macht & Haran

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

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- X

Securities

Matt Levine's Money Stuff: Private Assets Are Coming to 401(k)s

March 30, 2026, 11:11 AM PDT

You can put private assets in 401(k)s now

Yay? Look, the timing isn't great. Even a few months ago, the big story in financial markets was the rise of private credit, and the push to put alternative assets like private equity and private credit into ordinary people's retirement funds. But now the big story is that ordinary people are trying to get their money *out* of private credit funds, and not being able to, and being upset. It is not the most auspicious possible moment to ask people to put more private credit in their 401(k)s. But financial-market memories are short, and regulatory timelines are long, and maybe by the time 401(k) plans are actually offering a lot of private credit everyone will want it again. Also private *equity*, at least in some forms, is still hot. A lot of people would love to put SpaceX in their 401(k)s.

Anyway Bloomberg's Lydia Beyoud, Loukia Gyftopoulou and Silla Brush report:

Companies offering alternative assets in retirement savings plans would get more legal protection under a new Trump administration proposal, potentially opening up opportunities for firms like Blackstone Inc. and Apollo Global Management Inc. in the \$14 trillion market.

The changes could make it easier for 401(k) plans to include private credit, private equity, crypto and real estate investments. The Labor Department plan, which is subject to public comment, aims to blunt threats of class-action litigation that has discouraged some employers from adding alternative investments.

Oh yes, also crypto. Here are the Labor Department's announcement and rulemaking proposal, and here is a Wall Street Journal op-ed by Lori Chavez-DeRemer, the Secretary of Labor.

The basic situation with 401(k) plans in the US is:

A lot of companies offer their employees 401(k) retirement savings plans. The employees can choose how to invest the money, from a menu of investment options offered to them by the company.

Under ERISA, the Employee Retirement Income Security Act, the company has a fiduciary duty to the employees to offer them good investment options (and not offer bad ones). It has to be a prudent and loyal fiduciary, choosing investment options thoughtfully with the employees' best interests at heart.

If the company violates its fiduciary duty and offers bad investment options, it might get in trouble with the Department of Labor.

If a company violates its fiduciary duty and offers bad investment options, it might also get sued. Some enterprising plaintiffs' lawyer will find some employee of the company who is unhappy with the investment options and will bring a lawsuit, arguing that because the company offered Investment X instead of Investment Y, its employees missed out on \$Z of gains. For a big company with a big plan, \$Z will be big, and will be pretty easily measurable in hindsight. ("Investment X went up 8% per year but Investment Y went up 8.2% per year, times 10 years times 10,000 employees equals a lot of money," etc.)

The main way to defend against those lawsuits is to offer only defensible investment options, options that a prudent and loyal fiduciary would put in a retirement plan. I wrote last year that "there are shifting norms about what sorts of investments are prudent and thus can be offered in 401(k)s," and that in particular there are now norms that investment options with high *fees* are bad. A lot of 401(k) lawsuits are about fees, but we have also discussed recent lawsuits arguing that doing environmental, social and governance ("ESG") investing in a 401(k) plan is a breach of fiduciary duty, or that *not* doing ESG is a breach of fiduciary duty.

And then there are alternative investments like private equity and private credit. Those investments tend to have high fees and also other arguable problems (low liquidity, limited disclosure), so they are tricky to put into 401(k)s. But asset managers really want to put them into 401(k)s, for a combination of good reasons (you don't *need* much liquidity in your retirement funds; private assets sometimes have higher returns) and bad reasons (high fees; top-ticking).

When we talked about this last year, I went on:

The essential question is not whether you should be *allowed* to invest in those things, but rather whether you should be able to *sue your company for letting you invest in those things*, if they lose money. ... Are those prudent options for your employer to put on the 401(k) menu?

I mean the obvious answer is "last year they were not prudent, but the norms changed and now they are." That's not, like, a financial answer. It's not that private equity and crypto were volatile and charged high fees in 2024, but now there have been structural changes such that they are safe and cheap. It's that in 2024 the US federal government was pretty skeptical of crypto and of high-fee opaque investments in 401(k)s, and in 2025 a different federal government loves that stuff.

There is a subtle flaw in that logic, though. The flaw is that "norms" and "what the federal government loves" are not exactly the same thing. To the extent 401(k) plans are regulated by the Department of Labor, the Department of Labor can change how they are regulated. Chavez-DeRemer's op-ed says:

The Biden administration stifled plan innovation by warning in 2022 that it would audit any plan sponsor that offered alternative investments in retirement plans. That bureaucratic threat stopped plan modernization in its tracks, leading to a retirement system dependent on the stock values of a declining number of large public companies. With this proposed rule, the Trump administration is restoring the neutrality toward various investment types that predominated for almost 50 years of retirement law and regulation before the Biden administration's radical departure.

Fine. But to the extent that 401(k) plans are regulated by *plaintiffs' lawyers* who will sue companies for offering investments they don't like, I am not sure that the Department of Labor controls that. More specifically, there is a guy named Jerry Schlichter who put himself in charge of this; as we discussed last month, he kind of invented the business of suing companies for their 401(k) offerings. I bet he's *thrilled* about the new rules, because they will give him more targets to sue. If he sues a company and it goes to court and says "look, we offered a 401(k) plan that is entirely crypto because the Trump administration loves that stuff," (1) Jerry Schlichter won't be persuaded and (2) the *court* might not be persuaded. "The Trump administration doesn't get to decide what a prudent investment option is," a judge might say.

Oh, it wants to. The proposal says:

The overarching goal of the proposed regulation is to alleviate certain regulatory burdens and litigation risk that interfere with the ability of American workers to achieve, through their retirement accounts, the competitive returns and asset diversification necessary to secure a dignified and comfortable retirement. This goal can be achieved only by clarifying that ERISA gives fiduciaries (not opportunistic trial lawyers) the discretion and flexibility to determine when designated investment alternatives, including those that contain alternative investments, offer the opportunity for participants to maximize risk-adjusted returns on their retirement assets net of fees.

The way this works is that the new rule has a "safe harbor" saying that, if a company follows the right procedures in evaluating investment options, it is presumed to have acted prudently. "When a plan fiduciary objectively, thoroughly, and analytically considers, and makes a determination following the described process with respect to, any of the six factors outlined in the paragraphs" — performance, fees, liquidity, valuation, benchmarking, and complexity — "its judgment regarding the factor or factors is presumed to be reasonable and is entitled to significant deference."

But lawyers could sue anyway? In the olden days, if a regulatory agency like the Department of Labor said that some judgment under ERISA was presumed to be reasonable, courts would agree: The Labor Department is in charge of ERISA regulation, so its interpretation was pretty binding. This was called "Chevron deference." The US Supreme Court got rid of it in 2024. Now courts can make their own decisions about ERISA fiduciary duties, and it is not obvious to me how much they will care about the Labor Department's views. We talked last year about a court decision finding that ESG is a violation of fiduciary duties; in that opinion, the judge does not seem to have cited any Labor Department rules, and he said that "an ERISA fiduciary's duty is derived from the common law of trusts," not from Labor Department regulations.

And in fact the Labor Department release spends some time explaining that, while its safe harbor is not exactly binding on private lawsuits, courts will *probably* accept it:

The Department has clear statutory authority under ERISA section 505 to promulgate safe harbors, including safe harbors regarding the fiduciary duty of prudence. ...

The Departmental explication of a prudent process is entitled to Skidmore deference ... as persuasive authority regarding what constitutes a prudent process. ... Accordingly, this regulation should carry persuasive weight to courts under Skidmore such that fiduciaries that comply with the regulation should be found to have followed a prudent process with the result that their judgment with regard to the particular factor at issue (including the relationship of that factor to the other factors) is respected.

Maybe that's right. But there are two general points here. First, you need regulators to deregulate. New rules — even deregulatory rules — only have “persuasive authority” to the extent that they are persuasive. The substance of this rule is not “lol go ahead and put private credit in 401(k)s, there are no rules now.” The substance is that you have to go through a thorough and documented process to prove that you made a good decision in putting private credit in your 401(k) plan.

Second, in the US, the rules for financial markets are not just set by regulators or by presidential decree. The rules that actually bind markets are often in fact set by entrepreneurial plaintiffs' lawyers and by what they can argue persuasively in court. “Everything is securities fraud,” I often say around here, not so much about US Securities and Exchange Commission enforcement but rather about entrepreneurial plaintiffs' lawyers; the rules about securities fraud are out of the hands of the SEC. Similarly, here, the Trump administration might want to stop “opportunistic trial lawyers” from telling companies how to run their 401(k) plans, but I'm not sure the trial lawyers will listen.

Coordination

The way modern “liability management exercises” work is that a company will try to get holders of 51% of its debt to agree to stiff the other 49%. Holders of the majority of the debt can probably vote to do something bad for the existing debt — to strip out collateral or covenants or something — and the company will get them to do that by giving them something good — some more senior debt — as an incentive. If you're in the favored group and vote with the company, you get a bonus; if you're in the disfavored group and vote against it, you get stiffed.

There is a certain amount of fairly obvious game theory here: It is much better to be in the 51% than the 49%, which gives the company some leverage. “If you join our deal we will stiff you a little, but if you don't then we will stiff you a whole lot” is basically a persuasive argument. The company might not have to offer that much to get a majority of its creditors to agree to a debt restructuring that is absolutely terrible for the minority.

One way to thwart this is for the creditors all to get together and promise not to do it: They can sign an agreement promising not to cut any side deals with the company. As we have discussed a few times recently, this is controversial, and at least one company has argued that these cooperation agreements violate antitrust laws. (Here is an *amicus curiae* brief filed last week arguing that that's nonsense.)

But the company can play that game too: It can ask creditors to sign an agreement promising *not to talk to other creditors*. And then the usual game theory applies: If you don't sign the agreement promising not to talk to other creditors, the company won't let you into the good deal, so you'll be stuck in the outside 49%, getting stiffed. And you don't know if other creditors have signed the agreement, because if they have they won't talk to you. Very unpleasant! Bloomberg's Reshmi Basu and Luca Casiraghi report:

When Vibrantz Technologies — a paint-additives maker owned by a private equity firm — overhauled its borrowings earlier this year, its smaller creditors were offered a choice: Agree not to speak to your fellow lenders and challenge the transaction before it closes, or face the prospect of steeper losses. Some had little time to decide.

Several individual lenders took the deal with the American Securities-backed company, according to people familiar with the matter who asked not to be identified discussing confidential information.

To even glimpse the debt restructuring terms, these creditors first had to sign these separate pacts. Vibrantz's strategy — which also involved cutting different deals with other creditor groups — effectively precluded the collective negotiating that's been used as a defense ahead of recent major restructurings.

"When a company starts down the path of liability management, it is often determined that lenders will not be treated the same," said Steven Purdy, co-head of global credit at TCW Group, who spoke generally about the market. "Once you've crossed that Rubicon, everything becomes a negotiation."

If you know that lenders won't be treated the same, you'd rather get the best bad treatment than the worst.

Full-service financial advice

I write sometimes about how big investment banks operate in a gift economy. If the chief executive officer of a big company calls up her coverage banker and asks him to model up a potential acquisition, or update her on the debt markets, or recommend some candidates for her board of directors, or get her Knicks tickets, or give her shiftless nephew a job, he will leap at the opportunity to do it and never think of sending her a bill for his time and expenses. And then the expectation is that, when she decides to do a merger or a debt offering, she will hire him to lead it, though she has like 20 coverage bankers with that expectation and Knicks tickets so sometimes they are disappointed.

Banks' wealth management departments also kind of work like that: You pay your private banker X% of your assets per year, so you might as well get your money's worth. If your assets are big enough, your banker will absolutely get you Knicks tickets, and that is just the starting point. If you are rich and need to sit down and talk to someone about your shiftless son-in-law, a therapist will bill you hundreds of dollars per hour, but your private banker has all day for you and will never send you a bill. Or, rather, the bill is X% a year, but that covers everything. And so in fact private wealth managers compete to offer concierge services to their wealthy clients to win the business — the asset management — that they really want.

The Financial Times reports:

Wealth managers are increasingly helping their clients evacuate the Middle East since the beginning of the Iran conflict as part of a widening suite of services to rich investors.

As the wealth industry consolidates and faces competition from financial technology firms, family offices and asset managers are turning to specialist concierge functions to maintain their edge and justify high fees.

"We get our clients preferred access to a number of different security partners," said [Susie] Cranston [of Cresset], "and we also have specialised firms that assist in very unique one-off situations, including an ex-CIA operator."

Right yes if you send a CIA operator to rescue a client from a war zone, she's probably not going to shift her money to your competitor just because they offer lower fees or better Knicks tickets.

Momentum

Classically there are three main ways to make money in investing:

1. You can accept some risk that other people don't want to bear, and get paid for it.
2. You can take advantage of other people's psychological failings, buying stuff that they don't buy because they are irrational or mistaken.
3. You can take advantage of other people's structural failings, buying stuff that they don't buy because they're not allowed to.

Many trades can be explained in all three ways. Famously, stocks that are heavily shorted underperform the market. You could tell a risk story about that (if you short heavily shorted stocks, sometimes you get absolutely smoked), or a psychological story (people find short selling icky and prefer to make more positive trades), or a structural story (lots of big institutional investors have mandates that don't allow shorting; the cost of borrowing stock to sell short eats up most of the profits).

Cliff Asness was on the Money Stuff podcast last year, and we talked about the momentum effect — where stocks that go up continue to go up, and stocks that go down continue to go down — as reflecting risk and/or psychology. (“The jury is still out on whether momentum is a behavioral or risk-based factor,” Asness has written.) But here is a paper on “The Intramonth Momentum Cycle,” by Daniel Nathan, Matti Suominen and Joni Tasa, arguing that it’s mostly structural:

US equity momentum returns accrue almost entirely in just six trading days each month. We show this concentration arises from investors’ dash-for-cash: the need to raise cash before month-end payment deadlines leads to selling pressure on loser stocks a few days before month-end. ... Our evidence points to a simple mechanical driver for the momentum premium: systematic month-end liquidity needs financed by selling loser stocks. These findings suggest that momentum is less about slow information diffusion and more about the fundamental plumbing of the equity market.

