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Avis Budget Investors Drop Suits Against Brass Over Car Strategy

April 22, 2026, 9:27 AM PDT

Avis Budget Group Inc. directors and top executives no longer face a pair of shareholder suits brought on behalf of the company over a rotation strategy for the rental company's cars.

The action comes after investors dropped a parallel class action. Judge Michael E. Farbiarz of the US District Court for the District of New Jersey signed off on the derivative suits' voluntary dismissals Tuesday after the plaintiffs notified shareholders at his request.

Andrew Jones and Arjun Dua, in separate suits, alleged board members and executives failed to disclose the company was speeding up the rotation of its rental car fleets following a Covid-19 pandemic slowdown, shortening vehicles' useful life and causing the company to record \$2.5 billion in impairment and other charges

Jones and Dua cited the proposed class suit's voluntary dismissal but didn't give a reason

Attorneys for the parties didn't immediately respond to emailed requests for comment

Weiser Law Firm PC represented Jones and Dua. FBT Gibbons LLP represented the directors and officers.

The cases are Jones v. Pahwa , D.N.J., No. 2:25-cv-07934, 4/21/26 and Dua v. Ferraro , D.N.J., No. 2:25-cv-15382, 4/21/26 .

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FHFA Urges DC Circuit to Overturn \$612M Verdict in Fannie Mae Shareholders Class Action

Arnold & Porter partner John Elwood, arguing for the Federal Housing Finance Agency, cited the 2008 Housing and Economic Recovery Act. The law not only made the FHFA a conservator of Fannie Mae and Freddie Mac but contained a provision authorizing the FHFA to take action in the public's best interest.

April 21, 2026 at 03:48 PM By  **Avalon Zoppo**



The E. Barrett Prettyman U.S. Courthouse, home of the U.S. Court of Appeals for the District of Columbia Circuit. Photo: Diego M. Radzinski/ALM

The Federal Housing Finance Agency asked the U.S. Court of Appeals for the D.C. Circuit on Tuesday to throw out a \$612 million jury verdict that found the agency wrongfully cut off investors' chances of receiving dividends from Fannie Mae and Freddie Mac.

The dispute centers on a 2012 deal—called the Net Worth Sweep—that the FHFA struck with the U.S. Treasury. The FHFA became a conservator of Fannie Mae and Freddie Mac in 2008 to stabilize them during the housing market crisis, and shareholders argued a change in the funding agreement with Treasury eliminated the possibility of shareholders receiving dividends.

Arnold & Porter partner John Elwood, arguing for the FHFA, cited the 2008 Housing and Economic Recovery Act. The law not only made the FHFA a conservator of Fannie Mae and Freddie Mac but contained a provision authorizing the FHFA to take action in the public's best interest.

Elwood said the the U.S. Supreme Court in *Collins v. Yellen* already held in 2021 that the Net Worth Sweep was within the FHFA's authority and that the regulator reasonably determined it served the public's interest even if it disfavored private investors.

"This is not your grandfather's conservator. It was empowered to act in its own interests," Elwood said, urging reversal of the 2023 jury verdict for shareholders.

"The shareholders were on notice that the conservator could subordinate their interests to those of the agency itself and to the public," Elwood continued. "Under that circumstance, they may have had a hope that their interests would be taken into account, but they had no reasonable expectation."

In *Collins*, the justices said the sweep didn't violate the Administrative Procedure Act. But here, a jury found that the new terms violated the "implied covenant of good faith and fair dealing" in the shareholders' contracts.

D.C. Circuit Judge Douglas Ginsburg questioned whether two earlier court decisions—including the D.C. Circuit's 2017 ruling reviving the claims here—established that shareholders could sue under the implied-covenant theory.

Elwood responded that the D.C. Circuit's previous decision didn't fully endorse the implied-covenant claim but more narrowly corrected the district judge's finding that the claim was foreclosed because shareholders have no right to dividends.

"They said that was wrong. Do over. They didn't say that they were foreclosing other possible arguments," Elwood said.

"It's not enforcing the contract at that point to say, 'Oh, well, you also got to consider the shareholders interests,'" he added. "It's basically undoing the whole point of the Recovery Act."

The agreement between the entities and Treasury provided that in exchange for making capital available, Treasury would earn a quarterly dividend equal to 10% of the amount it was owed. The FHFA has said the 2012 change was made to end Fannie Mae and Freddie Mac's unsustainable circular practice of drawing from the Treasury's capital commitment and later returning that money to the government through the 10% quarterly dividend.

U.S. District Senior Judge Royce C. Lamberth of the District of Columbia upheld the jury's August 2023 verdict in a March 2025 [ruling](#) favoring a class of shareholders who brought the lawsuit.

Meanwhile, the shareholders' attorney Hamish Hume argued that *Collins* didn't foreclose the implied-covenant claim and that the FHFA's reading of the decision omits context.

Hume, a Boies Schiller Flexner partner, said the FHFA's reading of *Collins* omits context.

The justices only held that federal statute authorized FHFA to agree to the sweep, said Hume, a Boies Schiller Flexner partner. But that statutory authority holding does not determine the outcome of the implied-covenant claim, he argued.

Ginsburg asked how the FHFA violated shareholders' contractual expectations.

"What is it about the way in which the power was exercised here that tells you that it could be unreasonable as a matter of contract, although authorized as a matter of law?" Ginsburg added.

Hume responded the trial record showed that the FHFA didn't analyze the pros and cons of the sweep, despite the "gravity of the action."

"There was not a single memorandum or email even analyzing this question," Hume said. "They never analyzed whether the circular dividend was truly going to be a problem. They never analyzed whether there was really going to be a risk of erosion of the Treasury commitment. They never analyzed whether the market was concerned."

Judges J. Michelle Childs and Justin Walker also sat on the D.C. Circuit panel.

The D.C. Circuit heard arguments in *Fairholme Funds v. FHFA*, No. 25-5113.

Page printed from: <https://www.law.com/nationallawjournal/2026/04/21/fhfa-urges-dc-circuit-to-overturn-612m-verdict-in-fannie-mae-shareholders-class-action/print/>

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SolarEdge to Pay \$55 Million to Settle Investor Demand Suit (1)

April 22, 2026, 7:13 AM PDT; Updated: April 22, 2026, 9:06 AM PDT

Summary by Bloomberg AI

AI Generated



- SolarEdge Technologies Inc. agreed to pay \$55 million to resolve allegations it and former top executives misrepresented European demand and distributors' inventory levels.
- The agreement would resolve securities fraud claims that ex-CEO Zvi Lando and former Chief Financial Officer Ronen Faier were aware demand in Europe was weak when making statements.
- Investors alleged that SolarEdge and certain leaders hid a channel-stuffing practice and overhyped the success of its European business, with stock tumbling after disclosures related to excess inventory and slowing growth in Europe.

SolarEdge Technologies Inc. agreed to fork \$55 million over to investors to resolve allegations the solar-panel parts company and former top executives misrepresented European demand and distributors' inventory levels.

The investors asked the US District Court for the Southern District of New York to certify a settlement class of those who acquired SolarEdge stock from Feb. 13, 2023, through Oct. 19, 2023, while seeking preliminary approval of the deal Tuesday.

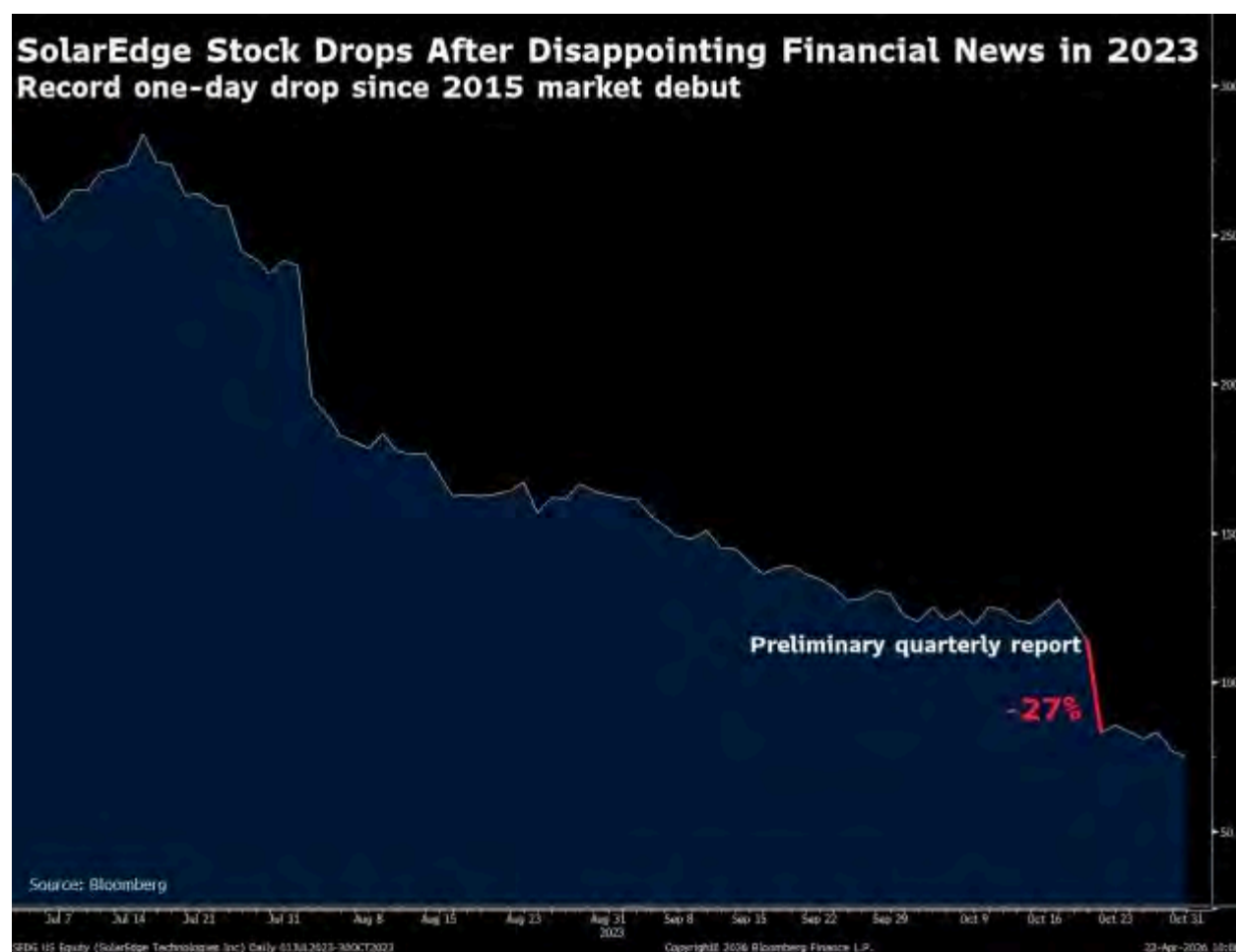
If approved, the agreement would resolve securities fraud claims that ex-CEO Zvi Lando and former Chief Financial Officer Ronen Faier were aware demand in Europe was weak when making rosy statements, and that they knowingly or recklessly misrepresented SolarEdge distributors' inventory levels as "low."

Judge Gregory H. Woods previously trimmed some of the investors' allegations, holding they hadn't adequately pleaded executives intentionally or recklessly misled them about a "channel stuffing" scheme whereby SolarEdge allegedly forced distributors to take on unneeded deliveries.

Woods also said shareholders failed to sufficiently allege that statements about sell-through rates were false or misleading.

Investors alleged that SolarEdge and certain leaders hid a channel-stuffing practice and overhyped the success of its European business, with stock tumbles after disclosures related to excess inventory and slowing growth in Europe.

The day after SolarEdge lowered revenue expectations while sharing preliminary third quarter financial results in October 2023, its stock price fell more than 27% to close at \$82.90 a share—then its sharpest single-day decline since its 2015 market debut, according to data compiled by Bloomberg.



"We are very pleased to have obtained this substantial recovery for investors after nearly two years of vigorous litigation on all sides," Brian Calandra of Pomerantz LLP, which represents the investors, said in an email.

Gibson, Dunn & Crutcher LLP represents SolarEdge, Lando, Faier, and other then-leaders. Neither the law firm nor SolarEdge immediately responded to requests for comment.

The case is In re SolarEdge Techs., Inc. Sec. Litig., S.D.N.Y., No. 1:23-cv-09748, 4/21/26 .

(Updates with comment from investors' attorney in eighth paragraph.)

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Wells Fargo 401(k) Settlement Gives Lawyers \$20 Million Payday

April 21, 2026, 6:14 AM PDT

The lawyers who negotiated an \$84 million class settlement benefiting participants in Wells Fargo & Co.'s 401(k) plan were awarded more than \$20.3 million in fees and expenses.

Judge Laura M. Provinzino on Monday granted final approval to the settlement, which the workers described as the largest ever recorded in an Employee Retirement Income Security Act case involving an employee stock ownership plan. She also awarded class counsel all their requested fees and expenses, and approved \$25,000 service awards for each of the three class representatives.

The settlement, which covers about 425,000 participants in Wells Fargo's 401(k) plan who held company stock in their accounts between September 2016 and December 2022, resolves a lawsuit in the US District Court for the District of Minnesota alleging that the banking giant mishandled hundreds of millions of dollars worth of dividend income earned by the Wells Fargo preferred stock held in its employees' retirement accounts.

With the help of defendant GreatBanc Trust Co., Wells Fargo used this income to make its mandatory employer contributions to the plan, even though it already qualified as plan assets belonging to the workers, according to the lawsuit, which was allowed to advance in 2024.

The dispute followed a US Labor Department investigation into Wells Fargo's stock plan that resulted in a settlement requiring the bank to pay more than \$131.8 million to plan participants, along with a penalty of about \$13 million.

The defendants are variously represented by Proskauer Rose LLP; Faegre Drinker Biddle & Reath LLP; and Barack Ferrazzano Kirschbaum & Nagelberg LLP. The employees are represented by Nichols Kaster PLLP; Bailey & Glasser LLP; and Feinberg, Jackson, Worthman & Wasow LLP.

The case is *Randall v. GreatBanc Tr. Co.*, 2026 BL 140834, D. Minn., No. 0:22-cv-02354, 4/20/26 .

To contact the reporter on this story: Jacklyn Wille in Washington at jwille@bloombergindustry.com

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Nationwide Unit Ends Lawsuit Over Shareholder Liability Coverage

April 22, 2026, 8:53 AM PDT

A Nationwide Mutual Insurance Co. unit ended its suit against a smart thermostat technology company seeking to limit coverage under a directors and officers liability policy for shareholder litigation in Delaware.

Scottsdale Insurance Co. dismissed its claims without prejudice and each party will handle their own fees and costs, according to a Tuesday filing in the US District Court for the Northern District of California. No other details were immediately available.

The insurer sued EcoFactor Inc. in January, arguing its policy barred coverage for underlying shareholder litigation brought in the Delaware Chancery Court alleging the company and several of its directors attempted to dilute certain stockholders' ownership interests.

The insurer said coverage was barred by a policy exclusion over executive pay as well as a provision in California insurance law precluding indemnification for losses caused by a policyholder's willful acts.

Cozen O'Connor represents Scottsdale. No counsel entered an appearance for EcoFactor.

The case is Scottsdale Ins. Co. v. EcoFactor Inc. , N.D. Cal., No. 26-cv-00618, voluntary dismissal 4/21/26 .

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75K Zantac lawsuits tossed by Del. judge after experts DQ'd | Newsletter

 [legalnewsline.com/newsletter/75k-zantac-lawsuits-tossed-by-del-judge-after-experts-dq-d/article_efca52fb-0594-4625-933c-68f306fbed33.html](https://www.legalnewsline.com/newsletter/75k-zantac-lawsuits-tossed-by-del-judge-after-experts-dq-d/article_efca52fb-0594-4625-933c-68f306fbed33.html)

John O'Brien, John O'Brien

April 22, 2026

Leonard L. Williams Justice Center
<https://courts.delaware.gov/>

WILMINGTON – A Delaware judge just dismissed the lawsuits of more than 70,000 people who allege the heartburn medicine Zantac can turn into a cancer-causing agent.

Experts put forth by plaintiffs lawyers at firms like Keller Postman had already been deemed unreliable by the Delaware Supreme Court, making it impossible to prove causation in the cases. Superior Court judge Francis Jones then refused to let the plaintiffs employ new experts.

The question in his April 14 ruling was whether that decision applied to all of the approximately 75,000 plaintiffs suing in Delaware or just the few who had been selected for possible bellwether trials. He picked the former, dismissing every case that was filed before Dec. 2, 2025.

Essentially, case management orders entered early in the litigation stipulated that general causation rulings apply to all cases, Jones ruled. That includes *Daubert* motions to disqualify experts.

"To suggest that the *Daubert* challenges applied only to the bellwether cases ignores not only the expressed intent of the parties and their words but the history of this litigation," Jones wrote.

The litigation against GlaxoSmithKline and others began after a Connecticut lab, Valisure, created headlines in 2019 when it claimed its testing showed Zantac and its generic equivalents contained ranitidine that changed to NDMA once ingested. Lawyers began spending on advertising for clients and cited the study in ensuing litigation, calling Valisure an "independent" lab.

Valisure had brought its findings in a citizen petition to the FDA, which ordered a short-lived recall. The FDA later said Valisure's methods were unreliable, saying the lab's "artificial stomach" was heated to 260 degrees and subjected to lethal levels of salt to create NDMA from Zantac.

[Valisure](#) detected no NDMA in the drug when testing it under normal human conditions. That didn't stop lawyers who, after a Florida federal court ruling tossing their experts, moved on to courts in Delaware, California, Philadelphia and [elsewhere](#).

GSK settled 80,000 cases for \$2.2 billion while denying all claims against it, and Valisure scored a payday by filing a False Claims Act lawsuit against GSK and winning a \$67.5 million settlement from which it was to receive up to 30%.

Plaintiffs lawyers in Delaware should have "put their best evidence forward" instead of using the same tactics that got their federal cases thrown out, Jones wrote.

"Unfortunately, they were not able to muster sufficient evidence to pass Delaware's *Daubert* requirements," he added.

Purdue Pharma's \$5.5 billion sentencing for opioid charges delayed after victims show up to court

 [reuters.com/legal/government/purdue-pharmas-55-billion-sentencing-opioid-charges-delayed-after-victims-show-2026-04-21](https://www.reuters.com/legal/government/purdue-pharmas-55-billion-sentencing-opioid-charges-delayed-after-victims-show-2026-04-21)

Dietrich Knauth

April 21, 2026



U.S. District Judge Madeline Cox Arleo listens as Purdue Chairman Steve Miller enters a guilty plea on the company's behalf during a court hearing over the handling of Purdue Pharma LP's addictive prescription painkiller OxyContin, capping a deal with federal prosecutors to resolve an investigation into the drugmaker's role in the... [Purchase Licensing Rights](#) , [opens new tab](#) Read more

- Judge postponed sentencing for more public participation
- Purdue assets will go to states, local governments and opioid victims
- Sentencing will clear the way for the bankruptcy settlement to proceed

NEW YORK, April 21 (Reuters) - A federal judge on Tuesday delayed the planned criminal sentencing of Purdue Pharma by one week, saying she wanted to allow more public participation before concluding a criminal case over the company's marketing of addictive opioid drugs.

U.S. District Judge Madeline Cox Arleo was expected to accept Purdue's 2020 guilty plea at a court hearing in Newark, New Jersey, which would have imposed a \$3.5 billion criminal fine and \$2 billion in criminal forfeiture against the company for its role in fueling an opioid epidemic that has claimed more than 1 million lives in the U.S. since 2000.

