

Securities

Driven Brands Sued Over Accounting Errors, 30% Stock-Price Drop

April 9, 2026, 1:17 PM PDT

Driven Brands Holdings Inc. touted its growth and revenue for three years before acknowledging its financial statements for most of that period contained material errors, a shareholder alleges.

The investor, a Florida retirement fund, is suing to recover losses from Driven Brands' 30% stock drop on the day the company announced its financial miscalculations. The City of Hollywood Police Officers' Retirement System filed its proposed class action against the automotive services provider and franchisor Wednesday in the US District Court for the Western District of North Carolina.

The suit comes just a few months after Driven Brands reached a \$25 million settlement with investors who said it misled them about the integration of an acquired auto glass business and the performance of an acquired car wash unit. That deal received preliminary court approval in February.

The new suit focuses on the company's representations about its financial stability. "Driven Brands routinely touted that it was executing a consistent and reliable growth strategy," the retirement fund says.

But on Feb. 25, the company, which allegedly touted that strategy with the phrase "Driven is Growth and Cash," disclosed "that its financial statements for fiscal years 2023 and 2024, as well as the first three quarters of fiscal year 2025, were riddled with 'material errors,'" the fund says.

The reporting allegedly laid out several categories of errors. In an announcement the same morning, Driven Brands said its fourth-quarter reporting for 2025 would be delayed.

The stock closed that day at \$11.60 per share, a 30% drop.

The proposed class consists of hundreds or thousands of members, the complaint estimates.

The fund seeks damages on its claims of securities fraud.

Driven Brands didn't immediately respond to an emailed request for comment.

Terpening Law PLLC, Saxena White PA, and Klausner, Kaufman, Jensen & Levinson represent the retirement fund.

The case is City of Hollywood Police Officers' Ret. Sys. v. Driven Brands Holdings Inc. , W.D.N.C., No. 3:26-cv-00283, 4/8/26 .

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Securities

Manage Newsletters

Coty Leaders Hyped 'Improving' Trends Before Setback, Suit Says

April 10, 2026, 9:20 AM PDT

Summary by Bloomberg AI

AI Generated



- A shareholder alleges Coty Inc.'s board and top executives made bullish sales projections in November, but reported disappointing metrics in February.
- The poor financial figures and withdrawn guidance allegedly harmed the company, subjecting it to a proposed investor class action and other costs.
- The shareholder brings claims including breach of fiduciary duties and waste of corporate assets, and seeks damages, restitution, and corporate governance reforms.

Coty Inc.'s board and top executives offered bullish sales projections for the company's beauty products in November, only to report disappointing metrics in February, a shareholder alleges.

The poor financial figures, withdrawn guidance, and ensuing stock selloff harmed the company by subjecting it to a proposed investor class action and other costs, Guy Moar says. He filed his derivative suit Thursday in the US District Court for the Southern District of New York.

The company, founded in 1904, makes and distributes fragrances, cosmetics, and skin-care products for brands such as Burberry, Calvin Klein, Gucci, Adidas, and Vera Wang.

Coty's 2026 fiscal year began on July 1, 2025. In reporting on first-quarter results on Nov. 5, 2025, Coty cited strong sales in October and said it expected second-quarter "like-for-like" sales "to be at the more favorable end of prior guidance of a LFL decline of -3% to -5%, with sequential trend improvement" in both its "consumer" brand segment and its luxury brand segment, according to the complaint.

Then-CEO Sue Nabi was quoted in that press release as saying, "Coty's underlying business trends are already improving," according to the suit. Nabi left the company Dec. 31 and is among the defendants.

The officers and directors failed to disclose that "the Company's business segments exhibited significant operational inefficiencies" and that its "marketing efforts constricted the margins for its Consumer Beauty Segment," Moar says. That segment was underperforming and the luxury segment's growth was slowing, he says. Those metrics became known in the February reporting, he says.

In addition to the costs of defending a parallel securities fraud class action filed in the same district March 23, Coty faces the need for internal investigations and new controls—and has lost money, including by overcompensating the officers and directors targeted in the suit, Moar says.

He brings claims for proxy misstatements, breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and contribution to potential class action damages. The suit seeks damages, restitution, and corporate governance reforms.

Coty didn't immediately respond to an emailed request for comment on behalf of itself and the individual defendants.

The Brown Law Firm PC represents Moar.

The case is Moar v. Nabi , S.D.N.Y., No. 1:26-cv-02931, complaint 4/9/26 .

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Class Action

Manage Newsletters

Real Estate Trust Settles Investors' Hidden Mortgage, Loans Suit

April 10, 2026, 7:30 AM PDT

Sun Communities Inc. agreed to pay \$2.3 million to resolve an investor lawsuit alleging the real estate investment trust concealed loans and a mortgage taken out by its top executive, and board members' insider trading.

The proposed settlement class includes those who acquired Sun stock from Feb. 28, 2019, through Sept. 24, 2024, the investors leading the case said Thursday, seeking the US District Court for the Eastern District of Michigan's preliminary approval of the deal. The agreement would end allegations that during this period, the Michigan-based REIT touted its financial performance while hiding a \$4 million mortgage and loans taken out by Sun's CEO.

In September 2024, a short seller accused CEO Gary Shiffman of getting an undisclosed \$4 million mortgage from the family of an independent Sun board member, among other issues allegedly implicating the board's independence and the integrity of the company's disclosures

The settlement comes a little over a year after the proposed class action was filed

Judge Linda V. Parker appointed an investor as lead plaintiff last July

The Rosen Law Firm PA is lead counsel and Shea Law PLLC is local counsel for the investors. Simpson Thacher & Bartlett LLP and Taft Stettinius & Hollister LLP represent Sun and current and former executives. None of these law firms nor Sun's investor relations department immediately responded to emails seeking comment.

The case is Nelson v. Sun Communities, Inc. , E.D. Mich., No. 2:24-cv-13314, motion for preliminary approval 4/9/26 .

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Guest Post: The Audit Committee: D&O Underwriting is Behind Delaware Law

K [dandodiary.com/2026/04/articles/corporate-governance/guest-post-the-audit-committee-do-underwriting-is-behind-delaware-law](https://www.dandodiary.com/2026/04/articles/corporate-governance/guest-post-the-audit-committee-do-underwriting-is-behind-delaware-law)

Kevin LaCroix

April 10, 2026

Stephen Hourigan

In the following guest post, Stephen Hourigan presents his view that Delaware's courts have reimagined the role of Corporate Boards' Audit Committees, yet the D&O insurance underwriting approach has yet to catch up to these changes. Stephen is the Founder and CEO of Penguin AI. We would like to thank Stephen for allowing us to publish his article as a guest post on this site. Here is Stephen's article.

"Tools D&O Carriers Use to Assess Governance Risk Were Built for a Doctrine That No Longer Exists"

For D&O carriers, the audit committee has always been the linchpin of governance risk assessment. A functioning audit committee — independent, well-composed, meeting regularly — has been the primary indicator that a board is exercising meaningful oversight. It is the structure that governance rating agencies score, that renewal questionnaires probe, and that underwriters use as the proxy for whether a board actually knows what it needs to know.

That proxy is no longer sufficient. The four most consequential governance failures of the past decade prove it.

The Structural Problem No Rating Captures

Every major Caremark claim of the past decade traces to a single structural failure: the audit committee did not receive the information it needed, when it needed it, through a channel independent of management. Not because the committees didn't exist or weren't independent. But because every reporting system available to them passed through the management layer before it reached the boardroom — and in each case, that management layer had both the motive and the authority to shape what arrived.

MSCI, ISS, and carrier renewal questionnaires assess structural governance characteristics. They ask whether the audit committee exists, has independent members, meets with appropriate frequency, and whether the company has an ethics hotline. These are meaningful questions. They are also the wrong questions for the risk environment Delaware's courts have created.

Boeing and Wells Fargo: The Pattern Established

By 2016, Boeing's engineers were raising written concerns about the 737 MAX's MCAS system. The signals were specific, documented, and traceable. They stopped at program management. The board's Safety Committee met regularly and never saw them. The DOJ resolution reached \$2.5 billion; the Caremark derivative settlement reached \$237.5 million — at the time one of the largest in Delaware history.

Boeing's governance ratings were strong the day before the crashes. Every structural indicator said the board was functioning. The functional reality was the opposite.

Wells Fargo's fake accounts scandal ran from at least 2011 through 2016. The ethics hotline was operational. Every channel functioned as designed — routing employee intelligence through the Community Banking management layer whose compensation was tied to the very targets driving the fraud. The board's first material signal about the conduct's scope came from the *Los Angeles Times*, more than two years after the pattern was established in the company's own systems.

The OCC's response was unprecedented: civil money penalties assessed against individual board members. The regulatory message was unambiguous — the existence of a reporting system is not sufficient. The question is whether that system is structurally independent of the management layer being reported against. Wells Fargo's governance infrastructure satisfied every conventional metric. The DOJ resolution reached \$3 billion.

Walmart and McDonald's: The Doctrine Hardens

In Walmart's case, the company's own internal investigator concluded in 2005 that bribery allegations in Mexico were credible and recommended aggressive independent investigation. Senior legal leadership redirected the investigation back to the implicated executives. The audit committee operated for six years on a version of events management had prepared for it.

The Delaware court's response produced what is now the governing standard: a compliance program that management can bypass is not a functioning monitoring system. Boards cannot satisfy Caremark obligations through reporting structures management controls.

McDonald's extended that requirement further still. The 2023 Delaware Chancery ruling established that individual officers carry direct Caremark liability for compliance failures within their own domains. The defendant universe in governance litigation expanded materially — every named C-suite officer whose area includes a compliance function now carries personal fiduciary exposure for the same structural failure that produced board-level claims in Boeing, Wells Fargo, and Walmart.

The Question Carriers Should Be Asking

The carriers writing D&O coverage for public companies today are pricing governance risk against a Caremark doctrine that was last updated in their underwriting methodology before Walmart's real-time monitoring mandate, before McDonald's officer liability extension, and before Boeing's \$237.5 million demonstration that a structurally isolated audit committee is not a defense — it is the claim.

The static annual governance snapshot — whether from MSCI, ISS, or a renewal questionnaire — was adequate for a legal environment where Caremark claims were rare. It is not adequate for the environment Delaware's courts have created over the past decade.

The right question at renewal is not whether the audit committee exists and meets. It is whether the audit committee has access to management-independent, authenticated, real-time intelligence from the organizational front line — and whether a contemporaneous record exists demonstrating that management actually responded to what the board's oversight system surfaced.

Each of the four companies in this analysis would have answered no to that question. Their governance ratings would have suggested otherwise.

The gap between what Delaware requires and what carriers currently assess is unpriced risk sitting in every D&O book today. The carriers who close that gap first will see the next Boeing or Wells Fargo in their renewal data rather than in their claims reports.

The audit committee has been reimagined by the courts. The underwriting methodology hasn't caught up yet.

Stephen Hourigan

Tags: [Audit Committee](#), [D&O insurance](#), [Delaware](#), [insurance underwriting](#)



[Kevin LaCroix](#)

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FT PROFESSIONAL

Alphaville SpaceX

The biggest IPO in history has a hole in its safety net

RIP Section 11?



The duality of man © Reuters

Edwin Hu

Published 5 HOURS AGO



Edwin Hu is associate professor of law at the University of Virginia and served as commissioner's counsel at the SEC.

SpaceX has filed for what would be the largest IPO in history. The filing is still confidential, but expect the usual: a dual-class structure, a sky-high valuation, breathless coverage of the deal size. None of that will surprise anyone.

However, at the bottom of the [FT's report on the IPO](#) is a detail that has received far less attention, and it matters more than the rest:

“

SpaceX was toying with the idea of allowing some existing shareholders to sell down their stakes in the company on its first day of trading, according to people close to the deal. This would do away with guidelines that typically prevent insiders cashing out of their positions for 180 days after a company's market debut.

The lock-up waiver isn't a quirk. It's the most consequential structural decision SpaceX could make for retail investors, and doing away with it is a big deal. It would allow some insiders to dump their shares on ordinary investors as soon as it begins trading.

Yet SpaceX would only be the most visible example of an insidious trend that has been quietly eroding investor protections for over a decade.

In a [rulemaking petition](#) that I and some co-authors filed with the SEC in March 2023, we documented the acceleration of this shift. Underwriter discretion to waive the traditional lock-up was practically nonexistent before 2010, but by 2022 it appeared in the vast majority of S-1 filings.

Moreover, underwriters have not just reserved the right. They have frequently exercised it, allowing insiders to sell well before the stated lock-up expires. This isn't an unintended consequence. Issuer counsel have recognised the strategic value.

As Boris Feldman, a prominent Wilson Sonsini partner, wrote in the [Harvard Law School Forum on Corporate Governance](#):

“

[U]nderwriters would be well-advised to think about easing lock-up requirements in order to enhance the potency of the standing defense to Section 11 claims.

In other words, weaken the lock-up, and you weaken investors' ability to sue. That's because [Section 11](#) of the Securities Act of 1933 imposes strict liability on issuers for material misstatements in a registration statement.

William O. Douglas, the third SEC chair and longest-serving Supreme Court justice, called it the statute's “[in terrorem](#)” provision. There's no need to prove the company intended to deceive. It's the strongest legal protection available to investors at the moment they need it most: when the informational gap between issuers and the public is at its widest.

However, after the Supreme Court's unanimous decision in [Slack Technologies vs. Pirani](#) in 2023, investors must prove they bought shares “traceable” to the registration statement to bring a Section 11 claim.

When a lock-up is in place, only registered shares trade in the months after the IPO, and tracing is straightforward. When there is no lock-up, registered and unregistered shares mix in the market from day one. Tracing becomes impossible. And with it, Section 11 liability in effect disappears — even if the registration statement was misleading.

The SEC has known about this problem for years. It has been told how to fix it. It has done nothing.

The 2023 petition asked the Commission to amend Rule 144 so that, upon the effectiveness of a registration statement, holding periods for unregistered shares would reset to the later of 90 days or the next quarterly filing. Three months later, the Supreme Court's decision in *Slack* made the problem worse by confirming the tracing requirement.

In September 2024, the SEC's own Investor Advisory Committee held a panel on the issue, at which former Commissioner Robert Jackson argued it was exactly the kind of problem the SEC should address. And in March 2025, the Investor Advisory Committee [formally recommended](#) that the Commission act:

“

We propose the SEC implement a short lock-up period following an initial public offering, during which only registered shares would be permitted to trade. This temporary lock-up would allow investors who acquire securities during this period to preserve their ability to demonstrate tracing, thereby ensuring their standing under Section 11.

Meanwhile, retail investors are lining up. These are not sophisticated investors pricing in a known risk. They are retail buyers who have no idea that a lock-up waiver strips away their strongest legal recourse. They will flood into the after-market on the first day of trading. If there is no lock-up, they are the ones whose Section 11 protection evaporates. They are paying the highest premium with the weakest legal safety net.

There is a straightforward fix. The petition's proposed 90-day holding period is modest: half the traditional lock-up.

It is also not new. When the SEC adopted [Rule 144](#) in 1972, it interpreted the rule to be unavailable to holders of restricted stock “until at least 90 days after the effective date of [the issuer's] 1933 Act registration statement.” The proposed fix would therefore simply restore what Rule 144 originally did, before the SEC amended it away.

Issuers can shorten the period further by releasing post-offering financial statements. The marginal cost of registering additional shares is trivial. Former SEC chairs, former commissioners, and the Commission's own advisory committee all agree the SEC has the authority to act.

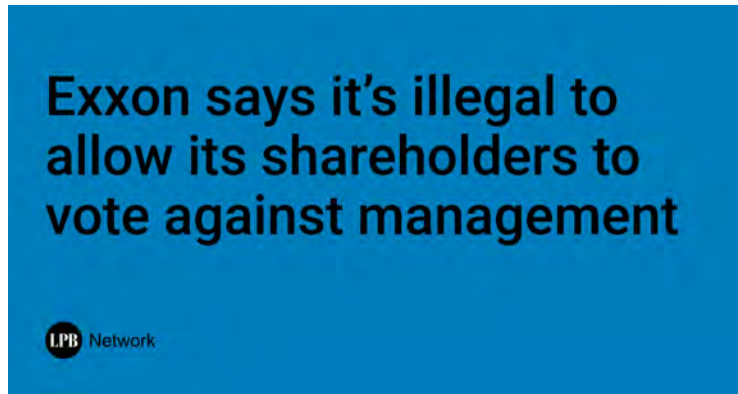
Until then, the largest IPO in history may be the one that launches without the most important investor protection in securities law.

Exxon says it's illegal to allow its shareholders to vote against management

 [businesslawprofessors.com/2026/04/exxon-says-its-illegal-to-allow-its-shareholders-to-vote-against-management](https://www.businesslawprofessors.com/2026/04/exxon-says-its-illegal-to-allow-its-shareholders-to-vote-against-management)

Ann Lipton

April 10, 2026



On our podcast, Mike Levin and I [previously discussed Exxon's new retail shareholder voting program](#). In sum, Exxon [got SEC permission](#) to allow its retail shareholders to adopt standing voting instructions to automatically cast their proxy votes in accordance with Exxon's management.

I've heard a lot of shareholder-rights advocates speak favorably of the program, but I disagree. I'm all for making it easier for shareholders to vote – including allowing them to adopt standing voting instructions ([Jill Fisch had a whole thing on this](#)) – but Exxon's program only allows retail to vote *for Exxon's board*. Exxon is almost certainly expecting that, just as retail tend not to vote much at all, those who opt in to the program will likely never bother to revisit their instructions, leaving Exxon with a banked set of votes to oppose any activist interventions (including, of course, what I call "little a" activism, i.e., shareholder proposals). The way the program is currently constructed, it's a board entrenchment device.

Which is why I was happy to see that the New York City Comptroller's Office, on behalf of the New York City Police Pension Fund, [has submitted a shareholder proposal](#) for Exxon to open up the program to include options to vote *against* management.

There are plenty of ways this could go – standing instructions in favor of climate proposals, or to vote as recommended by independent entities, like themed proxy advisor recommendations, things like that. Exxon, shockingly, recommends shareholders vote against the proposal, because:

The proposal asks ExxonMobil to implement additional voting options beyond those approved in our SEC no-action letter and which we believe violate proxy rules. For example, the proposal specifically suggests an “against management” option that would be inconsistent with state law and the Board’s fiduciary duties, making the proposal unworkable and illegal. By issuing a no-action letter, the SEC acknowledged ExxonMobil’s Voluntary Retail Voting Program respects the rights of shareholders to make their own decisions. It was also clear that our program, unlike passthrough voting by investors, represents a direct solicitation by ExxonMobil. The proposal ignores all this and wants ExxonMobil to make solicitations directly against the Board’s recommendations.....

The proposal ignores the fact that retail shareholders enthusiastically embraced this program, as evidenced by their participation. (*NB: an overwhelming 3% of all shares – which I gather to be about 11% of the retail base – have opted in. I have no insight into the level of enthusiasm these shareholders expressed when doing so*) The guidance provided in the SEC no-action letter is applicable to all parties, and the New York City Comptroller’s Office, or any other party, is free to implement its own retail voting program....

(Ad hominem attacks on the New York City Comptroller’s Office omitted).

So, I’m gonna take the last part first. What exactly does it mean, the Comptroller’s Office can implement a retail voting program? For ... shareholders of the Comptroller’s Office? Shareholders of companies in whose stock the Comptroller’s Office holds shares? What exactly does Exxon have in mind here?

As for illegality, I *think* the point Exxon is making is that, since the Board necessarily recommends that shareholders vote for things the Board thinks are good, if the Board recommends shareholders vote *against* those things, the Board is violating its fiduciary duties. Fine. But Exxon *also* says that its program merely effectuates retail preferences – which suggests it has nothing to do with what the Board recommends at all; it’s only about enabling retail to express what they would prefer. So fiduciary obligations should have nothing to do with anything.

The way that Exxon gets to the idea that it’s making “recommendations” – which contradicts its own claim that the program merely effectuates retail preferences – is by defining its program as including a “proxy solicitation.” But proxy

solicitations don't have to include recommendations – [they include any request that a shareholder allow Exxon's representative to vote shares \(in any manner\) on his or her behalf](#):

(1) The terms "solicit" and "solicitation" include:

- (i) Any request for a proxy whether or not accompanied by or included in a form of proxy;
- (ii) Any request to execute or not to execute, or to revoke, a proxy; or
- (iii) The furnishing of a form of proxy or other communication to security holders under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy,

In other words, just by giving shareholders a proxy card, and asking them to vote – in any way – Exxon is engaged in proxy solicitation. And simply giving shareholders *options* as to how to vote is not a recommendation, and – to a more limited extent – is currently required right now, when Exxon sends shareholders a proxy card that includes "no" options. So it's hard to see where the fiduciary violation comes in merely by giving retail shareholders a greater ability to express their own preferences; indeed, if Exxon were judged by Delaware standards (it's a New Jersey company, [for now](#)), it might be a violation of fiduciary duty to *impede* shareholders' ability to vote against management.