They have a clever causal experiment: In 2024, US stock settlement shifted from T+2 to T+1, so that if you sold stock on a Monday you’d get the cash on a Tuesday instead of, as previously, on a Wednesday. If you are selling stock to raise cash for month-end redemptions, the shift to T+1 allowed you to wait one extra day to sell, and investors did:

We achieve causal identification by exploiting the SEC’s May 2024 transition to T+1 settlement. This reform eliminated the settlement-mismatch friction and, as predicted, shifted the pre-month-end selling pressure one day later.

Everything is seating charts?

My approximate model of Bill Gross’s departure from Pimco is that there was a crew of ambitious Pimco executives who ranked just below him, he tried to make them sit in bad seats at meetings, and they reacted by launching a coup and kicking him out. This is probably exaggerated but, you know, emotionally true.

Meanwhile the end of Crispin Odey’s hedge fund apparently involved the executives below him trying to make him sit in a bad seat, albeit for different reasons. The Financial Times reports:

Crispin Odey objected to being asked to “sit in the dungeons” after executives suggested he should sit apart from female employees in response to sexual harassment allegations against him, the financier has told a court.

The founder of the hedge fund Odey Asset Management said he was so offended by the idea that he should move to a lower ground floor office segregated from female colleagues that he fired the executives who had proposed it.

“That’s why I got rid of them,” Odey said on his final day of evidence to London’s Upper Tribunal in the case he has brought to challenge the £1.8mn fine and lifetime ban from financial services imposed by the UK regulator over his response to sexual misconduct allegations.

Arguably a lifetime ban on sitting near women is a more appropriate response to sexual misconduct allegations than a lifetime ban on providing financial services.

Things happen

Newsom Bars Officials From Insider Trading on Prediction Markets. Event Wagers Face \$143 Million Insider Problem as War Bets Boom. US appeals court overturns \$16bn Argentina ruling in blow to Burford Capital. The Decadelong Feud Shaping the Future of AI. Google Reportedly in Talks to Finance Multibillion-dollar Data Center for Anthropic. To Lure Top AI Talent, Startups Are Turning to Cold Hard Cash. A 35-Year-Old Crypto Bro Helped Pakistan Win Over Trump World. Private Credit's Exposure to Ailing Software Industry Is Bigger Than Advertised. Fannie, Freddie Soar as Ackman Says Stocks 'Stupidly Cheap.' Sysco to Buy Restaurant Depot in \$29 Billion Deal. Korea weighs inheritance tax based on book value, not market prices. BofA to Pay \$72.5 Million to Settle Epstein Victim Lawsuit. Millennium and Engineers Gate Wind Down Hedge Fund Partnership. Apollo Pushes to Open a Second Headquarters in Florida or Texas. Why Kraft Heinz's CEO Decided Not to Split the Company in Two. Brooklyn Preschool Rocked by Ex-Director's Alleged Embezzlement. Mallmaxxing. DJs Blame Private Equity for Music Firm's Woes. "Sales Are Dope, Never Ever Stop Selling."

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1. A third point that is so banal that I have to put it in a footnote: *Congress* could clearly make binding rules for what counts as a prudent ERISA fiduciary, but Congress doesn't do much of that. Our system of regulation shifting with presidential elections, and of regulation by plaintiffs' lawyers, is in part about the difficulty of legislating.

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Securities

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Matt Levine's Money Stuff: Are Algae Securities Fraud?

March 31, 2026, 11:02 AM PDT

Are algae securities fraud?

I mean. You start a startup with a far-fetched idea like genetically engineering algae to produce clean renewable fuel. You go out to investors to raise money. You say "we are going to genetically engineer algae to produce clean renewable fuel, if we succeed we will make a bajillion dollars, you want in?" The investors think that sounds cool, because it does. But they are responsible investors, they do their due diligence, they ask questions like "is that a thing" and "can you actually produce fuel algae" and "will it be cost-effective?" You do your best to answer their questions.

Do you exaggerate? Oh sure. That is the job of a startup founder. I [once wrote](#) , approximately:

What you want, when you invest in a startup, is a founder who combines (1) an insanely ambitious vision with (2) a clear-eyed plan to make it come true *and* (3) the ability to make people believe in the vision *now*. "We'll tinker with [algae] for a while and maybe in a decade or so a fuel-[producing strain of algae] will come out of it": *True*, yes, but a bad *pitch*. The *pitch* is, like, you put your arm around the shoulder of an investor, you gesture sweepingly into the distance, you close your eyes, she closes her eyes, and you say in mellifluous tones: "Can't you see the [algae producing clean fuel oil] right now? Aren't they beautiful? So clean and efficient, look at how nicely they [float in this pond], look at all those [genes], all built in-house, aren't they amazing? Here, hold out your hand, you can touch the [algae] right now. Let's go for a [swim]."

Of course, you are a startup founder; you are in essence a salesperson. Back at the lab, the algae scientists and chemical engineers and accountants are looking at your pitchbook in disbelief. "Wait, you're telling investors that we can produce the fuel oil now? You're telling them that we'll have large profits in two years? Did you not read our latest status report?" The scientists and accountants are boring and conservative; it is their job to try to make the dream work in dreary reality. It is your job to sell the dream now.

What if it doesn't work? You raise some money, you build some pools, you monkey with some algae genes, you even get some oil out of them, but there's nothing commercially viable. You shut down the operations and the investors have lost money. Oh well; that's startups for you.

Is it securities fraud? Well, that depends on things like how much you exaggerated, and what you exaggerated about (future profits, okay; past revenue, bad), and how much you caveated your exaggerations, and who your investors were, and what you did with the money (algae research, good; buying yourself yachts, bad). My [general view](#) is that, in Silicon Valley startup culture, you can get away with a fair amount of exaggeration. Investors want unhinged visionaries who believe in the dream; they're okay if you get a little ahead of reality. Not legal advice!

Now change the hypothetical a bit. Instead of being the founder of an algae startup, you are the chief executive officer of a gigantic publicly traded oil company. You start a fairly small side project with a far-fetched idea like genetically engineering algae to produce clean renewable fuel. You don't go out and raise money to do it: You have plenty of money, from selling oil. But you do *talk* about it a lot, to investors and on television. Why do you talk about it? Well:

You've been talking about oil for your whole career, there's not that much left to say about oil, but "we will genetically engineer algae to produce fuel" is cool and new. Why wouldn't you talk about it?

The oil business is mature and commoditized, and investors might be more excited to hear about some brand-new revenue source with huge potential growth than about drilling more oil out of hard-to-reach places. If the algae work, they might really transform your business.

A lot of investors are, or at least used to be, interested in environmental, social and governance (ESG) investing, and as an oil CEO you have, or at least used to have, a lot of unpleasant conversations with those investors. "What are you going to do about getting to net zero carbon emissions," they ask you, and you usually reply "well we're an oil company so," and they glare at you. But now you can reply "look, algae." They might like that!

And so you talk, enthusiastically, about the algae. And back at the lab the scientists grumble. And then it doesn't work out. Is that securities fraud? Well:

Just as with startups, it depends on exactly what you said and how you caveated it. If you are a public-company CEO, you are probably better at caveats than most startup founders.

Unlike with startups, you didn't raise any money to tinker with algae, so no one was quite as *directly* harmed by your misplaced enthusiasm. (Sure you spent some company money on the algae, but you spend company money on lots of things that shareholders can't control; they weren't misled into *giving* you the money.)

But also unlike with startups, your investors are not venture capitalists with a high tolerance for exaggeration. Your investors are public shareholders, and some of them will answer advertisements from plaintiffs' law firms. If you exaggerate about the algae, and your stock goes down, there is a big pool of investors who might sue you for securities fraud.

On the other hand, you are a giant oil major and the algae stuff is mostly a hobby. If it doesn't work out, why would the stock go down? Your company was not primarily a bet on the algae. You're still selling all that oil.

"Everything is securities fraud," I often write. If you announce an algae project, and the stock goes up, and then you terminate the project, and the stock goes down, you will get sued for securities fraud. If the stock *doesn't* go down, plaintiffs' lawyers will be just a bit less excited to sue you for securities fraud, because the damages will be counterfactual ("if they hadn't lied about the algae the stock would have gone up even more") and harder to calculate.

Anyway here's a Wall Street Journal story about how Exxon Mobil Corp. pitched algae enthusiastically, and its scientists were like "slow down there tiger the algae might not work," and its investor relations team was like "shh, algae":

The Journal reviewed an internal presentation made in early 2020 by Exxon's scientists and examined other documents related to Exxon's efforts on algae. Some of the documents—none of which have been previously reported—show executives knew the \$500 million algae research project wasn't meeting its goals outside the lab, even as they continued to promote it to investors as a potential boon.

Members of Exxon's investor-relations team and leading researchers exchanged a flurry of communications discussing algae's low productivity outside the lab and how to highlight the program to investors in the days ahead of the presentation, the documents show.

In public, Exxon was pretty jazzed about the algae:

"Across more than 135 years, we've evolved and transformed," [CEO Darren] Woods told investors in 2018. "From a maker of lamp fuel to a maker of motor fuel, from supplying the Wright Brothers' first airplane to supplying the space shuttle...from filling tanks with gasoline to potentially filling them with biofuels made from algae. Society's needs evolve, and so do we."

Exxon spent \$150 million in advertising its algae program over a decade, one of its biggest public-relations campaigns of that time. Starting in the late 2000s, the company ran a nearly ubiquitous series of television commercials touting the potential to produce a biofuel from algae that could one day fuel "trucks, buses, boats, cars, even airplanes."

"Scientists recognize its potential to change our energy future," a voiceover says in one of the commercials that began airing in 2017. "By 2025, Exxon Mobil is aiming to have the technical ability to produce over 10,000 barrels of algae-based biofuel per day."

"Have the technical ability to produce" is good lawyering! That's different from, for instance, "produce," or "produce profitably." Meanwhile the scientists, internally, were bummers:

The scientists explained ... that the best strains of algae, when grown in large outdoor ponds, were producing oil at roughly 6% of Exxon's stated goal.

They further concluded that even if geneticists were able to speed oil production, it would be uneconomical. To produce 10,000 barrels of algae-based biofuel a day, they estimated Exxon would need to build 35 square miles of ponds—an area six times the size of downtown Los Angeles—that would have to process more saltwater than the entire city consumes in fresh water daily.

The scientists said the cost of the project would be at least \$9.4 billion—an unprofitable investment that would well surpass the value of the biofuels extracted.

Anyway it didn't work. Exxon told the Journal: "Our communications reflected the science as it was understood at the time, and when it became clear the technology would not scale commercially, we ended the program. Any suggestion otherwise is a lie." Exxon pulled the plug on the algae around March 2023. The stock is up about 50% since then, for reasons unrelated to algae.

Among other things, this story is a time capsule from a time when big oil companies talked a lot about ESG. I feel like, in 2026, if you *did* find a cheap clean renewable way to produce limitless fuel from algae, you'd keep quiet about it. "We made this fuel by burning coal in a new way that emits extra carbon, promise!" Elsewhere, here is an xkcd about "carbon onsets."

Hedge fund for dentists

I feel like the [high-level analysis](#) of the modern asset management industry might be:

1. Once upon a time there were mutual fund managers who took money from retail investors, invested it in stocks and bonds and charged 1% fees.
2. Now they have been replaced by index fund managers who buy all the stocks and bonds but charge 0.01% fees.
3. The asset management industry, for obvious reasons (the fees! but also, like, a feeling of self-worth and accomplishment) would like to get back to the olden days, when the fund managers picked the investments and got bigger fees.
4. That ship has, with respect to publicly traded stocks and bonds, sailed.
5. But there are still stock-like things called "private equity," and bond-like things called "private credit," that are for the moment not really the subject of investable indexes, so you can charge big fees. Also there are hedge funds, which invest in stocks and bonds and other financial instruments in ways that are complicated and uncorrelated enough not to be lumped in with mutual funds, so they can still charge high fees.
6. Historically you couldn't charge those big fees to *everyone*; private equity and private credit and hedge funds were essentially institutional products. You charged a high percentage of assets, but the assets were somewhat limited.
7. Just wait, though.

So we [talked yesterday](#) about putting alternative assets (private equity, private credit, crypto, etc.) in retirement funds, because retirement funds are where the money is and alternative assets are where the fees are. And Bloomberg's [Hema Parmar and Preeti Singh report](#) :

Blackstone Inc. is launching its first hedge fund for affluent individuals, as the \$1.3 trillion asset manager intensifies its push to bring alternative investments to doctors, lawyers and other professionals with disposable income to invest.

The new fund aims to make relatively liquid bets, meaning they can be easily sold, across an array of asset classes including credit, equities and so-called special situations – one-off events such as corporate spinoffs or supply-chain disruptions. It will invest about 30% of its assets in other hedge funds, according to people familiar with the matter.

The Blackstone Multi-Strategy Hedge Fund, known as BXHF, plans to start trading this year and is open to investors who meet the requirements for both accredited investors and qualified purchasers, defined as individuals with at least \$5 million of investments, according to a filing.

The trillions of dollars sitting in the accounts of everyday investors and so-called mini-millionaires have become a holy grail for alternative asset managers, which have been searching for sources of capital beyond their traditional base of institutional backers.

Like, crudely speaking, there are three things in the world, “mutual fund,” “index fund” and “hedge fund.” There was a cheery equilibrium in which everyone owned mutual funds, but if everyone abandons their mutual funds for index funds, the asset management industry is going to start selling them hedge funds instead.

SpaceX indexing

The approximate theory of indexing is:

Collectively, investors – fund managers, retail investors, etc. – own 100% of the stocks.

Some of them will own good stocks that go up, and others will own bad stocks that go down, but *in aggregate* they will own all of the stocks and get the market's overall return.

It is hard to pick the good stocks, or to pick a fund manager who will pick the good stocks.

If you just buy all of the stocks, in proportion to their market value, you will get the market return, which is what everyone else gets on average, and you will pay lower fees.

And so index funds are a huge business and own something like 20% of the stock of big US public companies (those in the S&P 500 index). There is some variation – index funds own more of some companies and less of others – but in a crude theoretical sense there *shouldn't* be: If the idea of indexing is to buy all of the stocks in proportion to their market value, then the easy way to do that is to buy X% of every stock, for some constant X.