Arleo initially scheduled the hearing to occur on Zoom, but changed course during the proceedings and delayed it until April 28 after protesters and members

of the public showed up at court to participate in the sentencing hearing. One woman who joined the hearing remotely shouted, "This is not justice!" while the judge was speaking.

"In this plea, the single most important people that should be heard are the victims," Arleo said. "If the public and victims wish to be heard in person, I'm going to accommodate that."

Purdue did not immediately respond to a request for comment. The U.S. Department of Justice declined to comment on the delay.

The sentencing is one of the last steps before Purdue can complete a bankruptcy settlement that would dissolve the company and use its assets to pay [\\$7.4 billion](#) to those harmed by the opioid crisis.

Eight victims of the opioid crisis were scheduled to speak at the hearing, sharing their personal stories of suffering, loss and addiction. Some of the statements that were filed in court urged the judge to reject a plea deal that let company owners and executives escape prosecution.

Purdue reached the plea deal in 2020. Purdue admitted to charges that it aggressively marketed its products to doctors who were diverting the drugs for illegal use, defrauding the government by avoiding controls meant to reduce illegal opioid use, and paying kickbacks to doctors to boost its opioid sales. The company previously pleaded guilty to criminal charges in 2007, admitting that it misled doctors and federal regulators about OxyContin's risk of addiction and misuse.

Most of the criminal fines will go unpaid under an agreement with the Justice Department that allows Purdue to direct its remaining assets to repaying creditors, mostly state and local governments, which were left to deal with the cost and consequences of the opioid epidemic.

The federal government waived its right to repayment for all but \$225 million of the fines and penalties to allow Purdue to devote its assets to paying other opioid creditors, in the deal the Justice Department reached with Purdue after the company filed for bankruptcy in 2019.

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 is one of many drug manufacturers, distributors, pharmacy operators and others who have collectively in recent years agreed to pay about \$57 billion to resolve lawsuits and investigations by states and local governments accusing them of helping fuel a deadly opioid addiction epidemic in the U.S.

Reporting by Dietrich Knauth; Editing by Alexia Garamfalvi and Lisa Shumaker

Critical Mass With Law.com's Amanda Bronstad: 13 Lawyers Line Up to Lead Talc MDL's Next Phase, Jury Awards \$5K in Uber Sexual Assault Bellwether Trial

More than a dozen lawyers, including Mikal Watts and Christopher Placitella, applied to replace Beasley Allen's leadership role in the talc multidistrict litigation against Johnson & Johnson.

April 22, 2026 at 09:59 AM By  **Amanda Bronstad**



Welcome to Law.com Class Actions: Critical Mass, a weekly briefing for class action and mass tort attorneys.

This week: More than a dozen lawyers, including **Mikal Watts** and **Christopher Placitella**, applied to replace **Beasley Allen**'s leadership role in the talc multidistrict litigation against **Johnson & Johnson**. **Uber** lost the second federal bellwether trial over sexual assault, but the jury awarded diminutive damages. Find out who represents **JPMorgan Chase Bank** and **Bank of America** in class actions over the collapse of the **Goliath Ventures** cryptocurrency fund.

I'm **Amanda Bronstad**. Feel free to reach out to me with your input. My email is amanda.bronstad@alm.com. Follow me on [LinkedIn](#) or X: [@abronstadlaw](#).



Mikal Watts, partner at Watts Guerra poses Wednesday, April 13, 2016 at his office in San Antonio. Photographed for Texas Lawyer Magazine. Photo©Mark Sobhani Photography

‘Frustrated by Belated Procedural Interference’

More than a dozen lawyers, including [Mikal Watts](#) (**Watts Law Firm**), [W. Mark Lanier](#) (**The Lanier Law Firm**) and [Chris Placitella](#) (**Cohen Placitella**) applied to replace **Beasley Allen**’s leadership role in the talcum powder multidistrict litigation against **Johnson & Johnson**.

[Here’s my story](#) on the applications, which lawyers filed after **U.S. Magistrate Judge Rukhsanah Singh** of the **District of New Jersey** [disqualified Beasley Allen](#) last month, concluding that [Andy Birchfield](#) (**Beasley Allen**) violated several of New Jersey’s Rules of Professional Conduct when he partnered with a former Johnson & Johnson attorney to propose a \$19 billion talc settlement. That decision bumped [Leigh O’Dell](#) (**Beasley Allen**), who was named co-lead counsel in the talc multidistrict litigation 10 years ago along with [Michelle Parfitt](#) (**Ashcraft & Gerel**), from the leadership team.

Who's applying? Watts, who was instrumental in reaching a \$10 billion proposed settlement in 2024 through a Johnson & Johnson subsidiary's bankruptcy, which was later dismissed, teamed up with [James Onder](#) (**OnderLaw**), who, along with six other firms, represent more than 18,000 talc clients. Placitella has been liaison counsel for 10 years, and Lanier won a \$4.7 billion jury verdict in 2018 against Johnson & Johnson on behalf of 22 women with ovarian cancer, the largest talc award in the nation, which was upheld but lowered to \$2.1 billion. And [Dave Buchanan](#) (**Seeger Weiss**), whose partner [Chris Seeger](#) (**Seeger Weiss**) was appointed lead negotiation counsel last year in the talc multidistrict litigation, applied.

Of the 13 lawyers who applied, only three were women.

Other fights: Beasley Allen has appealed Singh's ruling to **U.S. District Judge Michael Shipp** of the **District of New Jersey**, while Johnson & Johnson has moved to revoke the firm's pro hac vice status in at least four state courts. Judges in [Pennsylvania](#) and Florida have granted those motions, but a California judge, who is overseeing the second bellwether trial in the coming months, did not. **Los Angeles Superior Court Judge Theresa Traber** cited multiple reasons, among them the lateness of Johnson & Johnson's filing, which she concluded was made for an "improper tactical purpose" because it came after the first bellwether [verdict of \\$40 million](#) on Dec. 12. She wrote:

"The bellwether process is intended to select and test the most representative and informative cases to guide the parties toward a global settlement, and that purpose is frustrated by belated procedural interference with the parties' chosen representation, regardless of whether there are actual grounds for disqualification. Moreover, the New Jersey appellate ruling, while informative, does not bind this court, and was decided under New Jersey law. California's law of attorney disqualification differs materially from that of other jurisdictions."



Sarah London, with Girard Sharp. Courtesy photo

‘It Can Be Highly Offensive’

A Monday verdict in **North Carolina** was the second to hold **Uber** liable for the sexual assault of a passenger by one of its drivers. But the award of \$5,000 pales in comparison to the [\\$8.5 million in damages](#) an **Arizona** jury came back with in the first bellwether trial against Uber on Feb. 5.

[Here’s my report](#) on this week’s verdict, which is part of the sexual assault multidistrict litigation against Uber that is coordinated in the **U.S. District Court** for the **Northern District of California**.

The plaintiff, Brianna Mensing, alleged that, during a 2019 ride in Raleigh, her Uber driver put his hand on her thigh and asked if he “could keep it with him” before she escaped out the passenger side door. Uber previously noted that the alleged incident was never reported to the company or law enforcement and came up three years later, when the lawsuit was filed. But the jury found that the driver, Jeffrey Richardson, committed battery against Mensing.

[Allison Brown](#) (**Kirkland & Ellis**) represented Uber against plaintiffs’ lead counsel [Sarah London](#) (**Girard Sharp**), [Rachel Abrams](#) (**Peiffer Wolf Carr Kane Conway & Wise**) and [Roopal Luhana](#) (**Chaffin Luhana**). [Ellyn Hurd](#) (**Simmons Hanly Conroy**), another member of the plaintiffs’ legal

team, said **U.S. District Judge Charles Breyer**, who is overseeing the multidistrict litigation, has scheduled back-to-back bellwether trials for Sept. 14 in San Francisco.

The plaintiffs' team had picked the Arizona case, but the North Carolina case was Uber's pick for a bellwether, she said.

"This is a very big win on liability," she told me. "Uber picked its very best case to be tried first, and they lost."

[Billy Cooper](#) (**Billy Cooper Law**), who is following the trial, said he wasn't surprised to hear that, during the [trial](#), which began April 15, Uber's lawyers brought up the plaintiff's drug use.

He told me:

"The theory forever, whether it's a sexual assault case or a pedestrian case or someone is a passenger and injured in a collision, is to cast that person in a negative light, that they shouldn't be believed, and they're somehow responsible or contributed in some form. Frankly, it can be highly offensive, and clearly, in this case, Uber thought or believed if we go to this conservative jurisdiction and we have a touching, as opposed to actual sexual assault, and someone with a history of drinking or drug use, that will all add up and be in our favor, and we can shout from the rooftops, 'Look, we won, we proved we're not responsible.' Even that failed."



Who Got the Work?

[Elizabeth McKeen](#) (O'Melveny & Myers) and [Matthew Silveira](#) (Jones Day) stepped in for **Bank of America** and **JPMorgan Chase Bank**, respectively, in [investor lawsuits](#) filed over the collapsed **Goliath Ventures** cryptocurrency fund, according to the **U.S. Judicial Panel on Multidistrict Litigation**. The suits allege [the banks](#) enabled a \$328 million Ponzi scheme led by CEO **Christopher Delgado**, who faces federal wire fraud and money-laundering charges. Plaintiffs have moved to coordinate three class actions against the bank defendants into multidistrict litigation in the **U.S. District Court** for the **Northern District of California**. But they excluded cases against other defendants, such as **Alston & Bird**, which faces a [legal malpractice suit](#) over its work with Goliath.

Here's what else is happening:

Zantac Recusal: Philadelphia Court of Common Pleas Judge Joshua Roberts refused, again, to recuse himself from the **Zantac** litigation due to his wife's connection to **Blank Rome**, where she began working as a partner in 2025. Blank Rome represents one of the defendants, **Apotex**, in a separate Zantac case, but, [according to Roberts](#), not the case before him. **Keller Postman**, who lost a previous recusal attempt in 2024, when Roberts' wife worked for **Reed Smith**, the defense firm for Zantac manufacturer **GlaxoSmithKline**, wanted the judge removed the second time in a case brought by Roberto Jimenez and other plaintiffs.

Class Actions: Class actions [surged to a 10-year high](#) in 2025 due to a dramatic spike in consumer protection claims, particularly involving data breaches. **Lex Machina's 2026 Class Action Litigation Report**, published this month, cited 7,650 consumer class actions filed in federal courts in the last year, a 40% increase from 2024. That prompted the total number of class actions filed in 2025 to reach 12,284, compared to 9,847 in 2024, the first surge since 2016. In addition to data breaches, class actions brought under California's privacy statutes contributed to the uptick in 2025, according to the report.

Meta Miss: The **Massachusetts Supreme Court** ruled this month that **Meta** [can be sued](#) over claims that it designed **Instagram** to addict young users and rejected its argument to avoid liability under Section 230 of the **Communications Decency Act**. **Massachusetts Attorney General Andrea Joy Campbell** filed the suit in 2023, one of several states that has sued Meta over social media addiction in America's youth under their consumer protection laws. Last month, a jury awarded \$375 million to the state of **New Mexico** in its case against Meta. In Massachusetts, Meta had appealed **Suffolk County Superior Court Judge Peter Krupp's** 2024 decision denying its defense

under Section 230, which protects tech companies from being sued over the content on their sites.

Thanks for reading Critical Mass! I'll be back next week.

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Judge keeps J&J talc bellwether trial on track amid pretrial disputes

DJ [dailyjournal.com/articles/390953-judge-keeps-j-j-talc-bellwether-trial-on-track-amid-pretrial-disputes](https://www.dailyjournal.com/articles/390953-judge-keeps-j-j-talc-bellwether-trial-on-track-amid-pretrial-disputes)

Judge Theresa M. Traber

A Los Angeles judge intends to keep next week's ovarian cancer talc trial against Johnson & Johnson on schedule despite mounting pretrial disputes, including disagreements over jury selection procedures and a last-minute bid by the plaintiffs to substitute a key medical expert witness.

The trial, with jury selection and mini opening statements set to begin April 27, marks the second in a series of bellwether cases in the coordinated proceeding before Superior Court Judge Theresa M. Traber.

Last year, attorneys at Robinson Calcagnie Inc. and Beasley Allen Law Firm secured a \$40 million jury verdict on behalf of two women who alleged Johnson & Johnson's talc-based products, including Baby Powder and Shower to Shower, caused their ovarian cancer.

The case is one of thousands of pending similar lawsuits in the coordinated litigation, which Johnson & Johnson continues to vigorously contest while maintaining that its products are asbestos-free. *Johnson & Johnson Talcum Powder Cases*, JCCP4872 (L.A. Super. Ct., filed Aug. 2, 2016).

At a final status conference for the second trial on Tuesday, Traber emphasized the tight timeline, noting that with prospective jurors set to appear next Monday, there was little flexibility to move the trial date pending the unresolved issues.

A central issue is the plaintiffs' ex parte application to replace expert testimony from Dr. William Longo, a senior environmental chemist at Gradient consulting firm who they say is unavailable due to conflicting trial commitments.

"We are taking baby steps in terms of resolving this issue," Traber told the parties, noting that her priority was to avoid prejudice to either side while also preventing a delay that could disrupt the schedule.

Represented at the hearing by Robinson Calcagnie, Inc. partner Daniel S. Robinson, the plaintiffs proposed using prior recorded testimony or designating a substitute expert.

However, the defense, represented by Kirkland & Ellis LLP partner Julia E. Romano, questioned whether the plaintiffs had made an adequate showing of unavailability and suggested alternatives, including using Longo's more recent testimony from a mesothelioma trial involving Johnson & Johnson.

Traber did not immediately rule, instead directing the parties to obtain and review available video testimony and continue meeting and conferring on an expedited basis to keep the upcoming trial on track.

Traber also addressed how expert testimony would be presented if Longo could not appear live, with the judge weighing concerns about potential prejudice from older deposition testimony against the risk that the plaintiffs could be left without a key witness. She indicated she would revisit the issue once additional materials are submitted.

Jury selection logistics were another major point of contention, with Johnson & Johnson's counsel urging the judge to use a written juror questionnaire similar to the one used in the first bellwether trial last year. Romano argued it improved efficiency and helped avoid biasing the panel.

Robinson opposed the approach, calling it unnecessary and time-consuming. He pushed for a more traditional voir dire led by the judge with direct questioning by the attorneys.

Under the defense's proposal, prospective jurors would appear Monday morning to complete questionnaires and hear mini openings, then return in the afternoon for voir dire.

The plaintiffs countered that the process used in the first trial took approximately a week and allow less time to present evidence. Robinson proposed beginning jury selection early next week without questionnaires, with the goal of opening statements by the end of the week.

Traber asked both sides to submit short briefs outlining their preferred approach and identifying key questions or topics for juror screening. She indicated she would make a ruling soon so the parties can prepare for trial Monday.

Robinson estimated the case would take 20 to 21 court days, including openings and closings, and said the plan is to have the case submitted to the jury by early June.

Additionally, Traber directed the parties to coordinate on jury instructions, trial exhibits and witness lists, and to provide her with updated materials highlighting any disputed issues from the prior bellwether trial.

Next week's trial will focus on claims by multiple plaintiffs alleging long-term use of Johnson & Johnson's talc-based products caused ovarian cancer. They will be represented by Robinson Calcagnie, Beasley Allen Law Firm and Wisner Baum LLP.

#390953

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Judge approves settlements for Hawaii children sickened by Navy jet fuel spill

 [courthousenews.com/judge-approves-settlements-for-hawaii-children-sickened-by-navy-jet-fuel-spill](https://www.courthousenews.com/judge-approves-settlements-for-hawaii-children-sickened-by-navy-jet-fuel-spill)

Jeremy Yurow

April 21, 2026

Members of the Oahu Water Protectors, outside a federal courthouse in Honolulu, display a banner supporting families suing the U.S. Navy over water contamination. (Keya Rivera/Courthouse News)

HONOLULU (CN) — A federal judge has approved settlements for 119 children whose families say they became sick after jet fuel from the Navy's Red Hill Bulk Fuel Storage Facility contaminated the drinking water supply at Joint Base Pearl Harbor-Hickam in November 2021.

U.S. District Judge Leslie Kobayashi [signed the order Monday](#), adopting without modification the findings of Magistrate Judge Kenneth Mansfield, who [issued his recommendation](#) April 2 after a videoconference hearing on the matter.

The settlements resolve claims by minors in two consolidated Federal Tort Claims Act lawsuits — *Feindt v. United States* and *Hughes v. United States* — brought against the federal government over the contamination event that affected roughly 93,000 people, including thousands of military families who reported symptoms ranging from headaches and rashes to vomiting and gastrointestinal illness after petroleum-laced water flowed from their taps.

The contamination traced back to a cascade of failures beginning in May 2021, when operator error caused a pipeline rupture at the facility, releasing more than 19,000 gallons of JP-5 jet fuel into a fire suppression line. The fuel sat there undetected for six months until a cart struck the drain line on Nov. 20, 2021, releasing the fuel into the groundwater and eventually into the Navy's drinking water system.

The settlements cover three minor plaintiffs in the *Feindt* case and 116 in the *Hughes* case. Gross settlement amounts range from \$5,000 to \$27,000, depending on the severity of each minor's claims, with net recovery amounts, after attorneys' fees, expenses and Hawaii general excise tax, falling between roughly \$3,311 and \$19,623.

Under federal law, courts must independently review settlements involving minors to ensure the outcomes protect their interests, regardless of whether parents or guardians have already signed off. Mansfield cited Ninth Circuit precedent

directing that courts evaluate each minor's payout on its own terms:

"Most importantly, the District Court should evaluate the fairness of each minor plaintiff's net recovery without regard to the proportion of the total settlement value designated for adult co-plaintiffs or plaintiffs' counsel — whose interests the District Court has no special duty to safeguard," Mansfield wrote, citing the standard from *Robidoux v. Rosengren*.

Comparing the settlements to outcomes from the earlier *Feindt* bellwether trial, where the District Court awarded minor plaintiffs between \$3,000 and \$5,000 each, Mansfield said the proposed amounts held up.

"In light of the facts of this case, the minors' specific claims and recovery in similar cases, the court finds that the settlements for the 119 settling minor plaintiffs are fair and reasonable," he wrote.

Because no party filed objections to Mansfield's recommendation within the required period, Kobayashi's order adopted it as the opinion of the court.

The bellwether trial, which involved 17 adult and minor plaintiffs and ran for about two weeks beginning in April 2024, resulted in a total award of roughly \$680,000.

[In that proceeding, the Barack Obama appointee found](#) that while the contaminated water could have caused many of the health problems the families described, the evidence fell short of establishing a direct causal link for each condition claimed. General damages for bellwether plaintiffs ranged from \$3,000 to \$75,000.

Thousands of additional claims from military family members, civilians and service members remain pending in federal court.

Attorneys Lyle Hosoda, Kristina Baehr, Frederick Baker and Cynthia Solomon represented the plaintiffs. Eric Rey and Alanna Horan appeared on behalf of the United States.

Representatives for the Department of Justice and attorneys for the plaintiffs did not immediately respond to requests for comment.