That said, currently, the Comptroller's Office is asking Exxon's shareholders to vote to expand voting options for retail, and the Exxon shareholder base is about 66% institutional, including around 10% at Vanguard, 7% at BlackRock, etc. And I don't know that institutional holders, in general, have an overriding interest in seeing *retail* voices enhanced. Not to mention, of course, the current political environment, where the SEC has suggested that institutional index funds [might actually mislead their own investors about their investment strategy if they dare to vote against management](#).

Point being it's hard to be sure that any institutional actors – mutual funds, proxy advisors, anyone – are effectuating their actual preferences (whatever that means) when [the threat of federal retaliation hangs over them](#).

Anyhoo, I guess this is what [Chair Atkins has in mind when he says](#) the SEC is "focused on ensuring that States, and not the SEC, regulate matters of corporate governance."

And another thing. New [Shareholder Primacy podcast](#) is up! Me and Mike Levin talk about the “zero slate” proxy solicitation at BJ’s Wholesale Club (I learned that phrase from [The Corporate Counsel](#)), and the activist intervention at Snap. [Here at Apple](#); [here at Spotify](#); and [here at YouTube](#).

Posted in [Uncategorized](#)



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McKinsey to contribute \$125 million to Purdue bankruptcy over opioid sales advice

 [reuters.com/legal/government/mckinsey-contribute-125-million-purdue-bankruptcy-over-opioid-sales-advice-2026-04-09](https://www.reuters.com/legal/government/mckinsey-contribute-125-million-purdue-bankruptcy-over-opioid-sales-advice-2026-04-09)

Dietrich Knauth

April 9, 2026

The logo of consulting firm McKinsey + Company is seen at an office building in Zurich, Switzerland September 22, 2016. REUTERS/Arnd Wiegmann/File Photo [Purchase Licensing Rights](#) , [opens new tab](#)

NEW YORK, April 9 (Reuters) - Consulting firm McKinsey & Co has agreed to contribute \$125 million to Purdue Pharma's bankruptcy settlement, resolving potential legal claims over advice it provided to Purdue on how to "turbocharge" sales of its addictive painkiller OxyContin, according to a court filing submitted late Wednesday.

Purdue, which received bankruptcy court approval of a \$7.4 billion restructuring plan in [November](#), will use the money to pay creditors who accused the company of fueling the U.S. opioid epidemic through its aggressive sales tactics for OxyContin.

The broader bankruptcy settlement had left open the possibility that Purdue could pursue legal claims against McKinsey over marketing advice that contributed to the company's downfall. McKinsey's contribution resolves those potential claims, without any admission of wrongdoing from the consulting firm.

Purdue did not immediately respond to a request for comment. McKinsey declined to comment.

McKinsey previously agreed to pay \$1.6 billion in settlements with the [U.S. Department of Justice](#), [states](#) and [local governments](#) over its role in the opioid crisis.

McKinsey, which ceased advising clients on opioid-related businesses in 2019, has previously said that it was "deeply sorry" for its advice on boosting opioid sales, and that its work for opioid manufacturers "will always be a source of profound regret for our firm."

The McKinsey settlement will add \$50 million to the expected recovery for individuals harmed by the opioid crisis, a group that had been previously expected to get about \$865 million, according to court documents.

Most of the Purdue settlement money will go to states and local governments, which have agreed to use the money for opioid abatement efforts such as addiction treatment. Purdue's owners, members of the Sackler family, are contributing [at least \\$6.5 billion](#) to fund the bankruptcy settlement.

Purdue twice pleaded guilty to federal criminal charges of falsely marketing the drug, acknowledging it misled regulators, doctors and patients about addiction risks and engaged in illegal practices to boost opioid sales. The company is scheduled to be sentenced over its second guilty plea on April 21.

After the bankruptcy, Purdue will be converted into a nonprofit called Kinoa Pharma, which will focus on developing and distributing opioid overdose reversal and addiction treatment medications.

The settlement must be approved by a U.S. bankruptcy judge before it becomes final. Purdue will seek approval of the agreement at an April 30 court hearing in White Plains, New York.

If the settlement is approved, McKinsey will pay \$65 million next month and the remaining \$60 million in 2027.

Reporting by Dietrich Knauth, Editing by Alexia Garamfalvi and Aurora Ellis

Litigation

Manage Newsletters

Meta Must Face Massachusetts Youth Addiction Lawsuit (2)

April 10, 2026, 7:08 AM PDT; Updated: April 10, 2026, 10:53 AM PDT

Summary by Bloomberg AI

AI Generated



- The Massachusetts high court rejected Meta Platforms Inc.'s invocation of a federal legal shield to block a lawsuit claiming Instagram was designed to addict youth.
- The court said Section 230 of the Communications Decency Act can't be stretched to cover allegations that Meta crafted features of Instagram to addict youth and lied about the platform's safety.
- The court found that claims of deceptive practices and unfair business practices based on Meta's own statements and age-verification features are not covered by the limited reach of Section 230.

Meta Platforms Inc. isn't immune from claims it designed Instagram to addict youth, Massachusetts high court said Friday, rejecting the Facebook parent's invocation of a federal legal shield to block the lawsuit.

The Supreme Judicial Court said Friday in a unanimous decision that Section 230 of the Communications Decency Act providing immunity for websites' handling of third-party content can't be stretched to cover allegations that Meta crafted certain features of Instagram to addict youth then lied about the platform's safety.

Associate Justice Dalila Arguez Wendlandt wrote the federal immunity shield is much narrower than Meta says it is and comes into play only when litigation both targets publishing activities and seeks liability based on some particular third-party content.

"The fact that a claim concerns publishing activities, including the use of algorithms in connection with publishing activities, is not enough to bring the claim within the immunity provided by" Section 230, the court said.

Claims that Meta deceived consumers by falsely claiming Instagram is safe and not addictive and saying Meta prioritizes youth well-being also steer clear of the limited reach of Section 230, the court said, since they rest on the social media company's own statements, rather than third-party content. The same is true for unfair business practices claims based on allegations that Meta's age-verification features are ineffective.

"Here, the Commonwealth asserts that the defective age verification features give rise to heightened harm to underage users who are particularly vulnerable to the design features challenged," the court said. "The Commonwealth does not allege harm stemming from the content of any information published."

Section 230

The case being advanced by Massachusetts Attorney General Andrea Campbell (D) is one of thousands targeting the social media industry for its products' impacts on young people. Meta has estimated damages in some of the cases reaching the high tens of billions of dollars, and experts fear a wave of liability as an "existential threat" to the industry.

The costs are already materializing for the industry, with a \$6 million verdict against Meta and Google in California and a \$375 million verdict against Meta in New Mexico being handed down in recent weeks.

Meta and other social media giants have advocated for a broader interpretation of Section 230 that offers protection whenever content has any relationship with the claim. Such an interpretation would have defeated much of the state's lawsuit, since all of the challenged Instagram features—infinite scroll, autoplay, intermittent variable rewards and ephemeral content—involve content in some respect.

The justices were skeptical of Meta's interpretation of the federal immunity during oral arguments in December, with one saying the Instagram features were "a way to publish" as much as they were an answer to "how to attract the eyeballs."

Meta said in a statement it disagreed with the opinion's "false distinction between content and platform design" and dismissed the decision as a procedural ruling that doesn't address the merits of the state's case.

"We are confident the evidence will show our longstanding commitment to supporting young people," said Meta spokesman Christopher Sgro.

In a statement, Campbell said the ruling was "a major step in holding these companies accountable for practices that have fueled the youth mental health crisis and put profits over kids."

Meta is represented by Covington & Burling LLP and Wilmer Cutler Pickering Hale & Dorr LLP. The state is represented by its attorney general's office.

The case is Commonwealth v. Meta Platforms Inc. , Mass., SJC-13747, 4/10/26 .

(Updates with Meta comment in paragraphs eleven and twelve)

Meta must face youth addiction lawsuit by Massachusetts, court rules

 [reuters.com/world/meta-must-face-youth-addiction-lawsuit-by-massachusetts-court-rules-2026-04-10](https://www.reuters.com/world/meta-must-face-youth-addiction-lawsuit-by-massachusetts-court-rules-2026-04-10)

Nate Raymond

April 10, 2026

Massachusetts Attorney General Andrea Joy Campbell during a rally on the steps of the Massachusetts Statehouse in Boston, Massachusetts, U.S., October 28, 2025. REUTERS/Brian Snyder/File Photo [Purchase Licensing Rights](#)  , [opens new tab](#)

- Massachusetts high court allows state lawsuit against Meta over Instagram's design
- Court says federal Section 230 does not apply to state's claims against Meta
- Meta faces similar social media addiction lawsuits across the US

BOSTON, April 10 (Reuters) - Meta Platforms ([META.O](#))  , [opens new tab](#) must face a lawsuit by Massachusetts' attorney general alleging the company designed its Instagram social media platform to addict children, the state's top court ruled on Friday.

The [ruling](#)  , [opens new tab](#) by the Massachusetts Supreme Judicial Court marked the first time a state high court has considered whether a federal law that generally shields internet companies from lawsuits over content posted by their users would also bar claims that companies like Meta knowingly addicted young users.

Writing for the unanimous court, Justice Dalila Arguez Wendlandt said the lawsuit brought by Massachusetts Attorney General Andrea Joy Campbell does not seek to hold Meta liable for content created by its users — which Section 230 of the Communications Decency Act of 1996 generally shields companies from — but targets the company's conduct.

"Instead, the claims allege harm stemming from Meta's own conduct either by designing a social media platform that capitalizes on the developmental vulnerabilities of children or by affirmatively misleading consumers about the safety of the Instagram platform," Wendlandt wrote.

'MAJOR STEP' IN ACCOUNTABILITY

Campbell, a Democrat, hailed the ruling in a statement, calling it a "major step in holding these companies accountable for practices that have fueled the youth mental health crisis and put profits over kids."

Spokespeople for Meta, the parent company of Facebook and Instagram, did not immediately respond to requests for comment.

Meta has denied the allegations and says the company takes extensive steps to keep teens and young users safe on its platforms.

The lawsuit is one of thousands of cases by individuals, municipalities, states and school districts nationwide seeking to hold Meta and other social media companies responsible for allegations that they designed their platforms to be addictive to young users.

Friday's ruling followed a landmark trial in which a Los Angeles jury [on March 25 found](#) Meta and Alphabet's Google ([GOOGL.O](#))  [.opens new tab](#) negligent for designing social media platforms that are harmful to young people. It awarded a combined \$6 million to a 20-year-old woman who said she became addicted to social media as a child.

A separate jury a [day earlier found](#) Meta owed \$375 million in civil penalties in a lawsuit by New Mexico's attorney general, accusing the company of misleading users about the safety of Facebook and Instagram and of enabling child sexual exploitation on those platforms.

Thirty-four other states are pursuing similar cases against Meta in federal court. The case by Campbell is one of at least nine that state attorneys general have filed since 2023 in state court, including one filed on Wednesday by Iowa Attorney General Brenna Bird, a Republican.

Campbell's lawsuit garnered early headlines because of allegations it first aired about how CEO Mark Zuckerberg had been dismissive of concerns that aspects of Instagram could have a harmful effect on its users.

The lawsuit alleged that features on Instagram, such as push notifications, "likes" of user posts and a never-ending scroll were designed to profit off teens' psychological vulnerabilities and their "fear of missing out."

The state alleged that internal data showed the platform was addicting and harming children, yet top executives rejected changes its research showed would improve teens' well-being.

Menlo Park, California-based Meta had sought to duck the Massachusetts case based on Section 230. But a [trial court judge rejected](#) that argument, prompting Meta to appeal.

Reporting by Nate Raymond in Boston; Editing by Alexia Garamfalvi, Dan Wallis, Rod Nickel

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News | **Litigation**

State Court Denies Meta's Section 230 Immunity Claim in Social Media Addiction Suit

The Massachusetts Supreme Judicial Court's decision drew a line between a platform's liability for user-generated content and liability for a platform's own business practices.

April 10, 2026 at 10:10 AM By  **Marianna Wharry**



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

Massachusetts' highest court ruled Friday that Meta can be sued over claims it designed Instagram to addict young users and rejected the company's attempt to dismiss the case under federal immunity law.

The high court's seven judges unanimously denied Meta's attempt to avoid liability under Section 230 of the Telecommunications Act. Massachusetts Attorney General Andrea Joy Campbell filed

the suit in 2023 under the state's tort and consumer protection laws, claiming the tech company designed and failed to disclose the "addictive" nature of its social media platforms.

The decision narrows the scope of Section 230 immunity and holds that Meta and other social media companies are not protected when lawsuits target their own product design or statements rather than harmful content its users post. The court's decision drew a line between a platform's liability for user-generated content and liability for a platform's own business practices.

"The commonwealth alleges that the features themselves prolong users' time on the platform, not that any information contained in third-party posts does so," Judge Dalila Arguez Wendlandt wrote in a 50-page opinion for the court. "The fact that a claim concerns publishing activities, including the use of algorithms in connection with publishing activities, is not enough to bring the claim within the immunity provided by § 230(c)(1)."

Meta brought the case to the high court as an interlocutory appeal to challenge Suffolk County Superior Court Judge Peter B. Krupp's October 2024 decision denying its bid to escape the suit.

The high court [heard oral arguments](#) in December with Mark W. Mosie of Covington & Burling in Washington, D.C. representing Meta and Massachusetts Solicitor David C. Kravitz representing the Campbell's office.

This article will be updated as more information becomes available.

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Meta pulls ads aimed at recruiting plaintiffs for social media addiction lawsuits

 [reuters.com/sustainability/society-equity/meta-pulls-ads-aimed-recruiting-plaintiffs-social-media-addiction-lawsuits-2026-04-09](https://www.reuters.com/sustainability/society-equity/meta-pulls-ads-aimed-recruiting-plaintiffs-social-media-addiction-lawsuits-2026-04-09)

Diana Jones

April 9, 2026

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

- Thousands of lawsuits allege social media harms to youth mental health
- Ads for the lawsuits jumped after verdicts for the plaintiffs in March
- Meta says it is actively defending itself against the lawsuits

CHICAGO, April 9 (Reuters) - Meta Platforms ([META.O](#))  , [opens new tab](#) said on Thursday it is pulling ads from Facebook and Instagram aimed at recruiting new plaintiffs for ongoing litigation accusing it and other social media companies of designing their platforms to be addictive to young users.

Meta spokesperson Andy Stone said the company is actively defending itself against the lawsuits, which include thousands of cases in both state and federal courts in California, and is removing the ads.

"We will not allow trial lawyers to profit from our platforms while simultaneously claiming they are harmful," Stone said in a statement.

The move follows Meta's loss in two key trials over the allegations.

At the end of March, [a Los Angeles jury](#) found Meta and Alphabet's Google ([GOOGL.O](#))  , [opens new tab](#) liable for a young woman's depression and suicidal thoughts after she said she became addicted to Instagram and Google's YouTube at a young age, ordering them to pay a combined \$6 million in damages. In a [separate New Mexico](#) case that wrapped up just a day earlier, jurors ordered Meta to pay \$375 million after finding the company misled users about the safety of its products for young users and enabled the sexual exploitation of children on its platforms.

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More than 3,300 lawsuits involving addiction claims are pending in California state court against Meta, Google, Snapchat parent Snap Inc. ([SNAP.N](#))  , [opens new tab](#) and ByteDance, TikTok's parent company. Another 2,400 lawsuits brought by individuals, municipalities, states and school districts have been centralized in California federal court, according to court records.

The companies have denied the allegations and say they take extensive steps to keep teens and young users safe on their platforms.

The state court cases largely involve individuals suing the companies over claims that addiction to social media caused mental health harms. The federal litigation includes more lawsuits filed by public entities such as school districts, states and municipalities, which claim the platforms harmed the mental health of young people, forcing the government entities to spend money to address the fallout.

FINDING PLAINTIFFS

Law firms representing plaintiffs in these types of cases typically work on contingency, so they are only paid if a plaintiff wins damages or receives a settlement. Often firms in mass cases are seeking to represent as many plaintiffs as possible to make the cases financially viable. Ads on television, radio and online are aimed at recruiting individual plaintiffs, who may not know about the litigation otherwise.

Law firms such as Morgan & Morgan, which represents plaintiffs in the litigation and was part of the trial team that won the Los Angeles case, are among the firms that placed ads on Facebook.

A spokesperson for the firm didn't respond to a request for comment about the ads being pulled.

Companies that seek to connect potential clients with law firms, such as Tennessee-based White Heart Legal, are also advertising the litigation on social media, according to X Ante, a company that tracks mass tort advertising.

White Heart Legal did not respond to a request for comment.

X Ante founder Rustin Silverstein said social media has become an increasingly popular place for advertisers seeking potential law clients in mass tort litigation, but accounts for only a portion of the ads that have been airing this year for the social media cases.

A total of 671 television ads promoting social media claims aired nationwide in March — more than in any month since July 2024, Silverstein said. The number of radio ads in March nearly tripled to 20,000 after the verdicts, he said.

There are also ads on Google's platforms for the litigation. Social Media Victims Law Center, one of the law firms leading the wave of lawsuits, advertises on Google, according to Google records.

Google didn't respond to a question about whether it would also be pulling the ads related to the cases.

Reporting by Diana Novak Jones in Chicago, additional reporting by Katie Paul in New York, Editing by Alexia Garamfalvi and Lincoln Feast.

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<https://www.wsj.com/tech/meta-removes-law-firm-ads-recruiting-clients-to-sue-them-50e4baef>

TECHNOLOGY

Meta Removes Law-Firm Ads Recruiting Clients to Sue It

After recent losses in trials related to social-media practices, tech company begins taking down ads on its apps meant to attract eligible plaintiffs

By Erin Mulvaney [Follow](#) and Meghan Bobrowsky [Follow](#)

April 9, 2026 8:49 am ET



Plaintiffs who filed lawsuits against social-media companies holding photos of loved ones. JUSTIN SULLIVAN/GETTY

Quick Summary

- Meta Platforms is removing hundreds of ads from Facebook and Instagram that trial lawyers use to recruit clients for lawsuits.

[View more](#)

Law firms looking for potential clients to sue Instagram can no longer find them using Instagram.

In the wake of recent trial losses, Meta Platforms META 2.61% ▲ on Thursday began removing hundreds of advertisements from Facebook and Instagram that trial lawyers and marketing companies have been placing to recruit new clients. The ads seek to reach eligible plaintiffs to join mounting lawsuits against the social-media platform.

“We’re actively defending ourselves against these lawsuits and are removing ads that attempt to recruit plaintiffs for them,” the company said. “We will not allow trial lawyers to profit from our platforms while simultaneously claiming they are harmful.”

Meta is currently purging the ads on its platforms and plans to ban future ads that promote the litigation.

To attract clients in large-scale litigation, plaintiffs firms buy television spots and space on social media and billboards to draw attention to the case. Social media, where Meta has more than 3.5 billion people using its apps every day, has played a pivotal role in helping trial lawyers find eligible plaintiffs in large-scale personal-injury cases.

Last month, a Los Angeles jury found Meta and YouTube liable over a young woman’s claims that her addiction to social media caused a host of mental-health struggles. The case served as a test for other suits. Several more trials are planned for this year, including a trial in Oakland this summer in federal court over a school district’s claim that the platforms harm their students.



Mark Zuckerberg leaves the court in February after testifying in a trial about social-media addiction.
WALLY SKALIJ/GETTY

Meta, YouTube, TikTok and Snap are facing thousands of lawsuits filed by individuals and school districts claiming the companies intentionally designed their platforms to addict young users, leading to mental-health issues such as depression, anxiety, suicidal tendencies and body dysmorphia.

TikTok, Snap, and Google—which owns YouTube—didn’t immediately respond to requests for comment. Trial attorneys for the plaintiffs also didn’t respond.

In the social-media cases, the number of people who could potentially file suit is broad. Eligible plaintiffs could be anyone who used social media before the age of 18 and regularly used it for at least three hours a day and can document mental-health challenges.

Some of the ads are traditional call-outs for potential victims. Morgan & Morgan, the nation’s largest personal-injury firm, has an ad seeking clients and offering a short quiz. One advertisement is a video of a young woman talking to the camera in a confessional style typical of influencers. “Some people are only now finding out about the lawsuits!” she says before ticking off how people know whether they are eligible and could get compensation.

Another shows side-by-side pictures of a child riding a bike and smiling with the same child in a dark room looking at a phone with the message: “Before social media, she played outside. She laughed. She was present. After social media, she disappeared into her phone. This isn’t growing up—it’s what happens when an algorithm replaces a childhood.”

Appeared in the April 10, 2026, print edition as ‘Meta Pulls Law-Firm Ads Seeking Clients’.