One quibble you might have with this theory is that investors do not exactly own 100% of the stocks, or at least, "normal" public investors like fund managers and retail investors don't own 100% of the stocks. There are plenty of public companies whose founders (or their families, or private equity firms, etc.) own 10% or 20% or 50% or 90% of their stock, with only 90% or 80% or 50% or 10% of the stock in "free float" that anyone can buy. This creates two problems for indexing:

1. The theoretical problem is that, if index funds are trying to achieve approximately "the average return that active public investors can get," these founder-owned companies mess up the math: If your index fund buys 1% of every company, including founder-controlled companies with low free floats, then you are *overweight* those low-float stocks compared to the average active public investor.
2. The practical problem is that, if there's a company with only a 10% free float, and index funds own 20% of every company, they won't be able to buy enough stock. There's no more stock to buy; the founder owns 90% of it and she's not selling.

How do you address these problems? One approach – historically quite a valid one – was not to worry about them. The first problem is pretty abstract, and when index ownership was small, there was no real reason to worry about the second problem. If index funds are 0.1% of the market, then even a 10% free float is no problem.

A second approach, more common now, is to weight indexes based on *free float* rather than market value. If there's a \$500 billion company whose founder owns 80% of it, then only \$100 billion (20%) of the stock is free float, and the company will only get \$100 billion of weight in the index. Index funds that buy 20% of every company will buy 20% of its float (\$20 billion), and their exposure to the company will track other public investors' exposure.

Anyway! SpaceX is planning to go public pretty soon. When it goes public, it will be (1) gigantic and (2) everywhere: It might be the biggest initial public offering ever, it's Elon Musk, it's space rockets, it's artificial intelligence, it's data centers in space, it's even Twitter a little. Everyone will pay attention to it and have an opinion about it. These are all, I would argue, reasons for it to be in stock indexes. If the point of a stock index is to include all of the stocks, then SpaceX should be in the index, because it will be extremely a stock. It will be more of a stock than any other stock. If you walk up to a random stranger and ask "hey so what about stocks," she will likely reply "I know, SpaceX, right?" If your goal is to own the stocks that everyone else owns, you'd better own SpaceX.

But it will have a low float. Elon Musk will own a chunk of it, and various other early investors will continue to own a lot of shares, and a lot of those shares will be subject to lockup agreements that prevent holders from selling immediately after the IPO. If SpaceX does a \$75 billion IPO at a \$1.75 trillion valuation, then its initial free float will only be about 4.3% of shares outstanding.

Traditionally, when a company goes public, it is not immediately added to some of the big indexes like the S&P 500 or the Nasdaq 100. Those indexes tend to add companies that have been public for a while, that have "seasoned," that have established themselves in the market and attracted a lot of normal institutional ownership. This tends to have the side benefit that, by the time a company joins the index, its IPO lockup might have expired so more shares are available in the free float.

But SpaceX is SpaceX so everyone is scrambling to change that. The Information reports:

Nasdaq will change a rule for its flagship stock index to allow newly public companies to gain entry much more quickly, in a move that would help SpaceX and other companies expected to have gigantic initial public offerings this year.

In a rule change outlined Monday and effective May 1, Nasdaq-listed companies will be able to join the index after 15 days of trading, down from three months currently. Nasdaq said that industry professionals it had surveyed were "mostly supportive" of the proposal, but that some had raised concerns about whether the change would reduce price discovery for IPOs or "direct passive investment flows to unproven or overvalued securities." In addition to the fast entry change, Nasdaq will remove a rule requiring 10% of companies' shares to be publicly floated.

Here is Nasdaq's summary of its rules consultation. The Nasdaq 100 is *not* a float-weighted index. Instead, it selects the 100 biggest Nasdaq-listed stocks (approximately) and weights them by market capitalization, with the restriction that each stock in the index must have at least 10% free float. It's a pure binary cut-off: Companies with less than 10% free float get weighted at 0% of market cap; companies with more than 10% free float get weighted at 100% of market cap. That is arbitrary but mostly good enough, historically, but it won't fly for SpaceX. Instead, the new rule will be:

There's no minimum free float.

Companies with more than 33% free float will get weighted at 100% of market capitalization.

Companies with less than 33% free float will get weighted at three times their free float, capped at 100%. So a company with a 10% free float will get weighted at 30% of market cap.

The result is that companies with more than 10% but less than 33% free float will get lower weightings under the new regime: A 15% float will get you a 45% weighting in the new rules, rather than 100% in the old rules. Companies with less than 10% float will get higher weightings: A 5% float will get you a 15% weighting in the new rules, rather than 0% in the old rules.

Does this make sense? I mean, no, but neither does the old rule of not float-weighting stocks at all, so who cares. Nasdaq says:

The low float security weight adjustment proposal also elicited comments that suggested a degree of misunderstanding and confusion regarding the intent of the proposal. Some responses expressed concern that index demand could exceed the available float, along with a suggestion that rejecting the proposal would “maintain a link between index weight and tradeable liquidity.” For low-float securities, no such link currently exists in the index, and the proposal is intended to establish one.

Some respondents, in their analysis of the impact, appeared to assume that the index is currently free-float-weighted; however, this does not reflect the current methodology.

Right, this makes *more* sense than the current system, though it remains a compromise. (Here is a Substack post titled “Nasdaq’s shame” from a few weeks ago that got a lot of attention and is very critical of the float adjustment.) It is perhaps helpful that there’s not *that* much money indexed to the Nasdaq 100. Bloomberg tells me that the market capitalization of the Nasdaq 100 index is about \$30.5 trillion and the total assets of ETFs indexed to it are about \$500 billion (1.6%). The index funds aren’t going to run out of shares to buy.

On the other hand, the *active* funds have a problem: If they want to track the index, *they* will have to buy a lot of SpaceX shares. The Information:

Fund managers fret that if they sit out the SpaceX offering and the shares soar, their performance will look dismal. If they buy in and the shares fall, they’ll have safety in numbers because they’ll look like everyone else. That’s particularly true for long-only institutional investors who manage money against benchmarks, said Karen Snow, former head of listings at Nasdaq, who now runs Rose & Co. Capital, a capital markets advisory firm.

“At the end of the day, institutional investors are rational. They get paid to be rational. Do they have to participate? Yes,” said Snow. “If you don’t participate, the risk is way higher.”

Musk and his bankers are well aware of the buying pressure they’re putting on fund managers. They’ve got something like \$75 billion worth of stock to sell. And if Musk’s army of small investor followers know big buyers are waiting to pounce, they’re likely to bid up SpaceX’s share price in the first days of trading.

Yeah, man, I don’t know, that’s what you get paid for? Like, your job is to buy the stocks that go up? Not the stocks that are in the index? Buying the stocks that are in the index is the job of *index funds*. The active fund managers are supposed to make decisions; the index funds are supposed to get returns that reflect the average of the active funds’ decisions. With a lot of stocks, the decisions don’t matter that much, and most active funds will be pretty average. With SpaceX – huge, new, Elon-y, low-float, volatile – the decisions might matter a lot: There will be more dispersion, and funds that buy a lot of SpaceX might perform much better or much worse than funds that don’t. If your goal as a fund manager is to beat the index, you have to choose right. If your goal is to be average, though, it’s pretty easy.

Things happen

' [Powered land](#) .' Non-Cash-Generating Private-Credit Loans Rise to a 14-Year Peak, Fitch Says. European Watchdogs Review How Insurers [Value Private Credit](#) . JPMorgan [Tackles American Dream](#) in Latest Company Initiative. Unilever Food Arm to [Join McCormick](#) in \$44.8 Billion Deal. Iran War Chokes Off Helium Supply Critical for AI. [Aluminum](#) Set For Biggest Monthly Gain Since 2018 on Iran War. Tether Cuts Top [Gold Traders](#) Months After Hiring Them From HSBC. Credit Data Firm [9fin](#) Is Valued at \$1.3 Billion in Funding Round. Hedge Fund Manager [Rokos](#) Gives Record £190 Million to Cambridge. Pete Hegseth's broker looked to buy defence fund before Iran attack. How a Massive KitKat Heist Turned Into Crisis PR Gold. The Bigfoot community is being torn apart by a documentary's new evidence.

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1. Why isn't index ownership constant? One reason is that different stocks are in different indexes – the S&P 500, the Nasdaq 100, sector indexes, etc. – with different amounts of money indexed to them. Another reason is the float-weighting of some indexes that we discuss below. A third is, you know, miscellanea; companies do stock buybacks or issue employee stock options or whatever and their share count varies faster than the index updates.

2. Is this even a problem? Depends on what you are measuring. If you think that the goal of index funds is to replicate the average return of actively managed mutual funds but with lower fees, then this problem is real. If you think that the goal of index funds is to replicate the average return of all owners of public stocks, including like Elon Musk and Mark Zuckerberg, then this is not a problem. (Also I mentioned "private equity firms" as potential owners of non-free-float shares; are they also "fund managers"?) I'm not sure there's a strong theoretical reason to pick either goal, but the first seems to me to be a bit more practically relevant.

3. For instance, most S&P Dow Jones Indices use "float-adjusted market capitalization"; here is their "float adjustment methodology."

4. That is, 75 divided by 1,750. I'm assuming 100% of the non-IPO shares are locked up, which is unlikely to be true.

5. Nasdaq originally proposed a 5x weighting for low-float stocks (capped at 100%), but moved to 3x in the final rule.

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<https://www.wsj.com/business/energy-oil/exxon-algae-biofuels-83c6b302>

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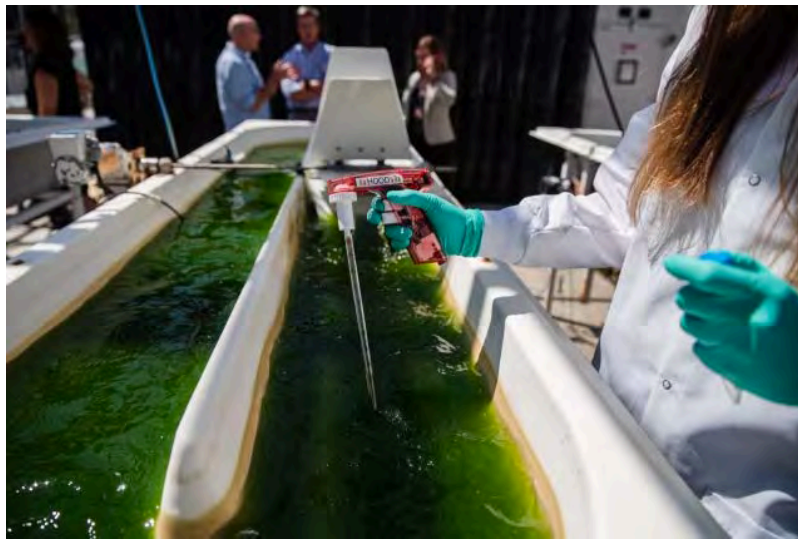
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Exxon Scientists Had Doubts About Algae Biofuels. The Oil Giant Touted Them Anyway.

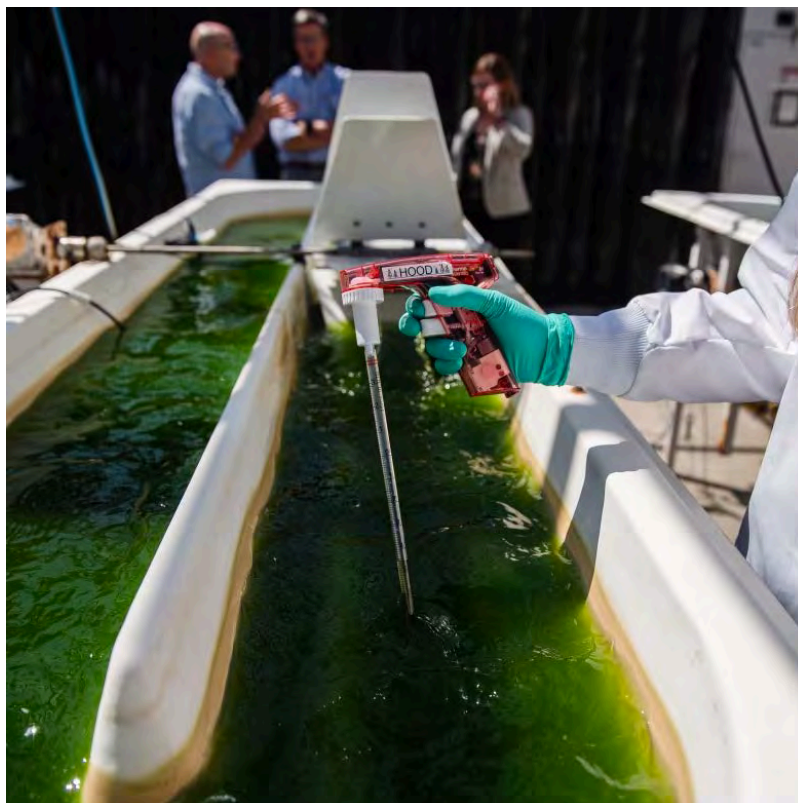
Some of the company's scientists didn't agree with the way the project was presented to investors

By Collin Eaton **Follow** | Photography by Ariana Drehsler for WSJ

March 31, 2026 5:30 am ET



Algae samples collected in 2021 at a Viridos facility. Exxon paid Viridos to tinker with algae's genetic makeup to distill enough oil for technically viable biofuels.



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Quick Summary

- Exxon Mobil scientists told one of the company's top strategic-planning executives in early 2020 that the algae biofuels program was falling short of its stated goals.

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Exxon Mobil's XOM -2.02% ▼ scientists delivered a grim message to one of the oil company's top strategic-planning executives in February 2020: Its much-heralded algae biofuels program was falling well short of its stated goals.

Their presentation was one of multiple communications to Exxon's top leadership in early 2020 that even the most promising strains of algae were struggling to produce much oil outside the lab, documents reviewed by The Wall Street Journal show.

A week later, Exxon told investors algae could become a more prolific source of biofuel in the near term than agricultural products such as sugarcane and palm. That alarmed the scientists who didn't agree with the way the data were presented to investors, according to people familiar with the matter.

The Journal reviewed an internal presentation made in early 2020 by Exxon's scientists and examined other documents related to Exxon's efforts on algae. Some of the documents—none of which have been previously reported—show executives knew the \$500 million algae research project wasn't meeting its goals outside the lab, even as they continued to promote it to investors as a potential boon.