Plaintiffs in 2nd Uber federal bellwether case win much lower verdict

DJ [dailyjournal.com/articles/390939-plaintiffs-in-2nd-uber-federal-bellwether-case-win-much-lower-verdict](https://www.dailyjournal.com/articles/390939-plaintiffs-in-2nd-uber-federal-bellwether-case-win-much-lower-verdict)

John C. Taylor, a partner at Taylor & Ring

For the second time, plaintiffs won a verdict against Uber in the multidistrict litigation over allegations its drivers assaulted passengers, but the award was \$5,000 this time, compared with \$8.5 million in the first case.

In response to Monday's verdict, Uber pointed out that the North Carolina jury in this case found the company liable for battery and not sexual assault. The company said that it has a strong case on appeal.

According to John C. Taylor, a partner at Taylor & Ring who in 2025 tried the first state court bellwether case of a similar JCCP proceeding in Los Angeles, the smaller verdict is not necessarily a win for Uber.

"In this trial, the amount of damages that the jury was asked to consider ... was for the 24 hours after the assault," Taylor said in an interview Tuesday.

The second bellwether plaintiff was represented by Williams Hart & Boundas LLP and local counsel Sellers, Ayers, Dortch & Lyons, PA, which could not immediately be reached for comment. *In re: Uber Technologies, Inc., Passenger Sexual Assault Litigation*, 3:23-md-03084 (N.D. Cal., filed Oct. 4, 2023).

Unlike the first MDL bellwether trial, which took place in Arizona, the case on trial last week was selected by Uber, Taylor emphasized.

UC Law San Francisco professor David Levine described the allegations in the second bellwether case as "technically transitory battery," compared to the first trial, where the plaintiff alleged she was raped by her driver.

For the plaintiffs to win the \$5,000 verdict given the constraints on the damages and that Uber selected the case, "that's a great result," Taylor added.

However, Uber said in a statement, "The jury's award here should further bring these cases back to reality, as it represents a tiny fraction of previous demands. That said, we believe the jury was once again incorrectly instructed on the question of liability and have strong grounds for appeal on that important point."

More than a win or loss for either side, Levine said the verdict helps the parties set a range for settling the remaining claims in the MDL.

If the allegations are closer to those in the second bellwether trial, where the plaintiff alleged her driver put his hand on her leg and made an inappropriate comment, Monday's verdict could be a starting point for settlement talks, Levine said. For allegations of rape, any settlement talks would have to consider the \$8.5 million verdict in Arizona in February.

Before the second trial, Senior U.S. District Judge Charles R. Breyer granted the plaintiffs summary judgment on the question of whether Uber was liable, should the jury find an assault took place. He based the decision on duties of a common carrier under North Carolina law. Because each bellwether trial took place near the alleged incident, Breyer presided over the trials from North Carolina and Arizona as opposed to his normal San Francisco courtroom.

According to Arash Homampour, a Los Angeles area plaintiffs' lawyer, Breyer's liability ruling likely played a role in the verdict.

"Liability flowed from a pretrial ruling classifying Uber as a common carrier under North Carolina law, based on Uber's holding itself out as a transportation provider, its control over ride matching and routes, and its responsibility for passenger safety," said Homampour, who was not involved in the case. "Common carrier status carries a non-delegable duty to transport passengers safely, so the jury had only to decide whether the battery occurred," Homampour said.

"The ruling and result now stand as a roadmap for the thousands of cases pending in the MDL," Homampour predicted.

In the Arizona case, the plaintiff didn't move for summary judgment. The jury found Uber liable on the plaintiff's claim that the driver was an apparent agent of the company, even if the company classified him as an independent contractor.

The North Carolina ruling rests on a slightly different theory: that Uber owes a heightened duty to passengers as a common carrier. Levine said this hits the heart of rideshare companies' business model.

"The whole Uber, Lyft model is, 'It's not us,'" Levine said.

While different states may have different answers to the question of Uber's common carrier status, Levine said Breyer's ruling in North Carolina will likely apply in most states.

"Breyer apparently ruled under North Carolina law ... and technically you'd have to do a ruling state by state," Levine said. "But it's probably not very different from place to place."

Levine also said he doesn't see the ruling being overturned on appeal so easily.

"Judge Breyer must think he's got a pretty strong case to make the ruling that he did," Levine said.

Taylor also said the outlook isn't getting any better for Uber, with a plaintiffs' pick coming up as the next bellwether trial. Going forward, Uber will struggle to find more favorable cases than the one decided Monday, he said.

"For Uber to try and spin either of these cases as wins or good results for them is wishful," Taylor said.

#390939

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Litigation

Manage Newsletters

Deep Dive

Second Uber Assault Loss Signals Platform Liability Reckoning

April 22, 2026, 9:58 AM PDT

A federal jury verdict earlier this week holding Uber Technologies Inc. liable in a sexual battery case adds to a list of major losses for technology companies, indicating a broader reckoning for platforms.

A North Carolina federal jury found the ride-share company responsible for the battery committed by a driver who placed his hand on a female passenger's thigh, and awarded her \$5,000 in damages. It was the second loss for Uber in a federal case based on passenger sexual assault.

In the first, an Arizona federal jury awarded \$8.5 million in damages to a woman who said her Uber driver raped her.

Both were bellwether trials that will shape how thousands of similar lawsuits will be resolved.

The two losses send a "powerful signal" about the risks Uber faces going forward, said Nora Freeman Engstrom, a professor at Stanford Law School.

"Uber is now 0-for-2 in federal bellwether trials. That is a striking result, especially because plaintiffs in mass-tort litigation often lose early, then gain traction as they learn the defendant's playbook," Engstrom said.

She noted that the North Carolina case was supposed to be one of the company's stronger cases. "For plaintiffs, this has to be enormously encouraging. For Uber, it's ominous."

The verdicts show that juries are receptive to the idea that platforms have responsibilities to consumers, said Adam Zimmerman, a law professor at USC Gould School of Law.

"The most important thing" about the cases "is not the damages amount, but just that courts and juries are receptive to the claim and willing to say that, regardless of the individual circumstances of the plaintiffs bringing the claim, a platform like Uber owes a responsibility to consumers for the actions of the people who are driving the cars and are willing to find that at least on some level there's something wrong with the amount of protection that Uber is providing people," he said.

Platform Liability

Uber's losses are "a historic moment," said Carrie Goldberg, the founder of C.A. Goldberg PLLC, a law firm that specializes in suing technology companies.

They come amid of verdicts against Meta and Google in landmark trials over the safety of their social media platforms. In a first-of-its-kind trial, a jury in March found Meta and Google negligently designed and operated their platforms and should have warned their products could be dangerous to minors. The same week, a New Mexico jury found Meta liable for misleading teens about the safety of its platforms despite knowing they were becoming breeding grounds for sexual predators.

The Uber verdicts and the social media verdicts show that “there’s a tidal shift and juries are not looking kindly to the platforms,” Goldberg said. “Those days are over where there was just the knee-jerk reaction to give these companies immunity.”

She added that the technology companies “now have no choice but to make their products safer, and that’s the biggest social win here.”

Zimmerman said that using mass torts as a mechanism to handle platform regulation reflects that regulatory and legislative systems haven’t been able to keep up with technological development.

The mass tort system and multi-district litigation have “almost become regulatory agencies themselves” in the way they explore people’s behavior and the way settlements aren’t only compensating people but requiring certain reforms, he said.

For example, with Uber, because the technology can “recreate essentially a mass transit system,” analogies are being made to older systems in a way that looks a lot like regulation, Zimmerman said.

‘Early Innings’

The Uber litigation is also part of a larger trend of sex assault claims arising through mass torts, Zimmerman said.

“This is a relatively new phenomenon” that started about a decade ago, Zimmerman said. Typically, sexual assault cases didn’t arise through mass torts because the circumstances are so individualized. “But increasingly as we’ve paid more attention to the role that organizations play in either facilitating or assuming the role in being able to stop it, we’ve seen an enormous rise in sexual assault mass torts.”

Uber is likely to appeal these decisions and argue it has no legal duty to the victims in these cases, Zimmerman said.

There’s a lot more that has to happen before it’s all resolved, including more appeals decisions and potentially even a US Supreme Court decision clarifying whether Uber owes a duty to end users of the technology, he said.

And notably, Uber won a sexual assault trial in California state court last year. There, the passenger said her driver groped her and alleged the company didn’t implement sufficient practices, such as mandatory dash cams, to promote passenger safety. The jury found Uber negligent, but also held the negligence wasn’t a substantial factor in causing harm to the plaintiff.

"It's very early innings of this litigation," Zimmerman said. "If history is any guide, usually these types of mega mass torts are not resolved in months, they're resolved in years."

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Roblox agrees to \$12.2 million child safety settlement in Alabama

 [courthousenews.com/roblox-agrees-to-12-2-million-child-safety-settlement-in-alabama](https://www.courthousenews.com/roblox-agrees-to-12-2-million-child-safety-settlement-in-alabama)

Gabriel Tynes

April 21, 2026

A laptop showing Roblox's sign up page (Oberon Copeland via Unsplash)

MONTGOMERY, Ala. (CN) — Alabama Attorney General Steve Marshall announced Tuesday that the state has reached a first-of-its kind settlement with Roblox Corporation that will force the popular online gaming platform to roll out major new protections for children, while paying up to \$12.2 million.

"This is about is the young people that stand here to my right, making sure they have an opportunity to engage online in a way that's consistent with their parents' wishes, but also removes the threat from outside predators trying to do bad things," Marshall said during a news conference where he was flanked by law enforcement professionals, parents and school children.

The agreement resolves the state's concerns about how Roblox protects its youngest users from strangers, inappropriate content and other online risks, but absolves the company of any wrongdoing.

Under [the four-year deal](#), Roblox must make several big changes immediately: By May 1, every new or existing user will have to verify their age with something stronger than just typing in a birthday. Roblox will use facial-age estimation or government ID checks before anyone can use chat features.

Once age is verified, Roblox will block private chats between adult users 18 and older and users under 16 unless the adult is on the child's small list of "trusted friends" approved by a parent. The company will also keep sending clear warnings to kids the first time they start a private chat, reminding them about talking to strangers and taking conversations off the platform. Those reminders will come at least every three months.

Roblox will also create a "default content mode" for users under 16 with access only to games and content that has been screened and rated as appropriate. Experiences labeled for adults or marked "restricted" will be off-limits to minors. Developers who lie about their game's content will face warnings, removals or account bans.

Chief Counsel Katherine Robertson, who helped negotiate the settlement for the state, noted Roblox will use facial recognition features tested and approved by the state, while all messages between adults and children will remain un-encrypted.

"My takeaway from this as a mom is that Roblox is meeting parents halfway, but there is still an extremely important role for parents to play," she said, encouraging parents to be more engaged with their children's online activities. "This platform, like any platform that is internet accessible, is always going to have to deal with emerging threats. And if it's not Roblox, it's going to be another one."

New tools for parents will arrive by July 1, allowing administrators of child accounts to monitor chats, connections, spending, time online and content accessed. Roblox will also push families to link accounts and will block personalized ads for all users under 16.

The company also agreed to publish yearly transparency reports on content moderation and safety improvements, train Alabama law enforcement and share some of its safety technology with the public. Roblox agreed to continue reporting serious threats to police and the National Center for Missing and Exploited Children.

Money from the settlement — \$5.7 million in the first year, then \$2.5 million each of the next two years, and \$1.5 million in year four — will go into the attorney general's Safe School Initiative Fund. That money can pay for online-safety education, enforcement, and other public-protection programs.

If Roblox breaks key promises, the state can demand up to \$5 million in extra "liquidated damages," with the amount dropping each year.

The deal also includes a "most-favored-nation" clause: if Roblox gives another state better safety rules or bigger payments in the next four years, Alabama automatically gets the same upgrades. The agreement takes effect immediately and runs through 2030 unless extended.

Marshall said the platform has an estimated 100,000 regular users in Alabama.

"We think we have created a framework that can be mirrored by states across the country that will not only protect Alabama's children, but will protect America's kids," he said. "We have no tolerance for child exploitation and we will take action and deliver results when we see that Alabama's children are engaged in vulnerable activity."

Marshall noted the state has a similar ongoing lawsuit against TikTok, but he did not provide an update. Elsewhere in the nation, Roblox is facing similar lawsuits in [Iowa](#), [Florida](#) and [Texas](#), among other states. The company is also under fire for allowing minor children to essentially [gamble with real money](#).

Roblox did not immediately return a request for comment.

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- [Environmentalists sue feds to protect endangered California fish](#) April 21, 2026

State Supreme Court Affirms Historic \$56M Punitive Damages Verdict Against Big Tobacco

"The relationship between the remitted punitive damages award and comparable civil penalties is appropriate. The remitted award serves the goals of punishing Philip Morris's conduct and deterring similar future acts while comporting with due process," the Massachusetts Supreme Judicial Court said.

April 22, 2026 at 09:26 AM By  **Marianna Wharry**



Credit: Fotolia

Massachusetts' high court upheld one of the [largest punitive damages award](#) in state history on Wednesday, rejecting Philip Morris USA's claims that a \$56 million punitive damages award against the tobacco company was jury bias influenced the award.

The ruling stems from a wrongful death suit Armand Fontaine filed against Philip Morris in 2020, alleging the company concealed the hazards of smoking and negligently designed the Marlboro and Parliament cigarettes his wife Barbara smoked for decades before she died from lung cancer

in 2017. A Middlesex Superior Court jury returned a \$1 billion punitive damages award in Fontaine's favor in September 2022, along with an \$8 million compensatory damages award. Judge Shannon Frison reduced the punitive damages to \$56 million and kept the compensatory damages award as is.

At issue before the Massachusetts Supreme Judicial Court was whether the \$1 billion in punitive damages was unconstitutional or the result of juror prejudice. Scott Chesin of Shook, Hardy & Bacon argued that jurors knew of Philip Morris's "substantial wealth" during the trial since they were informed that the tobacco company is valued at \$3 billion and took in \$20 million in profits daily.

The seven-judge panel unanimously said the company's long-running misconduct supported the significant penalty.

"Based on our review of the three guideposts, we uphold the judge's remittitur of the punitive damages award to \$56 million," Judge Gabrielle Wolohojian wrote for the panel. "The extreme reprehensibility of Philip Morris's conduct clearly justifies a punitive damages ratio toward the upper end of the single-digit range. The compensatory damages award, while large, is not so substantial in comparison to the harm suffered as to require further remittitur. And the relationship between the remitted punitive damages award and comparable civil penalties is appropriate. The remitted award serves the goals of punishing Philip Morris's conduct and deterring similar future acts while comporting with due process."

The high court [heard oral arguments](#) from the parties in November and seemed skeptical of ordering a new trial. Philip Morris asked the court for the "extraordinarily rare remedy" of granting a new trial to overcome the passion and prejudice it believes motivated the initial jury's award.

Celene H. Humphries, an appellate attorney from Spring City, Tennessee, represented Fontaine.

Scott A. Chesin, of Shook, Hardy & Bacon in New York, represented Philip Morris.

The attorneys could not immediately be reached for comment.

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California Brief

Insight

Thomas Unlocks Doors to Federal Courts for Suits Against Big Oil

April 22, 2026, 1:30 AM PDT

The US Supreme Court cleared some brush on the path to federal court for private parties pursuing federal goals in a transformational and unanimous 8-0 opinion Friday. The case also serves to dissuade states from bringing cases based on corporate conduct retroactively, when the federal government previously sanctioned the activity.

At issue in *Chevron USA Inc. v. Plaquemines Parish* was the interpretation of the federal officer removal statute, 28 US Section 1442(a)(1), which authorizes removal of state-court suits against federal officers or persons “acting under” them “for or relating to any act under color of such office.”

The Supreme Court clarified that, under this statute, private party defendants have rights to have their claims heard in federal court if the claimed harmful actions even indirectly “relat[e] to” acts or decisions closely connected to the performance of federal duties, including performance under federal contracts or in meeting federal directives and priorities.

Consequently, Chevron can now remove a slew of 42 state court lawsuits brought by Louisiana parishes against it dating to filings as far back as 2013. The cases allege that Chevron and other oil and gas companies, through energy production activities including those relating to federal contracts and demands, are responsible for coastal land loss and increased hurricane vulnerability. The lawsuits seek damages and remediation funding.

As I’ve written before, “Louisiana is becoming a battleground for lawfare,” with its governor and the state attorney general’s office supporting the plaintiffs “advancing creative lawsuits for ‘land loss’—cases that are pressing courts to accept tenuous theories of liability.”

In the opinion Friday, the Supreme Court held that the statute allows removal of these cases to federal court because the federal government has encouraged Chevron’s and others’ crude-oil production, including the refinement of crude oil into aviation gasoline necessary to fuel US military efforts to win World War II.

With implications beyond the facts of this case, the Supreme Court's textualist interpretation of the statute concluded that the "phrase 'relating to' sweeps broadly" and one "thing can relate to another even if the connection is 'indirect.'"

Justice Clarence Thomas, who wrote the majority opinion, elaborated that a strict causal relationship wasn't required for removal. "One thing can relate to another even if it was 'not specifically designed to affect' it," he wrote.

Applying the interpretation to the facts, the Supreme Court concluded that "Chevron has plausibly alleged a close relationship between its challenged conduct and the performance of its federal duties—not a tenuous, remote, or peripheral one."

Justice Ketanji Brown Jackson concurred but would have preferred a test with a stricter causal requirement. Yet here, she found that the actions of Chevron at issue in this case triggered the federal removal statute because they met her stricter standard for "relating to."

The Supreme Court's ordinary meaning analysis wasn't just a sound textualist interpretation. It was also a decision that supports the purposes of the federal officer removal statute. Plaintiffs shouldn't be permitted to file lawsuits in state court that attempt to undermine or punish those who advance federally authorized or encouraged activities within the federal government's constitutional authority.

Federalism isn't a system of states' rights. We have a constitutional system of carefully allocated powers, duties, and obligations between the states and the federal government.

Within it, the federal government can do things like set energy and wartime policies. The federal removal statute guards the allocation by ensuring that state courts can't be used to even potentially frustrate actions that, within the careful distribution of power, are in the federal government's bucket.

After Friday's decision in *Plaquemines Parish*, federal contractors of all types—not just energy companies—doing work at the direction of the federal government can now have more appropriate protection in litigation based on past conduct.

The Louisiana parish cases will now proceed in federal court, likely with dispositive motions before reaching the merits. There are myriad reasons the federal court should dismiss these cases outright, including the due process retroactivity claims and other defenses.

But if it gets to the merits, these cases represent agenda-driven attacks on energy more than they do credible claims of wrongdoing. The real causes of the coastal erosion and land loss aren't the companies' energy activity, but more realistically the re-direction of the levees, weather events and storms, and other natural causes.

One can only hope that the federal courts will recognize those infirmities, lest the destructive signal be sent that what is lawful today might, with changing winds, be recognized as generating liability tomorrow. An embrace of retroactive liability would be an attack on the rule of law that creates systematic disincentivizing of productive activity and innovation.

While Justice Thomas' opinion and analysis in *Plaquemines Parish* itself isn't about the illegitimacy of imposing retroactive liability, the facts he lays out clearly indicate the lawfulness, utility, and national defense necessity of Chevron and other oil producers and refiners in Louisiana during World War II.

One cannot read those facts and logically think that the actors should now be punished for what they did. While not the main tune of the decision, the retroactivity concern sings from its pages.

The case is *Chevron USA Inc. v. Plaquemines Parish*, U.S., No. 24-813, decided 4/17/26 .

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Shell Hit with Second Climate Lawsuit in the Netherlands

A successful outcome for Dutch NGO Milieudefensie would mark the first time a company has been compelled by a court to reduce its emissions in line with the 2016 Paris Agreement.