Erin Mulvaney is a national legal affairs reporter with The Wall Street Journal. She covers the legal industry and litigation affecting business and the economy nationwide. She writes about high-profile trials, lawsuits that explore novel questions, and cases that reveal legal tensions for companies,...

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Meghan Bobrowsky is a technology reporter in The Wall Street Journal’s San Francisco bureau, where she covers the tech giant Meta and social media at large. Since joining the Journal in 2021, Meghan has reported on Elon Musk’s bid and subsequent takeover of Twitter, the criminal trial of Theranos founde...

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Commercial Litigation

‘The Next Addiction Crisis’?: Stake.com and Coinbase Accused in Complaint of Luring Minors Into Online Gambling

Represented by Seeger Weiss, Rafferty Domnick Cunningham & Yaffa and the Schenk Law Firm, the plaintiff said he was “recruited” onto Stake.com as a 13-year-old, before he was legally able to gamble.

April 09, 2026 at 04:31 PM By **Alyssa Aquino**

A photograph of a large, three-dimensional office sign for Seeger Weiss LLP. The sign is mounted on a light-colored, textured wall. The letters are gold-colored and have a serif font. The sign is slightly angled, and the lighting creates a warm, golden glow around it.

Seeger Weiss office sign.

A New York plaintiff has sued Stake.com and Coinbase in the Manhattan state court, accusing the pair of running a joint operation designed to get children hooked on online gambling.

The plaintiff, who filed the suit under the pseudonym “John Doe,” accused Stake.com, Coinbase and several of their affiliates of negligence, unjust enrichment and of violating New York’s ban on deceptive acts in business, alleging they allowed him to gamble online as a teenager, causing him years of financial losses and leaving him with a “severe, addiction-related injury.”

“Plaintiff was unable to study or concentrate through high school because gambling was ‘the only thing that felt fun,’” according to [the lawsuit](#). “After graduating high school, he enrolled at Indiana University, but withdrew within one week of arriving, telling his family he could not remain on campus. The true reason, later revealed, was that he had already lost all available funds and was unable to pay for food or necessities.”

Doe said he has been formally diagnosed with compulsive gambling disorder and panic attacks and goes to Gamblers Anonymous meetings several times a week.

Underaged online gambling is the “next addiction crisis,” said Doe, who is represented by Seeger Weiss, Rafferty Domnick Cunningham & Yaffa and the Schenk Law Firm.

Representatives for Doe, Stake and Coinbase didn’t immediately respond to Thursday’s requests for comment.

The suit was filed on April 7 in the New York Supreme Court for Manhattan.

Stake.com is an online casino in which users can play slots and poker with virtual currencies. It is believed to be one of the world’s biggest online cryptocurrency casinos, reportedly inking a \$100 million endorsement deal with the rapper, Drake.

Doe alleges that to enter the United States, where online gambling is banned in New York and most other states, Stake.com set up Stake.us, which it markets as a social casino that doesn’t allow real money gambling. But Does claims that Stake.us “is essentially a clone of [Stake.com](#)”.

He alleged that Coinbase provided Stake the payment infrastructure needed for users to gamble online. Both Coinbase and Stake have minimum age requirements to use their platforms, but Doe alleges those restrictions can be easily bypassed.

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Billion-Dollar Damages for Oregon Wildfire Victims Jeopardized by Oregon Appellate Ruling

In the ruling, a three-judge appellate panel found the trial court erred in instructing the jury it could assume the evidence presented at trial regarding four different wildfires applied to all class members.

April 09, 2026 at 02:16 PM By **Claire Rush**



Eagle Creek Wildfire in Columbia River Gorge, Or

Editor's Note: This story was updated Thursday afternoon to add a statement Gibson, Dunn & Crutcher partner Theodore Boutrous Jr., counsel for PacifiCorp.

PORTLAND, Ore. (AP) — An Oregon appeals court sided with PacifiCorp this week in a ruling that could possibly jeopardize over \$1 billion in damages for victims of the state's devastating 2020 wildfires.

The Oregon Court of Appeals on Wednesday sent the class-action case back to a lower trial court over concerns about a jury instruction given during a 2023 trial. In that trial, jurors found the utility liable for negligently failing to cut power despite warnings from top fire officials and determined it should have to pay punitive and other damages — a decision that applied to a class of property owners.

Since then, other juries have ordered PacifiCorp to pay more than \$1 billion in damages to a class that includes thousands of members.

In the ruling, a three-judge appellate panel found the trial court erred in instructing the jury it could assume the evidence presented at trial regarding four different wildfires applied to all class members.

“We conclude that ... that instruction was legally erroneous, because certain evidence at trial, particularly related to causation, did not necessarily apply to every class member,” the judges wrote. “We further conclude that giving the instruction was prejudicial to PacifiCorp. Consequently, we reverse and remand.”

The judges noted that members of the class included the owners of more than 2,000 parcels of property damaged by the different fires, “certain of which were separated by well over a hundred miles.” The blazes included the Santiam Canyon fire in northwestern Oregon; the Echo Mountain Complex fire near the coast; and the South Obenchain and 242 fires in southwestern Oregon.

PacifiCorp was represented by a team led by Gibson, Dunn & Crutcher partners Theodore Boutrous Jr. and Blaine Evanson and Stoel Rives partner Brad Daniels.

“We are extremely pleased with this decision, which overturns the class action verdict in its entirety based on an erroneous and prejudicial jury instruction,” Boutrous said in a statement shared with Law.com. “While wildfire litigation is inherently difficult and sensitive, the series of errors that were committed were highly detrimental to PacifiCorp and resulted in extreme and unsupportable verdicts.”

The 2020 Labor Day weekend fires were among the worst natural disasters in Oregon’s history. They killed 11 people, burned more than 1,560 square miles (4,040 square kilometers) and destroyed thousands of homes.

It remained unclear how the case would move forward and whether attorneys for the plaintiffs would appeal the decision to the state supreme court. More than 1,000 class members have cases set for trial in 2026 and 2027.

"There are no winners in wildfire; however, the Court's decision supports PacifiCorp's longstanding belief that this process was prejudicial and not appropriate for managing wildfire litigation," the utility said in a statement. "The company remains open to resolving reasonable claims and will continue to defend against unsupported claims."

In a statement, lead counsel for the plaintiffs said the decision was a "procedural setback" and that "nothing in this ruling suggests the jury got it wrong."

"In fact, the Court rejected PacifiCorp's efforts to win this appeal on the merits. Instead, what the court addressed was a single jury instruction, charting several paths forward — including fixing that instruction and trying the case again."

Separately, PacifiCorp has agreed to pay over \$2 billion to settle claims stemming from a series of lawsuits it has faced over the 2020 blazes, including \$575 million to the federal government for wildfire damages on federal land in Oregon and California.

In February, PacifiCorp announced plans to sell its wind, natural gas generation and distribution assets and infrastructure in Washington state to Portland General Electric Company for \$1.9 billion to help stabilize its finances. Even though it is appealing wildfire judgments against it, PacifiCorp has had to post bonds with the court, which has put a crunch on its cash flow.

Law.com's The Recorder contributed to this report.

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Youth climate challenge falls short at 9th Circuit

DJ [dailyjournal.com/articles/390731-youth-climate-challenge-falls-short-at-9th-circuit](https://www.dailyjournal.com/articles/390731-youth-climate-challenge-falls-short-at-9th-circuit)

Judge Milan D. Smith Jr.

Three federal appellate judges on Thursday turned away 18 California children suing over claims that the government discounts their future by applying faulty cost-benefit rules to greenhouse gas emissions.

The 9th U.S. Circuit Court of Appeals panel's opinion was part of a broader war over climate change in which foes of Trump administration policies seek creative lines of attack, not always successfully.

The opinion recounted the young plaintiffs' complaint that allegedly flawed environmental rules promote injurious climate effects that have damaged or destroyed their homes due to wildfires and increased rainfall; caused headaches and fatigue due to rising temperatures; and induced respiratory harms from fossil fuel emissions and wildfire smoke.

But the minors lacked standing to sue, the circuit panel concluded. Far from passing the federal litigation threshold requirement of plausibly alleging injury, causation and redressability, their lawsuit "stumbled on all three," the panel said in affirming U.S. District Judge Michael W. Fitzgerald of Los Angeles. *G.B. et al. v. U.S. Environmental Protection Agency*, 25-2473 (9th Cir., op. filed April 9, 2026).

The ruling came amid renewed conservative efforts to shield fossil fuel companies from litigation seeking damages for their alleged role in causing the negative consequences of global warming. The companies are battling "climate superfund" laws requiring remediation levies on pollution-causing companies that have passed in Vermont and New York and are in the works in a dozen other states.

Last week Utah Republican lawmakers enacted a statute that protects companies from climate-related claims, and Oklahoma, Tennessee, Louisiana and Iowa are working on similar legislation, The New York Times reported.

In Thursday's circuit opinion, litigating for the plaintiffs and appellants were lawyers at Our Children's Trust in Eugene, Oregon plus the Civil Rights Litigation Clinic at UC Irvine School of Law and Schonbrun Seplow Harris Hoffman & Zeldes LLP of Hermosa Beach.

Mat dos Santos, co-executive director of Our Children's Trust, emailed, "This decision closes the courthouse doors on children seeking protection of their most basic constitutional right: equal protection under the law....Children are bearing the heaviest burdens of a crisis they did not create, while the government knowingly permits policies that discount their lives and put their health, safety and futures at risk."

The general counsel's office of the U.S. Environmental Protection Agency (EPA) defended the case. The agency is reviewing the decision, a spokesperson said.

The plaintiffs' claims stemmed from President Donald Trump's directive that reversed a Biden administration executive order. President Joe Biden told federal agencies like the EPA to evaluate the full costs of greenhouse gas emissions to facilitate "sound decision-making" on climate change.

Trump issued new guidance in a document titled "Unleashing American Energy" that limited EPA consideration of greenhouse gas emissions to the minimum amount necessary to satisfy statutory requirements. That led to a directive that agencies should not monetize the impacts of emissions.

Rulemaking now uses cost-benefit analyses that discount the value of future costs and benefits. According to the plaintiffs, that discriminates against children because it favors present-day over future consumption, advantaging adults at the expense of minors.

The plaintiffs also claim that greenhouse gas regulations based on discounted future costs and benefits harm the environment because they permit greater emissions, causing increased atmospheric temperatures and extreme weather events. That leads to downstream harms that disproportionately affect the young.

"Preferring consumption today over consumption tomorrow," wrote Circuit Judge Milan D. Smith Jr. in paraphrasing the plaintiffs' argument, "marks an intentional effort to favor adults at the expense of children."

The panel rejected the plaintiffs' claim of favoritism. "We disagree," Smith wrote. "As the Government notes, children are present-day consumers just like adults." And even though the law treats minors as more vulnerable consumers, the government's discounting policies work to the advantage of all present persons and to the future disadvantage of all future persons -- "children and adults alike."

Smith was joined by Judges Ronald M. Gould and Ryan D. Nelson.

It's not the first time young plaintiffs have attacked federal policies for allegedly promoting climate change. Six years ago, a group of minors unsuccessfully sought a declaration that the policies violated their rights to due process and equal protection. *Juliana v. United States*, 947 F.3d 1159 (9th Cir., 2020).

The case decided Thursday sought the same remedies and sought to compel the same result, Smith wrote. "Although Juliana did not involve the Discounting Policies at issue here, that is a distinction without a difference."

#390731

John Roemer

Daily Journal Staff Writer

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Jury orders Abbott to pay \$53 million in preterm infant formula trial, media report says

 [reuters.com/legal/litigation/jury-orders-abbott-pay-53-million-preterm-infant-formula-trial-media-report-says-2026-04-10](https://www.reuters.com/legal/litigation/jury-orders-abbott-pay-53-million-preterm-infant-formula-trial-media-report-says-2026-04-10)

Diana Jones

April 10, 2026

A gavel and a block is pictured at the George Glazer Gallery antique store in this illustration picture taken in Manhattan, New York City, U.S., August 18, 2020.

REUTERS/Andrew Kelly/Illustration [Purchase Licensing Rights](#)  , [opens new tab](#)

CHICAGO, April 9 (Reuters) - A jury in Chicago on Thursday said Abbott Laboratories ([ABT.N](#))  , [opens new tab](#) must pay \$53 million in compensatory damages to a group of families that had accused the company of failing to warn that its formula for premature infants can cause a potentially deadly bowel disease, according to the Chicago Tribune.

The verdict came at the end of a lengthy trial in Cook County circuit court, the latest among hundreds of lawsuits alleging that Abbott's cow's milk-based formula products for preterm infants can cause necrotizing enterocolitis, or NEC. Four families' lawsuits were consolidated for trial.

The jury will meet again on Friday to determine how much Abbott must pay in punitive damages, according to the Tribune.

A spokesperson for Abbott did not immediately respond to a request for comment.

Abbott has denied that the products, which it says are essential for premature babies when their mothers cannot produce enough breast milk, cause NEC. NEC, which causes the death of bowel tissue, mostly affects premature newborns and has an estimated mortality rate of more than 20%.

The children, who were born in Chicago-area hospitals between 2012 and 2019, developed NEC but survived, according to their lawsuits. Three required surgery, and all live with ongoing health problems, according to the filings.

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HUNDREDS MORE LAWSUITS

Nearly 1,000 lawsuits have been filed against Abbott, which makes Similac formulas, and Enfamil manufacturer Mead Johnson, a unit of Reckitt ([RKT.L](#))  , [opens new tab](#). More than 700 of the cases are centralized in an Illinois federal court, with others pending in state courts in states including Illinois, Missouri and Pennsylvania.

The products in question are cow's milk-based formula and products for fortifying mother's milk that are specially made for infants in hospital settings, not ordinary formula available to consumers in stores.

Illinois-based Abbott also makes medical devices, adult and child nutrition products and medicines.

The companies have said that while breast milk protects against NEC, their formulas do not cause it, and that the benefits of breast milk have long been known to clinicians. [Abbott CEO Robert Ford suggested](#) in 2024 that the preterm products might become unavailable because of the litigation.

U.S. regulatory agencies and a working group of scientists convened by the National Institutes of Health said in a joint report in 2024 that current evidence supports the hypothesis that it is the absence of breast milk rather than exposure to formula that is associated with an increase in incidence of NEC.

TRIAL RESULTS MIXED

The companies have had a mixed record in the few cases to go to trial thus far. In 2024, a jury in St. Clair County, Illinois ordered Mead Johnson [to pay \\$60 million](#) to the mother of a premature baby who died after being fed the company's Enfamil baby formula. A few months later, a St. Louis jury ordered Abbott to [pay \\$495 million in damages](#) in another case. Both verdicts have been appealed.

The American Academy of Pediatrics filed a brief supporting Mead Johnson in its appeal of the verdict against it last year, saying that formula is part of the standard of care for premature babies.

Abbott and Mead Johnson prevailed in one trial in Missouri state court in October 2024, but the judge in that case [ordered a new trial](#) after finding that lawyers for the defendants had acted improperly. That ruling is also on appeal.

In March, a Florida state judge dismissed a NEC case slated for an upcoming trial after finding that an additional warning to the family's doctors would not have changed their decision to use the formula.

No cases have proceeded to trial [in federal court](#), as the judge overseeing that litigation has dismissed three of the four cases selected for bellwether trials.

In the most recent dismissal in October, the judge said that Abbott had presented substantial evidence on the need for the formula and shown the plaintiffs' proposed alternative was unfeasible.

Reporting by Diana Novak Jones, Editing by Alexia Garamfalvi, Bill Berkrot and Kim Coghill

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[Diana Novak Jones](#)

Thomson Reuters

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

California Brief

Live Nation Jury to Weigh Proof of 'Competitor' Versus 'Bully'

April 9, 2026, 12:19 PM PDT

A New York jury set to decide whether Live Nation Entertainment Inc. and its Ticketmaster unit should be broken up heard the company defend itself as a "fierce competitor" while the states suing over antitrust concerns called it a "monopolistic bully."

Live Nation "kept digging the moat deeper around the monopoly castle" for live events by locking up concert venues with lengthy exclusive contracts and threatening any that switched ticket sellers, Jeffrey Kessler, a lawyer for 33 states and Washington DC, said Thursday in a closing statement following a six-week trial.

"We need you to hold them accountable," Kessler told jurors. "The states are confident you will show to the world that a \$36 billion behemoth like Live Nation/Ticketmaster is not above the law."

Meanwhile, David Marriott, a lawyer for Live Nation, argued that the company became the biggest entertainment firm in the US through "hard work and determination," and not by trying to maintain a monopoly.

"We are fierce competitors," Marriott said. "We are trying to win the business. We are trying to outmaneuver and outflank our competitors. Success is not against the antitrust laws."

The jury is expected to begin deliberations later Thursday.

'Incredible Market Power'

In his closing statement, Kessler walked the jurors through emails presented as evidence that were written by top officials at Live Nation, including Chief Executive Officer Michael Rapino, that describe the company's "incredible market power around the world" or how "we alone can move the market."

"Who talks like this? What type of company uses this language?" Kessler said. "The answer, I think you are going to find, is a monopolist who finds itself to be above the law."

Read more: [Why Are Concert Tickets So Expensive?](#)

Live Nation's Marriott pushed back on the states' focus on internal emails and documents, calling it "trial by snippet and insinuation."

While a Live Nation ticketing director had referred the company's power over customers by saying it was "robbing them blind," such language isn't condoned by Live Nation and doesn't prove that it was hampering competition, Marriott said.

Kessler noted that those comments weren't made by "low-level employees" but by the top executives at the company.

"This is at the very top of the company," Kessler said. "The evidence shows Mr. Rapino himself controls all of this. He's the boss."

Market Shares

In presenting their case, the states focused on what they termed "major concert venues" – amphitheaters and arenas that can seat at least 8,000 and have at least 10 concerts a year.

But Marriott said the states had "gerrymandered" a market to show that Live Nation was dominant, and had excluded stadiums where some of the most popular artists play. When those are included, Live Nation's share is much smaller, he said.

Marriott said Ticketmaster's take rate – the percentage of what it gets from ticket sales – has been declining and is about 4% to 5%, which he said is less than what is charged by ticketing rivals AEG's AXS and SeatGeek Inc.

About 72% of major concert venues have contracts lasting at least five years that require them to only use Ticketmaster, Kessler said. The company offered bonuses to employees if they could persuade venues to renew those deals early – an effort to block out rivals from being able to compete for the ticketing contract, he said.

"This was a deliberate, willful corporate-directed strategy," he said. "Many of these deals never came to market at all."

For venues that thought about switching, Live Nation used its concert promotion arm – which helps artists plan and market tours – and threatened to withhold shows, Kessler said. He cited testimony from Mitch Helgersen, chief revenue officer for the Minnesota Wild hockey team that used Live Nation to book other events at its arena. Helgersen said the team felt pressured to reject a better offer from SeatGeek for fear of losing concerts.

The Barclays Center in Brooklyn had 23 Live Nation shows when it used Ticketmaster, but that number dropped to 14 after the venue switched to SeatGeek, Kessler said. Once Barclays agreed to switch back to Ticketmaster, the number of Live Nation shows jumped back up to 28, he said.

The former head of BSE Global, which owns the Barclays Center, testified that Rapino threatened to withhold concerts after the venue switched. But Marriott said Rapino's comments were being misinterpreted. Rapino was expressing the reality that Barclays might lose business to the newly opened UBS Arena on Long Island, he said.

"All Mr. Rapino said is, 'Hey, we've got a new venue in town, the economics have changed in the marketplace,'" Marriott said.

Marriott said the states only offered two examples of alleged threats, which shows that "it isn't credible that it was a problem."

But even if Live Nation did make threats, Marriott said, "they could not possibly have harmed competition."

Amphitheaters

The states separately allege that Live Nation monopolized the market for amphitheaters – outdoor concert venues popular in the summer – and illegally tied the use of its concert venues with its concert promotion services.

Rapino and other executives acknowledged that Live Nation's policy requires artists to use its concert promotion services if they want to play at its amphitheaters, Kessler said. Executives in Live Nation's venue arm wanted to open up amphitheaters to other promoters to help fill so-called "dark days."

The company sought to buy up more amphitheaters to prevent rivals from acquiring them, Kessler said, and now owns so many of them across the US that artists have no choice but to work with Live Nation if they want to do an outdoor tour.

"Artists suffered when they were deprived in the amp market of the choice of other promoters," he said.

Marriott contested the idea that Live Nation forces artists to use its concert promotion services in order to rent its amphitheaters.

"No artists said that," he told jurors. "There is not even evidence that the artists who were supposedly exploited were unhappy. No artist said they were coerced."