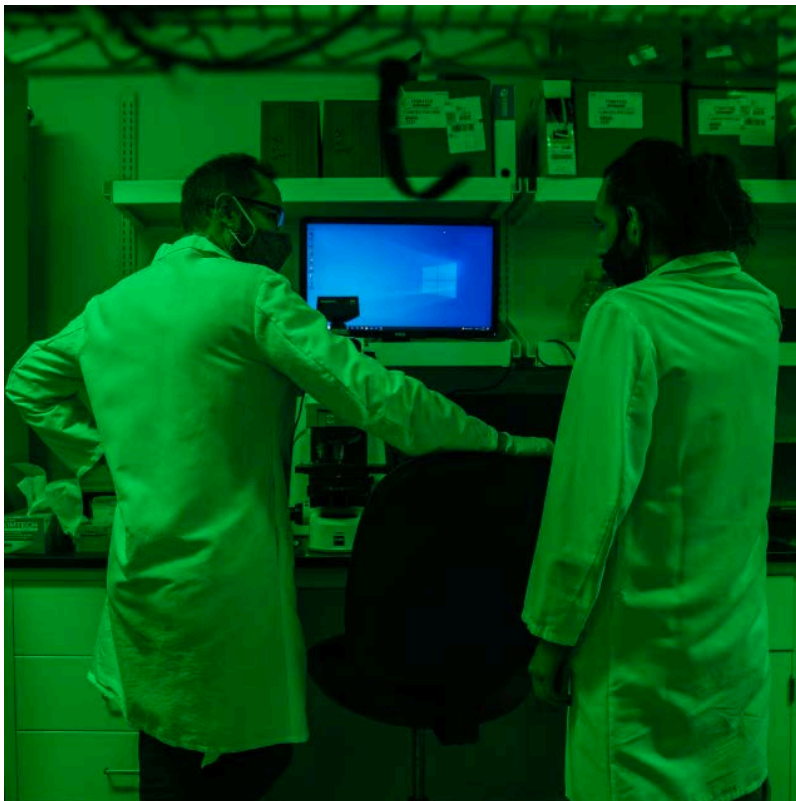
Members of Exxon's investor-relations team and leading researchers exchanged a flurry of communications discussing algae's low productivity outside the lab and how to highlight the program to investors in the days ahead of the presentation, the documents show.

"Our algae research was driven by the pursuit of innovation, which has been at the core of ExxonMobil's success for well more than a century," an Exxon spokesman said. "A commercial breakthrough would have been transformative. Were we enthusiastic? Absolutely. But we were also transparent.

"Our communications reflected the science as it was understood at the time, and when it became clear the technology would not scale commercially, we ended the program. Any suggestion otherwise is a lie."



Scientists at work in a Viridos lab in 2021. The company was formerly known as Synthetic Genomics.



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Exxon had told shareholders for years that algae had the potential to change America's energy future. One of the most abundant organisms on Earth, algae capture carbon dioxide through photosynthesis and yield oil that theoretically could be used to make transportation fuel. The promise of a more climate-friendly alternative to fossil fuels was alluring to Exxon—

assuming the company could increase algae's energy content enough to make it commercially viable.

Exxon began pursuing its algae research in 2009, about two years after first publicly acknowledging that burning fossil fuels contributes to climate change. At the time, the company was concerned about improving its public image as worries about climate change went mainstream.

When Darren Woods took over as chief executive in 2017, he continued to tout algae as a potential fuel source that could help Exxon play a bigger role in a cleaner energy future.

"Across more than 135 years, we've evolved and transformed," Woods told investors in 2018. "From a maker of lamp fuel to a maker of motor fuel, from supplying the Wright Brothers' first airplane to supplying the space shuttle...from filling tanks with gasoline to potentially filling them with biofuels made from algae. Society's needs evolve, and so do we."



Exxon CEO Darren Woods in 2024. DAVID SWANSON/REUTERS

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"Scientists recognize its potential to change our energy future," a voiceover says in one of the commercials that began airing in 2017. "By 2025, Exxon

Mobil is aiming to have the technical ability to produce over 10,000 barrels of algae-based biofuel per day.”

Exxon’s algae work was done in conjunction with Synthetic Genomics, a company founded by Craig Venter, a pioneer in decoding the human genome, that later operated under the name Viridos. The oil giant paid the smaller company \$320 million over a decade to tinker with the genetic makeup of algae to try to distill enough oil to make the venture technically viable. It spent more money constructing large outdoor ponds to conduct the research.

Exxon made algae the cornerstone of its clean-energy initiatives for years and pressed on even after a lack of progress led other big oil companies to abandon similar research.

By early 2020, Exxon scientists were concerned about the viability of the program because they were struggling to replicate promising lab results in outdoor ponds where algae were exposed to nature.

Exxon scientists made their February 2020 presentation to T.J. Wojnar, who was the company’s vice president of corporate strategic planning and guided capital allocation and investment strategies. Among Wojnar’s responsibilities at the time were briefing the management committee on various company projects and preparing investor presentations.

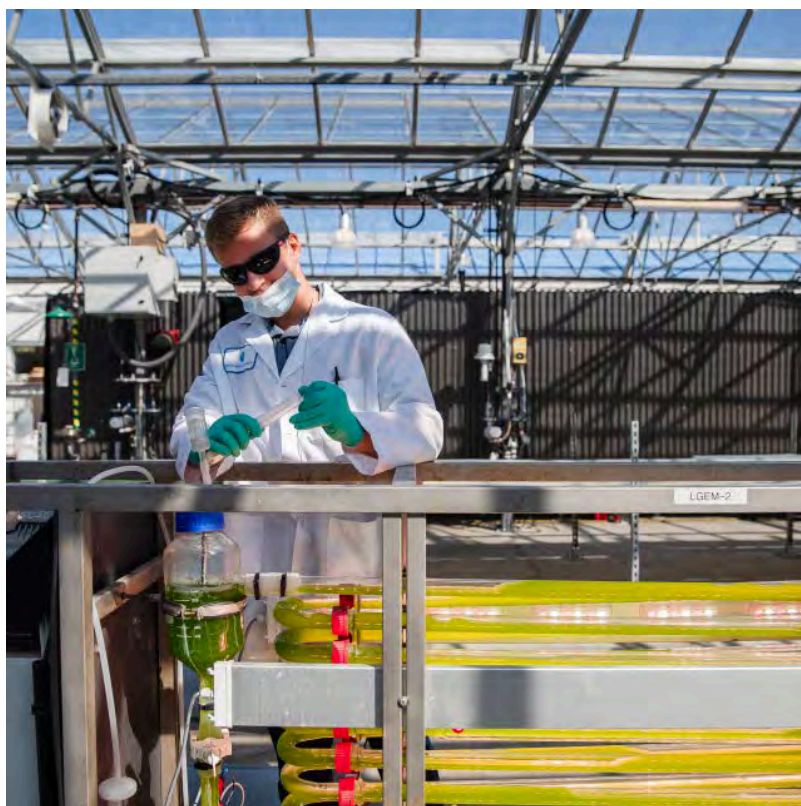
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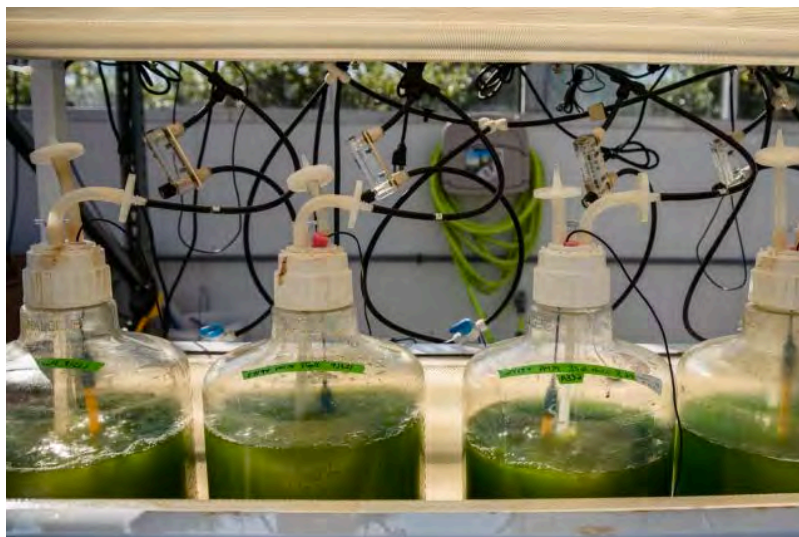
would have to process more saltwater than the entire city consumes in fresh water daily.



A lab technician works with algae samples at a Viridos facility in San Diego in 2021.



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The scientists said the cost of the project would be at least \$9.4 billion—an unprofitable investment that would well surpass the value of the biofuels extracted.

A week after the scientists made their presentation, Exxon provided an update to investors describing algae's prospects that left the scientists concerned, people familiar with their thinking say.

Andrew Swiger, a former senior vice president, told investors that the company was "rapidly progressing the scale-up [of] outdoor growth systems now, looking at different strains of the algae, taking it out of the lab," and was aiming to be technically ready to "scale algae biofuels" to 10,000 barrels a day by 2025, according to a transcript of the event.

A chart in the March 2020 investor presentation showed Exxon's "expected" near-term fuel output from outdoor ponds to be more than three times higher than the researchers found. It also said algae's potential oil production was six times higher than the scientists estimated.

"The productivity of our genetically engineered algae is already more than double that of the next most productive source," Swiger said.

In outdoor settings, sugarcane and palm were more prolific than algae in the results that Exxon researchers shared with Wojnar, while corn was about on par, the internal documents show.

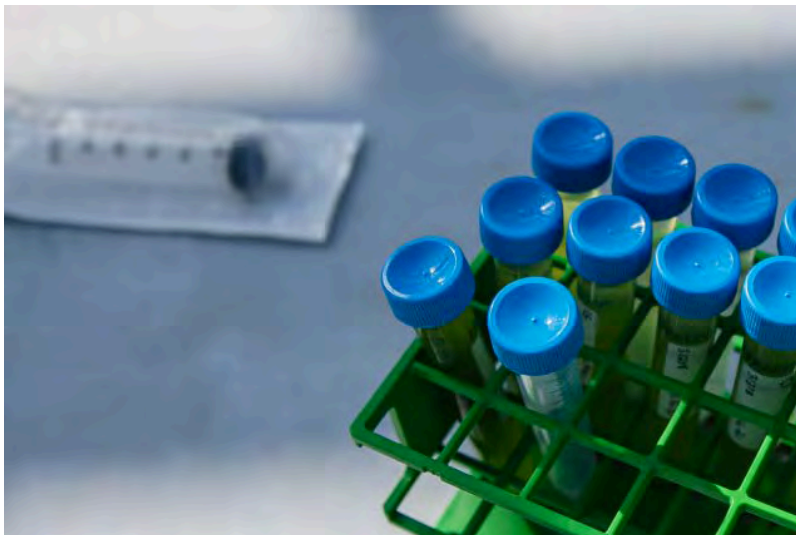
Exxon executives were careful to speak about algae's technical readiness, rather than its commercial viability, people close to the company say.



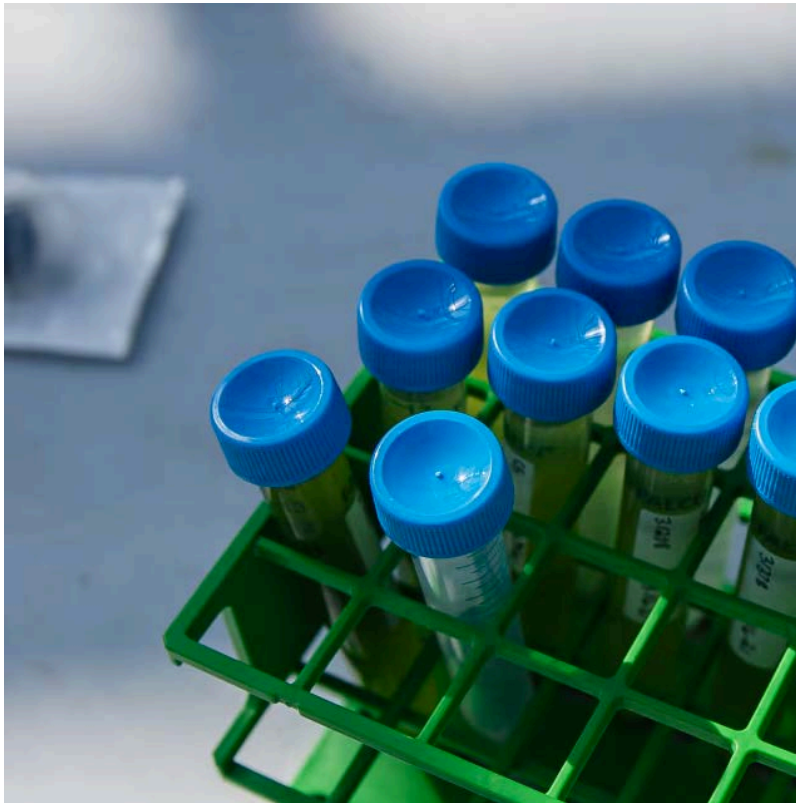
A Viridos researcher. Exxon paid the smaller company \$320 million over a decade.



A Viridos researcher. Exxon paid the smaller company \$320 million over a decade.



Algae samples.



Algae samples.

Oliver Fetzer, a former CEO of Viridos, said the scientists' cost estimate, in combination with the low productivity seen in algae's first year of outdoor testing, "was a shocker for everybody."

"Some of the Exxon scientists lost confidence in what we could do," he said. The results were "the catalyst for people to say, how much longer are we going to do this?"

Fetzer said his company later calculated its own estimate for a commercial algae facility: about \$5 billion for a 25-square-mile pond installation, a figure validated by the National Renewable Energy Laboratory that Fetzer said could become economic after many years. He also said productivity results greatly improved in the months and years after Exxon's investor presentation.

"The research coming out of SGI [Synthetic Genomics and Viridos] was not of the caliber that it should have been given how much investment Exxon

was making,” said Sabeeha Merchant, a University of California, Berkeley professor who worked on a confidential technical advisory committee for Exxon evaluating SGI’s algae research.

Exxon continued advertising the algae program in the months after the scientists voiced their concerns. In late 2020, the company ran a colorful ad in the New York Times claiming the future of energy “may come from where you least expect it.”

About a year later, Vijay Swarup, who at the time was Exxon’s vice president for research and development, told the Journal he was aware of the perception that the company was using algae research to burnish its green credentials—but the project and its progress were real.

Exxon never formally announced that it was walking away from its algae research. It terminated its work with Viridos in March 2023, according to documents filed as part of the smaller company’s chapter 11 bankruptcy case. Viridos was ordered in September to dissolve. Wojnar, Swiger and Swarup have since left Exxon.

