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Musk, KKR Lawsuits Traded by Judges Over Conflict Concerns (1)

May 4, 2026, 1:31 PM PDT

Summary by Bloomberg AI

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- A Delaware judge reassigned litigation over a \$720 million payout to KKR & Co. insiders to Chancellor Kathaleen St. J. McCormick due to conflict-of-interest concerns.
- The reassignment is related to Vice Chancellor Bonnie W. David's ties to her former firm, Skadden, Arps, Slate, Meagher & Flom LLP, which is representing the KKR conflicts committee.
- The KKR dispute is part of a wave of litigation challenging conversions by umbrella partnerships into ordinary corporations, with the suits alleging that influential insiders manipulated transactions to seize a disproportionate share of savings.

By Mike Leonard

(Bloomberg Law) --

A Delaware judge Monday reassigned litigation over a \$720 million payout to KKR & Co. insiders, completing a swap with the judge who recently stepped away from a batch of cases targeting Elon Musk.

Vice Chancellor Bonnie W. David responded to conflict-of-interest concerns by handing the KKR case to Chancellor Kathaleen St. J. McCormick, who recently sent the Musk lawsuits to David after he raised bias allegations. David swiftly dismissed the Musk suits from Delaware's Chancery Court, effectively sending them to Tesla Inc.'s new home, Texas, where corporate cases are harder for shareholders to bring and win.

Musk's judicial recusal gambit immediately sparked fears that other aggrieved businesses or billionaires might follow his lead, a possibility David addressed head on in Monday's ruling.

"As officers of the court, Delaware lawyers owe a duty not to seek judicial reassignment to obtain a perceived litigation advantage," the judge wrote. "I am hopeful that this motion is an outlier."

The KKR dispute, which began in 2024, is part of a wave of litigation challenging conversions by umbrella partnerships—including two other private equity giants, Apollo Global Management Inc. and Carlyle Group Inc.—into ordinary corporations. The suits say influential insiders manipulated transactions discarding the umbrella structure to seize a disproportionate share of the savings the firms recouped following changes to the tax code in 2018.

Skadden Links

The two case reassignments were parallel but far from symmetrical. The world's richest person spent years slamming McCormick and trying to incite a mass "DExit" from the state after she voided his \$56 billion compensation. Lawmakers spooked by the attacks scrambled to lower the guardrails around powerful founders, and Delaware's top court later reinstated the record pay plan.

McCormick finally stepped away from Musk's remaining cases after he scored a hit with his allegation that she'd endorsed a LinkedIn post taunting him. The judge—who has said she engaged with the social media post accidentally if at all—presided over an ad hoc reassignment procedure using Scrabble tiles.

The decision to let go of the KKR litigation involved far less drama, but it was still unusual in a state where bids for judicial recusal are exceedingly rare. The motion for disqualification by the pension fund suing KKR concerned David's ties to her former firm, Skadden, Arps, Slate, Meagher & Flom LLP, which is representing the KKR conflicts committee that signed off on the payout and restructuring.

Although the investment firm and its co-founders fought the request—referring to it in a May 1 court filing as an act of "gamesmanship" that failed to raise any evidence of "genuine bias"—David granted it with little fanfare, citing Delaware's judicial ethics code. Her initial order said the case would be randomly reassigned, but a subsequent docket entry indicated it landed with McCormick.

The Steamfitters Local 449 Pension Fund is represented by Friedlander & Gorris PA, Robbins Geller Rudman & Dowd LLP, and Shobe & Shobe LLP. KKR, its founders, and other board members are represented by Richards, Layton & Finger PA and Simpson Thacher & Bartlett LLP.

The case is *Steamfitters Local 449 Pension Fund v. Kravis*, Del. Ch., No. 2024-0808, 5/4/26.

To contact the reporter on this story: Mike Leonard in Washington at mleonard@bloomberglaw.com

To contact the editors responsible for this story: Alicia Cohn at acohn@bloombergindustry.com; Andrew Harris at aharris@bloomberglaw.com

(Updates with additional context in third paragraph, judge quote in fourth paragraph, and docket information in ninth paragraph.)

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Judge dismisses energy investor suit over sales metrics, product defect | Secondary Sources | National

 today.westlaw.com/Document/11b9214b048a811f1846db4d45beaf199/View/FullText.html

(May 05, 2026) - Generac Holdings Inc. and two executives have defeated a proposed class action alleging they concealed both a "drastic decline" in a key sales metric for generators and defects in a solar energy device.

Generac's statements touting its generator sales were accurate when the company made them, and its failure to disclose the decline did not render them misleading, U.S. District Judge Brett H. Ludwig of the Eastern District of Wisconsin ruled April 30.

The complaint also failed to show that the defendants knew about the solar device defect, the judge said. He also rejected claims that the company concealed its reliance on a single dealer to sell its solar products.

Judge Ludwig dismissed the plaintiffs' second amended complaint with prejudice after tossing an earlier version in February 2025.

CEO Aaron Jagdfeld and Chief Financial Officer York A. Ragen were also defendants in the suit.

Suit: Negative facts concealed

The investors, led by two Florida pension funds, said Generac hid a drastic decline in its close rate — which measures how frequently it converts consultations into sales — for home standby generators.

Although the defendants touted surging generator sales consultations, by 2022 Generac's close rates had plummeted by over 40% from their 2020 peak, the complaint said.

The defendants also boasted of a growing network of more than 2,800 product dealers while concealing that a single dealer, Pink Energy, accounted for more than half of all Generac's solar product sales, the suit said.