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

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Sprawling antitrust case against Live Nation and Ticketmaster draws to a close

 [courthousenews.com/sprawling-antitrust-case-against-live-nation-and-ticketmaster-draws-to-a-close](https://www.courthousenews.com/sprawling-antitrust-case-against-live-nation-and-ticketmaster-draws-to-a-close)

Erik Uebelacker

April 9, 2026

Michael Rapino, chief executive officer of Live Nation Entertainment, leaves Manhattan federal court in New York, on Thursday, March 19, 2026. (AP Photo/Adam Gray)

MANHATTAN (CN) — After about five weeks of testimony and a [surprise settlement](#) with the feds, a landmark antitrust trial came to a close Thursday as Live Nation and Ticketmaster traded final barbs with the [34 states accusing them](#) of running an unlawful monopoly.

The [sprawling Sherman Act case](#) brought testimony from music executives, venue operators and even Mumford and Sons' Ben Lovett. Some claimed that Live Nation and Ticketmaster used their market dominance to pressure them into business on less favorable terms. Others testified that the vertically integrated companies had no such leverage, and were merely the most popular options because they were the best services.

"Venues and artists are better off today than they ever have been," Live Nation's counsel David Marriott said Thursday, reminding the jury of the several witnesses — including executives from sports teams like Inter Miami and the Los Angeles Clippers and [managers for musical artists like Drake](#) — who lauded the companies as innovative and effective during their testimonies.

Throughout his two-hour closing remarks, Marriott accused the suing states of cherry-picking data to make Live Nation and Ticketmaster's respective market shares more dominant than they really are.

The states claim that Live Nation owns, operates or exclusively books 78% of the 87 large amphitheaters in the United States. It uses that control, according to the states, as leverage over artists who hope to perform there.

But at trial, Live Nation insisted the states artificially defined that market, arbitrarily selecting 8,000 seats as the floor on what makes a "large" amphitheater while excluding other outdoor venues like stadiums from their count.

"They gerrymandered their way to big numbers," Marriott argued.

However, the states claim that Live Nation's employees and executives repeatedly admitted to their market dominance through years of internal communications. The states' attorney Jeffrey Kessler, through a raspy Brooklyn accent, harked back to messages from the likes of Ben Baker, a Live Nation ticketing employee, who [boasted to a colleague about gouging concertgoers](#) and "robbing them blind."

Kessler also referenced testimony from [Live Nation CEO Michael Rapino](#), who described building a metaphorical "moat around the castle" and bragging that "we alone can move the market."

Of the amphitheater market calculations, Kessler reiterated an argument he made on the states' behalf at trial: that musicians may not have any other options when performing in amphitheaters in some U.S. cities.

"The artists who want large amphitheater tours have nowhere else to go," Kessler said during his own closing on Thursday. "That's not gerrymandering the market."

He additionally raised doubts over the venue executives who testified on behalf of Live Nation and Ticketmaster, many via deposition. Kessler insinuated that portions of their testimonies seemed coerced.

"Those videos were weird," he said. "It made me think of a Jedi mind trick."

Marriott sharply rebuked the suggestion, calling it "fanciful."

"None of these people lied and there's no basis for anyone to suggest that," he said.

The 34 states are looking for damages for concertgoers, who they claim were overcharged for every stub they bought on Ticketmaster thanks to the anticompetitive conduct from the company and its parent in Live Nation. Kessler asked the jurors to find that the states are entitled to \$1.72 per ticket sold in restitution.

Live Nation and Ticketmaster already settled this case last month with the Department of Justice, which unceremoniously announced the deal on the fifth day of trial. The \$280 million settlement orders several changes to the companies' business models; Live Nation has agreed to open up some of its amphitheaters to other promoters.

It also agreed not to tie artists' use of its venues to them using Ticketmaster.

But a vast majority of the states, 39 of which were initially trying the case alongside the DOJ, were unsatisfied with the terms of the deal. Many critics saw the settlement as a slap on the wrist from an administration that put the needs of big business over those of consumers.

"The settlement recently announced with the U.S. Department of Justice fails to address the monopoly at the center of this case, and would benefit Live Nation at the expense of consumers. We cannot agree to it," New York Attorney General Letitia James said of the deal.

With only a handful of states joining the DOJ's settlement, 34 resumed the trial without the federal government's backing.

The jurors will start deliberating Friday.

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California Brief

PlayStation Gamers Get Approval of \$7.9 Million Antitrust Deal

April 9, 2026, 8:43 AM PDT

A certified class of Sony PlayStation users won initial approval of a \$7.85 million antitrust deal to settle yearslong claims that the Japanese company inflated prices of digital games.

The plaintiffs' request for preliminary approval of the settlement was granted Wednesday in the US District Court for the Northern District of California. Under the deal, Sony Interactive Entertainment LLC will pay \$7.85 million in account credits to be distributed to approximately 4.4 million eligible class members' accounts.

"Though the recovery for each class member is quite low, a class member will be able to purchase PlayStation digital gaming content without additional out-of-pocket expense because there is digital gaming content available for nominal amounts," Judge Araceli Martínez-Olguín said in her order. "Indeed, there is PSN digital content that Class Members have historically purchased (i.e. games and add-on content) at the PlayStation Store that costs less than \$1."

Martínez-Olguín in July 2025 rejected a previous settlement, saying it lacked specificity and failed to conform with class action guidelines.

The gamers sued Sony in 2021, alleging that the company foreclosed price competition in the retail market for digital PlayStation games.

A Sony policy allegedly eliminated the ability of retailers like Amazon.com Inc., Best Buy Co., and GameStop Corp. to sell download codes for digital PlayStation games, making it the only source from which consumers could buy the games.

The gamers alleged that the policy allowed Sony to establish monopoly power over the sale of digital PlayStation games and inflate prices in violation of Section 2 of the Sherman Act, which prohibits attempts to monopolize.

Martínez-Olguín in 2024 said Sony waived its arbitration rights with the class members and couldn't rely on those rights to reject class status.

The plaintiffs are represented by Joseph Saveri Law Firm LLP. Sony is represented by WilmerHale.

The case is Caccuri v. Sony Interactive Ent. LLC , N.D. Cal., No. 3:21-cv-03361, order 4/8/26 .

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California Brief

NBCUniversal Hit With Lawsuit Over Data Trackers on Website

April 9, 2026, 2:52 PM PDT

A California resident sued NBCUniversal Media LLC claiming the company violated privacy laws by allowing third-party trackers to intercept his web browsing data without consent.

Austin White alleged that NBC embedded tracking technologies from Google LLC, Taboola Inc., and TVSquared Ltd. on its websites, allowing the third parties to capture his personal information, including the URLs of pages users visited and sensitive content about LGBTQ issues.

NBC's practices violate California's wiretapping law and federal privacy statutes, according to a complaint filed Wednesday in the US District Court for the Northern District of California.

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

The proposed class action comes just over a week after a suit with similar claims against NBC over its alleged disclosure of users' video-watching histories was dismissed for the second time by Judge Laura Taylor Swain of the Southern District of New York.

White alleges the trackers transmitted users' browsing data to third parties for advertising targeting and behavioral profiling. The complaint includes technical evidence showing how the tracking systems operated during his visits to the website.

White didn't consent to the use of data trackers during his site visits, and the websites didn't display a consent banner or pop-up notice requesting permission from users before deploying the trackers, the complaint said.

He seeks to represent a class of California residents whose communications with the websites were intercepted by tracking technologies between March 2025 and present.

The complaint brings claims of intrusion upon seclusion, unjust enrichment, invasion of privacy under the California Constitution, and violations of the Wiretap Act, the California Invasion of Privacy Act, and the California Unfair Competition Law.

White is seeking statutory, compensatory, and punitive damages; restitution and disgorgement; injunctive relief; attorneys' fees and costs; and pre-judgment interest.

Reuben D. Nathan of Newport Beach, Calif., and Ross Cornell of Big Bear Lake, Calif., represent White and the proposed class.

The case is White v. NBCUniversal Media LLC , N.D. Cal., No. 3:26-cv-03042, complaint filed 4/9/26 .

This story was produced by Bloomberg Law Automation.

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Bills to rein in outside investment in law firms advance in California, Illinois

 [reuters.com/legal/government/bills-rein-outside-investment-law-firms-advance-in-california-illinois-](https://www.reuters.com/legal/government/bills-rein-outside-investment-law-firms-advance-in-california-illinois-2026-04-09)
2026-04-09

David Thomas, Mike Scarcella

April 9, 2026

People with briefcases are seen in an office in this illustration taken July 29, 2020.

REUTERS/Axel Schmidt [Purchase Licensing Rights](#)  [, opens new tab](#)

- Legislation seeks to limit investor influence on lawyers
- 9th Circuit rejects law firm's fees in whistleblower case
- Winston & Strawn, Hunter Biden tangle over legal bills

WASHINGTON, April 9 (Reuters) - (Billable Hours is Reuters' weekly report on lawyers and money. Please send tips or suggestions to

D.Thomas@thomsonreuters.com  [, opens new tab](#))

State lawmakers in two of the largest legal markets in the United States are moving to erect ethical firewalls between law firms and outside capital, as investors and lawyers increasingly explore back-office partnerships and other deals.

Lawmakers in Illinois' House of Representatives on Thursday approved [legislation](#) that would prohibit any entity involved in a law firm's legal practice but not fully owned by lawyers from charging the firm any fees, controlling its hiring or interfering with its lawyers' professional judgment. The bill, which was approved by a 70-36 vote, would also limit lawyers' ability to share fees with out-of-state "alternative business structures."

"At its core, this bill is about protecting the independence of the legal profession," Rep. Jennifer Gong-Gershowitz, a Democrat who authored the legislation, said during the House debate.

The vote in Illinois came days after California's State Assembly approved legislation on Monday that would prohibit corporate investors from interfering with or influencing a lawyer's professional judgment regarding litigation. Both bills now move to their states' respective Senates for consideration.

Investors and other non-lawyers are broadly prohibited from owning direct stakes in U.S. law firms. The bills in California and Illinois are responding in part to [Arizona's embrace of alternative business structures](#) (ABS) that allow non-lawyers to hold a stake in legal providers, and to rising interest in law firm partnerships with management services organizations, or MSOs.

Under an MSO arrangement, a law firm spins off non-legal, back-office operations like human resources or marketing into a separate entity that can receive investments from non-lawyers and other entities, such as private equity firms. The MSO is paid by the firm for its services but does not directly share in its profits. Although the model is not new -- it has been adopted by healthcare and accounting firms -- it has been gaining traction in the legal industry. This week an Arizona personal injury attorney, Brandon Rafi, announced he spun off his firm's non-legal operations into an MSO as part of a \$125 million deal with an unidentified investor. Rafi could not immediately be reached for comment.

The California legislation that the State Assembly passed this week, [AB 2305](#)  , [opens new tab](#), is designed to govern all kinds of investments in law firms, said Saveena Takhar, a senior legislative counsel at Consumer Attorneys of California (CAOC), which sponsored the legislation.

The bill forbids "any corporate investor involved in any litigation practice in this state" from interfering with or influencing a lawyer's decision on which clients to represent, what kind of litigation strategy is used, and whether to file or settle a case. The bill defines corporate investors as any entity that raises or manages capital and "which participates in a litigation practice through an ownership, financing, or management arrangement."

The legislation received support from several California bar associations and no opposition, according to [two state](#)  , [opens new tab](#) [legislative analyses](#)  , [opens new tab](#) of the bill. "No one was asking for a no vote" at the State Assembly, Takhar said.

CAOC also sponsored separate legislation, [signed into law](#) by California Governor Gavin Newsom last year, that bars California attorneys from splitting fees with out-of-state ABS firms in most cases.

The new legislation in Illinois -- [HB 5487](#)  , [opens new tab](#) -- received support from the Illinois Trial Lawyers Association and Illinois Defense Counsel. The bill is also backed by the Illinois State Bar Association, which touts itself as the state's largest bar group with about 30,000 members.

"This is our initial effort to make sure that lawyers' independence is protected from MSOs, and clients are protected from them," said Bruce Pfaff, who chairs the ITLA's amicus committee.

Among the Illinois bill's opponents are Trisha Rich of law firm Holland & Knight and Sari Montgomery of Robinson, Stewart, Montgomery & Doppke, litigators with a focus on attorney ethics and professional responsibility.

They told Reuters in separate interviews that they believe the legislation is so broadly written, it could amount to an unintentional ban on any form of litigation

financing, as well as all administrative outsourcing by law firms.

Rich and Montgomery also said the bill appears to be unconstitutional, as the Illinois Supreme Court has the exclusive authority to regulate the judiciary and the lawyers it licenses. They noted that the state's professional rules for lawyers already ban fee-sharing between lawyers and non-lawyers.

They cited the example of a third-party information technology firm that's been contracted by a law firm to provide services. Because the IT firm, which is not owned by lawyers, would have access to a law firm's client records, that could be a violation of HB 5487, they said.

Speaking on the floor of the Illinois House, Gong-Gershowitz said the legislation would be amended in the Senate to clarify that the bill would not affect a law firm's relationship with such third-party vendors.

The Illinois Venture Capital Association also opposes the legislation, as they are against any restrictions on investment models, said David Stricklin, the group's lobbyist.

Critics are reading the bill too broadly, said Patrick Eckler, who serves as first vice president of Illinois Defense Counsel.

"None of the parade of horrors has occurred in California upon which the Illinois bill is based," he said, referring to the California legislation that restricted fee-sharing with out-of-state ABS firms.

U.S. appeals court rejects law firm's fees in whistleblower case

A federal appeals court this week threw out a law firm's \$8.6 million fee award in a whistleblower case against a mortgage company, ruling that a judge rewarded the firm more than the hours it worked and market rates justified.

The San Francisco-based 9th U.S. Circuit Court of Appeals in a [2-1 ruling](#) .

[opens new tab](#) sent the fee dispute back to a judge in San Francisco to recalculate the award to law firm Thomas & Solomon. The firm represented a former employee of Academy Mortgage Corporation who alleged the company falsely certified compliance with a federal housing program. The lawsuit ended in a \$38.5 million settlement, with about \$27 million returned to the U.S. Treasury.

U.S. District Judge Edward Chen had applied a multiplier to a baseline fee of about \$4.37 million, citing the firm's result and its extensive investigation of Academy's lending practices. But the 9th Circuit panel found those factors were already captured in the baseline calculation and that Chen provided no clear reasoning for applying a 1.75 multiplier.

"To pass muster then, district courts must reasonably show their work in arriving at a multiplier amount," Circuit Judge Patrick Bumatay wrote for the majority.

Lawyers for the whistleblower and for Academy Mortgage did not immediately respond to requests for comment.

Hunter Biden clashes with law firm Winston over unpaid legal fees

Hunter Biden is fighting demands from his former law firm Winston & Strawn to disclose more emails, messages and other information as the firm seeks to recoup allegedly unpaid legal fees.

Winston [sued Biden last year](#) in District of Columbia Superior Court for allegedly failing to pay more than \$50,000 in legal fees stemming from its defense work on federal criminal cases, including a tax prosecution. Biden, once represented by former Winston partner Abbe Lowell, has admitted fees are owed but contests the amount.

The law firm accuses Biden of conducting an inadequate search of his own emails related to the fees. Biden's lawyer Barry Coburn in a court filing on April 6 said Winston had not shown that Biden has additional undisclosed information. Biden also cannot afford to hire a billing consultant or forensic accountant to review bills, and Winston is hiding behind "nonexistent" legal privileges to shield its own internal communications from production, the filing said.

Coburn declined to comment. A lawyer for Winston, Scott Ahmad, did not immediately respond to a request for comment.

Read more:

[Law firm DLA Piper faces jury trial over pregnancy bias claims](#)

[Lawyers in Trump cases seek to recoup fees under equal justice law](#)

[Jackson Walker inks partial deal with US Trustee over tainted fee claims](#)

Reporting by David Thomas and Mike Scarcella

[David Thomas](#)

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Justice Sotomayor Advises Law Students On AI Adoption - There Should Have Been A Stronger Warning

A abovethelaw.com/2026/04/justice-sotomayor-advises-law-students-on-ai-adoption-there-should-have-been-a-stronger-warning

Chris Williams

April 10, 2026

Sonia Sotomayor during day two of her Senate confirmation hearing (Photo by NICHOLAS KAMM/AFP/Getty Images)

"You must learn to master the dangerous hallucination machine to do good in the world" sounds like an opening line from a Young Adults novel about the folly of rapid technological advancement. It also summarizes a Supreme Court justice's advice to law students on becoming fluent in AI usage. [Law.com](#) has coverage:

AI systems are the "new revolution" in the legal profession, as the advent of computers were for lawyers in the latter half of the 20th century, Sotomayor said Thursday at the University of Alabama School of Law..."For every student in this room, do not graduate this institution without learning how to master AI as a tool[.]

...

"AI is a sophisticated human," Sotomayor said. "All of its input is input from human beings. And because it is that, it has the potential to perpetuate the very best in us and the very worst in us."

That makes it particularly dangerous in "judging the complexity of human endeavors and in human situations[.]"

There is more at stake than [AI's tendency to lean in to human: all too human errors](#). We are the gamble. I think that Sotomayor's best and worst in us is poetic flair that covers up a far more ominous reality: we have no idea how rapidly incorporating AI will impact us in the long run. Let's bracket the immediate question of if AI is actually a "sophisticated human" (she's a jurist, not a biologist after all) and instead think of it as a tool; is there any room left for Luddites in the profession? It sounds nice to recommend AI mastery — whatever that means — but what will be the subsequent consequences of 10,000 hours [typing away at a delusion-encouraging black box](#)? While they may be a little over-sensationalized, it is still worth considering the risks of [AI-induced psychosis](#) developing in communities targeted with adapt-or-die rhetoric. We also don't know the long-

term effects of regular AI use on [neuroplasticity](#). The hard-fought talent of thinking like a lawyer could be replaced with thinking like a Harvey or Claude prompter. There's also the the material conditions of the labor. Lawyers, especially ones in Biglaw, work very long hours and are often sleep deprived. One attorney said that [in his 40 years of practice he never slept more than 3-4 hours at a time](#). How does using AI when exhausted change us? And what do you do [when the cure all is the source of the exhaustion](#)? And this isn't to say that AI is bad and anyone advocating for its adoption is a snake oil salesman trying to make their money before the bubble bursts. But it is also naive to suggest that some of that *isn't* happening or that our infrastructure might not be prepared to deal with it.

Take the process of editing documents. Most lawyers have the experience of submitting a brief you thought was going to change the direction of whatever body of law you were practicing only to get it handed back to you covered in red ink. The social dynamics of getting your work edited by a superior sucks, but it strengthens your writing ability and helps to build a sense of interdependent teamwork. Your work product may end up good enough after a couple rinses cycles in an LLM, but what happens to training and team building after AI enters the fold? Do you get the same degree of editing from your immediate team? Probably not — your partner or supervising attorney will tell you to run it through the firm's proprietary AI program a couple of times before you even dream of sending it over. That's a recipe for alienation. What long-term effects will that have on the industry? We're already starting to see [firms pivot toward laterally hiring rather than bothering to train budding lawyers](#). How sustainable is that really?

If you use AI of your own volition or because your firm forces you to, Godspeed. Please make an effort to [make sure you don't inadvertently dull your critical thinking skills along the way](#). And if you go the Amy Coney Barrett route and abstain from using AI in your work, you aren't alone. [You should also brush up on the First Amendment](#).

[Justice Sotomayor Says AI Can Be 'Very Dangerous' But Tells Law Students to Master It](#) [Law.com]

Earlier: [AI Won't Replace Lawyers But Can Create Critical Shortage Of Good Ones](#)

Chris Williams became a social media manager and assistant editor for Above the Law in June 2021. Prior to joining the staff, he moonlighted as a minor Memelord™ in the Facebook group Law School Memes for Edgy T14s . He endured Missouri long enough to graduate from Washington University in

St. Louis School of Law. He is a former boat builder who is learning to swim and is interested in rhetoric, Spinozists and humor. Getting back in to cycling wouldn't hurt either. You can reach him by email at christopherrashadwilliams@gmail.com and by Tweet/Bluesky at [@WritesForRent](#).

California Brief

Deep Dive

Pro Se Workers' AI Assists Lead Courts to Warnings, Sanctions

April 10, 2026, 2:15 AM PDT

Oscar Brownfield—with AI help—was representing himself in Oklahoma federal court when he sought sanctions against his employer's counsel, accusing them of knowingly filing false claims in an ongoing litigation.

His unsuccessful request to strike certain pleadings from the Cherokee County School District's summary judgment motion backfired, however, when opposing counsel revealed that Brownfield's artificial intelligence-supported motion cited fictitious cases.

The defense pursued \$7,000 in sanctions to cover resources and the time it reportedly spent reviewing and responding to the filing. But last month, an Eastern District of Oklahoma magistrate judge fined Brownfield only \$500 with a warning of a "more severe sanction" for future infractions.

Brownfield is preparing for trial on his claim of illegal removal from his roles as substitute teacher and wrestling coach after filing a Title IX complaint about gender discrimination faced by female athletes.