April 22, 2026 at 09:27 AM By  **Linda A. Thompson**



Credit: zhengzaishanchu/Adobe Stock

Shell is facing a second Dutch climate lawsuit brought by NGO Milieudefensie demanding the U.K. oil and gas giant curtail its greenhouse gas, stop drilling for additional oil and gas fields, and meet Paris Agreement emissions targets.

Milieudefensie is being advised by boutique firm Paulussen Advocaten, while Shell's legal representation remains unclear. In previous proceedings, Shell turned first to Dutch stalwart De Brauw Blackstone Westbroek before switching to Clifford Chance, where partner Daan Lunsingh Scheurleer led the defence.

The latest summons demands that Shell stop bringing additional oil and gas fields into production, and that it progressively reduce emissions with interim 2035, 2040 and 2050 targets in line with the reductions foreseen under the 2016 Paris Agreement. It was filed before an Amsterdam court yesterday.

If the Dutch NGO succeeds, it would mark the first time that a company is compelled by judges to reduce its emissions in line with the 2016 Paris Agreement, which commits the nations that signed the deal to limit global warming to 1.5 degrees Celsius.

Milieudefensie previously also convinced a court to order the Dutch government to bring down its greenhouse gas emissions in a separate, landmark 2015 judgement.

A Shell spokesperson referred to a statement on the company's website, which said the claim repeated several arguments previously dismissed by a Dutch appeals court.

The latest case bases its legal arguments on some of the appellate judges' reasoning in the first case [brought by Milieudefensie](#) and other NGOs. In that case, a Dutch court in 2021 ordered Shell to cut carbon emissions by 45% from 2019 levels by 2030. After that judgement, Shell switched counsel, dropping De Brauw for Clifford Chance.

The first Shell case will be heard by the Dutch Supreme Court on May 22.

Shell has previously [retained](#) other law firms including Norton Rose Fulbright for an environmental lawsuit involving oil spills in South Africa, and Slaughter and May for a U.K. case that sought to hold Shell's directors personally liable for alleged climate risk mismanagement.

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Microsoft must face \$2.8 billion UK lawsuit over cloud computing licences

 [reuters.com/sustainability/boards-policy-regulation/microsoft-must-face-28-billion-uk-lawsuit-over-cloud-computing-licences-2026-04-21](https://www.reuters.com/sustainability/boards-policy-regulation/microsoft-must-face-28-billion-uk-lawsuit-over-cloud-computing-licences-2026-04-21)

Reuters

April 21, 2026

A view shows a Microsoft logo at Microsoft offices in Issy-les-Moulineaux near Paris, France, March 21, 2025. REUTERS/Gonzalo Fuentes/File Photo [Purchase Licensing Rights](#)  , [opens new tab](#)

[\(MSFT.O\)](#)  , [opens new tab](#) must face a mass lawsuit alleging it overcharged thousands of British businesses to use Windows Server software on cloud computing services provided by Amazon, Google and Alibaba, a London tribunal ruled on Tuesday.

Competition lawyer Maria Luisa Stasi is [bringing the case](#) on behalf of nearly 60,000 businesses that run Windows Server on rival cloud platforms. Her lawyers have previously said the claim was worth up to 2.1 billion pounds (\$2.8 billion). They [argued](#) at a hearing last year that the businesses were overcharged because Microsoft charges higher wholesale prices for Windows Server than for users of Azure, costs that are passed on to customers and make Azure cheaper than Amazon's AWS [\(AMZN.O\)](#)  , [opens new tab](#) or Google Cloud [\(GOOGL.O\)](#)  , [opens new tab](#).

Microsoft said Stasi's case failed to set out a workable method for calculating any alleged losses and should be thrown out.

But London's Competition Appeal Tribunal certified the case to proceed towards trial, an early step in the proceedings.

A Microsoft spokesperson said they planned to appeal against Tuesday's decision. "We also dispute the underlying allegations by the class representative (Stasi), and today's decision makes no final determination on those claims," the spokesperson said.

Stasi said in a statement that the ruling was "an important moment for the thousands of organisations impacted by Microsoft's conduct".

Microsoft argued at last year's hearing that its vertically integrated business model - using Windows Server as an input for Azure while also licensing it to rivals - can benefit competition.

Regulators in [Britain](#), Europe and the [U.S.](#) are separately examining the practices of Microsoft and other firms in cloud computing.

Last July, an [inquiry group](#) from Britain's Competition and Markets Authority said Microsoft's licensing practices reduced competition for cloud services "by materially disadvantaging AWS and Google".

Microsoft said at the time the report had ignored that "the cloud market has never been so dynamic and competitive".

Last month, the CMA said it would again investigate Microsoft's software licensing practices in the cloud market.

Reporting by Sam Tobin. Editing by Mark Potter

UK Consumer Class Actions Regime Set for Shake-Up

Lawyers react as the Law Commission announces a new project that will examine the current framework, and will consider the impact of introducing a new regime.

April 22, 2026 at 04:11 AM By **Oscar Glyn**



Credit: Cagkan Sayin/Adobe Stock

The U.K. government is considering making sweeping reforms to the consumer class action regime, with a view to improving consumers' access to redress and proportionate litigation costs.

The Law Commission's project, sponsored by the government's Department for Business and Trade, will examine 'effective enforcement' and consider the introduction of a consumer class actions regime which lawyers and funders have welcomed.

If the project concludes that a new regime would be beneficial, it will make recommendations as to the design. One of the key tenets of the project is "improving consumers' access to redress" and

"ensuring damages are distributed to the affected class".

It will also consider whether a regime should be opt-in or opt-out.

Professor Solène Rowan, commissioner for commercial and common law, said: "The Law Commission welcomes the opportunity to bring its expertise in evidence-based law reform to consumer class actions.

"The project will examine the benefits and risks of introducing a consumer class actions regime and make recommendations as to how such a regime might operate."

The project will review the current regime in the Competition Appeals Tribunal to see whether certain sectors face disproportionate litigation and assess the effectiveness of distribution of damages.

Matthew Felwick, a litigation, arbitration and employment partner at Hogan Lovells, said: "A generic class action was always rejected, but ultimately the CAT regime for competition claims was introduced. Since then, pressure has mounted.

"Even if a narrow definition of consumer law is ultimately recommended, many sectors and businesses would be facing increased litigation risk."

Neil Purslow, chairman of the executive committee of the International Legal Finance Association, welcomed the news, saying: "Consumers and small businesses too often lack a realistic route to hold corporate wrongdoers accountable. The opt-out collective actions regime, backed by litigation funding, is already beginning to demonstrate its value in the competition space through the Competition Appeal Tribunal."

Martyn Day, founder of Leigh Day and co-president of the collective redress lawyers association, called the move "timely and important" adding: "There is no doubt that a well-designed consumer class actions regime will strengthen access to justice and ensure better corporate accountability in this country."

The commission is seeking responses to a questionnaire before the end of October, with further engagement with individuals and organisation before the publication of a consultation paper.

Jeremy Marshall, chief investment officer at Winward Litigation Finance was positive about the news but pointed out the importance of litigation funding. He said: "For it to work in practice, it is vital that the Government recognises and protects the role of litigation funding, without which these claims can't be brought.

"Funding turns legal rights into real-world outcomes, providing justice for consumers and deterring bad corporate behaviour. They should have a good look at how funders and consumer groups have worked collaboratively in Australia."

A £2 billion class action against Microsoft has just been approved to go to trial as the company is accused of overcharging 59,000 U.K. businesses that have used its Windows server, with the CAT saying the claim "comfortably crosses the hurdle of having a real prospect of success."

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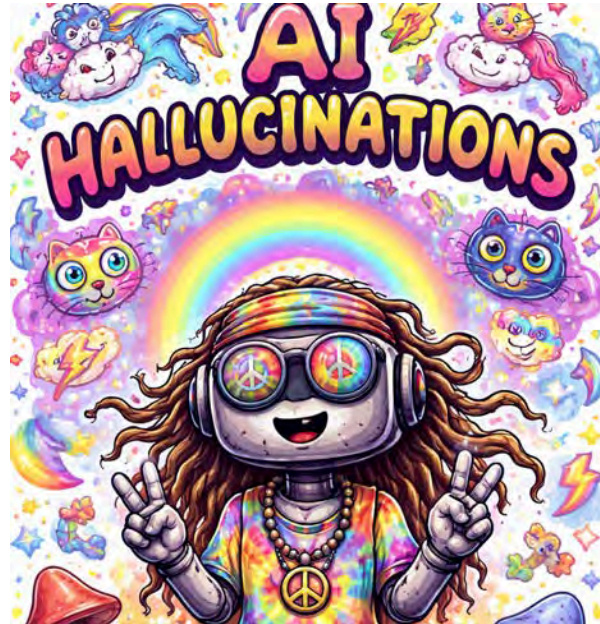
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Sullivan & Cromwell Files Emergency 'Please Don't Sanction Us For All These AI Hallucinations' Letter

A abovethelaw.com/2026/04/sullivan-cromwell-files-emergency-please-dont-sanction-us-for-all-these-ai-hallucinations-letter

Joe Patrice

April 21, 2026



There is a certain dark comedy in watching the law firm that advises OpenAI on its “[safe and ethical deployment](#)” of artificial intelligence rush to the federal bankruptcy docket seeking leniency after realizing they’ve filed a lengthy brief riddled with AI hallucinations. It doesn’t matter where on the Am Law 100 food chain you are, the AI psychedelic experience can come for anyone who lets their editorial standards slip.

In a letter dated Saturday, [Sullivan & Cromwell partner Andrew Dietderich wrote](#) Chief Bankruptcy Judge Martin Glenn of the Southern District of New York a letter that will live forever in the Biglaw Hall of Hilarity. Dietderich informed the court that he had learned on Thursday that the firm’s emergency motion in the Chapter 15 case of Prince Global Holdings — the BVI-incorporated husk of a [Cambodian forced-labor scam conglomerate](#) — had gotten high on its own supply of AI tools.

The inaccuracies and errors in the Motion include artificial intelligence ("AI") "hallucinations." "Hallucinations" are instances in which artificial intelligence tools fabricate case citations, misquote authorities, or generate non-existent legal sources. We deeply regret that this has occurred. The Firm maintains comprehensive policies and training requirements governing the use of AI tools in legal work. These safeguards are designed to prevent exactly this situation. The Firm's policies on the use of AI were not followed in connection with the preparation of the Motion. In addition, the Firm has general policies and training requirements for the proper review of legal citations. Regrettably, this review process did not identify the inaccurate citations generated by AI, nor did it identify other errors that appear to have resulted in whole or in part from manual error.

We hear a lot about the "safeguards" that lawyers put up around AI, but at the end of the day it feels like empty PR talk for "we like to think we're editing what we send out the door." Which, in fairness, is the ultimate safeguard. There are great tools out there designed to reduce the risk of a pernicious hallucination. And these tools will give lawyers a leg up when it comes to tamping down errors early. But there's no substitute for a junior having to print up the cases and do the meticulous checking... and then the midlevel doing *the exact same thing*. That's the manual review process the letter references. It's inefficient, but perfection isn't intended to be cheap and easy.

That is, in fact, why someone hires Sullivan & Cromwell in the first place.

Dietderich goes on to explain at some length — the firm has a whole program. Two required training modules. Tracked completions. Office Manual language instructing lawyers to "trust nothing and verify everything." Policies! Mandatory training! Verification requirements!

And yet.

This is what we're talking about when we say [AI is in the process of making lawyers dumber](#). In the earliest days of AI, it was easy to put all the blame on the human lawyers failing to maintain best editing practices. But as the technology advances and AI providers boast that they've automated more and more steps in the process, the human can enter the workflow later in the game and that can subconsciously undermine the editing approach. We don't know how automated the S&C workflow is, but it's all a continuum — once AI joins the workflow, the clock starts ticking on someone looking at fully artificially generated work product and taking a slightly lighter red pen to the output. Before long, that's going to miss something.

Schedule A to the letter catalogs the damage across the motion, the verified petition, the joint administration motion, the scheduling motion, and a couple of declarations — roughly 40 corrections. Some substantive, some less so, all embarrassing. The fixes include wrong pin cites, wrong volume numbers, parenthetical quotes that just... aren't in the cases.

¶ 27	... See <i>In re Three Arrows Cap., Ltd.</i> , 2022 WL 17985951, at *7; <i>In re BYJU's Alpha, Inc.</i> , 2024 WL 1455586, at *5 8 (Bankr. D. Del. Apr. 3, 2024), aff'd , 2024 WL 3474561 (D. Del. July 18, 2024) . . .
¶ 33	... <i>In re Soundview Elite Ltd.</i> , 503-543 B.R. at 589 78, 117, 119-20 (Bankr. S.D.N.Y. 2016) (“ The finding irreparable harm here is the where there was a risk that the estate’s assets will would be dissipated or otherwise placed beyond the reach of this Court, such that any relief awarded at a later time would be meaningless. ”); <i>In re BYJU's Alpha, Inc.</i> , 2024 WL 1455586, at 6-7 *1, *10 (Bankr. D. Del. Apr. 3, 2024), aff'd , 2024 WL 3474561 (D. Del. July 18, 2024) . . .
¶ 34	... See <i>In re Three Arrows Cap., Ltd.</i> , 2022 WL 17985951, at 10-11 (“ Where the foreign representatives lack information regarding the debtor’s assets and their location, provisional relief is appropriate to ensure that estate property can be identified and preserved. ”); <i>In re Team Sys. Int’l, LLC</i> , 2023 WL 1428572, at *8-12 (injunction warranted where defendants’ conduct “obscured the disposition of estate assets and frustrated the trustee’s ability to determine their location gave “cause for concern” that it “may move or conceal assets” ”) . . .

Build all the AI policies you want, but there is no substitute for having a human — preferably multiple humans — print everything out, take a ruler and a red pen, and go line by line cross-checking everything. It's tedious work for the lawyers and expensive work for the clients, but it's better than having to write... *this letter*.

This is not a Sullivan & Cromwell problem. This is a profession problem. We have been [covering AI hallucination sanctions](#) cases so relentlessly that [Damien Charlotin has now catalogued over a thousand of them](#). Tools like [BriefCatch's RealityCheck](#) exist specifically because firms can't be trusted to run this validation themselves. The problem cuts across the law firm equivalent of class lines. It's not just overwhelmed solo practitioners or overeager mid-tier firms looking to punch above their weight. Every firm will deal with this soon enough. They can either accept that using AI on the front end doesn't alleviate the back end labor or they can accept writing letters to judges after the fact.

One last thing. The errors in the Chissick Declaration include Bluebook-style corrections to citations of Amnesty International and UN human rights reports about forced labor and trafficking in Cambodia. Those aren't AI hallucinations, but the simple human mistakes that arise from embracing the unhinged rules memorialized in the Bluebook. But they are a reminder of what this case is actually about: people held behind barbed wire and forced to run pig-butcher scams. The JPLs are trying to trace billions of dollars in crypto to make victims whole. They need a recognition order to do it. And they lost a couple of weeks of runway because S&C didn't check its work.

(Check out the full letter on the next page...)

Earlier: [Has AI Managed To Make Lawyers Even Dumber?](#)

[Biglaw Firm 'Profoundly Embarrassed' After Submitting Court Filing Riddled With AI Hallucinations](#)

[Am Law 100 Firm Accused Of Filing Brief Riddled With AI Hallucinations... AGAIN!](#)

[Prosecutorial Error: 'AI Hallucinations' Are Popping Up In Criminal Cases](#)

[New Tool Catches AI Hallucinations In Legal Briefs](#)

[Understanding AI Hallucinations: Making Sure You Don't End Up At The Wrong Stop](#)

[Legal AI Might Be Accurate... And Still Not *Right*](#)



Joe Patrice is a senior editor at Above the Law and co-host of [Thinking Like A Lawyer](#). Feel free to [email](#) any tips, questions, or comments. Follow him on [Twitter](#) or [Bluesky](#) if you're interested in law, politics, and a healthy dose of college sports news. Joe also serves as a [Managing Director at RPN Executive Search](#).

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Legal services**Elite law firm Sullivan & Cromwell admits to AI 'hallucinations'**

Firm whose partners bill more than \$2,000 per hour apologises to judge for software-driven errors in bankruptcy case



Sullivan & Cromwell says the firm's policies on the use of AI had not been followed when the document was prepared © David Dee Delgado/Reuters

Sujeet Indap and Kaye Wiggins in New York

Published YESTERDAY



Sullivan & Cromwell told a US federal bankruptcy court that a major filing it made in a high-profile case contained multiple “hallucinations” made by AI software.

Andrew Dietderich, the head of S&C's restructuring practice, apologised in a letter to New York federal judge Martin Glenn on Saturday for mistakes that included misquoting the US [bankruptcy](#) code and citing cases incorrectly in a court filing made on April 9.

"We deeply regret that this has occurred," he said in the letter.

Dietderich said the firm's policies on the use of [AI](#) had not been followed when the document was prepared, and it was considering whether it needed to make "further enhancements" to its internal training and review processes.

The letter did not say which lawyers prepared the documents or whether they were still at the firm. [S&C](#) declined to comment.

The errors are the latest example of a professional services firm grappling with the use of cutting-edge technology to speed up laborious research and cut down on staffing while also trying to maintain quality standards.

The case in question revolves around S&C's representation of liquidators appointed by legal authorities in the British Virgin Islands who are pursuing actions against Prince Group and its owner Chen Zhi.

US federal prosecutors last year charged Zhi with wire fraud and money laundering, accusing him of "directing Prince Group's operation of forced-labour scam compounds across Cambodia . . . that stole billions of dollars from victims in the United States and around the world".

In a separate action, US prosecutors also filed a civil forfeiture complaint seeking to seize nearly \$9bn worth of bitcoin that the US authorities said represented the proceeds of the Prince Group crimes. Zhi was [arrested](#) earlier this year in Cambodia and extradited to China after a request from Beijing.

Prince Group is incorporated in the British Virgin Islands and the Chapter 15 proceeding in the US court system is designed to get the US government to formally recognise the powers of the BVI liquidators to represent creditors and victims in the US legal proceedings, liquidators told the court.

In multiple instances, S&C in the April 9 filing erroneously summarised the conclusions made in other cases, according to a list of strike-through corrections the firm submitted to the judge.

S&C has an enterprise licence for ChatGPT according to multiple people familiar with the firm's operations. According to S&C's website, at least five high-level partners have been assigned to the Prince Group bankruptcy case.

The firm's partners typically charge more than \$2,000 per hour in bankruptcy cases. The firm earned several hundred million dollars in fees in representing crypto exchange FTX in its bankruptcy liquidation.

Boies Schiller Flexner, the law firm representing Prince and Zhi, spotted the errors in S&C's filing. In a document filed last week, BSF said words that S&C had quoted in its motion "do not appear in chapter 15 of the US Bankruptcy Code" and pointed to "multiple cited decisions" that were "misquoted or misidentified".

It said a case cited by S&C in the motion "is not a case" and the reference was to "a different decision in a different circuit".

S&C told the court that the firm maintained "rigorous" standards when using AI tools and that it "instructs lawyers to 'trust nothing and verify everything'". Failure to verify AI-generated output "constitutes a violation of firm policy", it said.

It is the latest in a series of errors by law firms using AI tools. Last year, Latham & Watkins admitted that one of its lawyers had used Anthropic's Claude model to help draft a filing which contained an apocryphal title and author for a journal article.