In the years since Exxon cut ties with Viridos, climate-related investments have fallen out of favor with investors. At the height of the sustainable investing boom earlier this decade, Exxon pledged to spend \$30 billion by 2030 to cut its own emissions and build carbon-capture and other climate-technology projects.

It cut that spending target by one-third and shelved plans to build a \$7 billion hydrogen plant in Baytown, Texas—the largest single project in its low-carbon division’s pipeline—after President Trump returned to office and waged a war on clean energy.

“If Exxon Mobil, with all our advantages, can’t find a way to invest in these projects that generate a return that’s competitive, then nobody else will be

able to, and these businesses will die,” Woods said at a September energy conference.

Collin Eaton writes about the largest American oil companies and global energy issues in The Wall Street Journal’s Houston bureau. Collin joined the Journal in early 2020, a few weeks before the onset of the pandemic and a historic oil-market collapse that crippled U.S. shale companies. In the aftermat...

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Videos

US appeals court upholds decision to dismiss Boeing criminal case

 [reuters.com/legal/litigation/us-appeals-court-upholds-decision-dismiss-boeing-criminal-case-2026-03-31](https://www.reuters.com/legal/litigation/us-appeals-court-upholds-decision-dismiss-boeing-criminal-case-2026-03-31)

David Shepardson

March 31, 2026

A Boeing plane is displayed at the Dubai Airshow, in Dubai, United Arab Emirates, November 17, 2025. REUTERS/Amr Alfiky [Purchase Licensing Rights, opens new tab](#)

WASHINGTON, March 31 (Reuters) - A U.S. appeals court on Tuesday upheld a ruling by a lower court to approve the Justice Department decision to dismiss a criminal case against Boeing ([B.A.N.](#), [opens new tab](#)), which allowed the planemaker to avoid prosecution on a charge stemming from two fatal 737 MAX plane crashes that killed 346 people.

Judge Reed O'Connor, of the U.S. District Court in Fort Worth, Texas, in November said he had no authority to reject the government's decision to make a deal with Boeing, even though he said it "fails to secure the necessary accountability to ensure the safety of the flying public."

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A three-judge panel of the 5th U.S. Circuit Court of Appeals upheld O'Connor's decision, saying a federal crime victims law does not grant "an unlimited right for victims to appeal the dismissal of criminal prosecutions."

O'Connor said he did not agree that dismissing the case, which had been pursued under the Biden administration and initially resulted in an admission of guilt by Boeing, was in the public interest.

O'Connor said in 2023 that "Boeing's crime may properly be considered the deadliest corporate crime in U.S. history."

Boeing had agreed to plead guilty in 2024 to a criminal fraud conspiracy charge after the fatal 737 MAX crashes in Indonesia and Ethiopia in 2018 and 2019 that killed 346 people.

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After President [Donald Trump](#) took office, DOJ reversed course in May and dropped the demand for a guilty plea.

Under the deal, Boeing agreed to pay an additional \$444.5 million into a crash victims' fund to be divided evenly per victim of the two fatal 737 MAX crashes, on top of a new \$243.6 million fine and \$455 million to strengthen the company's compliance, safety, and quality programs.

In September, the FAA proposed fining Boeing \$3.1 million for a series of safety violations, including actions tied to a January 2024 Alaska Airlines 737 MAX 9 mid-air emergency, and for interfering with safety officials' independence.

Reporting by David Shepardson; Editing by Chizu Nomiyama and Mark Porter

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Securities

Senators Query SEC on Crypto After Enforcement Head Quits (2)

March 30, 2026, 2:21 PM PDT

Two US Senators want Securities and Exchange Commission Chairman **Paul Atkins** to explain the sudden resignation of its enforcement director and whether her departure was related to cryptocurrency cases, including one touching on the Trump family's ventures.

Richard Blumenthal, a Connecticut Democrat, sent a letter Monday seeking records related to the SEC's cases against cryptocurrency companies and communications with top agency officials and ex-enforcement director Margaret "Meg" Ryan. Ryan quit on March 16 after slightly more than six months on the job.

"Ms. Ryan's abrupt departure from the agency raises questions in light of her short tenure and reports that senior leadership intervened to prohibit the Division of Enforcement from pursuing cases against certain cryptocurrency companies," he wrote, citing reporting from Reuters.

The SEC declined to respond to the letter. White House counsel David Warrington said in an emailed statement the president had no involvement in business deals that would implicate his constitutional responsibilities. "President Trump performs his constitutional duties in an ethically sound manner, and to suggest so otherwise is either ill-informed or malicious," Warrington said.

Senator Elizabeth Warren also pressed Atkins for details on Ryan's resignation, which she called "troubling." In addition to asking about details on certain enforcement cases, the Massachusetts Democrat also asked for the agency's enforcement statistics for the past year, which have not been released to the public yet. Warren is the ranking member of the Senate's Banking committee.

Cases Suspended

Blumenthal asked for records and communications between the SEC's enforcement division and agency senior leadership related to potential enforcement actions against cryptocurrency companies, including information related to billionaires Justin Sun and **Changpeng Zhao**, known as "CZ," the co-founder of Binance Holdings Ltd.

Since President Donald Trump's return to the White House, the SEC has dismissed or paused at least a dozen cases against crypto companies, including high-profile lawsuits against crypto exchanges Coinbase Global Inc. and Binance. Blumenthal singled out Sun, saying he purchased millions of dollars worth of the president's memecoin and became an early investor in the Trump family's cryptocurrency venture, World Liberty Financial.

The SEC earlier this month ended its case against Sun, who had been accused of securities law violations and market manipulation. One of the firms affiliated with Sun agreed to pay \$10 million to resolve the SEC's allegations, without admitting or denying the agency's claims.

Document Demand

The SEC's pullback on crypto enforcement coincides with Trump's pledge to make the US the "crypto capital" of the world, as digital assets have transformed his family's wealth.

Blumenthal, ranking member of the Senate's investigations subcommittee, asked for communications sent or received between the SEC's office and members of the Trump family, records relating to settlements with crypto companies, and information about any time the enforcement director's recommendations were overruled by the SEC chairman's office or any senior leader in the agency.

The senator also requested records related to **Zach Witkoff**, the chief executive of World Liberty. Witkoff is the son of Middle East special envoy Steve Witkoff.

A former Marine and senior judge of the US Court of Appeals for the Armed Forces, Ryan had been an unorthodox choice to head the SEC's enforcement unit, as most directors have either practiced securities law or worked at the SEC itself.

Ryan emailed enforcement division colleagues that she was resigning, effective immediately, and gave no reason for her departure. Atkins announced her appointment in August and she joined the agency in September.

(Updates to include Senator Elizabeth Warren's letter to the SEC.)

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Securities

Swiss Re Fails to Shut Down Plan Fees, Forfeiture Handling Suit

March 30, 2026, 11:19 AM PDT

Swiss Re America Holding Corp. couldn't escape a lawsuit Monday alleging its handling of a \$1.45 billion retirement plan violated the Employee Retirement Income Security Act.

Four former Swiss Re employees sufficiently alleged that their ex-employer's investment process and plan selection was imprudent and that it misused their forfeiture funds, Judge Andrew L. Carter Jr. said. The US District Court for the Southern District of New York denied Swiss Re's motion to dismiss without prejudice.

"Plaintiffs have sufficiently alleged facts that demonstrate defendants have breached their fiduciary duties by making imprudent investment decisions," Carter said.

The ex-workers allege in a proposed class action that Swiss Re failed to take advantage of less expensive versions of the plan's target date funds and mishandled 401(k) money forfeited by departing employees by allowing it to accumulate in a plan account without being put to productive use. Swiss Re moved for dismissal, contending the former employees failed to state a claim and lack jurisdiction to sue.

But the plaintiffs, who "generally lack the inside information necessary to plead their claims in detail before discovery," only need to plead "circumstantial factual allegations" that reasonably infer the "process was flawed," Carter said. The four ex-employees sufficiently allege that Swiss Re selected and maintained a plan option with a higher expense ratio rather than other readily available options that would have resulted in plan participants receiving a higher compounding return.

It's "apparent defendants failed to consider the superior alternative investments that were available to them in any given year while 'looking back' at previous years during the class period and in many cases 'before,'" Carter said.

The plan participants also sufficiently allege that Swiss Re was consistently amassing funds in their forfeiture account rather than putting it to good use, Carter said.

The workers are represented by Sedhom Law Group PLLC, which filed a similar lawsuit against Swiss Re in 2022. That case, which the company called an attempt to "copy the dozens of recently-dismissed generic lawsuits" over 401(k) funds and fees, was voluntarily dismissed in 2023.

Morgan, Lewis & Bockius LLP represents Swiss Re.

The case is Rudasill v. Swiss Re Am. Holding Corp. , S.D.N.Y., No. 1:25-cv-01403, 3/30/26 .

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Securities

Banking Execs Join US Accounting Board's Investor Advisory Panel

March 30, 2026, 10:58 AM PDT

A slate of new advisers are joining the US accounting board's panel focused on corporate financial reporting's usefulness to investors.

Larry Lee, managing director at JP Morgan Asset Management, and Kate Konetzke, a vice president in equity research at Morgan Stanley, are among four new members appointed to the investor advisory committee, the Financial Accounting Standards Board said Monday.

They join a mix of buy-side and sell-side investors and credit and equity analysts that advise FASB on its agenda, emerging issues, and public outreach.

The group is slated to meet next in May as FASB continues to add new projects to its agenda following last year's wave of public input. Advisers have recently discussed topics including investors' use of artificial intelligence to analyze corporate financial details.

Lazard Asset Management managing director Rhett Brown, who covers the healthcare sector, is also joining the advisory panel, as is Allen Puwalski, chief investment officer and managing partner at Cybiont Capital LLC, which specializes in fundamental bank analysis.

Recent public input on what projects the board should prioritize in the years ahead included calls from some investor groups to improve the statement of cash flows and guidance for intangible assets like patents and trademarks.

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Securities

UK Watchdog Issues First Guidance on Generative AI in Audit

March 30, 2026, 9:24 AM PDT

The UK's audit watchdog published guidance Monday on the use of certain artificial intelligence tools in reviews of corporate financial reporting, in what it called a world-first for a regulator.

The Financial Reporting Council's guidance on the use of generative and agentic AI in audits spells out risks and how to mitigate them. Generative AI focuses on content creation, with agentic AI focused on decision-making.

Big accounting firms such as PwC and Deloitte are adopting agentic AI for tasks such as analyzing financial statements, sometimes teaming up with tech giants like Nvidia Corp. to develop the technology.

"AI adoption in audit is accelerating, and agentic AI is expected to follow," Mark Babington, the FRC's executive director of regulatory standards, said in a statement, adding: "AI is a powerful tool, but the professional judgement and accountability of the auditor remains at the core of how we regulate."

The watchdog listed audit areas where AI tools are increasingly used, including matching supporting documents to samples and document translation. This creates risks for the auditors, such as inaccurate AI output, failing to follow the correct audit methodology, and users misunderstanding the results. The report suggests ways to minimize these risks.

The FRC said this was the first time a regulator had issued such guidance, although it did issue another report in June 2025 on auditors' use of AI in general.

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Public Company Accounting Oversight Board**US audit regulator pledges to rewrite oversight rule after industry backlash**

Jim Logothetis says parts of quality control standard implemented by Biden administration ‘may be unnecessary’



The Securities and Exchange Commission oversees the audit regulator © Reuters

Stephen Foley in New York

Published 3 HOURS AGO | Updated 12:22



The US audit regulator plans to rewrite rules governing accounting firms’ quality control systems that angered the industry when they were approved in the final months of Joe Biden’s administration.

Jim Logothetis, who was appointed in January as chair of the Public Company Accounting Oversight Board, on Tuesday said the regulator would pursue “narrow” revisions to the rules.

The standard, known as QC 1000 and adopted in September 2024, set out how audit firms should run their quality control systems and subjects them to detailed evaluation. Firms that audit more than 100 public companies also have to set up an internal oversight board that includes at least one independent outsider.

The Big Four audit firms had argued [many provisions](#) were unnecessary and unworkable, while smaller firms said they would cost too much.

The rules were put on hold after Donald Trump's administration [ousted](#) the previous PCAOB chair, Erica Williams, last year, and their fate has been in question since.

On his first public comments as chair, Logothetis on Tuesday said: "Certain requirements included in QC 1000 may be unnecessary for the standard to meet the regulatory objectives of the PCAOB, and may not contribute to audit quality."

The regulator would seek public comment on "narrow revisions to the standard and related amendments", he said, without providing further detail on what could change.

[Logothetis](#) is the first career auditor to run the PCAOB, having spent 40 years at the Big Four firm EY, auditing companies including Coca-Cola and Whirlpool and rising to lead its assurance business in the US Midwest. He retired from [the firm](#) in 2019.

The Center for Audit Quality, which represents audit firms, said it lobbied the new chair as recently as last week for changes to QC 1000. In an open letter, the group said firms were having trouble identifying independent executives to join the newly mandated oversight boards, and that it opposed a requirement for groups to screen all their audits for deficiencies if a deficiency is found in one of them.

Dennis McGowan, CAQ vice-president, on Tuesday welcomed the idea of "targeted amendments" to bring the standard in line with international audit rules.

"QC 1000 has a level of prescription that is different from the international standard," he said, adding the differences "result in increased cost without a commensurate benefit to audit quality".

The Trump administration promised to pursue a deregulatory and business-friendly agenda, and appointed longtime PCAOB critic [Paul Atkins](#) to run the Securities and Exchange Commission, which oversees the audit regulator.

Atkins ousted all but one member of the PCAOB's five-person board, and the SEC cut the [audit regulator's budget](#). It is pushing the regulator to reshape how it [inspects audit firms](#) and enforces audit standards.

Logothetis's comments on Tuesday came at the PCAOB's first public meeting since new members were sworn in, where they approved a proposal to seek public comment on a new five-year plan.

"It is a new day for the PCAOB, but is not a new mission," he said during the meeting. "What must evolve is how we carry out our mission in a rapidly changing environment."

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BREAKING: Ex-FirstEnergy Execs' Bribe Trial Ends After Jury Hits Impasse

By **Cara Salvatore**

Law360 (March 31, 2026, 1:04 PM EDT) -- An Ohio judge on Tuesday dismissed a jury weighing charges that two former FirstEnergy Corp. executives bribed a utility regulator to help secure a controversial \$1.3 billion bailout for two of the company's nuclear plants, after the jury reported an impasse following more than a week of deliberations.