He's also urging a district judge to vacate the "clearly erroneous" fine, claiming the magistrate's order conflicts with precedent that grants "pro se litigants greater leniency" due to their lack of legal background.

Brownfield's AI hallucination incident, which courts see as an abuse of the legal system, is among over a dozen pro se lawsuits against employers like Dell Inc. and Fox News Network LLC, where judges in recent months warned or sanctioned plaintiffs for AI-generated briefs with fake or misstated judicial precedents.

The proceedings coincide with a documented increase in pro se federal labor and employment lawsuits in recent years, fueled in part by litigants' use of chatbots like OpenAI's ChatGPT. Tension is growing as AI's potential to democratize traditional access to justice clashes with the technology's risks, legal observers say.

"We've seen better pleadings, certainly some more informed responses to motions to dismiss," from pro se litigants, Chief Magistrate Judge Vera Scanlon of the Eastern District of New York said at a recent American Bar Association conference.

But she's faced "hallucination problems," recalling a recent review of a response brief that initially "seemed to make a lot of sense" but cited non-existent cases.

Verifying filings' accuracy is increasing judges' and defense attorneys' workloads, diverting time from focusing on the case, several courts said.

Access to Justice

The ever-changing legal landscape can be difficult for non-lawyer litigants to navigate alone due to the significant resource gap between workers and corporations, legal observers said.

Despite hallucination issues, justice reform advocates see AI's potential to expand access to court.

The World Justice Project's 2025 Rule of Law Index ranks the US 112th out of 143 countries for "accessibility and affordability of civil justice," citing factors such as litigation costs and income disparity.

Law schools like Cornell, New York University, and Stanford use AI tools to educate low-income individuals on their legal rights and how to navigate cases as pro se litigants.

Some plaintiffs or small firms have used AI to win cases, including a \$27.5 million verdict last year in a retaliation suit against Dignity Health.

Tech companies present the AI tools "as democratizing access, whether to jobs or the court. But the question is, 'Is that truly the case if those technologies aren't yet quite up to snuff?'" said Ifeoma Ajunwa, an anti-discrimination and AI ethics professor at Emory Law School.

"I would love to see a future where AI technologies are created to enable pro se claimants to successfully petition the court. But that future starts with AI governance," she said.

Management-side lawyers say pro se litigants use AI to file large volumes of submissions and complex document requests, leading to longer litigation and higher settlement value.

Judicial response varies. Some courts prohibit pro se litigants and lawyers from using the technology, while others require filers to certify they've verified their briefs' accuracy.

Pro se plaintiffs aren't bound by lawyers' ethical and professional rules. Judges can sanction parties for misconduct, but are advised to balance enforcement to preserve access to justice.

Discovery's New Frontier

Beyond hallucination concerns, defense attorneys' demand for pro se litigants' AI prompts and outputs during proceedings is a major legal issue.

Disclosing a plaintiff's initial views of their claims shared with a chatbot—possibly different from court pleadings—and the tool's use could be damaging, said Schwanda Rountree, a partner at Sanford Heisler Sharp LLP.

Two novel February federal court rulings addressed AI data's discoverability and the applicability of attorney-client privilege's protection of confidential legal communications and work-product doctrine, which shields legal strategies from disclosure.

A New York federal judge ruled that a defendant couldn't shield his exchanges with Anthropic's Claude about his securities fraud defenses because the chatbot wasn't an attorney, nor used at his counsel's direction or for legal advice.

Meanwhile, a Michigan federal judge held that a plaintiff's pro se status makes her ChatGPT data in an employment discrimination case protected by the work-product doctrine.

"There's much more to come," Rountree said, anticipating future fact-specific litigation on the discovery issue absent a national precedential standard.

Evolving Client Relationship

Worker-side lawyers like Michael Ansell of NextGen Counsel see AI potentially upending traditional attorney-client relationships.

Many clients now request "limited representation," wanting only review and revision of legal documents that Ansell said he suspects are AI-generated.

He's also showing clients how inputs influence outputs "to knock them out of relying on ChatGPT and not trusting me," Ansell added.

Plaintiffs' attorneys are also modifying retainer agreements or welcome letters to bar clients' AI use and address confidentiality concerns, Rountree said.

Brownfield, whose request to vacate his sanction failed earlier this month, didn't respond to a request for comment. Court filings indicate he completed a certificate program on hallucination and ethical AI for \$1,800 before being fined.

AI can't replace attorneys, but using chatbots requires plaintiffs' caution to protect their reputation, Rountree said.

Frivolous claims or false citations harm workers' rights advocacy and complicate judicial decisions when courts aren't "dealing with reputable legal arguments or facts," she said. "It creates difficulty on all ends."

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ABA rates Trump judicial nominee in Montana as 'not qualified'

 [reuters.com/legal/government/aba-rates-trump-judicial-nominee-montana-not-qualified-2026-04-08](https://www.reuters.com/legal/government/aba-rates-trump-judicial-nominee-montana-not-qualified-2026-04-08)

Nate Raymond

April 8, 2026



Katie Lane, a nominee to serve as a federal judge in Montana, appears before the U.S. Senate Judiciary Committee in Washington, D.C., U.S., March 25, 2026, in this screen grab taken from a video. U.S. Senate/Handout via REUTERS [Purchase Licensing Rights](#)  , [opens new tab](#)

April 8 (Reuters) - The American Bar Association for the first time during President Donald Trump's second term in office has rated one of his judicial nominees as "not qualified," bestowing that label on Katie Lane, his pick to become a federal judge in Montana.

A majority of the members of the ABA's Standing Committee on the Federal Judiciary rated Lane not qualified, according to a new set of ratings for judicial nominees released by the bar association on Wednesday. A minority rated her qualified.

It released the ratings a week after Lane appeared before the Republican-led Senate Judiciary Committee. In a [Tuesday letter](#)  , [opens new tab](#) to the committee, the chair of the ABA panel said its rating was based on her having less than nine years of experience as a practicing lawyer.

Pamela Roberts, a lawyer at Bowman and Brooke who chairs the ABA committee, said it had received feedback from about 200 members of the bench and bar about Lane, who "is viewed as a talented lawyer, indeed at the top of her peer group."

"Under the Committee's standards, however, these positive attributes do not compensate for the short time Ms. Lane has practiced law — less than nine years,

including her clerkships — and her lack of substantial courtroom and trial experience," Roberts wrote.

The White House had no immediate comment.

The ABA has since 1953 evaluated the professional qualifications of federal judicial nominees.

Conservatives have long accused the ABA of bias against Republican judicial nominees, and the Trump administration last year moved to [limit the group's role](#) in rating his picks by restricting the organization's ability to vet them.

Yet despite the curtailed access, the ABA has continued to publish its ratings of Trump's judicial nominees. So far, 37 have received "qualified" or "well qualified" ratings, while four have received none due to "insufficient information."

In Trump's first term from 2017 to 2020, 10 of Trump's judicial nominees received a "not qualified" rating.

The ABA panel typically deems nominees qualified only if they had at least 12 years of experience, a length of time that Lane, who is in her 30s, did not meet, having graduated from George Mason University Antonin Scalia Law School in 2017.

Lane went on to clerk for two federal judges and work as an associate at Jones Day before joining the Montana Department of Justice to work under Republican Attorney General Austin Knudsen as deputy solicitor general from 2021 to 2023. She also worked as an associate at the conservative law firm Consovoy McCarthy and as an intern for Republican U.S. Senator Ted Cruz of Texas on the Senate Judiciary Committee before last year joining the Republican National Committee as senior counsel.

Nate Raymond reports on the federal judiciary and litigation. He can be reached at nate.raymond@thomsonreuters.com.

HUSTED TRIAL TRACKER: Husted Likely to Testify in Defense of FirstEnergy in Criminal Corruption Retrial in September



ohiodems.org/husted-trial-tracker-husted-likely-to-testify-in-defense-of-firstenergy-in-criminal-corruption-retrial-in-september

Tony Wen

April 9, 2026

April 9, 2026

Jon Husted at the center of the largest bribery scandal in Ohio history

Ohio families paying [\\$663 more a year](#) on utility bills thanks to Husted's corruption

COLUMBUS, OHIO — In a [major new development](#), Jon Husted's FirstEnergy nightmare is far from over, as he will likely be forced to take the stand again to defend his corrupt donors in the new criminal corruption trial set to start September 28, 2026.

Husted helped his donors escape accountability by testifying for the defense and trying to protect the corrupt FirstEnergy executives responsible for the largest corruption scandal in Ohio history. **But scrutiny around Husted's central involvement in the bribery scandal is not ending anytime soon as [prosecutors](#) prepare to retry the case.**

Throughout the first criminal trial, Husted was mentioned **386 times** as testimony made clear that he was at the center of the massive bribery scheme that delivered a billion dollar bailout to utilities and contributed to electricity costs for Ohioans increasing by [\\$663 a year](#). When Husted was forced to answer questions under oath, his testimony only [raised more questions](#) about his own role in the scandal.

Ohio Democratic Party Senior Communications Advisor Tony Wen released the following statement:

"Jon Husted may have helped his corrupt FirstEnergy donors escape accountability for now, but September 28 is quickly approaching. This retrial will put the largest bribery scandal in Ohio history back in the spotlight, and remind Ohioans that Jon Husted was at the center of the scheme that sold them out to a big utility company and stuck them with skyrocketing energy bills."

As a reminder, Jon Husted played a central role “[running the show](#)” in the largest bribery scandal in Ohio history alongside Dowling and Jones:

- New evidence during the trial [revealed](#) nine calls between Jon Husted and Mike Dowling in the months preceding a \$4.3 million bribe to former Utilities Commission Chair Sam Randazzo.
- [New reporting](#) revealed Jon Husted held secret meetings with Dowling and Jones, including with the “mastermind of Ohio’s largest public corruption scheme two days before scandal-ridden bribery legislation was introduced.”
- Neil Clark, a FirstEnergy lobbyist and co-defendant with former House Speaker Larry Householder, referred to Husted as FirstEnergy’s “[golden boy](#).”
- [Text messages](#) between Husted, Dowling, and Jones reveal that the trio were in constant communication “before, during and after his campaign.”
- Convicted FirstEnergy CEO Chuck Jones said Husted was a “[good friend of FirstEnergy](#)” who was “[highly engaged](#)” and “[fighting to the end](#)” in support of the massive bail out.
- A [dinner](#) between Jon Husted and the convicted FirstEnergy executives at the Athletic Club of Columbus was a focal point of the criminal trial.
- Public records show that FirstEnergy — led by Jones and Dowling — funneled [\\$1 million](#) in dark money to a dark money group backing Husted in 2017, part of the same corrupt scheme that led to federal and state indictments.

###

Ex-Illinois House speaker spins wheels in appeal of corruption conviction

 [courthousenews.com/ex-illinois-house-speaker-spins-wheels-in-appeal-of-corruption-conviction](https://www.courthousenews.com/ex-illinois-house-speaker-spins-wheels-in-appeal-of-corruption-conviction)

Caitlyn Rosen

April 9, 2026

Former Illinois House Speaker Michael Madigan arrives at federal court where he is on trial for charges in a multimillion-dollar racketeering and bribery scheme, Oct. 21, 2024, in Chicago.

(AP Photo/Erin Hooley, File)

CHICAGO (CN) — An incredulous Seventh Circuit panel appeared unlikely Thursday to toss former Illinois House Speaker Mike Madigan's corruption charges on claims of shoddy jury instructions and vague evidence.

Former Illinois House Speaker Mike Madigan was convicted on 10 corruption charges and sentenced to 7 1/2 years in prison in 2025. Throughout the 83-year-old's monthslong trial, prosecutors maintained Madigan controlled the flow of bills in the House with an iron grip, and used his political power to divert jobs and benefits to his allies.

Madigan's stronghold over Illinois politics remained evident given the packed courtroom in Dirksen Federal Courthouse on Thursday afternoon. Several of Madigan's family members, including his wife and sister, also appeared in the crowded courtroom.

As one of the longest serving state legislators in U.S. history, Madigan was considered a political kingpin in Illinois. He served as a state representative for 50 years, and was House Speaker for 36 years, until his resignation in 2021.

Madigan was indicted in 2022 on 23 bribery, fraud, racketeering and conspiracy counts, and a jury found him guilty on 10 of those charges. The jury cleared him on seven other charges and deadlocked on the remaining six. Madigan shared those six charges with his longtime ally Mike McClain, a veteran lobbyist for utility company Commonwealth Edison.

ComEd was the focus of much of Madigan's purported corrupt conduct, as a major portion of his indictment and subsequent trial centered around the company's admitted yearslong bribery scheme in the Illinois Legislature. Prosecutors maintained Madigan was the core of the bribery scheme, which granted Madigan allies \$1.3 million in no-show jobs for ComEd and AT&T in exchange for favorable legislation in the Illinois statehouse between 2011 and 2019.

Appealing his conviction before the Seventh Circuit on Thursday, Amy Saharia, one of Madigan's attorneys, told the three-judge panel Thursday his conviction should be overturned because the jury instructions were vague and misleading, and the evidence was taken out of context.

U.S. Attorney Julia Schwartz, however, maintained any reasonably instructed jury would see an abundance of evidence for a bribery conviction, particularly considering the scheme spanned several years.

"It was an ongoing agreement to have both the quids and the pro quos," she said.

But Saharia argued the government failed to prove Madigan engaged in a quid pro quo, particularly because prosecutors didn't outline any specific actions or pieces of legislation in jury instructions.

"The requirement than an official promise to act on something specific is critical in bribery cases, because that is what distinguishes ingratiation, lawful ingratiation, from unlawful bribery," Saharia said.

"It is what distinguishes lawful gratuities in the wake of the Supreme Court's decision in *Snyder*, from unlawful bribery, and this case in particular illustrates why it is so important," she continued.

James Snyder, the former mayor of Portage, Indiana, was charged and convicted on federal bribery charges in 2021, but he appealed his conviction and argued that the federal bribery statute doesn't include after-the-fact gratuities. The Supreme Court agreed in *Snyder v. United States* (2024), and found the dividing line between the federal bribery and gratuities statutes is that "bribery requires an official to have a corrupt state of mind and to accept (or agree to accept) a payment intending to be influenced in an official act."

Saharia reiterated that there was no definitive act pointed out in the jury instructions, a requirement following the 2016 Supreme Court case *McDonell v. United States*, which narrowed the federal bribery statute. In a unanimous decision, the high court found the jury instructions, which resulted in former Virginia Governor Bob McDonell's conviction, were vague and erroneous.

U.S. Circuit Court Judge Michael Scudder Jr., a Donald Trump appointee, asked Saharia point-blank what the instructional error was.

She said the trial judge put a thumb on the scale in favor of the government's argument with a specific line in the jury instructions about a supposed "stream of benefits" Madigan received.

U.S. Circuit Court Judge Nancy Maldonado didn't seem wholly convinced.

"Well counsel, we're supposed to look at instructions on the whole," the Joe Biden appointee said. "So what do you say to the argument that adding in 'any expectations of some future benefit are not sufficient by themselves to make a payment a bribe,' why isn't that enough to have cleared things up to the jury as to what was required?"

Saharia responded that the sentence fails to convey that Madigan agreed to act on a specific question or matter. She argued that legislation, writ large, doesn't fall under that category.

"He was speaker of the house, of course he acted on legislation of interest to ComEd," she said. "The alleged benefits in this case are far outside the typical mine-run bribery cases. Speaker Madigan did not take cash from ComEd he did not take Rolex watches, trips to Vegas, all the things you typically see in bribery cases.

"The alleged benefit is that political allies of his were hired by ComEd, and making those kinds of job recommendations are things that politicians do every day," Saharia continued.

"But these weren't just job recommendations," Maldonado said. "You do acknowledge that, correct?"

Saharia agreed but maintained that government's arguments don't turn on the nature of the jobs at all. "It's not even clear exactly what the government even thinks he agreed to in 2011, they don't claim that he alleged that he would vote in favor of ComEd on every piece of legislation, that's not their argument, and in fact he didn't vote in ComEd's favor," she said.

"But it's not just votes right?" Maldonado asked. "It's the ability to move legislation forward, he was the speaker."

Saharia said yes but again reiterated that the prosecutors failed to show any specific or concrete promise from Madigan.

U.S. Circuit Judge Frank Easterbrook, a Ronald Reagan appointee, rounded out the panel, which did not indicate when it would rule.

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Securities

White House Warns Staff on Insider Trading Amid Iran War Bets

April 9, 2026, 5:20 PM PDT

The White House sent an internal staff-wide email that warned employees against using confidential information to place trades on financial markets and fast-growing event betting platforms.

The warning comes after a series of recent well-timed and profitable bets raised questions about potential insider trading around President Donald Trump's decision-making on military maneuvers in Iran and Venezuela.

The email was sent from the White House Management Office on March 24, according to a White House official who asked not to be identified discussing a confidential matter.

President Donald Trump, the previous day, had cited "productive conversations" with Tehran and announced a five-day pause on his threat to attack Iranian power plants in a social media post. Futures for oil and stocks worth billions of dollars changed hands just 15 minutes before Trump's post sent crude prices tumbling and equities soaring.

Contracts corresponding to at least 6 million barrels of Brent and West Texas Intermediate were sold in the two minutes from 6:49 a.m. in New York on March 23, according to exchange data compiled by Bloomberg. The average for the same time period over the previous five trading days was about 700 lots — or 700,000 barrels. Trump's Truth Social post was published at around 7:05 a.m. that day.

The staff-wide email was first reported by the Wall Street Journal.

Read more: [Futures Markets Saw Trading Spike Before Trump's Iran Post](#)

"President Trump has been crystal clear: while he seeks a strong and profitable stock market for everyone, members of Congress and other government officials should be prohibited from using nonpublic information for financial benefit," White House spokesman Davis Ingle said in a statement. "The only special interest that will ever guide President Trump is the best interest of the American people."

While stocks and oil have shown volatility due to the US and Israeli war on Iran, the unusual pattern in futures trading after Trump's announcement as well as the surge in bets placed in online prediction markets have drawn scrutiny amid questions about whether bettors are trading on inside information.

A series of well-timed Iran wagers placed on Polymarket by freshly created anonymous accounts have generated hundreds of thousands of dollars in profits so far, prompting analysts to scour the trades for tell-tale signs of insider activity. Some payouts on Middle East-related bets are now frozen in a dispute, with traders unable to collect as users debate what constitutes a ceasefire.

Profitable bets placed just before the US capture of Venezuelan strongman **Nicolas Maduro** earlier this year also sparked questions about the use of confidential information.

Earlier: Polymarket Iran Bets Draw Fresh Dispute and Insider Scrutiny

Federal employees are banned from gambling while on government property, and ethics rules prohibit use of non-public government information for personal gain. While there has been no evidence White House staff have profited off insider trading, the email to staff highlights the focus on prediction markets, a nascent industry that has exploded in interest and growing concerns that there are insufficient guardrails to prevent insider trading.

"All federal employees are subject to government ethics guidelines that prohibit the use of nonpublic information for financial benefit. However, any implication that Administration officials are engaged in such activity without evidence is baseless and irresponsible reporting," Ingle said.

--With assistance from **Nathaniel Popper**.

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Meghashyam Mali, Romy Varghese

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Securities

How Prediction Markets Turned the World Into a Casino: Explainer

April 9, 2026, 2:00 PM PDT

When it comes to what you can gamble on these days, all bets are off.

On prediction markets — platforms where people bet against each other on the outcomes of real-world events — traders are wagering on the chances of a major meteor striking Earth before 2030, whether President Donald Trump will be impeached this year, and who the next James Bond will be. As demand soars for the ability to bet on almost anything, prediction markets are processing billions of dollars in volume every week. Traditional players are taking notice: a number of financial giants and sports-betting firms are getting in on the action.

The relaxed regulatory environment under the Trump administration has fueled this growth and blurred the line between trading and gambling. Amid the rise of sports betting apps, novelty cryptocurrencies and meme stock speculation, prediction markets are yet another way for amateur traders to rack up losses quickly. Critics say that thin oversight also leaves markets exposed to insider advantages that can undermine their integrity.

The sudden emergence of the industry in the mainstream is beginning to recast public life as a series of bets waiting to be placed. Here's what's important to know.

How do prediction markets work?

Prediction markets such as Polymarket, Kalshi and PredictIt allow people to bet on the outcome of real-world events. Traders bet either “yes” or “no” that something will or will not occur — that the Democratic Party will control the US House of Representatives after the November elections, that the Denver Nuggets will win the National Basketball Association Finals, or that Chicago will get more than 5 inches of rain this month.

This is very similar to online betting, but unlike with gambling companies, there’s no “house” setting odds or taking the opposite side of your bet. When you buy a “yes” or “no” share — or an “event contract,” as the bets are known — someone else on the exchange is betting against you. The exchange matches buyers and sellers and holds the money until the event takes place. Buying a “yes” or “no” share typically costs anywhere between \$0 and \$1. The price is set by supply and demand: Strong demand for “yes” pushes the price of that side of the bet up and the price for “no” down. Strong demand for “no” reverses those movements.