In another instance, a federal appeals court in New Orleans ordered a \$2,500 sanction against a lawyer who had submitted a brief with 21 errors or fabrications that had been inserted by AI.

Separately, in September John Kucera, then a partner at BSF, said in a case against Amazon that a document for which he was responsible, prepared using AI tools, contained "material citation errors" due to his "failure to verify" details. "I am embarrassed by and very much regret these errors", he said in the filing. BSF did not respond to a request for comment.

S&C told the judge overseeing the Prince Group case that its document review also showed "non-substantive and/or clerical errors in other filings in this matter". The firm said those errors were made by humans, not AI.

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Sullivan & Cromwell Apologizes to Judge for AI Hallucinations

April 21, 2026, 1:28 PM PDT

A Sullivan & Cromwell lawyer apologized to a bankruptcy judge for filing documents with incorrect case citations caused by artificial intelligence.

The firm didn't properly review legal citations, Andrew Dietderich, co-chair of the firm's restructuring practice, told the judge. Sullivan & Cromwell didn't follow its protocols and is "evaluating whether further enhancements to its internal training and review processes are warranted," he said.

The apology April 18 followed the filing of the error-ridden documents 10 days earlier in the Southern District of New York's bankruptcy court before Judge Martin Glenn. A spokesperson for Sullivan & Cromwell declined to comment.



Listen to UnCommon Law

AI hallucinations have increasingly been showing up in filings in US courts, prompting judges in some cases to fine lawyers responsible for the errors. A database tracking such filings has more than 330 examples.

In the case with the errant filing, Sullivan & Cromwell represents the liquidators of Prince Global Holdings Ltd., a group of British Virgin Islands entities. The Justice Department indicted Prince Global's owner, Chen Zhi, in October for allegedly running an internet scam compound in Cambodia.

The Wall Street law firm's errant documents appeared to cite the wrong or fake cases and numbers and inaccurate titles of articles. Sullivan & Cromwell's April 18 filing included a red-line version of the earlier document correcting the errors, which in some cases involved the fixing of entire sentences.

Firm "safeguards are designed to prevent exactly this situation," Dietderich wrote in the new filing. "Regrettably, this review process did not identify the inaccurate citations generated by AI, nor did it identify other errors that appear to have resulted in whole or in part from manual error."

Dietderich said he also apologized to lawyers at Boies Schiller Flexner who alerted him to the errors. Matthew Schwartz, Boies Schiller's chair, is counsel to Chen, according to a court document.

A hearing in the case is scheduled for Wednesday. The corrected filing is at the top of the agenda.

The case is: Prince Global Holdings Limited and Paul Pretlove , Bankr. S.D.N.Y., 1:26-bk-10769, 4/18/26 .

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Attorney Slapped With Second Round of Sanctions Over Repeat AI-Generated False Citations

The judge said she was "appalled" by the attorney's conduct and warned that any similar violation in the future could prompt another sanction and a referral to the Pennsylvania Disciplinary Board.

April 22, 2026 at 12:51 PM By  **Riley Brennan**



Credit: Andrii/Adobe Stock

A New Jersey attorney is facing another round of sanctions after submitting yet another brief featuring nonexistent or false case citations, dubbed "AI hallucinations."

On [Monday](#), U.S. District Judge Kai N. Scott of the Eastern District of Pennsylvania sanctioned attorney Raja G. Rajan of Rajan Law Group in Cherry Hill, New Jersey, for including AI hallucinations in his briefs for a second time in the case captioned *Bunce v. Visual Technology Innovations*. The penalty comes months after Rajan was ordered to pay opposing counsel [nearly \\$79,000 in attorney fees](#) after bringing "nonsensical" counterclaims.

This week, Scott found that Rajan violated Federal Rule of Civil Procedure 11 after determining that he filed submissions containing fabricated and unsupported legal citations generated by AI. Scott concluded that the conduct was unreasonable and rejected Rajan's arguments that time pressure or opposing counsel's refusal to confer excused the errors. Scott emphasized that attorneys have a nondelegable duty to verify the accuracy of legal authorities, particularly when relying on AI tools.

"Any first-semester, first-year law student would know that a fundamental rule of lawyering—during litigation or otherwise—is to ensure that any authority to which a lawyer cites does indeed support the proposition for which he cites it. It therefore makes no sense that Mr. Rajan—a lawyer for nearly 40 years—failed to do so, even if he primarily focuses on 'business stuff' and relies on local counsel to manage court filings," Scott said.

In the underlying dispute, Scott ordered the defendants to turn over information about how a \$1 million loan from the plaintiff was spent. Rajan submitted heavily redacted documents, claiming the information was "sensitive," but the discovery was not filed under seal. In 2025, Scott [found](#), in part, that Rajan defied the court's order and ordered him to pay about \$16,000 in opposing attorney fees, \$2,500 for AI hallucinations, and to attend educational programming after he admitted to using ChatGPT in two filings.

After the underlying litigation concluded, plaintiff Mark L. Bunce sought reimbursement for travel costs tied to a canceled deposition in February, prompting Rajan to file an omnibus motion objecting to the costs and seeking sanctions. Bunce responded that the motion again relied on fabricated cases and legal authority that did not support the cited propositions, mirroring misconduct for which Rajan had previously been sanctioned.

Following a hearing this month, the court determined that Rajan submitted additional filings containing erroneous and made-up AI-generated citations without verifying their accuracy, rejecting his arguments that time pressure or opposing counsel's refusal to confer excused the conduct.

Rajan had asked the court not to sanction him more than "a modest deterrent penalty of \$950," due to the more than \$73,000 in sanctions he has paid to date, the travel expenses he has been ordered to pay, and the "unreimbursed time spent preparing the omnibus motion."

The court increased the present sanction to \$5,000 and ordered Rajan to complete additional continuing legal education focused on AI and legal ethics.

Scott said she was "appalled" by Rajan's conduct and warned that any similar violation in the future could prompt another sanction and a referral to the Pennsylvania Disciplinary Board.

"First, this situation is of Mr. Rajan's own making. This court may be the one forum in which he is held accountable for his improper conduct, but the court is not responsible for the reputational harm and myriad of fees he brought on himself," Scott said. "Second, and perhaps more importantly, the other fees were for conduct separate from the issues before the court now. Mr. Rajan cannot expect not to be sanctioned for additional improper conduct because he engaged in other improper conduct previously. If anything, the series of improper conduct demonstrates Mr. Rajan's inability or unwillingness to rectify his behavior, a sign that additional deterrence is needed."

This week, Rajan told The Legal that he believes the ruling is clear and noted that while he may have many reasons as to why he took a shortcut, the rules don't allow such conduct, and he "should have known better."

Michael D. Homans of Homans Peck, in Wayne, Pennsylvania, represented the plaintiff and did not immediately respond to a request for comment.

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News from Bloomberg Terminal
There's No Time for SpaceX to Buy Cursor
April 22, 2026, 11:09 AM PDT

By Matt Levine

(Bloomberg Opinion) --

Cursor

Traditionally the way an initial public offering works is that there is a private company, and it wants to sell its stock to public investors, so it goes out and markets itself to those investors. Along with its bankers and lawyers, the company writes a prospectus explaining its business. The prospectus will contain some standard sections: often a manifesto from the company's founder setting out its vision and guiding philosophy, an overview of its business and the competitive landscape, a discussion of its financial results. There will be audited historical financial statements going back several years, and risk factors explaining what might go wrong.

There will also normally be a roadshow, in which the company and its advisers present the company to investors in meetings or over Zoom. The roadshow presentation will hit some of the same notes as the prospectus, though it will probably be more forward-looking, more about how much money the company will make next year than how much it made last year, more about plans than about risks. Research analysts at the company's banks will explain their – preferably optimistic – views on the company to potential investors. Salespeople at the banks will call their customers to sell them stock.

SpaceX, Elon Musk's satellite internet, rocket launch, space data center, Mars colonization, frontier AI model and social media company, plans to do an IPO sometime soon, possibly in June. On the one hand, this seems like a complicated job: As I hinted in the previous sentence, it is not easy to describe what SpaceX does, what its guiding philosophy is, how it makes money, what risks it faces, or what businesses it competes in. What are the EBITDA margins on the space data centers? What sorts of contingent liabilities does the Mars colony face? The prospectus – essentially conservative and backward-looking – will not capture the true meaning of SpaceX; presumably it will barely mention the Mars colonies or space data centers, which are at this point entirely hypothetical. The *roadshow* will mention those, but in a fairly abstract way. It's not like there are meaningful projections of 2029 space data center revenue.

On the other hand, this is stupid, I'm kidding, and none of this stuff matters *for SpaceX*. The SpaceX IPO is not really about a private company introducing and explaining itself to the general public. The SpaceX IPO is about Elon Musk Elon Musking the Elon Muskiest of Elon Musk. "SpaceX's IPO Pitch Centers on Elon Musk's Ability to 'Sell the Dream'" was a Bloomberg headline a few weeks ago:

"What you've got to be convinced of – and this is what they'll be working on until this is filed publicly – is continuing to sell the dream and basically there's nobody that's been better at selling the dream than Elon Musk," said David Erickson, an adjunct associate professor at Columbia Business School and a former co-head of global equity capital markets at Barclays Plc. ...

"The reality is it's not about the fundamentals, nobody is going to get there on the fundamentals from a math standpoint because the math doesn't work," said Erickson.

It is a vibes-based IPO. And, you know, fine. There is a long history of investors giving Elon Musk a lot of money on faith, assuming that he'll do good stuff and it will all work out for them, and it usually does. When Musk bought Twitter Inc. in 2022, various rich people rather cavalierly chucked in some of their own money to invest in the deal. This worked out incredibly well, for them, and Twitter is now part of SpaceX.

Part of what you are getting, when you invest in Elon Musk's Whole Thing, is exposure to his *restlessness*. SpaceX was a company founded on the principle that it would be cool to shoot rockets into space. Musk still believes that, but in the years since SpaceX's founding he has added many more visions – brain implants, tunnels, artificial superintelligence, data centers, exposing millions of people to his online comedy stylings and political opinions – to his portfolio. (Also he runs a car company.) SpaceX combines many (not all!) of those visions, but today's portfolio of SpaceX businesses is to some extent accidental. Today I can describe SpaceX as a "satellite internet, rocket launch, space data center, Mars colonization, frontier AI model and social media company," but it will be somewhat shocking if I can use the same list in April 2027. In 2027 most of those things will still be on the list, but something else, something that would never have occurred to me, will be occupying much of Musk's and SpaceX's time and attention. "Humanity's survival depends on _____," Musk will say, about this surprising new thing, "and SpaceX is pivoting all of the computing power in its space data centers to solve it." Space data centers!

Musk's restlessness fits right in to a vibes-based, dream-selling IPO: He can show up at the roadshow in June and be like "by this time next year the space data centers will be made out of a previously undiscovered element that we will acquire from aliens," and investors will be like "oh man is he ever selling the dream." If you're investing in Musk you *want* novelty; if the roadshow was just like "satellite internet is a good steady business" you would be disappointed and would not pay 100 times revenue for the stock.

But it fits terribly into the traditional IPO process, the kind with a prospectus and risk factors and historical financial statements. You can't pivot your business every two months while also running an IPO process; there is a long lead time to get audited financial statements, lock down the prospectus, have it reviewed by the US Securities and Exchange Commission, educate the bankers and salespeople, and sell the stock. In some sense the prospectus for SpaceX should just be a headshot of Elon Musk with "trust me!" scrawled on it with a glitter pen, but the SEC wouldn't approve that.

Anyway. One important and quite recent part of the SpaceX dream is xAI, Musk's frontier AI lab. The nice thing about Musk's restlessness is that he was able to build a highly competitive AI lab starting from scratch, quickly competing with established AI pioneers like Google and OpenAI. The bad thing about his restlessness is that then he tore it up: Most of his xAI co-founders have left and he is *restarting* from scratch. "xAI was not built right first time around, so is being rebuilt from the foundations up," Musk tweeted, IN MARCH, like THREE MONTHS before SpaceX is supposed to go public.

One way to speed that process up is, apparently, to buy Cursor, an AI coding company. "SpaceX Has Deal for Right to Acquire Cursor for \$60 Billion," reports Bloomberg News, and we'll come back to that phrasing in a minute. "The combination of Cursor's leading product and distribution to expert software engineers with SpaceX's million H100 equivalent Colossus training supercomputer will allow us to build the world's most useful models," SpaceX tweeted today. At Stratechery, Ben Thompson explains the rationale:

SpaceXAI has a ton of compute, and no one to use it, either for R&D or inference.

Cursor, meanwhile, reached a peak of its own a year ago, when it was the only AI application other than ChatGPT earning meaningful revenue. It's a real product with real customers, in a real trap: Cursor has to pay the frontier labs for API access to their models, which themselves offer heavily subsidized and increasingly agentic coding products on a subscription basis. The end result is a startup with real traction that is both bleeding money and leading edge customers. ...

There is really obvious synergy between SpaceXAI and Cursor: the former has compute, and the latter has a product, data, and a decent amount of distribution for the use case that is most important for AI. At a high level this tie-up makes a lot of sense.

Fine, okay, right, last week SpaceX was betting its future on xAI's AI capabilities, and this week it's betting its future on Cursor's AI capabilities. That's how life works in Elon Musk's Whole Thing, and his investors wouldn't have it any other way.

But the IPO! There's an IPO! In like two months! It's bad enough that the SpaceX IPO became Also The xAI And Twitter IPO *in February*, but making it also the Cursor IPO *now* is too much. There is no *time* to acquire Cursor before the IPO.

So it will have to wait. "Cursor has also given SpaceX the right to acquire Cursor later this year for \$60 billion or pay \$10 billion for our work together," SpaceX's tweet says. Bloomberg reports:

SpaceX isn't acquiring Cursor immediately because of the rocket company's imminent initial public offering, according to a person familiar with the matter, who asked not to be identified discussing nonpublic information. A major transaction would require SpaceX to update its filings and financial details, potentially delaying the IPO, which is targeting a \$2 trillion valuation. The \$10 billion is a breakup fee if the deal doesn't go through, according to people with knowledge of the deal.

I would put it a bit differently: The \$10 billion is *option premium*, giving SpaceX the right, but not the obligation, to acquire Cursor “later this year,” after the IPO stuff has calmed down.¹ Because SpaceX doesn’t own Cursor, or even have a binding agreement to acquire it, the IPO prospectus probably does not have to get into too much detail on Cursor’s business or finances or how they would combine with SpaceX’s.

The SpaceX IPO prospectus will be a historical document, capturing Elon Musk’s Whole Thing at a specific moment in time, but everyone understands that, moments later, things will change. Cursor is part of that “moments later” bucket: Everyone has fair warning that, after the IPO, SpaceX will also be Cursor. But nobody has much detail about what that will entail, in the same way that nobody has much detail now about the advanced technology that Musk will license from aliens when he finds them, or about whatever he gets up to next.²

Sure SpaceX could wait to buy Cursor, but:

1. AI is a competitive and fast-moving market and it can’t wait three months to start the integration.³ Formally, the acquisition will happen after the IPO, but “SpaceXAI and @cursor_ai are now working closely together to create the world’s best coding and knowledge work AI.”
2. If you’re leaving your startup to go work for Musk, a famously demanding and mercurial boss, you will want to get cashed out of your startup. Selling for \$60 billion is a good deal; going to work for him on spec for a few months is not.
3. Given Musk’s mergers-and-acquisitions track record, a pinky swear that he will eventually buy the company is not sufficient. You will want, say, *\$10 billion* of committed option premium to make it worth your while. Cursor’s management learned from what Twitter went through. “Among the largest termination fees in history,” the Financial Times called it, which is what you should expect in a post-Twitter Musk acquisition.
4. Also, I mean, you can’t incorporate Cursor’s business in the IPO *prospectus*, but you can *mention* it. “We will own Cursor and build a good coding product” is fair game for the roadshow; it’s part of selling the dream. Adding specific financial disclosure to the IPO, at this point, would be bad; adding cool new things to talk about is good.

So this approach makes sense. The deal is certain enough to satisfy Cursor and Musk and SpaceX’s potential investors, but uncertain enough to satisfy SpaceX’s accountants and lawyers and the SEC.

Of course Musk does change his mind a lot. It would be very funny if he sours on Cursor by July and walks away from the deal, and they make \$10 billion for three months’ work. I guess that’s another reason not to spend much time on Cursor in the prospectus.

People are worried about private market liquidity

One point that I have made, during the recent private credit troubles, is that defined-benefit pension funds are the ideal investors in private markets. People mostly invest for retirement, retirement is a long way away for many of them, and so they should, statistically, be willing to earn a premium by investing in long-term illiquid assets. Pension funds, historically, did that: Everyone pooled their money for retirement, and the fund invested it in long-term stuff. The fund's obligations – pay \$X of benefits in Y years – were predictable and long-term enough that it could lock up its money. The modern American approach of mostly defined-contribution 401(k) retirement savings blows this up, and the main reason private credit funds are having problems is that they are sold directly to retirement savers rather than to pension funds.

That is my perspective as an American: I have a 401(k), and defined-benefit pensions are pretty uncommon around here. But I should not idealize them too much. We talked back in 2022 about a quirk of the UK pension experience, in which, for an assortment of accounting and economic reasons that I explained at the time and won't repeat here, UK defined-benefit pension plans have become enormous users of *short-term leverage to buy gilts* (UK government bonds). This is called "liability-driven investing," or LDI. Basically, if interest rates go up, the pension plans get margin calls and have to sell assets to post more collateral to support their leveraged gilt positions. That seems ... bad? I wrote:

The thing that was so good about pension funds – their structural long-termism, the fact that you can't have a run on a pension fund: You've ruined that! Now, if interest rates go up (gilts go down), your bank will call you up and say "you used our money to buy assets, and the assets went down, so you need to give us some money back." And then you have to sell a bunch of your assets – the gilts and stocks that you own – to pay off those margin calls. Through the magic of derivatives you have transformed your safe boring long-term pension fund into a risky leveraged vehicle that could get blown up by market moves.

I know this is bad but I find something aesthetically beautiful about it. If you have a pot of money that is immune to bank runs, over time, modern finance will find a way to make it vulnerable to bank runs. That is an emergent property of modern finance. No one sits down and says "let's make pension funds vulnerable to bank runs!" Finance, as an abstract entity, just sort of does that on its own.

One way to think of it is that pensions were invented, and they were a good stable long-term way to save for retirement, and over time finance inexorably made them run-prone, but in different ways. In the UK, pensions became run-prone by using LDI; in the US, they became run-prone by becoming 401(k)s.

Anyway, in the US, people are worried about private market liquidity because private-market funds have increasingly been stuffed into retail investors' portfolios, and retail investors get nervous and try to sell. In the UK, people are worried about private market liquidity because private-market funds tend to be owned by pension funds, and the *pensions* might get nervous. The Financial Times reports:

UK pension funds have been warned they face "huge" costs if they try to offload their private market assets, following a warning by the industry regulator about some schemes' high exposure to hard-to-sell investments.

In response to a letter sent late last year by The Pensions Regulator requesting that schemes review their liquidity positions, some trustees have been advised by their consultants not to sell illiquid assets because of the “huge penalties” involved, according to people familiar with the schemes. ...

TPR wrote to the trustees of 58 funds in November, warning that more than 50 per cent of each of their portfolios were invested in assets that would take longer than a week to sell.

“If you have not done so already, we would encourage you to review [your] scheme’s liquidity position . . . to assess the robustness of [your] investment strategy,” it wrote.