Ohio Judge Susan Baker Ross dismissed the jury in a bribery case involving two former FirstEnergy executives after jurors reported an impasse. (Mike Cardew/Akron Beacon Journal via AP, Pool)

Judge Susan Baker Ross read a note from the jurors reporting the impasse, and said she would be excusing them.

"I respect that this is where you are after all of that," Judge Ross said. "This is complete; you are relieved from your duty to not talk to anybody about the case."

Ohio Attorney General Dave Yost said in a statement that the state would retry the defendants, former CEO Chuck Jones and former Senior Vice President of External Affairs Michael Dowling.

The pair were indicted in February 2024, along with the lobbyist-turned-regulator they were accused of paying off, Sam Randazzo.

Jones and Dowling were accused of working with Ohio Public Utilities Commission chair Randazzo, a lawyer who went into government in 2019, to funnel bribes and help push legislation known as House Bill 6 to bail out two FirstEnergy plants.

Randazzo died by suicide two months after the state indictment. He had also faced federal charges.

Former Ohio House Speaker Larry Householder and Republican lobbyist Matt Borges were convicted for roles in the scheme in June 2023.

The prosecution on Tuesday requested a formal declaration of a mistrial in the case against Jones and Dowling after Judge Ross' announcement. The judge declined to immediately rule.

Dowling's counsel, John McCaffrey of Tucker Ellis LLP, said in a statement Tuesday the team appreciated the jury's work.

"We will be filing a motion for judgment of acquittal, and we will continue in our defense of Mr. Dowling," McCaffrey said.

Counsel for Jones was not immediately available for comment.

Trial began in early February in the case against Jones and Dowling, and the defense moved at one point for acquittal, saying the state had only proven a case against Randazzo.

"After presenting 27 witnesses and introducing nearly 600 exhibits, the state has fallen woefully short in its ill-fated quest to inject Dowling into the Randazzo crime spree," Dowling's counsel wrote in a motion. "Most of the counts are not even close on proof, some are factually impossible, and others are legally implausible."

Dowling was charged with one count of a pattern of corrupt activity, one count of bribery, two counts of telecommunications fraud, four counts of money laundering, two counts of tampering with records, and one count of conspiracy.

Jones faced the same counts, except without charges for tampering with records.

The indictment claims that Dowling was responsible for having FirstEnergy negotiate an \$8.5 million consulting deal with Randazzo's one-man entity, SFA-Ohio, in 2015, a document prosecutors called "a subterfuge" designed to conceal that settlements from a Public Utilities Commission case were being "funneled" through Randazzo. Prosecutors also said the consulting deal went against Randazzo's partnership agreement with his law firm, McNees Wallace & Nurick.

In 2018, Jones and Dowling allegedly went to bat for Randazzo to become Public Utilities Commission chair, and had FirstEnergy pay to Randazzo the \$4.33 million outstanding on the 2015 consulting agreement. Prosecutors claim this payout guaranteed that Randazzo would do the bidding of Jones and Dowling when he got into office.

The three allegedly worked together to "steal money from FirstEnergy, write legislative provisions worth unearned millions of dollars to FirstEnergy, legally guarantee FirstEnergy's continued profitability and take over the state government in a way that allowed FirstEnergy to regulate itself," the indictment claimed.

The defendants have repeatedly lobbed claims of prosecutorial misconduct during trial. On Feb. 20, they said they had just learned from grand jury transcripts that "highly exculpatory material going to the heart of this case" had been withheld from the defense. On March 11, they said a prosecutor asked a witness, U.S. Sen. Jon Husted, an inappropriate question directly about guilt that infringed on the jury's exclusive province.

The motions are pending.

Carole Rendon, counsel for Jones, told Law360 at the time of the indictment, "Mr. Jones did not violate the law. ... He did not bribe anyone. He acted in the best interests of FirstEnergy's customers as well as its employees and investors, and never betrayed their trust."

Ohio is represented by Carol O'Brien and Matthew Meyer of the Ohio Attorney General's Office and Brad Gessner of the Summit County Prosecutor's Office.

Jones is represented by Carole Rendon of BakerHostetler, William Scherman of Vinson & Elkins LLP, and Noah Munyer.

Dowling is represented by John McCaffrey of Tucker Ellis LLP and Dan Webb of Winston & Strawn LLP.

The cases are State of Ohio v. Charles E. Jones, case number CR-2024-02-0473-C, and State of Ohio v. Michael Dowling, case number CR-2024-02-0473-B, in the Ohio Court of Common Pleas, Summit County.

--Editing by Daniel King.

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Catching Up With Delaware's Chancery Court

By Jarek Rutz

Law360 (March 30, 2026, 5:51 PM EDT) -- The Delaware Chancery Court's docket this past week featured disputes involving globally recognized companies, high-dollar contract fights, revived claims from the state's high court and the resolution of a closely watched de-SPAC case.

From litigation tied to household-name brands and multibillion-dollar transactions to governance challenges, lending disputes and settlement approvals, the court continued to serve as a central venue for complex corporate battles spanning industries. Here's what you might have missed.

Big Names and Big Stakes

Several of the week's most prominent developments involved well-known companies and figures, with disputes spanning corporate governance, merger oversight and post-deal obligations.

The Chancery Court paused a Tesla stockholder case after Elon Musk **sought to disqualify** Chancellor Kathaleen St. J. McCormick, pointing to apparent LinkedIn activity from her account reacting to a post about a California jury verdict against him. Chancellor McCormick said she did not support the post and reported possible unauthorized account activity but opted to take the recusal request under advisement while staying the case. The litigation stems from long-running derivative claims over Tesla director compensation and has expanded to include issues tied to Musk's \$44 billion Twitter acquisition.

Jack in the Box Inc. sued the buyer of its Del Taco business, **alleging breaches of key obligations** tied to the 2025 sale. The company claims Yadav Enterprises Inc., its CEO Anil Yadav and Del Taco Holdings Inc. failed to assume insurance liabilities, including workers' compensation obligations, and refused to pay for transition services, leaving Jack in the Box exposed to ongoing costs. The complaint seeks damages, fees and equitable relief, including specific performance.

The Delaware Supreme Court **issued a split ruling** allowing investors to rely on news reports with anonymous sources to support demands for corporate records tied to Paramount Global's proposed merger with Skydance Media. The majority said the Chancery Court properly considered factors such as corroboration, specificity and the credibility of reporting, while also permitting limited use of post-demand evidence. A dissent warned that allowing such evidence could encourage premature litigation.

Contract Fights and Financial Disputes

The court also saw a wave of disputes centered on contract enforcement, lending arrangements and alleged misconduct tied to business deals.

Enviracore Services Group LLC **filed a suit accusing** the former owner of Boomer Environmental of violating a five-year noncompete tied to an approximately \$18 million sale of the company. The complaint alleges that Jason J. Martin continued operating competing businesses, solicited former customers and withheld equipment included in the transaction, undermining the value of the deal. Enviracore is seeking an injunction, damages and the return of assets.

UFUND LC Mezz Debt LLC targeted a borrower, guarantor and related entities **over an alleged default** on a \$3.8 million mezzanine loan connected to an Indianapolis real estate project. The lender claims the defendants diverted pledged collateral and shifted funds among affiliated entities to avoid repayment, and is seeking damages along with court intervention to recover and protect the disputed

assets.

High Court Guidance, Fee Awards and Settlements

The Delaware Supreme Court affirmed a Chancery decision approving a \$7.5 million attorney fee award tied to a \$50 million settlement in litigation involving Newmark Inc. and its controlling stockholder, Howard Lutnick. The high court upheld the lower court's reasoning that a 15% fee award was appropriate given the stage of the case, rejecting arguments that a larger percentage was warranted.

The Chancery **dismissed a stockholder challenge** to a share issuance by Allied Gaming & Entertainment Inc. as moot after the company reversed course, but ordered it to pay nearly \$5.94 million in attorney fees. Vice Chancellor J. Travis Laster found that the litigation produced meaningful benefits for stockholders, including restored voting rights, and that defendants could not avoid fee liability simply because their actions resolved the dispute.

A Chancery judge signed off on a \$7.6 million deal resolving claims that HighCape Capital LP and its affiliates pursued an overpriced \$1.46 billion merger with Quantum-Si. The court found the settlement fair and adequate, certified a non-opt-out class of investors and awarded roughly \$1.064 million in attorney fees. The litigation alleged that insiders advanced a conflicted transaction that overstated the company's value and led to post-merger losses for investors.

Quotable

"I do not 'support' the post. I also have not read the post, aside from the text visible in the screenshot that was sent by text to me last night," Chancellor McCormick wrote in a letter to counsel regarding Musk's recusal request, adding that she reported possible "suspicious activity" on her account after learning of the issue.

--Editing by Rich Mills.

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Eagle Pharma To Pay \$9.5M To End Channel Stuffing Claims

By **Katryna Perera**

Law360 (March 30, 2026, 1:44 PM EDT) -- Eagle Pharmaceuticals Inc. and its former executives have agreed to pay \$9.5 million to settle investor claims that they carried out a fraudulent "channel stuffing" scheme to inflate the revenue of one of the company's brand-name medications.

The investors filed a **motion** for preliminary approval Thursday, stating that the settlement is an excellent recovery for the proposed class and was achieved through fair and arm's-length negotiations.

According to the motion, the \$9.5 million deal equates to roughly 9.1% of the total maximum damages available in the case. The investors argue that the court should grant the deal the first green light, given this recovery amid the risks of continued litigation.

"For example, if the court granted defendants' pending motion to dismiss in whole or in part that could have substantially reduced, or eliminated, any potential recovery," the motion states. "Furthermore, Eagle has recently disclosed that substantial doubt exists about the company's ability to continue as a going concern, which calls into question whether plaintiffs would be able to collect any judgment after additional years of costly litigation."

The motion also states that lead counsel from Glancy Prongay Wolke & Rotter LLP plans to ask the court for an award of attorney fees worth a third of the settlement fund, or approximately \$3.1 million.

The operative complaint, filed last July, states that Pemfexy is Eagle's brand name for pemetrexed, a chemotherapy medication used to treat certain cancers. The complaint states that Eagle began selling Pemfexy in February 2022, and it quickly became one of the company's leading products.

Investors allege that from August 2022 through October 2024, Eagle's former CEO Scott Tarriff and former Chief Financial Officer Brian Cahill secretly carried out a "channel stuffing" scheme to inflate Eagle's reported Pemfexy revenue, while in reality, Pemfexy's sales were "rapidly falling."

Channel stuffing is a practice in which a company reports inflated sales by sending its distribution channels, such as wholesalers or retailers, more products than the distributor wants to purchase or is able to sell.

The complaint states that the defendants paid wholesalers to accept large shipments of Pemfexy that were unlikely to be sold to end users before the medication expired, and they allowed wholesalers to then return the expired product to Eagle free of charge.

Internally, the scheme was referred to at Eagle as the "Inventory Guarantee Supply Program" or the "Buy and Hold" program, according to the complaint, and it was purportedly conceived and implemented directly by Tarriff.

Investors claim the truth came to light when Eagle announced that all of its published financial statements beginning in the second quarter of 2022 were not prepared in accordance with Generally Accepted Accounting Principles, should not be relied upon, and would be restated.

However, investors claim that despite repeated promises, Eagle has not yet corrected the falsified

financial statements. Additionally, the complaint states that Eagle's board carried out an internal investigation and "forced" Tarriff to resign. A few months later, Cahill also resigned.

"Since pressuring Tarriff to resign, Eagle has fired at least 36% of its employees, dismissed its external auditors, delisted its stock from the NASDAQ, and deregistered its securities with the SEC to avoid providing any disclosures to shareholders (i.e. "going dark")," the complaint states.

Due to alleged misconduct and corrective disclosures, the complaint states that Eagle's stock had lost over 90% of its value from class period highs.

Counsel for the defendants declined to comment Monday, and counsel for the investors did not immediately respond to requests for comment.

The investors are represented by Robert V. Prongay, Joseph D. Cohen and Garth Spencer of Glancy Prongay Wolke & Rotter LLP, James E. Cecchi, Donald A. Ecklund and Kevin G. Cooper of Carella Byrne Cecchi Brody & Agnello PC and Jack Zwick.

Eagle and Cahill are represented by Sarah A. Sullivan and Alexander L. Callo of Saul Ewing LLP and Koji F. Fukumura and Brian M. French of Cooley LLP.

Tarriff is represented by Matt Corriel and Jeremiah L. Williams of Ropes & Gray LLP.

The case is Miller v. Eagle Pharmaceuticals Inc. et al., case number 2:23-cv-23011, in the U.S. District Court for the District of New Jersey.

--Editing by Alyssa Miller.



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TD Bank Moves Funds' Suits Over Failed First Horizon Deal

By **Sydney Price**

Law360 (March 30, 2026, 6:54 PM EDT) -- Toronto-based TD Bank has moved to New Jersey federal court two suits from hedge funds that invested in First Horizon Corp. alleging TD Bank is liable for their losses due to statements it made about the likelihood of regulatory approval of the banks' merger, arguing the suits both raise federal questions that belong in federal court.

TD Bank said in notices Friday that moving the suits brought by AQR Arbitrage MA Offshore Fund LP, HBK Master Fund LP and their associated entities to the U.S. District Court for the District of New Jersey from Burlington County Superior Court is proper since they both concern the federally chartered bank's compliance with federal banking laws.

TD Bank also said that both suits are virtually identical to an investor suit **recently dismissed** by the New Jersey federal court. When dismissing the investor suit in November, U.S. District Judge Renée Marie Bumb said the plaintiffs in that suit, who are also First Horizon shareholders, lack statutory standing to bring claims against TD Bank.

Litigating the case in a different court would be inefficient, TD Bank said.

"The interests of judicial economy will be served by removal of this case to the [New Jersey district court], which has previously presided over a case alleging similar causes of action relating to the same underlying facts," both notices state.

The hedge funds' suits, which were both initially launched in February, accuse TD Bank of denying the existence of regulatory problems ahead of a planned merger with First Horizon despite its awareness of the government's investigation into its anti-money laundering program.

The suits allege that the truth began to emerge in March 2023 when First Horizon released its annual filing with the U.S. Securities and Exchange Commission and noted that TD Bank was unable to timely close the transaction because it could not obtain the necessary regulatory approvals. The filing noted that TD Bank had extended the closing date to May 27, 2023, but had already informed First Horizon it would be unable to close the deal even by then, and was unable to project a new closing date, according to the suits.