After the event happens, traders who bet correctly get \$1 for each contract they bought. Those who bet on the incorrect side lose their money. For example, if you bought a “yes” contract for 40 cents that it will rain more than 5 inches and it does, you get \$1 back — a 60-cent profit (minus fees). If rainfall is less than that, you lose the 40 cents you paid.



A Polymarket billboard displaying New York City mayoral race odds on election day in Times Square on Nov. 4.

Photographer: Adam Gray/Bloomberg

The price of a “yes” share before the event happens functions as the market’s estimate of the probability that the event will occur. If a “yes” share is trading for 40 cents, the market is essentially saying there is about a 40% chance the event will happen. That number isn’t chosen by any one person — it’s a reflection of traders’ buying and selling activity.

Event contracts are structured similarly to derivative contracts in the traditional financial market, where traders buy and sell contracts whose value is derived from an underlying asset’s performance, and are handled by the same regulators. That allows these enterprises to operate beyond the tightly bound gambling rules imposed by US states on traditional sportsbooks and casinos.

How did prediction markets become so popular?

Prediction markets have been around for more than a century, extending back to elections betting outside the New York Stock Exchange in the early 1900s. In the late 20th century, iterations such as the Iowa Electronic Markets, which launched in 1988, were established to allow academics to study whether betting on topics such as elections could improve tracking of public sentiment.

The Covid-19 pandemic provided US retail investors with stimulus checks that left them flush with cash and with limited opportunities to spend it, driving a boom in amateur trading. This new class of traders — many of whom were young and extremely online — fueled the growth of “gamified” financial assets and markets such as meme stocks and highly volatile cryptocurrencies. The period brought greater innovation in both the range of event contracts on prediction markets and the technology underpinning them.

Read more: [How Polymarket and Kalshi Are Gamifying Truth](#)

The 2024 US presidential election campaign supercharged growth in prediction markets. Polymarket and Kalshi, the two leading prediction platforms today, attracted billions of dollars in trading and showed Trump as a heavy favorite, even as polls said otherwise. In the end, prediction markets came to look like a better forecaster. Traders saw that they could make money by betting against conventional wisdom.



A billboard for Kalshi showing 2024 US presidential election odds across from the Nasdaq MarketSite in New York on Nov. 6, 2024.

Photographer: Michael Nagle/Bloomberg

How do prediction markets make money?

Because trading is peer-to-peer, prediction market platforms don't profit when you lose like sportsbooks do — that money goes to paying out the market's winners. Instead, like most financial exchanges, Kalshi, Polymarket and PredictIt make money by charging fees on trades.

Companies can also make money from selling their data. Intercontinental Exchange Inc., which operates the New York Stock Exchange, has invested around \$1.6 billion in Polymarket. ICE said one of its motivations behind the deal was demand from customers who want to use prediction markets data to inform their trading strategies.

How are prediction markets regulated?

Prediction markets operate under a patchwork of regulation, or in some countries, effectively no regulation at all. In the US, platforms are overseen by the Commodity Futures Trading Commission, which treats them as derivatives exchanges. The idea is that offerings are similar to classic financial derivatives regulated by the CFTC such as futures, which allow for bets on the future price of commodities like oil, wheat or even Bitcoin.

As prediction platforms grew in popularity, the CFTC initially prohibited them from offering bets on elections. The agency argued that these contracts violated a CFTC regulation prohibiting products related to gaming or any activity barred by the laws of the US or any of its states, some of which outlaw election gambling.

But Kalshi fought the regulator's decision to prohibit its proposed contract on the 2024 US congressional election results and won. The court ruled that its contract involving the election was legitimate because elections are neither gaming nor an activity barred by law. The victory allowed Kalshi to release election-based betting shortly before the vote that November and paved the way for a dramatic expansion of prediction markets in the US.

Polymarket was forced to leave the US after a settlement with the CFTC in 2022. Its primary exchange operates overseas and does not answer to the CFTC.

While some countries have yet to determine how to regulate prediction markets, many have opted to categorize the sector as gambling, and others, including France, Belgium and Poland, have blocked it entirely for breaching local rules.

Why did Kalshi's court victory lay the groundwork for an expansion of prediction markets?

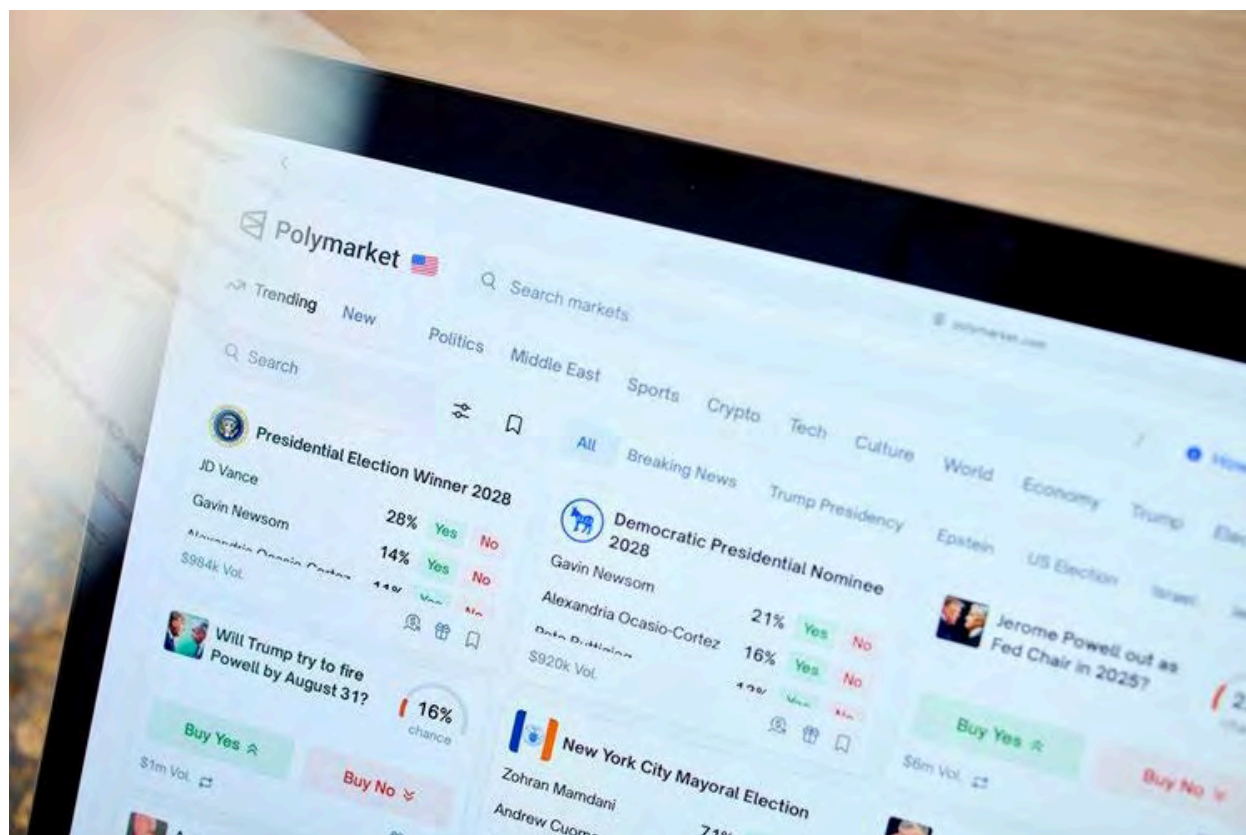
Previously, the CFTC had taken the position that event contracts should only be allowed if they were linked to economically significant events, such as inflation or the weather, which can help with market functions such as hedging and price discovery. But in the Kalshi case, the court decided that the CFTC's mandate was much more limited, allowing Kalshi to open up new contracts on an array of subjects, including elections.

Prediction market platforms say their contracts can help everyday investors and companies hedge against risks. For example, a landscaping business worried about hot weather increasing costs might buy shares betting on a heat wave next month, allowing it to recover some cash even if the cost of water needed for lawn care goes up.

A debate now rages as to whether the unconventional contracts available today on prediction platforms are consistent with the Commodity Exchange Act. "Nobody thought sports bets were commodities or excluded commodities or swaps until some brilliant people at Kalshi," said a judge overseeing a legal proceeding between the platform and the state of Nevada in November.

At the same time, under the Trump administration, the CFTC has backed away from the tough regulatory approach it took toward prediction markets under President Joe Biden. Probes into whether Polymarket had continued to serve US investors after its settlement with the CFTC were dropped in July. The company later bought a CFTC-licensed platform called QCX, which will underpin its US-only exchange.

Mike Selig, who took over as chair of the CFTC in December, has embraced the industry. He's pledged to support prediction markets companies in their battle against various state-led lawsuits and work with sports leagues to address concerns around insider trading.



The Polymarket website displaying the political prediction market in July.

Photographer: Gabby Jones/Bloomberg

How does sports betting figure into the picture?

Sports are one of the most popular categories for prediction market bets, soaring in demand around popular events such as the Super Bowl. It's also the place where the line between gambling and trading is fuzziest.

Exchanges are facing multiple lawsuits over whether regulators can pursue the platforms for violating state laws. Gaming authorities in states including Nevada, New York and Massachusetts have tried to shut Kalshi and its rivals down and argued that their event contracts should be categorized as gambling wagers rather than financial instruments. Arizona filed criminal charges against Kalshi for operating an illegal gambling business in March – a move that Kalshi co-founder Tarek Mansour called a “total overstep.”

Sportsbooks have grappled with how to respond to the emergence of prediction markets. Platforms such as DraftKings Inc. and FanDuel Inc. now operate their own prediction market exchanges. In November, both firms exited the American Gaming Association, the casino industry's trade group, which has opposed prediction market bets.

What are the risks for the public?

Critics say prediction markets can have the same consequences as gambling, even if they're regulated differently. Participants can still lose all their money on bets, or get into addictive cycles of trading that may be damaging to their long-term financial wellbeing.

Because prediction markets offer contracts structured like financial derivatives, they are not required to provide the same consumer protections as gambling platforms. Sports betting apps, for example, are restricted from offering bettors using lines of credit, and are required to provide tools that allow customers to voluntarily bar themselves from accessing the app.

Some of the bets offered by prediction platforms have raised questions about whether the existence of the trading could encourage irresponsible behavior in the real world. Daily markets tracking whether a sex toy would be thrown onto the court during a women's basketball game seemed to encourage people to attend the games and do it themselves. In such cases, the structure of the market makes manipulation easy: A person can bet on an event occurring and then ensure it happens. The more serious consequences of this became clear after an Israeli reporter received death threats for writing something that hurt the interests of prediction market bettors.

There are also concerns that prediction markets could enable insider trading. For example, participants with advance knowledge might exploit information about an upcoming product launch or award winner to place trades before the news becomes public. Not all platforms ask their customers for identification before trading, making it harder to track if they may have had inside information.

To address those concerns, Polymarket updated its rules to clarify that certain kinds of bets are prohibited: users cannot act on stolen confidential information, wager using illegal tips, or bet if they are in a position to influence the outcome of an event. Kalshi now blocks some bets before they can be placed, such as politicians wagering on their own campaigns or athletes making bets related to the sports they play.

At the same time, a series of well-timed trades that appeared to anticipate Trump signaling a pullback in Iran tensions have ramped up scrutiny of the issue in Washington. Some lawmakers have expressed concern that government officials could trade on information they have access to before the public. A number of bills have been introduced that would bar bettors from participating in markets in which they have a conflict of interest.

How are financial firms responding to these prediction market startups?

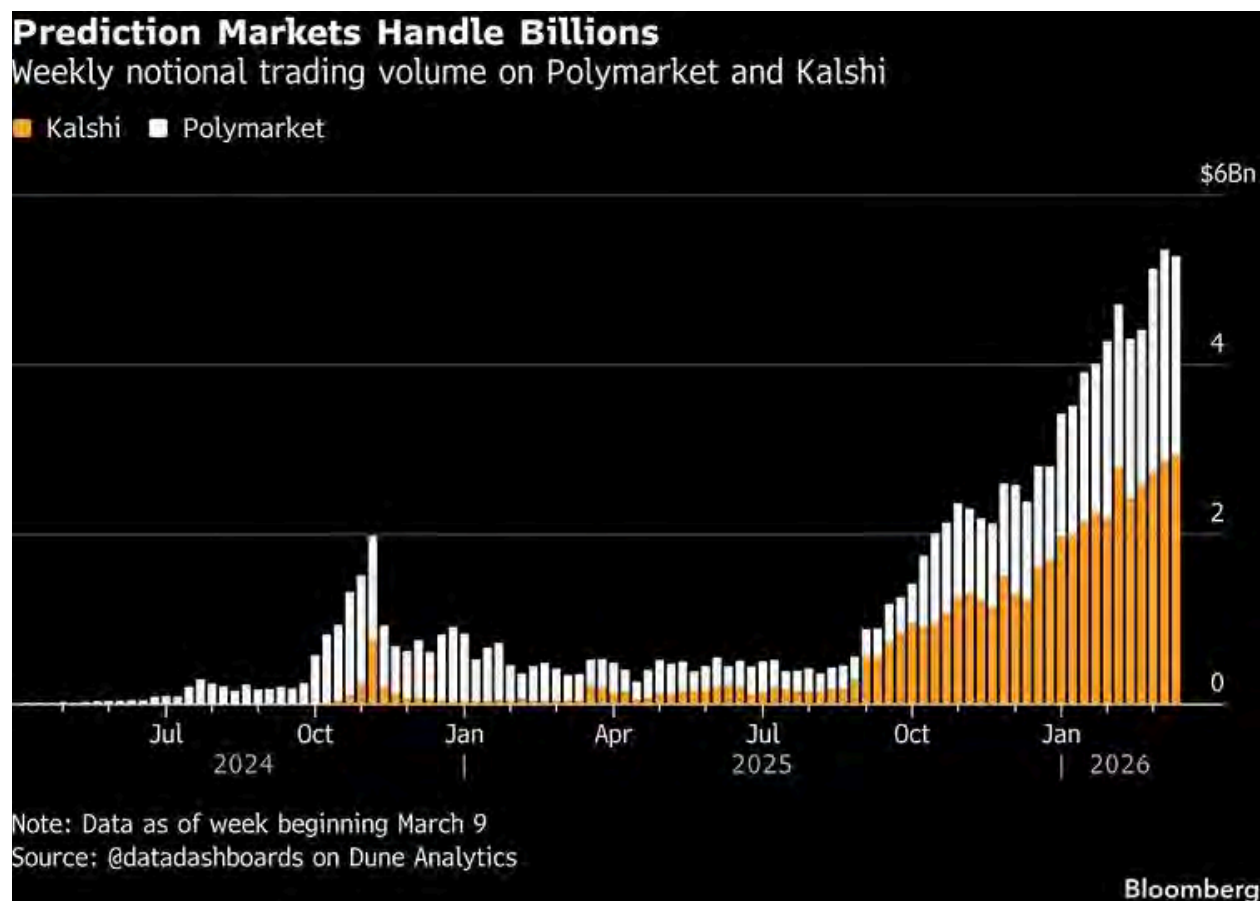
As prediction markets proliferate, more companies and investors are piling in. Polymarket and Kalshi have raised billions of dollars in equity investments from venture capital firms and Wall Street investors over the last year.

A partnership with Kalshi allowed Robinhood Markets Inc. to start offering prediction market bets to its US users in early 2025, resulting in a major uptick in volume for Kalshi, particularly on sports wagers. More recently, Robinhood announced that it would be starting its own prediction market that will compete with Kalshi. Crypto.com and CME Group have begun facilitating bets as well.

Some financial giants are proceeding with more caution. Cboe Global Markets has said its upcoming prediction markets offering won't include contracts tied to sports for the time being.

How big could the prediction market industry get?

It's hard to say. Prediction markets are still nascent as subjects of analysis in the finance world, lacking regular analyst coverage and clear forecasts for their growth over the next decade. But over the last year, the industry's growth has soared. More than \$3 billion in "notional" volume — the full amount that bets would pay out if they all settled at once — changes hands on Polymarket and Kalshi each week, according to publicly available data on Dune Analytics from March. That's more than double what it was at the end of 2024, demonstrating how these platforms have continued to grow even without a presidential election to foster demand. As of March, the two companies were valued at a combined \$31 billion.



But the market still pales in comparison with the volumes traded on traditional derivatives exchanges. CME Group's crypto products alone raked in an average of \$12 billion a day in overall notional volumes in November, for example.

What role is the Trump family playing in the industry?

As Trump was set to re-enter the White House in 2024, Kalshi's founders seized on the political shift, meeting with him at an Ultimate Fighting Championship bout. Trump Media & Technology Group, a company in which the US president is the largest shareholder, announced plans in October to launch prediction markets powered by Crypto.com via its Truth Social platform. Donald Trump Jr. is an adviser to both Polymarket and Kalshi, and his firm 1789 Capital made an eight-figure investment in Polymarket in August. But for the most part, Trump has refrained from commenting on prediction markets as directly as he has other areas of his family's business empire, such as cryptocurrency and real estate.

--With assistance from Lydia Beyoud.

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Securities

Kalshi Loses Bid to Halt Arizona Criminal Suit As CFTC Acts (1)

April 9, 2026, 6:35 AM PDT; Updated: April 9, 2026, 9:01 AM PDT

Kalshi Inc. failed to convince a judge to halt Arizona's criminal proceedings in state court against the prediction market provider as the widespread legal battle among states, companies, and the federal agency that governs derivatives trading continues to roil.

The federal Anti-Injunction Act limits US court remedies that might interfere with state judicial proceedings, barring the US District Court for the District of Arizona from extending preliminary injunctive relief against these pending proceedings, Judge Michael T. Liburdi said Wednesday.

The US District Court for the District of Arizona judge's order denying Kalshi's exchange a preliminary injunction and immediate temporary restraining order came the same day the US Commodity Futures Trading Commission asked for similar preliminary relief to pause Arizona from applying its gambling laws against Kalshi and other designated contract markets, potentially compelling Liburdi to revisit the issue in short order.

Kalshi didn't sufficiently demonstrate Arizona would pursue additional enforcement beyond the pending criminal prosecution, Liburdi said. While Kalshi pointed to an exception in applying the AIA for injunctions sought by the US, that didn't apply since the federal government hadn't yet sought its own injunctive relief, Liburdi's Wednesday order said, indicating the federal government's motion wasn't part of his decision-making.

Prediction markets allow people to put money on a wide range of binary outcomes, from whether Democrats will win control of the US House of Representatives in the midterms to whether the Boston Celtics will defeat the New York Knicks Thursday night. Preliminary rulings in district courts nationwide have split on whether prediction markets' offerings are gambling subject to states' regulation, or if federal law gives the CFTC exclusive jurisdiction over licensed markets and preempts states' enforcement of this billion-dollar industry.

Arizona was the first state to criminally charge Kalshi, lodging a 20-count criminal indictment dated March 16 saying the company is offering an illegal gambling business and taking bets on Arizona elections in violation of state law. An arraignment is scheduled for next week. Kalshi, by then, had already sued the state in federal court, contending the state's intent to regulate its business intruded upon the authority designated by the federal Commodity Exchange Act.

Kalshi moved for injunctive relief on March 16, , following up with a request for an immediate temporary restraining order April 3. Federal courts typically abstain from meddling in state court proceedings pursuant to the abstention doctrine set forth in the 1971 US Supreme Court case *Younger v. Harris* .

'Weaponized' State Law

The CFTC and Justice Department last week sued Arizona, Connecticut, and Illinois over their prediction market crackdowns, saying states are encroaching on the federal agency's turf over designated contract markets, like Kalshi's.

"Arizona's decision to weaponize preempted state criminal law against companies that comply with a comprehensive federal regime sets a dangerous precedent," Chairman Michael S. Selig said in a Thursday press release about its motion filed with Liburdi. "The CFTC is committed to vigorously defending its exclusive authority over prediction markets. We are asking the court to send a clear message that intimidation is not an acceptable tactic to circumvent federal law."

The Arizona judge's order comes days after the first federal appeals court weighed in on the dispute, which mainly pivots on sports prediction markets.

In a 2-1 decision, the US Court of Appeals for the Third Circuit said Kalshi will likely succeed in arguing federal law bars New Jersey gaming officials from regulating its sports event contracts. Kalshi's offerings are swaps—a derivative contract used for hedging—traded on a CFTC-licensed market, giving the agency exclusive jurisdiction under the Commodity Exchange Act, the majority opinion said.

The dissent said these contracts were "virtually indistinguishable" from sportsbooks' products, and New Jersey's regulations arguably complemented Congress' objectives when it updated the act after the 2008 financial crisis.

Next week the CFTC will argue alongside Kalshi, Crypto.com, and Robinhood Markets Inc.'s exchanges against Nevada in the Ninth Circuit, which includes Arizona.