Having easy-to-sell assets available “is important in maintaining the investment strategy if interest rates rise materially and there are collateral calls . . . [and] in making benefits payments”.

Regulators have sharpened their oversight of defined benefit pension schemes since their forced selling of UK government bonds by so-called liability-driven investment strategies triggered chaos in the gilt market after Liz Truss’s “mini” Budget of September 2022.

The crisis, and the TPR’s subsequent requirement for pension schemes to hold more in easy-to-sell assets, left many overexposed to illiquid assets, with some still struggling to rebalance.

In a perfect world, defined-benefit pension funds would have predictable long-term liabilities, which they could match by investing in illiquid long-term private assets. But we don’t live in that world.

Bespoke parametric insurance

If you live in a flood zone, you might want to buy insurance against the risk that there will be a big rainstorm and your house will be washed away. Here are two ways to think about that insurance:

1. Someone sells you a policy that is like “if a flood damages your house, we’ll pay your cost to repair it.”
2. Someone sells you a policy that is like “if your town gets more than X inches of rain in a 24-hour period, we’ll pay you \$Y.”

The first policy – one that pays you based on your actual loss – is simpler for you. It exactly covers your risk. The thing you care about is your house being damaged, and you get paid if your house is damaged. The second policy pays you for an *input*, for a *factor* in your house being damaged. But sometimes the town will get fewer than X inches of rain and your house will be damaged, in which case the insurance won’t pay out but you’ll wish it would. Other times, the town will get more than X inches of rain and your house will be fine, in which case the insurance payout is just a windfall. You have basis risk; the insurance payout doesn’t perfectly correspond to the risk.

The second policy, though – the one that pays you based on rainfall – is simpler for the insurance company. It's easier to underwrite: The insurance company can have some general rainfall model for your town, and sell everyone in town insurance at the same rates. It doesn't have to individually evaluate each house's location and construction. It is also easy to administer claims: If it rains more than X inches, everyone gets paid; if not, no one does. The company doesn't need to go to each house and check for damage, or argue over whether you were at fault for not closing your windows. Just a simple statistical payout. This also has some advantages for you. For one thing, it might be cheaper. But also, if there is a storm, the insurance company doesn't have to send someone out to assess your damages and haggle over your claim; if the rainfall trigger is hit, they just write you a check.

And so in fact most normal insurance is loss-based – you get paid based on your actual losses – but there are some important cases of “parametric insurance,” where you get paid for some amount of rainfall. Catastrophe bonds, for instance, are sort of a distributed market-based form of insurance, often issued by countries where it is hard to assess claims, so they will often have parametric triggers that pay based on air pressure or rainfall rather than damages.

Neither approach is perfect, though. What you might want is to combine the simplicity and objectivity of parametric insurance with the specificity of loss-based insurance. “If there's more than X inches of rain directly on my roof, pay me \$Y.” With more sensors everywhere, and with more sensitive weather models, that seems doable. Bloomberg's Joe Wertz and Mary Hui reported on Monday that Bad Bunny did it:

Bad Bunny had a problem. Days before the Puerto Rican mega-star was set to perform in Colombia earlier this year, the possibility of heavy rains threatened to turn three sold-out shows in Medellin into multimillion-dollar losses.

Solutions were few. Traditional event cancellation insurance is rarely available so close to a performance date. Even if a policy could be secured, geography posed another challenge. The nearest official weather sensor sat a mile from the open-air venue – too far, in a tropical city with steep terrain and complex microclimates, to serve as a reliable trigger for a payout.

So a transatlantic team of brokers, underwriters and meteorologists devised a workaround to save Bad Bunny from losses: They installed a temporary weather station inside the stadium, linked to a bespoke policy that would pay out if rainfall exceeded a set threshold.

And:

For [Vaisala Oyj, the weather monitoring company] and Descartes [Underwriting SAS, the insurance company], the temporary weather station was a novel fix for what insurers call “basis risk” – the chance that rain falls at the venue but isn't recorded at an official weather station used to settle the contract. Putting the station inside the stadium solved that problem. ...

In that context, the Colombia concert was a successful test run for both companies, which see more untapped demand for bespoke parametric insurance paired with on-site weather monitoring.

Sure, right, eventually we will all have our own weather stations and our own bespoke parametric insurance.

Nothing is securities fraud

I mentioned yesterday that SpaceX, when it becomes a public company in the next few months, apparently plans to prohibit shareholder lawsuits: If you buy SpaceX stock, and you have any complaints, you have to take it up with “mandatory arbitration,” not a lawsuit (and, thus, not a class-action lawsuit). US public companies have not historically been allowed to force shareholders into arbitration, and so shareholders sue often, enthusiastically and in class actions. “Everything is securities fraud,” I like to say. But last year the SEC changed its views on this, so now companies can require arbitration. “Nothing Is Securities Fraud?” I said.

But yesterday I wrote: “As far as I can tell, no one has done it yet. Now SpaceX might.” That was wrong. The first company to do it seems to have been Zion Oil & Gas, in December. Good for them, and sorry for missing them. That said, I also wrote yesterday that “if SpaceX does it and it works, then 100 companies that are not run by Elon Musk are going to try.” And that’s probably right. As, uh, the state of Texas could tell you, Elon Musk’s corporate structure decisions tend to be closely watched and widely followed.

Speaking of which: I also mentioned yesterday that SpaceX plans to go public with two classes of shares, with Musk getting super-voting shares so he can control the company forever while owning only a minority of its economic value. I made three points:

1. Yes, right, that’s obviously how a Musk company should work,
2. Tesla Inc. should have done that when it went public, and
3. Tesla *can’t* do it now, because stock exchange rules don’t allow already-public companies to start issuing super-voting shares. So to increase Musk’s voting control, Tesla has to – and will! – give him a much bigger economic slice of the company.

Several readers emailed to suggest the obvious solution here. If SpaceX (with its dual-class stock) acquires Tesla, then Musk can probably get voting control of both companies forever and also, you know, have a fun time doing a merger. So look out for that in like six months. Right after the Cursor deal closes.

Things happen

More Banks Are Earning \$100 Million Fees for Advising Big M&A Targets. Job Cuts Driven by A.I. Are Rising on Wall Street. OpenAI in talks to commit up to \$1.5bn to private-equity joint venture. OpenAI Is Working With Consultants to Sell Codex. As Blue Owl’s Strains Worsened, Its Bankers Pitched a Long Shot. Private Credit BDCs’ 2028 Maturity Wall Poses Risk, Moody’s Says. Trump Administration Nears \$500 Million Spirit Rescue Package. Anthropic’s Mythos Model Is Being Accessed by Unauthorized Users. Insurers move to cap cyber payouts related to AI and ‘LLMjacking.’ Unraveling Hedge Fund Trade Derails Boom in Taiwan Convertibles. DOJ Charges Southern Poverty Law Center With Bank Fraud. AI Startup Has Helped Reverse Thousands of Denied Health Insurance Claims. Elite law firm Sullivan & Cromwell admits to AI ‘hallucinations.’ Nine West is back. Lenox Millionaires. War disruption forces world’s biggest condom maker to raise prices by up to 30%.

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1. This is distinct from the breakup fee in Musk's acquisition of Twitter, which a lot of people – probably including Musk – thought of as option premium, but which absolutely wasn't. Musk, as he eventually discovered, was obligated to buy Twitter. The Cursor deal seems like real option premium.
2. Or about SpaceX's merger with Tesla, lol. (See below.)
3. Also, somebody else might buy Cursor in the interim.

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Securities

Cannabis Pharma Firm Should Pay Back \$2.1 Million, SEC Says (1)

April 21, 2026, 1:31 PM PDT; Updated: April 21, 2026, 1:53 PM PDT

Vivera Pharmaceuticals Inc., its CEO, and another company he controlled that have already been found liable for securities fraud over cannabis-derived products should disgorge about \$2.1 million, the SEC told a federal court.

The CEO should additionally pay a nearly \$240,000 civil penalty and be barred from serving as an officer or director for five years, the Securities and Exchange Commission said Monday in a filing with the US District Court for the Central District of California. The total of the disgorgement, interest, and penalty would be more than \$2.5 million.

Attorneys for Vivera, CEO Paul Edalat, and EFT Global Holdings Inc., which does business as Sentar Pharmaceuticals, stopped responding to the SEC during its attempt to negotiate what monetary relief should be paid, the agency's motion said.

Judge Fred W. Slaughter determined in November that Vivera raised \$6.7 million from 63 investors based on private placement memoranda that touted "an exclusive, global license" to an under-the-tongue drug-delivery system for the pharmaceutical use of cannabinoids CBD and THC. But Edalat's other company, Sentar—which owned the rights to the technology—had already licensed it to Alternate Health Corp., Slaughter said.

The investment documents also failed to disclose that \$10 million of the funds "would go toward paying Sentar a licensing fee, which Edalat would personally benefit from," Slaughter said in granting summary judgment for the SEC.

An attorney for the defendants said by email Tuesday that the SEC "never tried or proved its case against Vivera or Paul Edalat to a jury."

"Instead, the SEC moved for 'summary judgment,' a procedural mechanism, in 2024," Saied Kashani said. "Vivera's two largest shareholders filed affidavits in support of Vivera," and the court denied the SEC's requests for summary judgment and reconsideration, Kashani said. "Then the SEC re-filed the virtually identical motion for summary judgment and this time, to defendants' surprise, the court granted the motion. Now the SEC is requesting an order based on that same motion."

Vivera and Edalat believe the record doesn't support the liability order, their attorney said. "For just one example, the SEC claimed a defunct company held rights to Vivera's exclusive technology, but a California court ruled that the other company's rights expired a year before Vivera's license, so Vivera had exclusive rights."

The SEC said Monday that the court should order disgorgement, interest, a civil penalty, and injunctions. After accounting for about \$4.6 million in business expenses, \$2.14 million is "a reasonable approximation of the Defendants' net profits from their fraud," the commission said. Vivera, Edalat, and Sentar should be jointly liable for paying that amount plus interest, it said.

Edalat should get the maximum civil penalty in the highest penalty tier, the SEC said.

The SEC represents itself. Kashani, who practices in Los Angeles, represents the defendants. Byrd Campbell PA additionally represents Vivera.

The case is SEC v. Vivera Pharmas., Inc. , C.D. Cal., No. 8:22-cv-01792, motion 4/20/26 .

(Updates story with response from defendants' attorney beginning in sixth paragraph.)

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Securities

Crypto PACs Amass \$180 Million War Chest for Midterm Races (1)

April 21, 2026, 8:40 AM PDT

Political groups tied to the cryptocurrency industry are sitting on a nearly \$180 million war chest ahead of this year's midterm elections, giving it the ability to outspend even some of the Republican Party's most prominent super PACs.



Marc Andreessen, co-founder of Andreessen Horowitz.

Photographer: David Paul Morris/Bloomberg

Most of that money is left over from last year with the vast majority held by Fairshake, a group largely funded by Coinbase Global Inc., Ripple Labs and venture firm Andreessen Horowitz.

Since January, the eight political action committees and super PACs associated with the crypto world raised just over \$11 million, according to the latest Federal Election Commission filings. Almost all of it went to a new group called the Fellowship PAC, which is tied to the stablecoin company Tether.

The crypto industry emerged as a top spender in 2024, deploying \$135 million and helping notch wins for dozens of digital asset-friendly candidates. During that campaign season, Fairshake became the largest single-issue super PAC in history.

Fairshake still has nearly \$166 million on hand, according to an FEC filing released Monday. Its affiliated super PACs — Protect Progress and Defend American Jobs, which support Democrats and Republicans, respectively — also have a combined \$4.6 million available.

Together, they're sitting on one of the largest balances at the federal level — bigger than that of either of the two Republican super PACs focused on congressional races, which have so far outraised their Democratic counterparts. The GOP's Congressional Leadership fund held \$91.4 million as of March 31, while the Senate Leadership Fund had \$166.4 million.

Read More: Trump, GOP Stockpile \$1 Billion in Cash Ahead of Midterms

Cantor Fitzgerald, the Wall Street bank run by the sons of Commerce Secretary Howard Lutnick, sent \$10 million to the Fellowship PAC. Cantor Fitzgerald is an investor in Tether and its owners have borrowed from the crypto company.

Fellowship PAC, which is chaired by **Jesse Spiro**, Tether's government affairs chief, said in September it had more than \$100 million committed "to protect America's leadership in innovation and transparency." It has raised \$11 million this year and, to date, only backed Republicans. Digital asset bank Anchorage Digital, which received a \$100 million investment from Tether earlier this year, also contributed \$1 million.

Meanwhile, Digital Freedom Fund, a pro-MAGA crypto PAC tied to the **Winklevoss** brothers, reported having more than \$643,000 in cash, as well as almost 188.5 Bitcoin that haven't been liquidated. At current prices, that's worth around \$14 million.

Dark Money

Separate from the \$180 million held by crypto's political committees, roughly a half-dozen so-called dark money groups tied to the crypto industry reported having \$23.7 million at the end of 2024, according to their most recent tax filings. Two groups associated with Coinbase — Cedar Innovation Foundation and Stand With Crypto — had \$7.5 million and \$5.5 million, respectively. Unlike the political committees, these advocacy nonprofits aren't required to disclose their donors and are allowed to spend nearly half of their resources to influence elections.

Altogether, the network of crypto-affiliated political organizations has grown to more than 15, with about a third being formed after the 2024 elections. Fellowship PAC registered with the FEC in August.

Crypto-tied PACs have already spent more than \$20 million in the 2026 primaries. In Illinois, crypto groups spent close to \$10 million opposing the candidacy of Lieutenant Governor **Juliana Stratton**. Her win marks the first major defeat of crypto spending in elections since 2024. The industry also spent money opposing state Representative La Shawn Ford, who won his primary and is heavily favored to win in the general election.

Defend American Jobs, the conservative arm of Fairshake, spent more than \$5 million supporting Republican Representative Barry Moore in the Alabama senate race. Industry groups also poured more than \$2 million into the Texas primary, according to records.

Colin McLaren, government affairs head of a new advocacy group called the Solana Policy Institute, said that crypto will remain a player in politics even as other industries appear to be emulating them.

"The crypto industry has continued to learn who its champions are in Congress," McLaren said, adding that they will "continue to lean in and ensure that every Congress is more supportive than the last."

Partisan Divides

A similar network of political groups is forming for the AI industry. Already this midterm season, more than \$250 million has been committed by AI groups, including the David Sacks-backed Innovation Council, which said in April that it's planning a \$100 million pro-MAGA, pro-AI campaign ahead of the midterms.

Some AI political groups are supported by the same people behind the crypto organizations. Billionaire venture capitalists Marc Andreessen and **Ben Horowitz**, co-founders of Andreessen Horowitz, have both given more than \$25 million this cycle to pro-AI super PAC Leading the Future and \$11.9 million to Fairshake.

Similar to Fairshake, AI's networks consist of one large super PAC with affiliated partisan arms. They even share personnel: Josh Vlasto, one of Leading the Future's political strategists, also does communications work for Fairshake.

Still, AI's political groups appear more divided than crypto's. Public First, backed by a \$20 million donation from Anthropic PBC, is fighting for safety-first regulation, while Leading the Future, which gets support from Open AI as well as Andreessen Horowitz, is pushing for a more business-friendly approach to regulation.

(Adds Anchorage Digital's donation in eighth paragraph, Digital Freedom Fund in ninth.)

--With assistance from **Bill Allison**.

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Securities

Crypto Billionaire Sues Trump-Linked Project Alleging Extortion

April 21, 2026, 9:27 PM PDT

Crypto billionaire Justin Sun and his companies sued World Liberty Financial, a crypto project co-founded by President Donald Trump, accusing the company of extortion and an “illegal scheme” to seize his tokens.

In a complaint filed Tuesday in San Francisco federal court, Sun also claimed that “World Liberty is on the verge of collapse” and questioned whether it holds enough reserves to back its USD1 stablecoin.

Sun invested a total of \$45 million to buy 3 billion of World Liberty’s WLFI tokens in 2024 and 2025, and was awarded another billion WLFI tokens for advising the project, according to the suit.



Justin Sun

Photographer: Lam Yik/Bloomberg

But he says his relationship with World Liberty's team soured mid-last year, after he declined to provide more investment and support to the project. In recent weeks, Sun and World Liberty have been exchanging punches on social network X amid the project's deepening clash with early investors.

Read More: Trump-Linked Crypto Project's Clash With Investors Deepens

World Liberty declined to comment.

"Unfortunately, certain individuals on the World Liberty project team have been operating the project in a manner that goes against President Trump's values," Sun said in a post on X.

In the complaint, Sun alleged that he and his companies suffered "hundreds of millions of dollars in damages" when World Liberty "secretly installed powers" that enabled the company to freeze Sun's tokens and prevented him from selling any.

Burn Tokens

The company also seized the power to burn Sun's tokens, even though they are located in his own digital wallet, and acquired new blacklisting powers to restrict the transfer of users' tokens, according to the complaint. In November, Sun said, World Liberty implemented a change that allowed it to reallocate WLFI tokens from any user to another.

Sun alleged that World Liberty has been "trying to pressure" him to invest in its USD1 stablecoin and promote its use on the Tron blockchain, which he started, as well as "attempting to extract an equity investment in World Liberty's holding company." When by July it became clear he wouldn't commit, "World Liberty principals became hostile toward Mr. Sun," according to the complaint.

In September, a co-founder of the project, Chase Herro, threatened to burn Sun's tokens, which were then worth \$776 million, according to the complaint. World Liberty also threatened to report Sun to criminal authorities if he tried to vindicate his rights, "a pressure tactic that itself qualifies as criminal extortion," according to the complaint.

Trump Memecoin

Sun says World Liberty said it froze his WLFI tokens in part because the company was upset he purchased \$100 million of Trump's memecoin.

Herro didn't immediately respond to a request for comment outside regular business hours.

World Liberty agreed in December not to burn Sun's tokens during negotiations that continued until late February, according to the complaint.

Sun alleged that World Liberty “appears to be in financial distress.” World Liberty recently took out a loan using WLFI tokens as collateral. The company has said it has enough capital to avoid defaulting on that loan.

Sun asked the court to unfreeze his tokens, award unspecified monetary damages and prevent World Liberty from burning or encumbering his tokens.

Early investors in the project are still unable to trade 80% of their tokens. A proposal currently being considered would delay access to trading the tokens for at least two years. The project’s insiders won’t have access to their tokens for even longer under the proposal.

The case is Sun v. World Liberty Financial LLC, 26-cv-03360, US District Court, Northern District of California (San Francisco).

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Securities

Wall Street's Crypto Ambitions Dealt a Setback by Latest Hack

April 21, 2026, 9:03 AM PDT

The weekend hack that drained nearly \$300 million from a small crypto project and triggered a \$10 billion run on the largest decentralized lending platform could slow Wall Street's growing interest in blockchain technology, according to Jefferies LLC.

Banks, asset managers and payments companies have spent the past year building products on technology systems similar to the ones that were reportedly exploited by North Korean hackers in the attack, **Andrew Moss**, from the digital assets research team at Jefferies, wrote in a report Tuesday. While the firm said the damage is unlikely to spill into more conventional markets, it warned that traditional finance companies are likely to pause and reassess the risks before pushing further into the space.

"The potential loss of trust poses both near- and longer-term risks regardless of who is to blame," Moss added. "Although we don't expect TradFi firms to throw in the crypto towel, the rollout or expansion of tokenization initiatives across banks, asset managers, fintechs and payments may decelerate temporarily."