TD Bank then "doubled down" on its assertion that the merger would move forward despite the regulatory scrutiny, the suits allege.

Then, on May 4, 2023, TD Bank and First Horizon announced that they had agreed to terminate the deal because TD Bank could not guarantee regulatory approval in 2023 or 2024. On this news, First Horizon shares fell by 33%, from \$15.05 per share on May 3, 2023, to \$10.06 per share on May 4, 2023, according to the complaints.

The complaints also note TD Bank's **agreement** in October 2024 to pay \$3.1 billion to U.S. authorities to end claims that the bank failed for nearly a decade to put in place adequate money laundering controls and handling of hundreds of millions of dollars related to drug trafficking, among other criminal activity.

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

AQR Arbitrage MA Offshore Fund LP, HBK Master Fund LP and their associated entities are represented by Steven M. Hecht and Richard A. Bodnar of Rolnick Kramer Sadighi LLP.

TD Bank is represented by Susan M. Leming of Brown & Connery LLP.

The cases are AQR Arbitrage MA Offshore Fund LP et al. v. Toronto Dominion Bank et al., case number 1:26-cv-03273, and HBK Master Fund LP et al. v. Toronto Dominion Bank et al., case number 1:26-cv-03280, both in the U.S. District Court for the District of New Jersey.

--Additional reporting by Katryna Perera, Jon Hill and Sarah Jarvis. Editing by Jay Jackson Jr.

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5th Circ. Hesitant To Revive CrowdStrike Class Action

By **Spencer Brewer**

Law360 (March 30, 2026, 8:23 PM EDT) -- A panel of the Fifth Circuit wanted counsel for a group of passengers who sued cybersecurity company CrowdStrike Inc. after their flights were delayed or canceled during a crippling IT outage to explain who else could get sued under their liability theory, weighing Monday whether the Airline Deregulation Act bars the claims.

U.S. Circuit Judge Priscilla Richman posed a hypothetical, asking if Microsoft would be on the hook if its software caused a massive outage similar to the one CrowdStrike caused in July 2024. Several airline customers launched a proposed class action following the outage, alleging CrowdStrike caused them to miss their flights, but the lower court **tossed the suit**.

If Microsoft had caused the outage, it wouldn't change the analysis at all, an attorney representing the passengers, Anthony Parkhill of Barnow & Associates PC, told the panel.

"You could sue Microsoft?" U.S. Circuit Judge Andrew Oldham asked, following up on Judge Richman's question. "Could you sue the airlines for negligently using CrowdStrike?"

If the plaintiffs decided to do that, the case would **become like another case** decided Georgia federal court called *Bajra et al. v. Delta Air Lines Inc.*, Parkhill said. In that case, the judge threw out the bulk of claims in some customers' proposed class action against Delta over the CrowdStrike outage by finding they are preempted by the ADA.

There, the plaintiffs brought allegations against Delta, but in the case before the court, the passengers asserted their claims against CrowdStrike directly, Parkhill noted. In the present case, the ADA does not preempt the passengers' claims, he argued.

The ADA only includes aspects of air travel pertinent to the contract of carriage between passengers and airlines, Parkhill said.

Counsel for CrowdStrike, Samantha Chaifetz of DLA Piper, told the court that the allegation brought forward in the proposed class action relates to airline services. When the passengers talk about how they think CrowdStrike should bear the costs that came with flight delays and cancellations caused by the outage, such as hotel costs and reimbursement for missed work, "that's all premised on the notion that CrowdStrike was in a contractual relationship with the airlines, that it therefore had a duty to the airline passengers."

U.S. Circuit Judges Priscilla Richman, Stuart Kyle Duncan and Andrew S. Oldham sat on the panel for the Fifth Circuit.

The passengers are represented by Ben Barnow and Anthony Parkhill of Barnow & Associates PC, Cory S. Fein of Cory Fein Law Firm and Robert K. Shelquist of Cuneo Gilbert & Laduca LLP.

CrowdStrike is represented by Isabelle Ord, Andrew Serwin, Kylie Green, Jeffrey DeGroot, Samantha L. Chaifetz and Sergio Filipe Zanutta Valente of DLA Piper and Marcy Hogan Greer of Alexander Dubose & Jefferson LLP.

The case is *Del Rio et al. v. CrowdStrike Inc. et al.*, case number 25-50518, in the U.S. Court of Appeals for the Fifth Circuit.

--Additional reporting by Craig Clough and Hailey Konnath. Editing by Covey Son.



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Warner Bros. Beats Investor Suit Over Failed NBA Deal

By **Dorothy Atkins**

Law360 (March 30, 2026, 10:12 PM EDT) -- A New York federal judge on Monday tossed a putative securities class action accusing Warner Bros. Discovery and its top brass of misleading investors about its negotiations over NBA broadcast rights, finding the company's statements were either true, inactionable or made obvious by widespread media coverage.

In a 42-page order, U.S. District Judge Katherine Polk Failla held that the investors failed to show any intent to defraud, saying Warner Bros. and its executives had repeatedly warned about the risks of losing the deal and never promised it could match NBCUniversal's and Amazon's rival bids, which weren't revealed until months into negotiations.

"Quite obviously, therefore, defendants could not have known in May that WBD would not reach a deal with the NBA or match competing offers in July," the order said. "The law does not require defendants to predict the future."

The judge held that the material facts in dispute were either disclosed or publicly available and that some statements, including those by CEO David Zaslav, "at worst" are inactionable puffery.

"Mr. Zaslav did not omit material information and, by extension, did not mislead reasonable investors," the judge wrote. "To the contrary, defendants repeatedly communicated to the public the importance to WBD of the NBA Rights."

The ruling marks an end to a lawsuit that investor Richard Collura filed in **November 2024**, in which he alleged that the media giant made false and misleading statements about how the talks with the NBA were going.

The dispute centers on the NBA's **\$76.9 billion megadeal** with Amazon.com Inc., which was reached after Warner Bros. failed to reach an agreement to renew its 40-year partnership with the NBA. In 2024, after months of negotiations, the NBA accepted rival bids from NBCUniversal and Amazon, according to court documents.

Collura claimed that Warner Bros., Zaslav and its chief financial officer, Gunnar Wiedenfels, weren't up front with investors when its sports rights negotiations with the NBA were causing, or likely to cause, the company to "significantly reevaluate its business and goodwill." He also alleged the company failed to disclose that its goodwill in its networks segment — which is mostly made up of television networks — had significantly deteriorated.

Warner Bros. also didn't tell investors that those risks significantly increased the likelihood of the company incurring billions of dollars in goodwill impairment charges, Collura said in his suit. Altogether, he claimed the false and misleading statements meant Warner Bros. had exaggerated its overall business and financial prospects.

Collura filed an amended complaint in May that added Anthony Yuson and Michael Steinberg as co-lead plaintiffs. The amended suit took issue with seven specific company statements, which the investors claimed downplayed the importance of the NBA media rights to Warner Bros. while overstating its ability to match rival bids.

In **July**, Warner Bros. asked Judge Failla to throw out the litigation, arguing that the investors hadn't pointed to any evidence showing that Warner Bros. intended to mislead them about the deal.

The company argued that the investors failed to allege any facts from which the court could infer that the factual statements were intended to mislead or that the company had any motive to dupe investors about the "tough negotiations" with the NBA.

The company argued that its "drumbeat of disclosures," alongside the "wall-to-wall" media coverage of the negotiations, discredits the investors' theory that Warner Bros. failed to disclose the importance of the NBA rights. It added that the statements the investors take issue with in the suit are "self-evidently true and none predicted the outcome of the negotiations."

On Monday, the judge sided with the company and granted the motion to dismiss all claims. The judge noted that even the amended complaint cited statements the defendant executives made repeatedly recognizing the value of the deal with the NBA.

"To be sure, these statements are not as explicit in tying the NBA Rights to WBD's bottom line as WBD's SEC filings, but they are nonetheless additive," the order said. "And because the court assesses defendants' liability by taking their 'representations ... together and in context,' it finds that defendants' [statements] did not mislead investors regarding the importance of the NBA rights."

Judge Failla added that even if the defendants had not conveyed the importance of the NBA rights in their statements, "public discourse — including widely disseminated media reports — made plain their importance."

Ultimately, no reasonable investor could have been misled about the importance of the NBA rights merely because the company executives did not precisely predict the \$9.1 billion impairment charge, the judge said, and they weren't obligated to disclose more details "ad infinitum."

The judge additionally rejected the investors' arguments that Wiedenfels' decision to sell roughly \$972,000 worth of his company stock, which reflected about 9% of his total holdings, during the putative class period was unusual or suspicious.

The judge noted that three of the four transactions were in February and early March 2024, before Warner Bros. entered the exclusive negotiation period and before the investors' claim that the company and its executives were on notice of NBCUniversal's and Amazon's rival bids.

Counsel for the parties and representatives for Warner Bros. didn't immediately respond to requests for comment Monday.

The investors are represented by J. Alexander Hood II, Joshua B. Silverman, Christopher P.T. Tourek and Genc Arifi of Pomerantz LLP, Phillip Kim and Sara Fuks of The Rosen Law Firm PA, and Peretz Bronstein of Bronstein Gewirtz & Grossman LLC.

Warner Bros. is represented by Jonathan D. Polkes, Stacy Nettleton, Joshua D. Weedman and Veronica Gordon of White & Case LLP.

The case is Collura et al. v. Warner Bros. Discovery Inc. et al., case number 1:24-cv-09027, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Hailey Konnath. Editing by Nick Siwek.



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Teamsters Fund Sues To Block Clearway Reclassification

By Jarek Rutz

Law360 (March 31, 2026, 12:42 PM EDT) -- A Teamsters pension fund has filed a class action in the Delaware Chancery Court seeking to block a planned share reclassification by Clearway Energy Inc., alleging the deal would entrench the company's controlling stockholder while stripping public investors of voting power.

The **complaint**, filed Monday by the New England Teamsters Pension Fund, targets Clearway, its board of directors and its controlling stockholder, Clearway Energy Group LLC, arguing that the proposed conversion of Class A shares into lower-vote Class C shares unfairly benefits insiders at the expense of minority stockholders.

"This action concerns an attempt by Clearway's controlling stockholder, CEG, to unfairly perpetuate its control over the company into perpetuity while simultaneously obtaining massive liquidity for its shares," the pension fund said in its complaint.

Clearway Energy, a renewable energy company headquartered in New Jersey, operates with a dual-class stock structure that gives its sponsor and controlling stockholder, Clearway Energy Group LLC — jointly owned by Global Infrastructure Partners and TotalEnergies — outsize voting power. While public investors hold Class A and Class C shares, CEG owns all Class B and Class D shares, which carry significantly greater voting rights.

According to the pension fund, CEG controls about 55% of the company's voting power despite owning roughly 41% of its economic interest. The structure allows CEG to influence board decisions and corporate strategy, while public stockholders have more limited control.

At the center of the dispute is Clearway's March 24 proxy proposal to convert all publicly traded Class A shares, which carry one vote each, into Class C shares, which carry just 1/100th of a vote. The fund alleges that the move would leave CEG as the sole holder of high-vote stock, cementing its control even if it sells off most of its economic stake.

The pension fund says the reclassification is paired with a voting trust arrangement designed to ensure that CEG maintains its 55% voting control indefinitely. Even if CEG converts and sells most of its shares, the structure would allow it to retain control with a fraction of its current ownership.

"In other words, CEG will be able to sell nearly all of its equity and still maintain majority voting control over Clearway," the pension fund said.

The fund argues that this structure could allow CEG to monetize up to roughly \$1.6 billion in shares while keeping control, creating what it calls a one-sided benefit that was not negotiated at arm's length. According to the complaint, Clearway's board approved the proposal in early March 2026 after a brief review process that may have lasted as little as a single meeting and without hiring independent advisers or negotiating for concessions.

The suit claims that several directors have ties to CEG or its owners, raising concerns about conflicts of interest. It also alleges that CEO Craig Cornelius, who also leads CEG, breached his duties by supporting a transaction that favors the controlling stockholder.

The fund accuses the defendants of breaching their fiduciary duties of care and loyalty, core

obligations requiring corporate leaders and controlling stockholders to act in the best interests of all investors, not just themselves. The complaint also alleges disclosure failures, claiming the company's proxy omits key details about how the deal was developed, what alternatives were considered and why no compensation was secured for minority investors.

The fund is asking the court to block the reclassification before a scheduled April 29 stockholder vote, arguing that once implemented, the shift in voting power would cause lasting harm by reducing public investors' ability to influence the company.

If approved, the proposal would require both a two-thirds vote of overall voting power and a majority of Class A shares. The complaint notes that Clearway has warned it could pursue other means of eliminating Class A shares if the vote fails, underscoring the urgency of the requested injunction.

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

The New England Teamsters Pension Fund is represented by John Vielandi, Tae Kyung Yang, Ned Weinberger and Brendan W. Sullivan of Labaton Keller Sucharow LLP, Jeremy Friedman and David Tejtrel of Friedman Oster & Tejtrel and Joel Friedlander, Jeffrey Gorris, Christopher M. Foulds and Matthew D. Venuti of Friedlander & Gorris PA.

Counsel information for Clearway Energy Inc. and the individual defendants was not immediately available Tuesday.

The case is New England Teamsters Pension Fund v. Clearway Energy Inc. et al., case number 2026-0427, in the Delaware Chancery Court.

--Editing by Rich Mills.

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Burford Considers Arbitration After 2nd Circ. Tosses \$16B Win

By **Nadia Dreid**

Law360 (March 30, 2026, 9:11 PM EDT) -- Burford Capital Ltd. says it is contemplating taking its \$16 billion fight with Argentina into international arbitration after the Second Circuit wiped out a judgment the litigation funding firm had won against the nation in New York federal court, sending its stock prices tumbling.

In a missive intended to assuage stockholders' concerns, the firm said Friday that it did "believe there are viable arbitration claims here" and that those claims would likely play out before the International Centre for Settlement of Investment Disputes, which is headquartered in D.C.

"The duration of such an arbitration is uncertain given the extensive record already developed in the U.S. litigation, which might abbreviate the process, but like any complex litigation, it would be a multiyear process," the litigation funder said Monday.