Kalshi didn't immediately respond to an email seeking comment. The Arizona attorney general's office declined to comment on ongoing litigation.

Milbank LLP and Snell & Wilmer LLP represent Kalshi.

The case is *KalshiEX LLC v. Johnson* , D. Ariz., No. 2:26-cv-01715, 4/8/26 .

(Updates with additional reporting throughout.)

Securities

Apollo's Rowan Resolves JPMorgan Suit Over Charlie Javice Fraud

April 9, 2026, 12:38 PM PDT

Apollo Global Management Chief Executive Officer **Marc Rowan** resolved a lawsuit JPMorgan Chase & Co. brought against him and other early investors in **Charlie Javice's** student-finance startup, Frank.

Javice was convicted in March 2025 of defrauding JPMorgan in its \$175 million acquisition of her company. The bank is now seeking to recoup some of its losses from her backers. A trust controlled by Rowan, who invested in Frank in a personal capacity, was one of the defendants named in a sealed complaint the bank filed last month in Delaware Chancery Court.



Apollo Global Management LLC CEO Marc Rowan exits federal court in New York in 2025.

Photographer: Yuki Iwamura/Bloomberg

On Wednesday, the same day a redacted version of the bank's lawsuit was made publicly available, JPMorgan said in a court filing it was voluntarily dismissing claims against the Rowan trust.

A JPMorgan spokesperson declined to comment on any agreement with the trust. A spokesperson for Rowan had no comment.

Israeli venture capital fund Aleph LP was also sued by JPMorgan. Its co-founder, **Michael Eisenberg**, didn't respond to messages sent to his LinkedIn page. The JPMorgan executive who led the acquisition testified at Javice's trial that Eisenberg introduced the entrepreneur to the bank.

A jury found Javice lied and faked data to make JPMorgan believe her site had more than 4.25 million users when in reality it had fewer than 300,000. She was sentenced in September to seven years in prison but is currently free on bail while appealing her conviction.



Charlie Javice, founder of Frank, center, exits federal court in New York in 2025.

Photographer: Adam Gray/Bloomberg

Many parts of JPMorgan's suit against Frank investors were redacted, including language from the agreement that the bank claims establishes their liability for losses resulting from fraud. According to the suit, JPMorgan asked the investors to honor this agreement shortly after it uncovered Javice's fraud in 2022, but they refused and continued to refuse even after she was charged and convicted.

"It would be unconscionable and against fundamental principles of equity, justice, and good conscience to permit the Holders to retain funds paid to them as a result of that fraud, for which there is no justification," lawyers for JPMorgan said in the suit.

Rowan, who was also a Frank board member, took the stand as a defense witness during Javice's trial. He backed up her claim that her user numbers were not inflated because Frank considered "anyone who came to the website" to be a customer. Witnesses who participated in the deal for JPMorgan said they were told Frank defined users as those who registered their names, email addresses and phone numbers.

After her conviction, Rowan wrote a letter to the judge in the case, urging him to be lenient in sentencing Javice.

--With assistance from Michael Leonard and Bob Van Voris.

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<https://www.wsj.com/cfo-journal/in-this-critical-part-of-audits-the-accountants-role-is-shrinking-fast-69c7f2bc>

CFO JOURNAL

In This Critical Part of Audits, the Accountant's Role Is Shrinking Fast

KPMG pilots removal of humans from routine testing of things like payroll and expenses, with greater reliance on AI agents

By Mark Maurer [Follow](#)

April 10, 2026 6:00 am ET



Accounting firms say human auditors will review the work done by AI agents and get other work requiring critical thinking. THOMAS R. LECHLEITER/WSJ

Quick Summary



- KPMG plans to remove human auditors from routine testing, like payroll, for full AI agent deployment next year after a pilot program.

[View more](#)

Accounting firms are scaling back the role of human auditors in routine testing of things like payroll and revenue contracts, long a critical part of their work, amid a greater reliance on AI agents.

KPMG said it plans to remove humans from routine testing so they can focus on more complicated tasks, while “orchestration agents”—which autonomously manage several agents, potentially more than 20—handle testing duties. That switch will start with a pilot program this summer, with plans for full AI agent deployment on certain tests next year.

While human auditors won't perform routine testing, they will still review it, work on data collection and do risk assessment. Of these four areas of the audit, only routine testing was listed as having no human audit team associated with it within two to three years, according to a presentation in a KPMG briefing.

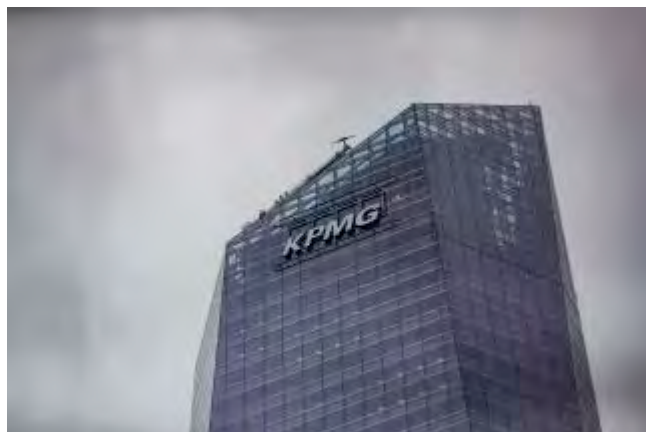
“Tomorrow, for those routine transactions, I think there will be next to no human beings in that bubble,” said Thomas Mackenzie, KPMG's audit chief digital officer. “It will all be agents and orchestrators doing it.”

Accounting firms are working to change how traditional auditing work is done, with the aim of taking away younger professionals' rote work and allowing them more critical thinking.

Routine testing includes payroll, expense vouching, cash procedures, search for unrecorded liabilities, accounts receivable, acquisitions of new buildings and equipment, and the cost of goods sold. Human auditors, for years, pulled a finite sample of these items, extracted the data into an Excel spreadsheet, applied auditing guidelines, and marked whether the items passed or failed.

AI tools now run alongside traditional human audits to compare results and ensure quality control. Firms in recent years have used AI agents for testing, but that work has been limited. At KPMG, AI agents are prompted by people to conduct a discrete set of tasks with humans evaluating tests and moving them to other agents to complete the work.

Some Big Four firm leaders estimate that agents will contribute between 20% and 30% of a typical financial audit by 2029, essentially the proportion of the human effort that will be removed.



At KPMG, AI agents are prompted to do certain tasks and are vetted by humans who then pass the work along to other AI agents for completion. EDUARDO PARRA/ZUMA PRESS

“It sounds like we’re just slicing the bottom of the pyramid off,” Mackenzie said. “We’re lifting the pyramid up.”

Testing is a key part of auditors’ assessment of company financial statements. Auditors are required to examine specific business transactions and financial documents to verify

that they actually exist, and are recorded and accounted for accurately.

The stakes for accurate auditing are high, as failures can result in billions of dollars in costs to investors. Regulators are just starting to develop frameworks around AI in auditing. Last week, the U.K.’s Financial Reporting Council issued guidance on how firms should use these tools, warning that the human auditor is always accountable.

While the firms vary on timelines, they generally agree that AI agents will increasingly handle routine testing—such as payroll and expense vouching—to improve efficiency and data accuracy.

PricewaterhouseCoopers is attempting to apply AI agents to more advanced testing, such as assessing whether revenue for U.S. pharmaceutical rebates was recorded properly, said Shawn Panson, the firm’s U.S. assurance transformation leader.



PricewaterhouseCoopers expects its AI agents to take on audit tasks involving more judgment over time. YVES HERMAN/REUTERS

The firm's evidence-match tool, which automatically matches information between two sets of records, can process 30 types of documents from a client, Panson said. Six months ago, the tool could only read basic PDFs.

Panson said he expects AI agents to be able to ingest more information and take on audit tasks involving more judgment over time, while humans continue to provide oversight.

At Ernst & Young, auditor agents will soon be talking with the agents of its clients about audit testing procedures, among other things.

In changes being piloted now, EY's agents are making preliminary selections of financial statement data and requests for supporting information. Clients' agents will collect supporting details and send them to EY's agents, which will use that to prepare working papers that are then reviewed by humans.

"The routine areas are absolutely where we see the opportunity to increase a different amount of technology and automation," said Richard Jackson, EY's global and Americas assurance AI leader. This week, EY globally launched new agentic AI capabilities for auditors and clients.

The quality of AI agents will improve as they are able to more accurately spot inconsistencies in data, Jackson said. That could involve making key catches in revenue contracts spanning hundreds of pages, for example.

"The ability to say a memo or a piece of analysis talked about something in a certain way, but that doesn't correspond or isn't supported by the



This week EY launched new agentic AI capabilities for auditors and clients. JAKUB PORZYCKI/ZUMA PRESS

underlying data, is incredibly powerful,” he said.

Deloitte & Touche opts for a more conservative, human-centric public stance to reassure their clients on human accountability and audit quality. Deloitte, which includes Deloitte & Touche in its global network,

sponsors CFO Journal.

The firm views agentic AI as enhancing the human auditor’s capabilities to continuously improve audit quality, not replacing them, said Will Bible, the firm’s digital products leader.

“While AI will transform how we execute testing and improve efficiency, audit quality ultimately depends on human judgment, professional skepticism and accountability,” Bible said.

This shift doesn’t necessarily signal a decline in the hiring of junior auditors, KPMG’s Mackenzie said.

He won’t hire a college graduate anymore to create workpapers, he said. Instead, he’s looking for someone who grasps the findings of a workpaper with the assistance of AI.

“Audit know-how is still going to be gold,” Mackenzie said. “We need that.”

Mark Maurer is a reporter on The Wall Street Journal’s CFO Journal team. Based in New York, he writes about corporate finance, accounting, auditing and regulation of companies. Before joining the Journal, he covered New York commercial real estate as associate web editor and reporter at The Real Deal....

Follow



Securities

Beyond Meat Outlines Plan to Fix Inventory Accounting Flaws

April 9, 2026, 2:07 PM PDT

Beyond Meat Inc. told investors Thursday it had inadequate procedures to accurately analyze excess inventory and was taking steps to fix the flaws.

The plant-based protein maker aims to strengthen documentation and data governance practices to remedy weaknesses in its inventory valuation, according to its 2025 annual financial report filed with the Securities and Exchange Commission. Its auditor Deloitte & Touche LLP signed off on the financial statements themselves but flagged gaps in the internal accounting safeguards related to the inventory valuation.

Ongoing weakened demand for plant-based meat and broader macroeconomic headwinds like high interest rates were among the business challenges that Beyond Meat cited in its Form 10-K. The company launched a protein drink in January on its direct-to-consumer site.

Beyond Meat entered 2026 with reduced leverage and extended debt maturity, President and CEO Ethan Brown said in a Thursday statement. Rebranding as Beyond The Plant Protein Co. allowed the company to enter into “adjacent categories” where its commitment to plant-based nutrition will be valuable, Brown said.

The company disclosed last month it would delay filing its Form 10-K to allow extra time to review and analyze its inventory balances. The company said it found a “material weakness” in its internal financial reporting safeguards related to inventory.

Inventory Analysis

Beyond Meat records an estimated provision for excess and obsolete inventory based on factors including historical and forecasted demand and the estimated shelf life of various raw materials, according to the 10-K.

Broadly, obsolete inventory is stock that a business doesn’t think it will use or sell due to shifts in demand or technology.

When completing its fourth quarter and year-end financial procedures, Beyond Meat found it didn't design and maintain effective processes to prepare, review, and approve the inventory analysis, the filing said. For example, it had inadequate processes for key data elements like aging inventory.

The company found inventory was overstated and cost of goods sold was understated in each of the first three quarters of 2025, but its management believed the errors were immaterial to the previously issued financial statements, the filing said.

Deloitte, which has been Beyond Meat's auditor since 2015, flagged the company's provision for excess and obsolete raw materials and so-called work in process inventory as a "critical audit matter," indicating in part the complex judgment involved, according to its report included in the SEC filing.

To address the matter in the audit, the accounting firm said it took steps including testing "the mathematical accuracy of management's key calculations supporting the provision recorded."

Complex Transactions

Beyond Meat said it is implementing a plan that includes allocating more resources to its accounting team to resolve its weak processes for accounting for non-routine and complex transactions.

The company told investors late last year it was working on a remediation plan after its management found there were inadequate resources to determine the proper financial reporting in this area.

The category includes transactions related to compensation arrangements, debt, and assets held for sale, according to the annual report.

Beyond Meat and Deloitte didn't immediately respond to requests for comment.

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FT PROFESSIONAL

Palantir Technologies Inc**Donald Trump talks up Palantir days after latest short seller attack**

US president's endorsement follows criticism from famed investor Michael Burry



Palantir has signed several new multibillion-dollar agreements with the US government in Donald Trump's second term in office © Bloomberg

Joe Miller in Washington

Published 51 MINUTES AGO



Shares in Palantir rose on Friday after Donald Trump hailed its “great war fighting capabilities and equipment”, days after famed short seller Michael Burry knocked the stock by saying it would lose out to AI start-ups.

The data intelligence group's stock rallied as much as 4 per cent after the US president's post, which included Palantir's Nasdaq ticker. Its share price remained down on the day following a bruising week of trading.

Burry — made famous by the film *The Big Short* for his bet against the US housing market ahead of the 2008 financial crisis — this week claimed [AI](#) start-up Anthropic was “eating Palantir’s lunch”, in a post he has since deleted. He had already disclosed a large bet against Palantir’s stock.

[Palantir](#) had already lost almost a quarter of its value since the start of the year. Burry’s post added to the concerns of analysts and investors about its high valuation, and that it would lose some of its market share to the \$380bn start-up, which is rapidly growing its business selling AI tools to companies.

Trump lent his support to Palantir on Friday, posting: “Palantir Technologies (PLTR) has proven to have great war fighting capabilities and equipment. Just ask our enemies!!! President DJT.”

In a blog post shortly afterwards, Burry doubled down on his bearish view, saying he would not close his bet against Palantir.

Palantir, which works closely with several US government agencies, has become crucial to American military operations.

Over the past two years, the Pentagon has extensively integrated Palantir’s Maven Smart System, which helped provide a real-time data analysis dashboard for operations in Iran. Palantir and Anthropic have a partnership related to classified military work.

The company, which has won contracts under Democratic and Republican administrations, has prospered in Trump’s second term. It has signed several new multibillion-dollar agreements, including with the Department of Homeland Security and Immigration and Customs Enforcement, which is carrying out the administration’s controversial immigration crackdown.

Several Palantir alumni have taken positions in government, while the company has hired Washington lobbyists close to the White House.

Palantir is also among the corporate donors who pledged money to Trump’s White House ballroom project, alongside Amazon, Apple, Google and Microsoft.

Chief executive Alex Karp, who previously backed Democrats, donated \$1mn to Trump's Maga Inc Super Pac in 2024. He has since dined with the president at the White House and accompanied him on a trip to Saudi Arabia.

Karp has also strongly defended Palantir's work for US government agencies, arguing it has helped America defend its borders.

He told investors in February that Palantir had supported "some of the most interesting, intricate, unusual operations that the US government has been involved in, many of which we can't comment on".

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Driven Brands Hit With Investor Suit Over Financial Controls

By **Sydney Price**

Law360 (April 9, 2026, 3:53 PM EDT) -- Auto services holding company Driven Brands is facing a proposed class action from a shareholder accusing it of misleading the public about the firm's internal controls over financial reporting, leading to a 30% single-day share price drop when investors learned that results of several quarters were inaccurately reported.

The **complaint**, filed Wednesday by the Florida-based City of Hollywood Police Officers' Retirement System, alleged that Driven Brands' February 2026 announcement that its financial statements for 2023, 2024 and part of 2025 were materially inaccurate had contradicted the company's previous representations it was "executing a consistent and reliable business strategy" based on growth and cash generation.

The lawsuit says that for several years, Driven Brands, which operates subsidiaries including auto care companies Carstar, Meineke and Maaco, misled investors about the company's stability. The proposed class period begins May 3, 2023, the day Driven Brands announced its first-quarter 2023 earnings, which the company would later restate. On that day, Driven Brands assured investors it did not make changes that "have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

Driven Brands continued to make similar statements during its earnings calls for the next several months, according to the complaint. Additionally, the company represented that its commitment to growth was serving it well, despite not having a "reasonable basis" for making these statements, the suit says. For example, on Aug. 7, 2025, Driven Brands told investors that revenue for the second quarter of the year had increased 6% year-over-year "driven by company-operated store sales, primarily due to net new store growth and same store sales growth," the complaint said.

However, the suit alleges, the truth emerged when Driven Brands announced Feb. 25, 2026, that certain financial statements from the past three years should not be relied upon. The errors were related to, among other things, lease adjustments, cash adjustments and expense classification, according to the complaint. Driven Brands also announced that day the company would postpone releasing its most recent financial results and related earnings call.

Analysts reacted "immediately," and shares of Driven Brands fell \$5.01 each, or about 30%, to close Feb. 25 at \$11.60, the suit says.

In addition to Driven Brands, the suit's individual defendants include Driven Brands' former CEO Jonathan Fitzpatrick, former Chief Accounting Officer Michael Beland and former Chief Financial Officer Gary Ferrera, who all departed their roles during the class period, as well as CEO Daniel Rivera, Chief Accounting Officer Rebecca Fondell and Chief Financial Officer Michael F. Diamond.

The suit accuses the defendants of violating the Exchange Act and acting with scienter.

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

City of Hollywood Police Officers' Retirement System is represented by William R. Terpening of Terpening Law PLLC, Marco A. Dueñas, Maya Saxena, Lester R. Hooker and Nicholas Corso of Saxena White PA, and Robert D. Klausner and Stuart A. Kaufman of Klausner Kaufman Jensen & Levinson.

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

The case is City of Hollywood Police Officers' Retirement System v. Driven Brands Holdings Inc. et al., case number 3:26-cv-00283, in the U.S. District Court for the Western District of North Carolina.

--Editing by Covey Son.

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Stellantis Faces Investor Suit Over EV-Linked Biz Slump

By **Sydney Price**

Law360 (April 9, 2026, 7:11 PM EDT) -- Auto distributor Stellantis NV is facing a proposed shareholder class action alleging it concealed the €22.2 billion (\$26 billion) financial burden of shifting focus away from battery-powered electric vehicles after experiencing weaker-than-expected demand.

The complaint filed Tuesday by shareholder Christopher Harman claims Stellantis, whose brands include Alfa Romeo, Dodge, Fiat, Jeep and Maserati, said in February it had "substantially reduced volume and profitability expectations for [battery-powered electric vehicle] products." This announcement contradicted the company's previous representations that it was confident in its ability to capitalize on growth in the electrification market, causing the company's shares to fall by nearly 24%, the suit states.

"Stellantis would ultimately see earnings slide through repeated guidance reductions despite efforts to minimize the potential of any impact until it manifested on Stellantis' doorstep, resulting in significant restructuring charges far above and beyond the realm of what defendants caused the market to expect," the suit states.

The proposed class period begins Feb. 26, 2025, the day Stellantis told investors it was in a "much more competitive place right now" relative to early 2024. For the next several months, Stellantis continued to report that its battery-powered electric vehicle market position was strong, according to the suit. For example, on July 21, 2025, the company said that its increased battery-powered electric vehicle penetration in Europe was "well-received," and that its guidance for the year was "reasonable and achievable," the suit asserts.

The truth emerged, the suit says, Feb. 6, when Stellantis announced it would "reset" for future profitable growth following an "initial overestimation of pace of adoption of electrification," which would cost the company approximately \$26 billion. Stellantis also told investors that day that it would not pay a dividend in 2026, according to the complaint.

Additionally, Stellantis announced it had missed previously published guidance, and that adjusted operating income margins would finish "below the guided low-single digit range," the suit says.

Investors and analysts responded "immediately" to the announcements, according to the suit, and shares of Stellantis fell \$2.26 each, or about 24%, to close at \$7.28 on Feb. 6.

"The fact that these analysts, and others, discussed Stellantis' shortfall and the significant, unexpected volume of the charges suggests the public placed significant weight on Stellantis' prior earnings estimates and statements regarding the progress of Stellantis' restructuring," the complaint states.

In addition to Stellantis, the suit's individual defendants include Stellantis Chairman John Jacob Philip Elkann, CEO Antonio Filosa, Chief Financial Officer Joao Laranjo and former CFO Douglas R. Ostermann.

The suit accuses the defendants of violating the Exchange Act and acting with scienter.

Stellantis is facing other investor actions for alleged misrepresentations, but it **escaped a suit**

accusing it of engaging in a so-called "channel stuffing" scheme by overloading retailers with excessive, overpriced inventory. The Southern District of New York found that the suit failed to plead any material misrepresentations or omissions made by the defendants.

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

Harman is represented by Adam M. Apton of Levi & Korsinsky LLP.