The attack is the largest of the year in decentralized finance and the second major attack in weeks in what is still considered a frontier market in crypto. On April 1, hackers stole \$285 million from Drift, a trading platform built on the Solana blockchain, in an incident also tied to North Korea.

Read more: [Crypto Hack Sparks \\$9 Billion Outflows From Top DeFi Lender](#)

The attacks come as the so-called DeFi sector nears broader mainstream adoption with traditional financial institutions increasingly partnering with startups to bring real-world assets — such as stocks, bonds and even real estate — on-chain.

Firms including BlackRock Inc., Franklin Templeton and Apollo Global Management have spent the past year rolling out products that rely on blockchain rails, betting that the technology has matured enough to handle traditional capital. The market value for tokenized real-world assets has grown roughly 400% since 2025 to \$29 billion, according to rwa.xyz

"Blockchain infrastructure maturity and regulatory advances are driving TradFi tokenization initiatives to proliferate, use cases to expand and institutional investment to accelerate," wrote Moss. "But it's easy to forget that the nascent digital asset industry still requires time to mature."

The tokenized products rolled out so far largely sit on a single blockchain and don't rely on that infrastructure. But as tokenization expands, Jefferies noted, these products will increasingly depend on software that moves assets between different blockchains — the same kind of system that was exploited this weekend.

The latest hack triggered a crisis of confidence among DeFi investors, resulting in billions of dollars pulled from Aave, the sector's biggest lending platform. The hackers deposited the stolen tokens — called rsETH, a derivative form of Ether, the second-largest cryptocurrency, — as collateral across multiple platforms.

"Investors are likely unable to unwind and close leveraged positions as a result, which could lead to heightened risk of liquidations as borrowing rates rise and carry turns negative," Moss said.

--With assistance from **Sidhartha Shukla**.

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California Brief

Tesla's California Sales Slide Deepens as Hybrids Displace EVs

April 21, 2026, 9:39 AM PDT

Tesla Inc. saw a steep drop in vehicle registrations in California as consumers in the Golden State increasingly embrace hybrid vehicles.

Tesla's first-quarter registrations declined 24% in the state compared with the prior-year period, according to a report released Tuesday by the California New Car Dealers Association.

The drop continued a broader retreat by EVs in California, where zero-emission vehicles accounted for less than 14% of all new vehicles registered during the most recent quarter. By contrast, gas-electric hybrids grew to account for about 21% of the market, according to the dealer association, citing data from Experian Automotive.

Tesla's Model Y remains the top-selling vehicle in the state of any kind, followed by the Toyota Camry, which is a hybrid. As federal incentives for EVs have been cut back, Governor Gavin Newsom has tried to fill the void with \$200 million in state subsidies.

[Read More: Newsom Offers Tesla a Boost With \\$200 Million EV Rebate Proposal](#)

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Armistice Capital Head Calls COVID Stock Rise 'Fun,' 'Lucky'

By **Bonnie Eslinger**

Law360 (April 21, 2026, 11:31 PM EDT) -- Armistice Capital's founder defended his hedge fund Tuesday from claims it pump-and-dumped \$250 million in Vaxart stock during the COVID-19 pandemic, telling a California federal jury that he and his fund got "lucky" and that the stock's rapid surge was "fun."

Tuesday marked the sixth day of trial in the class action brought by Vaxart investors alleging improper insider trading and stock manipulation in shares of the vaccine biotech company, which began efforts to develop a COVID-19 vaccine in 2020.

During opening statements on April 14, a lawyer for the investors told jurors that Armistice founder Steven Boyd and managing director Keith Maher "sought to exploit the global COVID pandemic by hiking up the price" of Vaxart with misleading press releases about the status of the company's vaccine. Counsel for the Armistice defendants countered that the information in the press releases wasn't false, and his clients had nothing to do with drafting them.

On Tuesday, Boyd took the stand for a second day. A different lawyer for the investors, Jimmy McBirney of Scott + Scott Attorneys at Law LLP, noted that by October 2019, Armistice owned 65.2% of Vaxart's shares, which were purchased at prices between 33 cents and 37 cents a share.

And shortly after Armistice acquired a majority share of Vaxart, Boyd recommended four people for Vaxart's board who were appointed, including himself and Maher, McBirney confirmed. Another Boyd associate, Andrei Floroiu, joined the eight-member board of directors of Vaxart a few months later.

"The entire board votes whether or not to appoint," Boyd said. "I had no control over that."

Boyd said he came away from his first board meeting with concerns about Vaxart's leadership.

"We knew that there had to be wholesale change at the company," he said. "Andrei was one of the people I thought could help us."

In April 2020, Floroiu was appointed to CEO. Boyd underscored that Floroiu interviewed with the entire board, which made the decision.

Vaxart had been doing some "super interesting" work with antiviral pills, Boyd told the jury, but then COVID-19 "changed everything." In January 2020, Vaxart announced it was pivoting toward the coronavirus and starting a program to develop a vaccine for it, he said.

McBirney showed jurors a media report that said that by early June, the Trump administration had selected five companies with promising vaccine projects for funding: Moderna, AstraZeneca, Johnson & Johnson, Merck and Pfizer. The program was dubbed "Operation Warp Speed."

After McBirney noted that Vaxart was not being named as a finalist, Boyd said that a government contract had been given to Emergent BioSolutions to expand development of vaccine manufacturing capacity, and that Vaxart had inked a deal with Emergent for the development of its vaccine.

Boyd and Floroiu exchanged text messages about the news report in which Floroiu says "the window of opportunity is closing up soon." McBirney asked Boyd if it appeared that Floroiu was expressing the

view that Vaxart wouldn't be getting any OWS funding.

Boyd said at that point Floroiu was lobbying to be CEO of Vaxart and was pointing out that the management team at the time "couldn't get it done."

McBirney then turned to Vaxart's June 8, 2020, board meeting. That's when Boyd was told that the federal government had invited Vaxart to have its oral COVID-19 vaccine candidate used in a monkey study organized by OWS.

McBirney showed Boyd and the jury text messages he exchanged with Floroiu during the board meeting after the monkey study news.

"I am visualizing our game plan here and getting very bullish," Floroiu wrote.

Boyd said Floroiu was talking about a 90-day plan for the company that he had forwarded to the board. But he did acknowledge that by June 2020, the board "felt like we weren't quite moving as fast as we should" on getting funding to develop and distribute a vaccine.

McBirney later shifted to a change Vaxart made to its insider trading securities law compliance policy that allowed Armistice to trade one trading day after Vaxart releases its quarterly reports.

"The new policy shortened the time that you were required to wait for material, nonpublic information to be absorbed by the market before you could trade from two days to one day?" McBirney later said.

He also pointed out that Boyd wrote a letter on June 8, 2020, to Vaxart's corporate controller and principal accounting officer requesting preclearance to trade later that week, "after the warrant amendment is executed."

McBirney asked when Armistice decided to sell its Vaxart shares.

"You sold about 99% on June 26, right?" he asked.

Boyd agreed that on June 26 and June 29, 2020, Armistice sold almost all of its shares.

Just before then, McBirney underscored that Boyd had been told that Vaxart would not be issuing a press release about the OWS-sponsored monkey study, and he pushed back by suggesting that Armistice may make the announcement.

"Vaxart was working with Operation Warp Speed, which we deem to be incredibly material," Boyd later said.

On June 26, 2020, the press release went out and Vaxart's stock doubled, McBirney noted.

"You didn't really think that Vaxart stock was worth twice as much as it had when the market closed on June 25," the lawyer said. "All that had changed was the release of the Operation Warp Speed press release."

Boyd said it was hard to predict what would happen during the pandemic.

"I think there was a lot of enthusiasm across the board for all these vaccine stocks, because the payout was so large," he said.

The potential payoff was so large that many companies had high market caps, Boyd added.

"You could justify it, because you don't know which one is going to get to the finish line," he said.

Ultimately, Armistice decided to sell.

"We're like, look, this has been fun. We bought stock before the pandemic at 30 cents. ... And so from our perspective, we're lucky," Boyd said.

On Monday, McBirney told jurors that Boyd accidentally **deleted** text messages with Maher that the investors say are key to the case.

The original **complaint** also named Vaxart and its current and former executives as defendants, but they settled in 2022 for **\$12 million**.

The investors are represented by Steve W. Berman, Reed R. Kathrein, Lucas E. Gilmore and Raffi Melanson of Hagens Berman Sobol Shapiro LLP, and William C. Fredericks, John T. Jasnoch, Jimmy S. McBirney, Jessica M. Casey, Mandeep S. Minhas and Jeffrey P. Jacobson of Scott + Scott Attorneys at Law LLP.

The Armistice defendants are represented by Joshua A. Rubin, Lillian Rand, Charles F. Connolly, Stacey H. Mitchell, Stephanie Ondrof, Kaitlin D. Shapiro and David M. Giller of Akin Gump Strauss Hauer & Feld LLP.

The case is In re: Vaxart Inc. Securities Litigation, case number 3:20-cv-05949, in the U.S. District Court for the Northern District of California.

--Additional reporting by Katryna Perera, Lauren Berg and Dorothy Atkins. Editing by Adam LoBelia.

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Ameriprise Didn't Disclose Records Breach, Suit Says

By **Sydney Price**

Law360 (April 21, 2026, 8:48 PM EDT) -- Financial services company Ameriprise was hit with a proposed class action in Minnesota federal court accusing it of failing to safeguard customers' data from cybercriminals, resulting in a breach of its records in March.

The complaint filed Monday by Barrett Klutts said an attack on Ameriprise's electronic records was carried out by ShinyHunters, a cybercriminal group connected to several major data breaches, on or around March 22. Ameriprise failed to tell victims of the breach that their personally identifiable information had been compromised, putting them at risk of "identity theft and various other forms of personal, social and financial harm," the suit said.

"The data includes, but is not limited to, sensitive client information collected and maintained by Ameriprise, such as full names, addresses, Social Security numbers, financial account details, financial records and other highly confidential and private information," the complaint said.

The public learned of the Ameriprise breach after ShinyHunters warned online that "records containing [personally identifiable information] and over 200 [gigabytes] compressed Sharepoint internal corporate data have been compromised," according to the complaint.

"ShinyHunters commonly gains unauthorized access to targeted systems through techniques such as credential stuffing, exploitation of misconfigured databases, and social engineering tactics, all of which are widely recognized as preventable through the implementation of reasonable cybersecurity safeguards," the suit said.

The complaint claims Ameriprise should have known the risk of a data breach and it failed to follow guidelines set by the Federal Trade Commission.

"Indeed, the FTC has concluded that a company's failure to maintain reasonable and appropriate data security for consumers' sensitive personal information is an 'unfair practice' in violation of Section 5 of the Federal Trade Commission Act," the suit said.

Klutts claims he and potential class members "have likely suffered and are at an imminent, immediate, and continuing increased risk of suffering, ascertainable losses" and he seeks to represent a class of all individuals whose data was compromised in the breach.

"Plaintiff is advancing the same claims and legal theories on behalf of himself and all other class members, and there are no defenses that are unique to plaintiff," the complaint said.

The complaint accuses Ameriprise of negligence, breach of contract and unjust enrichment.

Representatives for the parties did not immediately respond to request for comment Tuesday.

Klutts is represented by Bryan L. Bleichner and Philip J. Krzeski of Chestnut Cambronne PA and John J. Nelson of Milberg PLLC.

Counsel information for Ameriprise was not immediately available Tuesday.

This case is Klutts v. Ameriprise Financial Inc., case number 0:26-cv-02292, in the U.S. District Court for the District of Minnesota.



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FHFA Says High Court Ruling Dooms Shareholder Verdict

By **Jared Foretek**

Law360 (April 21, 2026, 6:16 PM EDT) -- An attorney for the Federal Housing Finance Agency told the D.C. Circuit on Tuesday that the agency had clear authority to act in its own interest as conservator for Fannie Mae and Freddie Mac in the wake of the 2008 housing market crash rather than prioritize the interest of the companies' shareholders.

In arguing against a 2023 jury verdict, Arnold & Porter attorney John P. Elwood said that authority and the U.S. Supreme Court's affirmation of it in 2021's [Collins v. Yellen](#) is impossible to square with the **jury verdict** awarding classes of Fannie and Freddie shareholders over \$600 million in damages, and the jury's finding that the agency breached an implied good faith covenant when it allowed the U.S. Department of the Treasury to take a dividend of the companies' entire net profits at the expense of their shareholders.

In [Collins v. Yellen](#), the high court ruled against a separate group of private shareholders who had challenged the 2012 dividend change — known as a "net worth sweep" — and held that the agency had authority under the Housing and Economic Recovery Act of 2008 to "subordinate the best interests of the company to its own best interests and those of the public."

"That unanimous holding, that FHFA acted reasonably and within its authority, cannot be reconciled with a jury verdict finding that the agency acted unreasonably," Elwood told the circuit panel. "Shareholders just can't say that they didn't have a reasonable expectation that it would happen. It was within the sweep of the [Recovery Act]."

Attorneys for the shareholders and the agency were arguing over FHFA's appeal of the jury verdict Tuesday, the latest hearing in a case that's run on since shareholders sued in 2013 to challenge the 2012 "net worth sweep." The 2008 Recovery Act had created FHFA and gave it conservatorship authority over Fannie and Freddie. Under the original conservatorship structure, the companies were required to pay the Treasury Department a 10% annual dividend on Treasury's investment in them. But the 2012 amendment allowed Treasury to replace that 10% dividend with 100% of all company profits in perpetuity, leaving nothing for private shareholders.

Judges on Tuesday's panel gave little indication of how they might ultimately rule, but U.S. Circuit Judge Douglas H. Ginsburg questioned Elwood on whether the [Collins](#) decision had fully overruled the D.C. Circuit's 2017 ruling in [Perry Capital LLC v. Mnuchin](#), an earlier appeal in the same litigation referred to as Perry II. In that case, the circuit court affirmed dismissal of the shareholders' Administrative Procedure Act claim but reversed the lower court's dismissal of their implied covenant claim. That claim was ultimately what won out at trial in 2023.

"Perry II ... said that there was room for an action under the implied covenants under the contract," Judge Ginsburg said Tuesday.

Elwood responded that the implied covenants ruling in the Perry II case was based on an error of law in the district court's ruling and that it hadn't foreclosed other possible arguments against the claim.

But Boies Schiller Flexner LLP's Hamish Hume, arguing for the shareholder class, said that FHFA's arguments were "at war" with the Perry II decision and that the agency had stripped the Supreme Court's [Collins](#) holding of its relevant context "in the worst kind of way."

According to Hume, the question in Collins was limited to whether the FHFA's net worth sweep was "patently outside the broad statutory authority" of the Recovery Act. The justices had found that it wasn't, but Hume argued that — as U.S. District Judge Royce Lamberth held on remand after the Collins decision — the decision had nothing to do with implied covenant claims.

"We are at least two steps removed from the context and questions being presented," Hume told the circuit panel. "We also know that an action can be authorized by a statute and ... violate the implied covenant in a contract that the agency has. And we know that from Perry II's own holdings."

When Judge Ginsburg asked what about the agency's actions made it "unreasonable as a matter of contract" but authorized under the statute, Hume called the net worth sweep "an unprecedented action" in 2012 taken by two people — then-FHFA acting Director Edward DeMarco, who agreed to the sweep without consulting the companies, and FHFA's Mario Ugoletti, who shareholders claim had reported to DeMarco about a "renewed push" from Treasury for the sweep just a week before it was executed.

"They consulted no one else. They ... never analyzed it," Hume said, arguing that the move was made solely in anticipation of the "roaring recovery" that they expected. "They looked at nothing."

The plaintiffs are represented by Hamish P.M. Hume and Samuel C. Kaplan of Boies Schiller Flexner LLP, Adam Wierzbowski and Robert Kravetz of Bernstein Litowitz Berger & Grossman LLP, Eric L. Zagar of Kessler Topaz Meltzer & Check LLP and Michael J. Barry of Grant & Eisenhofer PA.

The FHFA is represented by John P. Elwood, R. Stanton Jones, Anthony J. Franze and Orion de Nevers of Arnold & Porter Kaye Scholer LLP, Meaghan VerGow of O'Melveny & Myers and Michael J. Ciatti of King & Spalding LLP.

The case is Fairholme Funds Inc, et al. v. FHFA, et al., case number 25-5113, in the U.S. Court of Appeals for the District of Columbia Circuit.

--Additional reporting by Katie Buehler and Hailey Konnath. Editing by Rich Mills.



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Plug Power Gets Some Claims Snipped From Investor Suit

By **Katryna Perera**

Law360 (April 21, 2026, 7:43 PM EDT) -- A Delaware federal judge has trimmed a shareholder suit against hydrogen fuel cell company Plug Power Inc., finding that statements about the company's revenue projections and one of its production facilities are inactionable.

U.S. District Judge Jennifer L. Hall issued an **order** Monday tossing a group of challenged statements about the construction and operation of Plug Power Inc.'s hydrogen production facility in Georgia, finding that plaintiffs have not properly pleaded the statement's falsity.

She also tossed two challenged statements related to the company's revenue projections, finding one to be puffery and that the falsity of the other is not adequately pleaded.

The suit alleges that Plug Power and its executives did not represent that the company could not effectively manage its supply chain and product manufacturing, affecting the company's margins, revenue and inventory levels, as well as several large deals.

The judge kept alive the suit's remaining challenged statements about Plug Power's hydrogen production goals and revenue projections.

According to the order, in their dismissal motion, Plug Power and several current and former company executives argued that statements made in August and November 2022 about the company's hydrogen production goals were accompanied by meaningful cautionary language and therefore inactionable.

However, Judge Hall found Monday that any hypothetical risks that were disclosed in the cautionary language were meaningless by the time the August and November statements were made, because by then, the supposed hypothetical risks had already materialized.

According to the order, a disclosure made by Plug Power in March 2022 stated that the company may be unable to "successfully execute and operate" its green hydrogen production projects and that those projects may cost more and may take longer to complete than initially expected.

The company also disclosed that "[t]he timing and cost to complete the construction of our hydrogen production projects are subject to a number of factors outside of our control and such projects may take longer and cost more to complete and become operational than we expect," according to the order.

But Judge Hall noted Monday that according to witness testimonies in the operative complaint, it became known by June 2022 that the projects were behind schedule.

"Witness 1 is alleged to have told defendant [Andrew Marsh, CEO of Plug Power] in May or June that certain facilities were 'three years out in service,' making the goals stated in August and November impossible," the order states. "Additionally, Witness 2 claimed that when she left the company in November 2022, the Georgia facility specifically was two years behind schedule."

"Those witness statements, in conjunction with the alleged myriad setbacks and challenges the company had been facing with respect to the construction of its hydrogen facilities, suggest that the March 2022 cautionary statements defendants relied on when making the challenged August and

November 2022 statements were meaningless because they failed to disclose then-existing adverse material facts," the order further states.

The judge also found one statement about Plug Power's revenue projections made in November 2022 to be actionable because the suit plausibly pleads that Marsh already knew by then that the company's revenue guidance was false.

The suit's class period begins Jan. 19, 2022, the day Plug Power announced its full-year 2021 earnings. Plug Power failed to reveal that day, and for the rest of the class period, that it suffered from a host of undisclosed issues affecting its manufacturing operations, which negatively affected revenues, the suit alleges.

The truth was gradually revealed in several announcements in which Plug Power declared that it failed to achieve its reduced 2022 revenue and liquid hydrogen production goals, and belatedly revealed that it was facing substantial challenges in ramping up its manufacturing operations, the suit claims.