As for what happens in the meantime, Burford Capital said its valuation policy "generally calls for a substantial write-down of an asset following an appellate loss," and that's what it's expecting will happen here. The firm said it will spend the next month figuring out "precisely how to determine the fair value" of the asset, YPF SA, as of the end of March and investors should expect an answer in May.

YPF SA was the largest oil and gas exploration company in Argentina and was renationalized in 2012, and the government claimed a 51% stake in it.

Burford Capital has bought the legal claims of Petersen Energía, an investor in YPF. Its stocks have tumbled nearly 50% since the Second Circuit ruled Friday that Argentina would not have to pay investors \$16 billion for the nationalization.

But the litigation funder said the ruling shouldn't affect the liquidity of the firm, since it hasn't gotten any cash from the case since 2019 and wasn't expecting the case to provide cash at any particular point in the future, "given the complexity of the litigation and the vagaries of enforcing against Argentina."

The Second Circuit reversed the \$16 billion lower court judgment after it found that "under Argentine civil law, the bylaws did not create bilateral promises giving rise to a contractual obligation on the part of the [Argentine] Republic to YPF's other shareholders, including to plaintiffs."

So even though Argentina didn't comply with YPF bylaws by not making a tender offer to minority shareholders when expropriating the shares of the majority owner, the Second Circuit found that the government did not owe a duty to those minority shareholders.

Its decision came nine months after a New York federal court ruled that Argentina had to give up its 51% equity stake in YPF SA to partially pay off a \$16.1 billion judgment in a pair of investor lawsuits.

--Editing by Karin Roberts.



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III. Judge Keeps Coverage Fight Over \$20M BIPA Deal Alive

By **Celeste Bott**

Law360 (March 30, 2026, 4:37 PM EDT) -- An Illinois federal judge on Friday rejected an insurer's bid for summary judgment in a suit seeking coverage for a \$20 million settlement of biometric privacy claims, saying disputes remain over whether it waived an exclusion by failing to raise it in earlier litigation or if the company's change in strategy prejudiced the plaintiffs enough to bar its application.

U.S. District Judge Edmond E. Chang said the parties must move forward with discovery on those issues before determining if Citizens Insurance Co. of America can duck coverage based on an "access or disclosure exclusion," which precludes coverage for damages arising out of "access to or disclosure of any person's or organization's confidential or personal information."

The underlying class action alleged that Wynndalco violated the Illinois Biometric Information Privacy Act when it sold access to consumers' biometric information that had been collected by artificial intelligence company Clearview AI Inc.

Clearview AI offered to sell access to its database of facial scans to the Chicago Police Department in September 2019, but the department was not authorized to purchase the product because Clearview AI was not an approved vendor. The department then contacted its purchasing agent, CDW-Government LLC, to act as an intermediary for the purchase of the product through Wynndalco, which was an approved vendor.

Citizens **filed a declaratory judgment action** in July 2020, claiming it had no duty to defend Wynndalco Enterprises in the BIPA suit. A district court disagreed, and the **Seventh Circuit affirmed** it did have a duty to defend in 2023. In the meantime, the underlying BIPA case settled for \$20 million, and Wynndalco paid \$50,000 and assigned its rights to payment under the Citizens insurance policy.

In the present case, the BIPA plaintiffs are alleging Citizens breached the insurance contract by refusing to indemnify Wynndalco and pay the settlement class. They had also moved for partial summary judgment, which Judge Chang also denied Friday.

That's because the exclusion Citizens cites would apply to their BIPA claims, the judge said. The Seventh Circuit "squarely decides this issue" in [Thermoflex Waukegan, LLC v. Mitsui Sumitomo Insurance USA Inc.](#), where it held in 2024 that a virtually identical exclusion applies to BIPA claims, the judge said.

"The plaintiffs' attempts to distinguish this case from Mitsui are unpersuasive. They contend that their allegation was that Wynndalco profited from their biometric information, rather than accessed or disclosed it," Judge Chang noted. "But the plaintiffs' argument elides the fact that Wynndalco profited from plaintiffs' biometric information by buying it from Clearview and selling it to another organization. Buying and selling information entails accessing and disclosing it."

Still, granting judgment to Citizens wouldn't be appropriate either, because plaintiffs have invoked two doctrines that would prevent Citizens from relying on that exclusion to avoid indemnifying Wynndalco, he said.

The "mend-the-hold" doctrine cited by the BIPA plaintiffs precludes insurers from denying a claim on one basis and then changing the grounds for denial during litigation, provided there's "evidence of

unfair surprise or arbitrariness," according to the opinion.

Here, the plaintiffs argue that Citizens never mentioned the access or disclosure exclusion in its initial coverage position letters to Wynndalco, or earlier in the declaratory judgment lawsuit, where it relied on a different exclusion for statutory violations. When that argument failed in the district court or the Seventh Circuit, the insurer "changed tack," Judge Chang said.

"[The] plaintiffs raise a plausible inference that Citizens changed strategy not for a good-faith reason, such as the acquisition of new factual information, but because the courts 'threw cold water on' its initial defense," the judge said.

Internal analysis from Citizens' agents before the company filed for declaratory judgment also explains how the access or disclosure exclusion likely precluded coverage, which suggests Citizens knew all along the exclusion could apply, but didn't rely on it until its earlier strategy was rejected by federal courts, Judge Chang said.

"Citizens contends that it is reasonable now to assert the access or disclosure exclusion based on Mitsui. But Illinois law makes clear that new legal authority — as compared to new factual developments or evidence in a case — does not provide a good-faith reason for an insurer's change in strategy," he said. "At most, this raises an issue of fact for a jury to resolve."

The plaintiffs have also shown evidence that switch-up caused the prejudice by creating delays and additional expenses for them and Wynndalco, the judge said.

"Now the plaintiffs must spend additional time and money litigating an exclusion that could have been raised in the prior suit. The plaintiffs also note that the parties settled the underlying class action based, in part, on an evaluation of the likelihood of insurance coverage," he said.

A reasonable jury could determine Citizens prejudiced the BIPA plaintiffs by "raising coverage defenses in a piecemeal fashion and delaying the class's receipt of settlement payments," Judge Chang added.

The plaintiffs are represented by Zachary J. Freeman and Rachel E. Simon of Miller Shakman Levine & Feldman LLP, Kevin M. Forde and Brian P. O'Meara of Forde & O'Meara LLP and David S. Golub and Jennifer Sclar Silver of Golub & Teitell LLP.

Citizens is represented by Jeffrey A. Goldwater and Kelly M. Ognibene of Lewis Brisbois Bisgaard & Smith LLP.

The case is Thornley et al. v. Citizens Insurance Co. of America, case number 1:24-CV-05525, in the U.S. District Court for the Northern District of Illinois.

--Additional reporting by Dorothy Atkins. Editing by Kelly Duncan.



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Kimberly-Clark Slips Conn. Town's 'Speculative' PFAS Claims

By **Brian Steele**

Law360 (March 30, 2026, 7:35 PM EDT) -- A proposed class action claiming Kimberly-Clark Corp. polluted a Connecticut town's water and soil with toxic "forever chemicals" failed to allege plausible facts tying the contamination or any injuries to the paper goods maker, relying instead on assumptions and guesswork, a federal judge has ruled in dismissing the case.

The company that produces brands such as Scott, Huggies and Kleenex has a paper mill near the Housatonic River in New Milford, which six named plaintiffs claim has discharged two types of per- and polyfluoroalkyl substances, or PFAS, known as PFOA and PFOS. But U.S. District Judge Kari A. Dooley held Friday that the seven-count complaint did not **support** either of its theories for explaining how elevated levels of the chemicals spread around town — via a landfill and smokestack emissions — and allegedly threatened residents' health.

"Indeed, any allegation that such levels of PFAS chemicals were, in fact, elevated, is rendered entirely speculative, if not conclusively dispelled, by judicially noticeable testing conducted by Aquarian Water Company in Connecticut between 2019 and 2023, which reflects similar levels of PFOA and PFOS in drinking water wells across Connecticut," Judge Dooley wrote.

Therefore, "plaintiffs have not plausibly alleged that Kimberly-Clark's use of PFAS chemicals in its manufacturing processes was a substantial factor in the subclinical injuries suffered by plaintiffs as a result of the PFAS chemicals present in their drinking water," the ruling said, repeatedly referring to elements of the claims as "speculative."

The judge disposed of the plaintiffs' third amended complaint without permission to amend it again, citing "the ample prior opportunity afforded to plaintiffs to allege a viable claim."

Regardless, the plaintiffs moved Monday for permission to file a fourth amended complaint, writing in a memorandum of law that the "interests of justice favor amendment here" because the new version directly addresses the deficiencies the court identified, and the dismissal order is the first ruling on the merits of the case.

The dismissed complaint brought claims for negligence, medical monitoring, public and private nuisance, recklessness or willful and wanton conduct, strict liability, and violation of the Connecticut Unfair Trade Practices Act. The plaintiffs first sued in February 2024. They sought to represent classes of property owners whose land and/or water showed detectable levels of PFAS chemicals traced to Kimberly-Clark and residents who drank PFAS-contaminated water.

The plaintiffs alleged testing of water runoff from Kimberly-Clark's 165-acre capped landfill found that it was "leaching dangerous levels of PFAS chemicals into the surrounding water supply and into the Housatonic River," specifically blaming a manufacturing byproduct called short fiber paper sludge waste.

"It is unsurprising that the short fiber paper sludge waste generated by Kimberly-Clark for decades contains PFAS, including PFOS and PFOA, as diapers, feminine products, and tissue paper products are known to traditionally utilize and/or contain types of PFAS chemicals in their manufacturing processes," the complaint said.

But Judge Dooley faulted that language, writing that the plaintiffs cannot allege the company used

PFAS based on the types of products being made or claim that the sludge actually contained the chemicals simply because it typically does.

The plaintiffs said smokestack emissions contaminated the land and water supplies that were otherwise unaffected by the landfill's groundwater contamination, leading to dangerous levels of PFAS in the soil of some plaintiffs' property and three public parks near Kimberly-Clark's facility.

Friday's decision said the theory "relies on another speculative assumption that the smokestack at the New Milford facility emitted PFAS chemicals merely because other smokestacks at other facilities in other states were confirmed to be emitting PFAS."

A Kimberly-Clark representative told Law360 in a statement that the company is "pleased" with the dismissal.

"We care deeply about our consumers, our employees, and the communities where we operate, and as the court recognized in its decision, the allegations were unfounded," the statement said.

In seeking leave to amend the complaint again, the plaintiffs said the new version alleges "Kimberly-Clark bought PFOS products from 3M and PFOA products from DuPont" and offers "robust documentary evidence" in support of its water testing evidence.

The company's "regulatory reports confirm that the chemicals in the short fiber paper sludge at the Kimberly-Clark landfill are polluting the stream from which plaintiffs sampled water," and the new complaint includes a "detailed emissions study" supporting its smokestack theory, the memo said.

A representative of the plaintiffs' counsel did not immediately provide comment when contacted Monday.

The plaintiffs are represented by Ian W. Sloss, Johnathan Seredynski, Krystyna Gancoss, Samantha Blend, William McElligott Jr. and Kate Sayed of Silver Golub & Teitell LLP.

Kimberly-Clark is represented by Jennifer Levy, Tracie Bryant and Mark Holscher of Kirkland & Ellis LLP and Timothy Diemand and Robyn Gallagher of Wiggin and Dana LLP.

The case is DePaul et al. v. Kimberly-Clark Corp., case number 3:24-cv-00271, in the U.S. District Court for the District of Connecticut.

--Editing by Janice Carter Brown.

Update: This story has been updated to include comment from a Kimberly-Clark representative.



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US Judge Duo Urge Simplicity In Complex AI, Privacy Fights

By **Allison Grande**

Law360, Washington, D.C. (March 30, 2026, 11:38 PM EDT) -- A pair of U.S. district judges Monday implored litigants to take more time to walk those deciding their disputes through the complex data privacy, artificial intelligence and other technological issues underpinning claims, cautioning that acting otherwise is likely to result in bored juries and discarded legal briefs.

During a panel at the IAPP's annual Global Summit in Washington, D.C., U.S. District Judges Allison Burroughs of the District of Massachusetts and James Boasberg of the District of Columbia offered rare public insight into how judges are grappling with the issues presented by rapid technological changes that both jurists agreed are failing to keep up with the law.

"I'll say to parties, I don't know anything about the technology involved in this [dispute]," Judge Burroughs said. "So, if you want me to understand it, you should bring in an expert, and you should talk very slowly, and you should treat me like I'm a very smart second-grader."

In response to a question presented by the panel's moderator, Fenwick & West LLP partner Michael A. Sussmann, about what advice the judges had for privacy professionals attending the conference on best present technology facts in the courtroom, Judge Burroughs reiterated that litigants "need to walk us through it slowly, and you need to not believe that we have the same scientific background as you do."

Judge Boesberg noted that while judges are "truly generalists" that come from "an incredible variety of backgrounds," he's observed that litigants in disputes dealing with intellectual property, competition, bankruptcy, data privacy and a range of other issues file highly technical briefs supporting their arguments.

"You [as a judge] are thinking, I have no idea what you're even talking about or what this regulation is even intended to do," the judge said. "And so, what do I do? I'll put that brief down and go to another brief, which is the worst thing that you, as a lawyer, ever want to have happen — for me to say, let me see what your opponent said."

Such a scenario should serve as a lesson for litigants "to put your arguments in context, and make the technical simple," Judge Boasberg said.

Judge Burroughs noted it's even more imperative to make arguments as pedestrian as possible when appearing before juries.

"Judges are like, we're used to being bored, right?" Judge Burroughs said. "But jurors aren't used to being so bored. They're used to TV and movies and reels, and you got to remember that there's just an aspect of theater to it, and you're presenting to people, you need to be engaging. And you have to keep in mind, it's also an education, so you want to keep it interesting and make it so they can understand it."

The judges also discussed how emerging AI technology is having an impact on all aspects of their work, with Judge Burroughs confirming that the judiciary is talking about this topic "all the time at every level."

She also noted that the private sector is "way ahead" of the courts on AI, revealing that the version

of the popular research tools available to the courts for the most part have their typical AI functions "blacked out," and courts are still struggling for answers on how to deal with issues such as fielding briefs with case citations that are hallucinated by AI.

"I completely agree that we're talking about it a lot, and we have no answers at this point," Judge Boesberg added.

--Editing by Kristen Becker.

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