Counsel information for the defendants was not immediately available on Thursday.

The case is Harman v. Stellantis NV et al., case number 1:26-cv-02839, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.

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Binance Can't Push Investor Suit Into Arbitration

By **Katryna Perera**

Law360 (April 9, 2026, 8:42 PM EDT) -- Binance and its former CEO Changpeng Zhao cannot force into arbitration a proposed class action alleging that the crypto trading platform knowingly violated U.S. regulatory requirements by failing to implement an effective anti-money laundering program and offering and selling unregistered securities, a Florida federal judge ruled Thursday.

U.S. District Judge Roy K. Altman **issued an order** stating that because neither Binance nor Zhao are signatories to the arbitration agreement they seek to enforce, **their bid** fails. Additionally, the plaintiffs' countersignatories to the arbitration agreement — Bam Management U.S. Holdings Inc. and Bam Trading Services Inc. — have been voluntarily dismissed from the case, the judge said.

According to the order, in arguing that they can compel arbitration as nonsignatories, Binance and Zhao said the plaintiffs "clearly and unmistakably" agreed to delegate "gateway arbitrability issues" to an arbitrator.

"The defendants argue that the arbitration provision's incorporation of the [American Arbitration Association] rules 'suffices to show that' the plaintiffs and Bam 'delegated issues of arbitrability to the arbitrator,'" the order said.

But Judge Altman said the mere incorporation of the American Arbitration Association rules does not "'clearly and unmistakably' delegate gateway arbitrability issues when the gateway issue is whether a nonsignatory can enforce an arbitration agreement against a signatory."

Because the delegation clause was signed only by the plaintiffs and Bam, it isn't enforceable among the plaintiffs, Binance and Zhao, the judge said, since those parties never mutually agreed to delegate gateway questions of arbitrability.

Binance and Zhao also said that even though Bam and the other countersignatories were dismissed from the case, they could still compel arbitration as nonsignatories under the doctrine of equitable estoppel.

According to the order, the doctrine of equitable estoppel allows a nonsignatory to a written agreement containing an arbitration clause to compel arbitration "when the plaintiff-signatory must rely on the terms of the written agreement in asserting its claims," and when the plaintiff-signatory "alleges substantially interdependent and concerted misconduct by the signatories and nonsignatories, and such alleged misconduct is founded in or intimately connected with the obligations of the underlying agreement[.]"

Binance and Zhao said the operative complaint continues to allege "substantially interdependent and concerted conduct" between Bam and themselves, even though Bam is no longer a party to the suit.

"As [the defendants] see it ... plaintiffs' persistent references to 'Binance' and the 'Binance platform' encompass not only defendants and Binance.com, but Bam and Binance.US as well; therefore, the [second amended complaint] is necessarily replete with allegations of 'interdependent and concerted misconduct' between Bam (the signatory) and defendants (the nonsignatories)," the order said.

Judge Altman said that although the plaintiffs' harm may have been partially caused by their status as Binance.US users, their claims arise under state and federal laws unrelated to the terms of the arbitration agreement.

"That the terms suggest a relationship between the plaintiffs and Bam is thus insufficient to show that the plaintiffs' claims are so intertwined with the agreement as to justify the application of equitable estoppel," the order said.

The judge also rejected the defendants' arguments that the plaintiffs' voluntary dismissal of Bam and the other countersignatories was a "tactical ploy."

Adam Moskowitz of the Moskowitz Law Firm PLLC, counsel for the plaintiffs, told Law360 on Thursday that they are grateful to the court "for the very well-reasoned order and look forward to dealing with the merits of our claims."

Counsel for Binance and Zhao did not immediately respond to request for comment.

In November 2023, Zhao and Binance pled guilty to charges brought by the U.S. Department of Justice, resulting in a \$4.3 billion fine. Zhao was separately sentenced in 2024 to four months in prison and has served his sentence. Zhao and Binance also made \$150 million and \$2.7 billion settlements, respectively, with the Commodity Futures Trading Commission. **Last October**, Zhao was pardoned by President Donald Trump.

The plaintiffs are represented by Adam M. Moskowitz, Joseph M. Kaye and Barbara C. Lewis of the Moskowitz Law Firm PLLC and David Boies, Alexander Boies, Brooke Alexander and Stephen N. Zack of Boies Schiller Flexner LLP.

Zhao is represented by H. Steven Vogel of Dickinson Wright PLLC.

Binance is represented by Aaron S. Weiss and Benjamin M. Stoll of Carlton Fields, and Christopher N. LaVigne and Joseph Gallo of Withers Bergman LLP.

The case is Sizemore et al. v. Zhao et al., case number 1:23-cv-21261, in the U.S. District Court for the Southern District of Florida.

--Editing by Stephen Berg.



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Software Co. Investor Claim Sounds 'Like Fraud,' Judge Says

By **Chart Riggall**

Law360, Atlanta (April 9, 2026, 4:16 PM EDT) -- A Georgia federal judge signaled Thursday that supply chain software firm Manhattan Associates Inc. may have to face a shareholder class action from investors who say they were misled about the company's revenues, remarking that their claim, at least as alleged, "sounds to me like fraud."

At a hearing on Manhattan Associate's motion to dismiss the suit from investor Timothy Prime and several pension funds, U.S. District Judge Tiffany R. Johnson appeared skeptical of the company's arguments that it could definitively say it hadn't concealed flagging earnings.

"Isn't that what discovery is for?" she said.

As King & Spalding LLP's Warren Pope compared the case to a golfer who started hot in the early rounds of a tournament and touted his performance, only to flag in the second half, Judge Johnson said that wasn't quite what Prime and other plaintiffs were alleging. Instead, it was more like "you tweaked your back, and you're the only one who knows it," she said.

"This stuff is materializing later, and the only people who are in a position to know are your clients," Judge Johnson told Pope.

Later in the hearing, however, the judge also appeared swayed by Manhattan Associate's argument that the plaintiffs needed to offer more than the speculative testimony of former employees who said they were privy to internal reports suggesting the company's books weren't as rosy as believed.

"What I'm not seeing is what the reports said," Judge Johnson added. "You've got to tell me what those reports said. You've got to give me something to hang my hat on."

Thursday's hearing, which concluded without a final ruling from the judge, came over a year after Prime **accused Manhattan Associates**, its former CEO Eddie Capel and its Chief Financial Officer Dennis Story of pumping the company's own stock price by hiding indicators that a shift to cloud-based products was undermining other revenue streams.

Prime said the defendants created the false impression that they possessed reliable information about the company's projections, but in truth, their optimistic reports of growth "fell well short of reality," because Manhattan Associates was ill-equipped to achieve the stated targets.

When the other shoe dropped in late 2024, Prime said, it caused a 25% dip in its share price. Prime's suit was later joined by three city of Orlando pension funds, including those for its police and fire departments.

On Thursday, Pope argued that much of what Prime tried to pin his suit on was nonactionable "puffery" from the company. The plaintiffs, for example, took any positive comments about the company's cloud-based software as evidence that it was covering up other businesses that were struggling, he argued.

"They only want to focus on what they want to focus on," Pope said.

Claire Berry, also of King & Spalding, later said that Prime and his fellow plaintiffs didn't have

anything to point to that suggested the company deliberately hid the information from investors. An "inference that they must have known" or "revisiting [its] forecasts with the benefit of additional knowledge," she argued, was "simply not securities fraud."

But David Saldamando, representing the plaintiffs, told the court that former Manhattan Associates employees confirmed C-suite executives were privy to reports contradicting what the company was saying publicly. Capel and Story, he argued, "were in the weeds" of how the company's major business sectors were underperforming.

"This is not fraud by hindsight," he said. "This is me coming to you with credible allegations from former employees."

The plaintiffs are represented by David A. Bain of The Law Offices of David A. Bain LLC; Adam M. Apton of Levi & Korsinsky LLP; and Alexandra Forgione, David Saldamando, Jesse Jensen, Lauren A. Ormsbee and Francis Paul McConville of Labaton Keller Sucharow LLP.

Manhattan Associates is represented by Benjamin Warren Pope, Emma Claire Barry and Bethany Marie Rezek of King & Spalding LLP.

The case is Prime v. Manhattan Associates Inc. et al., case number 1:25-cv-00992, in the U.S. District Court for the Northern District of Georgia.

--Editing by Nick Petruncio.

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Citron Founder Loses Bid To Trim DOJ Fraud Case

By **Craig Clough**

Law360 (April 9, 2026, 7:51 PM EDT) -- A California federal judge has rejected Citron Research founder Andrew Left's bid to trim the federal government's criminal securities fraud case, saying the indictment's first count is not "duplicitous" because it alleges a single market-manipulation scheme involving multiple misleading statements and does not need to be split into multiple counts.

Left, who is accused of using his public platforms to manipulate stock prices and earning \$16 million through securities fraud, had his motion arguing the first count of the 18-count superseding indictment is duplicitous and fails to allege a cognizable theory of fraud, denied in an order Tuesday by U.S. District Judge Virginia A. Phillips.

The judge held that just because the count alleges multiple stocks that were manipulated at various times, the government properly alleges they were all part of a single "scheme to defraud" and does not need to be split out into multiple counts as Left argues. If the allegations in the count were split up into separate counts, some of them would then likely fall outside the statute of limitations.

"Count one alleges a multi-faceted, multi-victim, and multi-object scheme wherein defendant employed parallel and overlapping conduct in committing the charged offense," the judge wrote. "In particular, count one alleges fraudulent actions undertaken by defendant, often in concert with third parties, to manipulate the subject securities' prices in pursuit of the scheme's ultimate goal — financially [benefiting] or attempting to financially benefit from the resulting artificial price movements of those securities."

"Accordingly, the alleged conduct that touched the subject securities and the alleged 'ancillary conduct' that defendant undertook to enhance his ability to move the subject securities' prices or to conceal the scheme were committed in furtherance of the overarching scheme and are properly within its scope, even if some of the allegations may have been charged as independent executions," the judge continued. "In other words, the scheme laid out in count one may be 'read to charge a single' scheme to defraud."

The judge added that even if the count was duplicitous, "the remedy is not necessarily dismissal" because the court could issue jury instructions that explain what the government must prove in the count.

Left, the founder of the popular trading advice website Citron Research, was indicted in 2024 on allegations he used his platform to manipulate stock prices and earn \$16 million through securities fraud by taking advantage of rapid price fluctuations that occurred shortly after he published reports on those same companies via Citron Research.

The U.S. attorney's office in Los Angeles filed the indictment against Left in July 2024 for one count of securities fraud, 17 counts of fraud in connection with the purchase and sale of securities and one count for false statements to a government agency.

Prosecutors say Left took advantage of his hundreds of thousands of social media followers, as well as frequent guest appearances on various news programs, by making "sensationalized" claims about allegedly under- or overperforming companies, then trading the stocks contrary to his public advice based on market movements that occurred due to his statements.

The U.S. Securities and Exchange Commission also announced a lawsuit against Left in **July 2024**, accusing him and his investment advising firm, Citron Capital LLC, of making \$20 million in ill-gotten

profits based on reports and tweets published between 2018 and 2020. Citron Capital was also named as a defendant.

The court denied a motion from Left to **dismiss the case**, and also denied a separate motion to dismiss for selective prosecution, a motion to strike surplusage and denied in part a motion for a bill of particulars.

In February, the government filed a superseding indictment that included the same counts but with one fewer count for fraud in connection with the purchase and sale of securities. Left then filed a motion to dismiss the first count for securities fraud in violation of 18 U.S.C. § 1348(1).

Aside from arguing the count is duplicitous, Left also argued certain allegations in the count should be stricken for violating the statute of limitations of six years. But the government argues the statute of limitations begins running after the last act was committed in furtherance of the scheme, and that alleged act occurred in October 2023, well within the applicable time period.

The judge agreed and cited the Ninth Circuit's 1999 opinion in [United States v. Beardslee](#)  as finding the clock begins once the overall offense is completed.

"The court has already determined that count one sets forth a single scheme to defraud," the judge wrote. "And the court has established that market manipulation schemes are frequently predicated on a continuous course of conduct or an ongoing plan that encompasses multiple acts, each of which may constitute a single execution."

The judge also said that "[i]f the allegations are proven true, defendant would be liable for the entire scheme, even if some of the conduct at issue occurred outside the applicable statute of limitations period," citing the Seventh Circuit's 1994 opinion in [United States v. Longfellow](#) , which the judge said held that "a bank fraud scheme is timely charged so long as one of the executions is within the limitations period."

Left also sought to toss the count by arguing it is premised on an omissions-based or concealment-based theory of fraud that would require an independent duty to disclose, but the count does not outline that duty as is required under the law. The judge also rejected this argument.

"As previously stated, misrepresentation-based fraud is actionable independent of any duty to disclose because the duty automatically arises from the statements' misleading nature," the judge said. "And contrary to defendant's argument, material information omitted or concealed from defendant's half-truths does not automatically convert such allegations into an omissions theory of fraud requiring a trust relationship."

The U.S. Department of Justice and counsel for Left did not immediately respond to requests for comment.

The government is represented by Alexander Schwab of the U.S. Attorney's Office for the Central District of California and Lauren Archer and Matthew Reilly of the U.S. Department of Justice Criminal Division's Fraud Section.

Left is represented by Eric S. Rosen and Yusef Al-Jarani of Dynamis LLP and Aaron M. Katz of Aaron Katz Law LLC.

The case is US v. Andrew Left, case number 2:24-cr-00456, in the U.S. District Court for the Central District of California.

--Editing by Drashti Mehta.



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9th Circ. Axes Kids' 'Sprawling And Speculative' Climate Suit

By **Dorothy Atkins**

Law360 (April 9, 2026, 8:05 PM EDT) -- A Ninth Circuit panel affirmed Thursday tossing youths' lawsuit alleging the U.S. Environmental Protection Agency's greenhouse gas "discount" program discriminates against children by favoring present-day consumption over future consumption, finding the kids' "sprawling and speculative causal theory" of alleged environmental harms aren't traceable to the government's policies.

In a published opinion written by U.S. Circuit Court Judge Milan D. Smith Jr., a unanimous three-judge panel held that the lower court got it right in finding that the plaintiffs' alleged environmental harms are not fairly traceable to the EPA's discounting policies and tossing the complaint without leave to amend.

"In our view, plaintiffs' theory of causation is too speculative and tenuous to invoke this court's subject matter jurisdiction," the opinion says.

The ruling marks an end to a lawsuit that 18 young California residents initially filed in **December 2023**, alleging the EPA and the Office of Management and Budget are violating the youngsters' constitutional rights by not properly protecting them from climate change.

The plaintiffs accuse the government of unconstitutionally favoring the fossil fuel industry's interests over children's, and they assert their injuries include unequal treatment to fundamental rights to life, personal security, health, safety and other liberties, in addition to economic harm.

In particular, the children take issue with the EPA and OMB's use of cost-benefit analyses that "discount" the value of future costs and benefits in their regulatory programs affecting climate pollution. The policies arise from the OMB's Office of Information and Regulatory Affairs Circular A-4, a guidance document that instructs federal agencies on using the most up-to-date economic and scientific understandings.

After **tossing** an earlier version of the complaint, U.S. District Judge Michael W. Fitzgerald in February 2025 **dismissed** the **amended case** with prejudice, finding that the young plaintiffs don't have standing to bring their suit.

The plaintiffs quickly appealed, arguing in a **July opening brief** that the lower court's dismissal must be reversed in light of two U.S. Supreme Court opinions in **Gutierrez v. Saenz** and **Diamond Alternative Energy v. EPA**, both decided in June.

The plaintiffs argued that in Gutierrez, the justices **found** that courts "may redress intentional discrimination by the government with declaratory and injunctive relief, without requiring the plaintiffs to show how eliminating the discrimination will lessen their injuries."

Meanwhile, in Diamond Alternative Energy, the justices **held** that "plaintiffs are not required to show EPA's regulatory decisions are directed at individuals to demonstrate a personal injury," the plaintiffs argued.

The youths' appeal received support from multiple amici curiae parties, including University of Miami School of Law children's rights advocates, medical professionals and health advocacy organizations and economists and economics scholars. The amici raised various arguments, including asserting that

children are particularly vulnerable to climate change and the discounts undervalue the detrimental impact of emissions on children.

But in their ruling Thursday, the appellate court agreed with the lower court that the plaintiffs failed to assert a cognizable injury and that their alleged environmental injuries are not fairly traceable to the government's use of discounting.

The panel noted that the plaintiffs haven't alleged that the current administration has attempted to regulate greenhouse gas emissions, and it's too speculative for the court to assume that future administrations will regulate them and choose to promulgate regulations that apply the specific discounts that the plaintiffs challenge.

Ultimately, the panel said, the Ninth Circuit agrees with other circuit courts that have rejected similar "pre-enforcement" legal challenges anticipating what a federal agency will do for being based on a "chain of hypotheticals" and "mere conjecture."

The panel additionally rejected the youths' assertion that the justices' Diamond Alternative Energy holding is instructive in this case, since causation was not meaningfully disputed in that dispute.

"Unlike the sprawling and speculative causal theory posited by plaintiffs here, the Diamond Alternative Energy plaintiffs' theory rested on 'predictable, commonsense inferences,'" the opinion says.

The panel also held that the youths do not allege a viable injury to support their equal protection claims, finding that there's "no basis to infer" from the current record that the government's discounting policies are motivated by discriminating against children, or that the discount rates are recommended due to their allegedly adverse effects on children.

The panel pointed out that, aside from the government assuming that people generally prefer present to future consumption, the youths' legal theory largely ignores that the government has articulated two additional economic rationales for discounting future costs and benefits: that a dollar invested today is generally worth more tomorrow, and that as consumption increases, the value of consumption tends to decrease.

But the panel noted that children are present-day consumers just like adults, and therefore the discounting policies advantage them today as well as adults, and they similarly disadvantage all future children and adults, the opinion says.

A general recognition by the government that these policies might affect "future generations" — such that policymakers should take precautions to mitigate the effects — is not enough to show discriminatory intent, the panel said.

"The gravamen of plaintiffs' theory seems to be that because children today will on average live longer than adults today, children will on average endure more of the alleged harm inflicted by the discounting policies over time ... Perhaps," the opinion says. "But without more, that is not a cognizable theory of discrimination under the Constitution."

The panel also held that the plaintiffs' request for declaratory relief on its own is unlikely to redress their asserted harms, and amending their complaint would be futile. The panel added that this case is "far afield" from the justices' Gutierrez decision, which challenged a specific governmental action targeting plaintiffs directly.

That is distinct from this case, which challenges "non-binding administrative guidance that may or may not be employed in the future to set in motion a lengthy chain of events that will allegedly result in their downstream harm," the panel said.

Plaintiffs' counsel, Mat dos Santos, co-executive director of Our Children's Trust, said in a statement Thursday that the decision closes the courthouse doors on children seeking protection of their most basic constitutional right: equal protection under the law.

Dos Santos noted that by refusing to revive the litigation, the appellate court leaves in place a legal

framework that discriminates against young people and worsens the life-threatening harms from heat, wildfire smoke and climate disasters without judicial review.

"Children are bearing the heaviest burdens of a crisis they did not create, while the government knowingly permits policies that discount their lives and put their health, safety and futures at risk," dos Santos said. "We will continue to fight unlawful discrimination until we secure the constitutional protections that every child is owed."

An EPA representative said Thursday that the agency is reviewing the decision.

Counsel for the amici curiae economists and economics scholars declined to comment, and counsel and representatives for the other amicus parties didn't immediately respond to requests for comment Thursday.

U.S. Circuit Court Judges Ronald M. Gould, Milan D. Smith Jr. and Ryan D. Nelson sat on the panel for the Ninth Circuit.

The plaintiff minors are represented by Julia A. Olson, Andrea K. Rodgers, Catherine E. Smith and Brianna Rosier Kabwika of Our Children's Trust, Philip L. Gregory of Gregory Law Group, Paul L. Hoffman of the University of California at Irvine School of Law's Civil Rights Litigation Clinic and John C. Washington of Schonbrun Seplow Harris Hoffman & Zeldes LLP.

The EPA and the OMB are represented by Christopher Anderson and Daniel Halainen of the U.S. Department of Justice's Environment & Natural Resources Division, Appellate Section.

Amici curiae University of Miami School of Law children's rights advocates are represented by Douglas A. Ruley and Abigail L. Fleming of the Environmental Justice Clinic and Bernard P. Perlmutter of the Children and Youth Law Clinic.

Amici curiae medical professionals and health advocacy organizations are represented by Daniel P. Mensher and Alison S. Gaffney of Keller Rohrback LLP.

Amici curiae economists and economics scholars are represented by Matthew I. Summers of Berger Montague PC.

The case is *Genesis B. et al. v. U.S. Environmental Protection Agency et al.*, case number 25-2473, in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Hailey Konnath, Marco Poggio and Keith Goldberg. Editing by Jay Jackson Jr.