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

The investors are represented by Jeffrey M. Gorris and David Hahn of Friedlander & Gorris PA, Johnston de F. Whitman Jr., Nathan A. Hasiuk and Evan R. Hoey of Kessler Topaz Meltzer & Check LLP, and Andrew E. Blumberg, Benjamin Potts, Chad Johnson, Noam Mandel, Desiree Cummings, Jonathan Zweig and Jai Chandrasekhar of Johnson Van Kwawegen LLP.

Plug Power is represented by Ronald N. Brown III, John J. Clarke Jr. and Yan Grinblat of DLA Piper LLP.

The individual defendants are represented by Rudolf Koch and Jason J. Rawnsley of Richards Layton & Finger PA.

The case is In re: Plug Power Inc. Securities Litigation, case number 1:23-cv-00409, in the U.S. District Court for the District of Delaware.

--Additional reporting by Sydney Price. Editing by Kelly Duncan.



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Purdue Pharma Sentencing Punted For In-Person Attendance

By Clara Geoghegan

Law360 (April 21, 2026, 4:35 PM EDT) -- A New Jersey federal judge delayed Oxycontin maker Purdue Pharma's criminal sentencing by a week, saying rescheduling would give an in-person attendance option to hundreds of observers who tuned in virtually Tuesday.

U.S. District Judge Madeline Cox Arleo during a brief remote hearing Tuesday confirmed that some eight victims scheduled to speak at the sentencing would be available for a rescheduled hearing at 3 p.m. on April 28. A one-week delay, the judge said, would permit her to conduct a hybrid sentencing hearing allowing both virtual and in-person attendance.

"This is a federal courthouse and if the public and victims wish to be heard in person, I'm going to accommodate that," Judge Arleo said at the hearing, which was conducted on Microsoft Teams.

The meeting had over 200 participants in attendance, she noted. The virtual attendants included a member of a group of protesters gathered outside the judge's chambers at the Martin Luther King Jr. Federal Building and United States Courthouse in Newark.

Judge Arleo is scheduled to sentence Connecticut-based pharmaceutical maker Purdue more than five years after it **agreed to plead guilty** to three criminal charges brought by the U.S. Department of Justice connected to the marketing and sale of opioid-based painkiller Oxycontin.

The **plea agreement** calls for a \$3.5 billion fine and a \$2 billion forfeiture, with the latter expected to be largely offset by future drug discounts and donations.

Purdue filed for bankruptcy protection **in 2019** to address thousands of personal injury lawsuits that alleged it aggressively marketed Oxycontin while downplaying its addiction risks, contributing to the U.S. opioid addiction epidemic. A New York bankruptcy judge **in November confirmed** Purdue's \$7.4 billion Chapter 11 plan after the U.S. Supreme Court voided an earlier reorganization plan over its third party releases.

The criminal case is U.S. v. Purdue Pharma LP, case number 2:20-cr-01028, in the U.S. District Court for the Southern District of New Jersey.

The bankruptcy is In re: Purdue Pharma LP, case number 7:19-bk-23649, in the U.S. Bankruptcy Court for the Southern District of New York.

--Additional reporting by Vince Sullivan and Jeff Overley. Editing by Alex Hubbard.

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Deposition Sinks Social Media Bellwether Case, Judge Told

By **Craig Clough**

Law360 (April 21, 2026, 10:21 PM EDT) -- Social media companies urged a California federal judge at a hearing Tuesday to toss a bellwether case in sprawling litigation accusing the companies of harming children's mental health, arguing that the plaintiff admitted during his deposition that he was not harmed by the platform's features, sinking his claims.

The first bellwether trial in the consolidated cases led to a landmark \$6 million **jury win** for a plaintiff known as K.G.M. against Instagram and YouTube last month. Attorneys for those companies, as well as the defendant companies behind TikTok and Snapchat, told Los Angeles Superior Court Judge Carolyn B. Kuhl that she should grant them summary judgment over the bellwether plaintiff known as I.P.

I.P.'s case is one of nine chosen for potential bellwether trials. An attorney for Snap, Inc. arguing on behalf of all the defendants told Judge Kuhl that admissions I.P. made during his deposition kills his entire case and the court should hold him to those admissions under California's D'Amico decision from 1974, which established the "sham affidavit rule" preventing a party from creating a triable issue of fact for summary judgment by submitting a declaration that contradicts their own prior testimony.

"Now the court asked whether the D'Amico rule would apply to a minor plaintiff like I.P. who was 17 at the time of this admission, and who has since turned 18, where the plaintiff's [guardian ad litem] offers testimony that is potentially inconsistent with the plaintiff's admissions," Jonathan Blavin of Munger Tolles & Olson LLP, who represents Snap, Inc. and spoke on behalf of all the defendants on the D'Amico rule, told the judge. "And the answer to that question, Your Honor, is that it does."

Davis Vaughn of Beasley Allen Crow Methvin Portis & Miles PC, who represents I.P., told the judge the defendants overstate the D'Amico rule, which he said "does not have anything to do with whether or not a deposition statement by a minor with an intellectual disability" can end a case at summary judgment.

Vaughn instead pointed the court to the 2005 California appellate ruling in **Scalf v. D.B. Log Homes Inc.**, which he said held that "for summary judgment purposes, deposition answers are simply evidence" and should be "weighed in conjunction with other evidence."

A Los Angeles County Superior Court jury found on March 25, in a landmark bellwether trial, that Meta Platforms and its Instagram platform should pay \$2.1 million in punitive damages and Google and its YouTube platform should pay \$900,000 in punitive damages for acting with malice, fraud, or oppression against plaintiff K.G.M.

TikTok and Snap were initially defendants in the case, but they settled ahead of trial. However, they remain defendants in thousands more of the LA cases, including I.P.'s, which is one of nine set for a potential bellwether trial, although no specific trial date has been set for I.P. and others are expected to go ahead of his.

The LA cases are notably not about the content that appears on the platforms, as Judge Kuhl ruled before the trial that content is protected by Section 230 of the Communications Decency Act, but that the companies could not be shielded from allegations that the platforms' features, such as their algorithms, notifications, autoplay and "infinite" scroll, were designed to be addictive.

Last year, the companies filed motions for **summary judgment**, making various arguments, including that I.P. said during his deposition that his injuries stem from a student at his school taking a partially nude picture of him and sharing it on Instagram. The defendants argued this testimony was fatal and cannot be ignored just because his mother, who acted as his guardian ad litem, testified at her deposition that I.P. was addicted to the social media platforms and harmed by them.

Following the motions and I.P.'s response, Judge Kuhl asked for supplemental briefing on if the D'Amico rule applies to I.P.'s testimony as a minor and his mother's testimony as a guardian ad litem.

In a joint motion, the defendant companies argued that "California law is clear that a minor is presumed competent to testify, including as to admissions that negatively affect his case. And it is equally well established under California law that guardians ad litem — who are not parties themselves and who only act in a representative capacity — cannot make binding admissions on behalf of a minor. This underscores that it is I.P. — not his mother — who gives binding testimony."

I.P. responded in a supplemental motion that "as a developmentally delayed minor represented by a guardian ad litem (J.P., his mother), I.P. does not have legal capacity to disclaim his addiction case under California law. He also argued that the D'Amico rule does not sink his case because the court should consider all the evidence, and not just his deposition, and he is "not asking the Court to ignore I.P.'s unfavorable testimony."

Vaughn underscored this argument by telling Judge Kuhl on Tuesday that the issues over I.P.'s deposition statements are best left for cross-examination at trial, and not to decide summary judgment. He added that K.G.M. — who won her case against YouTube — said in her deposition that she was not addicted to YouTube, and YouTube cross-examined her and a plaintiff's expert about the statement.

"Those are prime cross-examination issues," Vaughn said. "They are not case ending, dispositive admissions from a 17-year-old that should not allow this case to go to a jury."

During Tuesday's hearing, Blavin spoke on behalf of all the defendants on the D'Amico issue, although attorneys for the other companies also made additional arguments on other issues specific to the claims against them.

Blavin told the judge the defendants "are not asking for a categorical rule here that would apply to all minors" with respect to the D'Amico rule, but that the court "can resolve this issue just on the facts of this case."

The judge said near the end of the hearing that she would take the issue under submission.

I.P. is represented by Davis Vaughn of Beasley Allen Crow Methvin Portis & Miles PC

Snap, Inc. is represented by Jonathan Blavin of Munger Tolles & Olson LLP.

Meta and Instagram are represented by Kathleen Choi of Covington & Burling LLP.

Google and YouTube are represented by Brian Ercole of Morgan Lewis.

TikTok Inc., ByteDance Inc., TikTok Ltd., ByteDance Ltd., and TikTok LLC are represented by David P. Mattern of King & Spalding LLP.

--Editing by Vaqas Asghar.



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Meta Denies Knowing Of Social Media Pump-And-Dump Ads

By **Katryna Perera**

Law360 (April 21, 2026, 7:48 PM EDT) -- Meta Platforms Inc. had no knowledge of alleged pump-and-dump scam advertisements on its social media platforms, it has said, urging a California federal judge to dismiss a suit seeking to hold the tech company responsible for losses from the scams.

The Facebook and WhatsApp parent company filed a **dismissal motion** Monday, arguing it had no knowledge of the communications through which Meta users were told to purchase shares of Jayud Global Logistics Ltd., a Chinese stock listed on Nasdaq and trading under the ticker JYD.

The plaintiffs — three Meta users — **have alleged** scammers directed them to purchase JYD shares at specific price points based on claims the stock would soon increase in value.

"In reality, the scammers were using the victims' purchases to artificially inflate JYD's share price and create a market for their co-conspirators to unload their holdings of 50 million shares of JYD stock, which they had acquired at deeply discounted prices through a non-bona fide offering in December 2024," the Meta users said.

On Monday, Meta argued it did not encourage the users to buy the stock, nor did it mislead them, and therefore, the platform should not be held liable for their losses.

The platform also argued the users' claims are barred by federal law, including Section 230 of the Communications Decency Act, which bars claims that would impose liability on a company for publishing third-party content.

"[Section 230] bars plaintiffs' claims here because they do not allege, as they must, that Meta materially contributed to the ads' alleged unlawfulness," Meta said. "Instead, Meta's alleged role consists entirely of providing neutral ad tools that 'optimized' ad components provided by advertisers, maintained advertisers' chosen message, and published creative variants only after an advertiser reviewed them, selected them, and clicked 'publish.'"

Meta only provided the tools, but scammers then exploited those tools, the company added.

The suit also fails to allege that Meta knew of the JYD scam or that Meta breached a contract or promise with users by failing to remove or prevent the scam advertisements, according to the motion.

Meta and its users do not have a "special relationship," the company said, and the platform's terms and conditions "expressly disclaim" any obligation Meta might owe to users.

According to the complaint, Meta's core business is its advertising services, which include selling and generating online ads and targeting them to Facebook and Instagram users based on collected user data, and the platform derives most of its revenue from advertising customers.

The users alleged Meta has "long been aware" of scam ads on its social media platforms, but has failed to implement technology or processes to monitor, identify and prevent them.

The plaintiffs claimed Meta knowingly courts business from scammers and has implemented measures to limit fraud reduction, thereby ensuring that revenue from scammers is not reduced.

According to the suit, many of the scam ads on Meta's platforms are investment scams where users are lured into schemes by impersonations of celebrities and well-known investors.

For the alleged JYD scam, the users said they were targeted through advertisements for supposed investment clubs associated with famous people. Meta users who clicked on the ads were allegedly added to WhatsApp messaging groups where the scammers posed as financial advisers and "encouraged users to purchase securities whose prices the scammers were manipulating so that their co-conspirators could unload their holdings at inflated prices, reaping massive, illicit profits," according to the complaint.

The plaintiffs and the proposed class's estimated losses exceed \$500 million, and the three plaintiff users argued that without Meta's advertising tools, the scheme would not have worked.

Meta recently **won dismissal** of another suit in California over alleged scam ads on its platform, with a federal judge finding the plaintiffs didn't allege Meta co-created the ads.

However, in a third suit, also in California, a different federal judge held **there's a factual dispute** over whether Meta's artificial intelligence tools materially contributed to the ads.

Representatives for the parties did not respond to requests for comment Tuesday.

The users are represented by Leonid Kandinov, Aaron T. Morris, Andrew W. Robertson and William H. Spruance of Morris Kandinov LLP.

Meta is represented by Sonal N. Mehta, Jessica Lewis, Madeeha Dean and Ari Holtzblatt of WilmerHale.

The case is Irving et al. v. Meta Platforms Inc., case number 3:26-cv-01127, in the U.S. District Court for the Northern District of California.

--Editing by Lakshna Mehta.



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Students Want MoloLamken As New Lead For Aid-Fixing Case

By **Carla Baranauckas**

Law360 (April 21, 2026, 4:59 PM EDT) -- Students in an antitrust case against Brown University, the University of Pennsylvania and other elite schools have asked an Illinois federal judge to appoint trial lawyer Steven F. Molo and his firm MoloLamken LLP as lead counsel, touting his courtroom experience and the firm's track record in high-stakes complex litigation.

The **brief** filed Monday in the Northern District of Illinois comes in response to a March 31 order from U.S. District Judge Matthew F. Kennelly directing the students to **propose new lead counsel** in the litigation, which alleges that a group of universities conspired to limit financial aid awards in violation of federal antitrust law.

"The addition of Mr. Molo and his firm will ensure that the proposed class has excellent representation that more than satisfies the requirements of Rule 23(a) of the Federal Rules of Civil Procedure," the students said.

MoloLamken would replace Gilbert Litigators & Counselors PC, which lost its lead role after failing to disclose a litigation-funding agreement, according to Judge Kennelly's order.

The students said that each named class representative supported the proposal to install Molo as lead counsel, with the currently attached firms serving as co-counsel, and emphasized that the move would bolster the students' trial capabilities as the case advances.

Molo, a founding partner of MoloLamken, is "recognized as one of the country's leading courtroom lawyers for complex disputes" who "regularly tries complex cases before judges and juries," according to the brief.

MoloLamken is known for handling complex disputes with smaller, focused teams and has secured wins valued at more than \$5 billion in recent years, it said.

The students pointed to the firm's roles in high-profile matters, including leadership positions in **In re: Apple Inc. Smartphone Antitrust Litigation** and **In re: FICO Antitrust Litigation**, as well as its involvement in **In re: College Athlete NIL Litigation**.

They noted that Molo had argued the Seventh Circuit case **Marion HealthCare v. Becton Dickinson & Co.**, which "clarified the Seventh Circuit's standard for direct purchaser claims under **Illinois Brick Co. v. Illinois**."

Representatives for the parties did not respond to requests for comment Tuesday.

The students are represented by Gilbert Litigators & Counselors PC, Freedman Normand Friedland LLP, and Berger Montague PC.

Cornell University is represented by Kirkland & Ellis LLP.

The University of Pennsylvania is represented by WilmerHale, and Miller Shakman Levine & Feldman LLP.

Georgetown University is represented by Mayer Brown LLP.

The Massachusetts Institute of Technology is represented by Freshfields LLP, and Goldman Ismail Tomaselli Brennan & Baum LLP.

The University of Notre Dame is represented by Williams & Connolly LLP, and Michael Best & Friedrich LLP.

The case is Henry et al. v. Brown University et al., case number 1:22-cv-00125, in the U.S. District Court for the Northern District of Illinois

--Editing by Adam LoBelia.

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HVAC Cos. Accused Of Price-Fixing, Manipulation

By **Susan Smiley**

Law360 (April 21, 2026, 6:22 PM EDT) -- Seven HVAC companies, including Rheem, Trane, Carrier, Lennox and Bosch, engaged in price-fixing and inventory manipulation using the COVID-19 pandemic as a cover, an HVAC contractor alleged in a civil antitrust suit filed in Michigan federal court.

HVAC contractor Richard Isom is seeking class action certification on behalf of himself and a proposed class of "all persons and entities who directly purchased HVAC equipment" manufactured by seven companies in the United States from January 2020 through the present, according to his complaint filed on Monday. The proposed class includes individual purchasers, as well as wholesalers, distributors and contractors.

Isom alleged that Lennox Chief Financial Officer Michael Quenzer spoke at an investors conference in Miami in February and admitted to price-fixing when he explained how his and other HVAC companies "intended to keep increasing pricing to maintain margins."

Isom said industry leaders bragged about being able to charge whatever prices they chose, because heating and cooling equipment is not a frequent purchase for most consumers, so they would not be aware of the current pricing and would accept whatever price they were charged.

"When a furnace or air conditioner fails, the owner must typically replace it, regardless of cost," Isom said in the complaint. "Demand does not decline meaningfully when prices rise."

The companies also restricted supply and purposely depleted inventory to ensure prices remained high, Isom said.

When customers questioned the price hikes, Isom said the HVAC companies blamed it on the COVID-19 pandemic. Isom acknowledged in his complaint that the pandemic did drive prices up for many goods, including HVAC equipment, but said the overall 53.5% price increase in the HVAC industry far outpaced consumer price increases in other sectors.

Prior to January 2020, the complaint said, HVAC equipment pricing was in step with the broader economy. At that juncture, Isom said the HVAC companies named in the suit launched the first in a series of more than 40 coordinated price increases — some as large as 13% — using the pandemic as a cover.

The HVAC companies used the industry trade association, the Air-Conditioning, Heating and Refrigeration Institute, to foster their price-fixing conspiracy and "drive a wedge" between manufacturing costs and the prices at which they sold HVAC equipment, Isom said.

The ACHR operated a "give-to-get" data exchange to get intelligence from competitors and broadcast price increases through its specialized trade publication, the ACHR News, and communicated other information about pricing and supply, Isom said. He said the majority of board members of the ACHR were executives from the seven companies named in the suit that control more than 90% of the HVAC market in the U.S.

"A manufacturer had to hand over its own non-public, confidential and proprietary information," Isom said in the complaint.

Isom said the companies also blamed new government regulatory standards for HVAC for sharply rising costs, even though industry leaders from the seven companies lobbied for the changes.

Isom said "billions of dollars in overcharges" were paid by individuals, distributors, wholesalers and contractors who have purchased HVAC equipment since January 2020.

The complaint did not provide an exact estimate of the potential class size, but Isom said the class is readily identifiable and one for which records should exist.

"Given the nature of the HVAC Equipment industry, the class encompasses at least thousands of direct purchasers across the United States," Isom said.

Last month, a similar suit was filed in the Western District of Michigan, naming the same seven companies in Isom's suit.

In response to that suit, one of the companies, Daikin Global, said: "If the Company is served with the complaint, it will take appropriate action analyzing the content of the plaintiff's claims. At this time, it is difficult to reasonably estimate the impact of the Lawsuit on the Company's business results. We will promptly disclose any matters that should be disclosed in the future."

An attorney for the plaintiff and representatives of the HVAC companies could not immediately be reached for comment.

Isom is represented by Paul F. Novak and Michael P. Piggins of Weitz & Luxenberg PC, Patrick McGahan, Michael Srodoski, Patrick Coughlin, Carmen Medici, Karin E. Garvey and Fatima Brizuela of Scott + Scott Attorneys At Law LLP and Christopher Burke and Yifan "Kate" Lv of Burke LLP.

Counsel information for the companies was not available Tuesday.

The case is Richard Isom v. Trane Technologies PLC et al., case number 2:26-cv-11294, in the U.S. District Court for the Eastern District of Michigan.

--Editing by Nicole Bleier.

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