They also concealed a defect in Generac's SnapRS solar energy device that caused units to overheat and melt, the complaint said.

The product had a nearly 50% failure rate and led to residential fires, costly warranty expenses and an indemnification agreement with Pink Energy, according to the complaint.

A series of disclosures beginning in November 2021 caused Generac's stock price to drop 80% from a class period high of \$506 per share in November 2021 to \$106 in November 2022, the suit said.

Claims fail again

The pension funds filed a second consolidated complaint in March 2025, adding details including a November 2021 report by the company to the Consumer Product Safety Commission about a "potential defect."

The defendants again moved to dismiss April 30, 2025, arguing that the new complaint merely "repeats and multiplies" the allegations that the court already dismissed.

Judge Ludwig agreed.

Generac's statements about increased sales consultations were accurate when the company issued them, and Jagdfeld cautioned investors against assuming more consultations would lead to more closed sales, the judge said.

The investors also failed to adequately plead at what point Generac became aware of the solar unit defect's pervasiveness, the judge concluded.

The 2021 CPSC report failed to show that the defendants knew about the full scope of the defect, the order said, noting that CPSC reporting requirements are "easily triggered."

The District Court also concluded that Pink Energy's sales concentration was immaterial because solar sales accounted for only a small portion of Generac's revenue.

By Andrew Allard

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Securities

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Amylyx Reaches \$6.5 Million Settlement in Investor ALS Drug Suit

May 5, 2026, 6:49 AM PDT

Summary by Bloomberg AI

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- Amylyx Pharmaceuticals Inc. and top executives will pay \$6.5 million to resolve proposed class allegations they overstated the company's since-withdrawn treatment's commercial potential in the ALS community.
- The settlement class would include those who got Amylyx stock from Nov. 11, 2022, to Nov. 8, 2023, and the agreement would resolve allegations that Amylyx issued rosy projections in 2023 about treatment Relyvrio's growth potential while omitting discontinuation data.
- The investor's lead counsel may seek up to a third of the settlement fund in attorneys' fees, and the case awaits preliminary approval by the US District Court for the District of Massachusetts.

Amylyx Pharmaceuticals Inc. and top executives will pay \$6.5 million to resolve proposed class allegations they overstated to investors the company's since-withdrawn treatment's commercial potential in the ALS community.

The settlement class would include those who got Amylyx stock from Nov. 11, 2022, to Nov. 8, 2023, the investor leading the case said while seeking preliminary approval of the deal Monday.

If approved by the US District Court for the District of Massachusetts, the agreement would resolve allegations that Amylyx issued rosy projections in 2023 about treatment Relyvrio's growth potential while omitting discontinuation data.

Investor Oliver Shih adequately alleged an inference top brass tracked a high number of discontinuations, contradicting alleged misstatements about its opportunity to attract patients, Judge Nathaniel M. Gorton said last year, letting claims proceed.

Amylyx's stock price fell almost 32% the day that it reported disappointing earnings for the third quarter of 2023. In an earnings call that day, executives allegedly pointed to a slowdown in new patient pickup for Relyvrio and rise in the discontinuation rate.

The US Food and Drug Administration approved Relyvrio to treat amyotrophic lateral sclerosis, a deadly neurological disease, in 2022 after a second-phase trial.

In 2024, Amylyx said a third-phase study's results indicated no statistically significant benefits in its goals for the treatment of ALS patients. The company later announced it was voluntarily pulling Relyvrio from the market and that it was laying off 70% of its employees.

The investor's lead counsel may seek up to a third of the settlement fund in attorneys' fees, they told the court.

Pomerantz LLP represents Shih. Goodwin Procter LLP represents Amylyx, Co-CEOs Josh Cohen and Justin Klee, chief financial officer James M. Frates, and former chief commercial officer Margaret Olinger.

Neither law firm nor Amylyx immediately responded to emails seeking comment.

The case is Shih v. Amylyx Pharms., Inc. , D. Mass., No. 1:24-cv-12068, 5/4/26 .

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

To contact the editor responsible for this story: Rob Tricchinelli at rtricchinelli@bloombergindustry.com

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Securities

SolarEdge, Investors Get Initial Nod for \$55 Million Settlement

May 4, 2026, 10:38 AM PDT

SolarEdge Technologies Inc.'s proposed \$55 million settlement of investors' securities fraud claims has received preliminary federal court approval.

The deal settling claims that the solar-panel parts company misrepresented equipment demand and inventory appears fair, reasonable, and adequate, Judge Gregory H. Woods said May 1 for the US District Court for the Southern District of New York.

The investors alleged SolarEdge hyped the success of its European business, but then disclosed excess inventory and slowing growth there, causing stock tumbles—including a single-day share-price decline of 27% in October 2023

Woods allowed some claims to proceed past a dismissal motion in late 2024

The judge gave the settlement proposal a green light after demanding, and receiving, further information about the notice program for class members, the claims administrator, loss calculations, and other issues

Pomerantz LLP is lead counsel for the investors. Gibson, Dunn & Crutcher LLP represents SolarEdge and some of its former leaders.

The case is *In re SolarEdge Techs., Inc. Sec. Litig.*, S.D.N.Y., No. 1:23-cv-09748, 5/1/26 .

To contact the reporter on this story: Martina Barash in Washington at mbarash@bloomberglaw.com

To contact the editor responsible for this story: Rob Tricchinelli at rtricchinelli@bloombergindustry.com

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Securities

Pension Trustees Strike Deal in Retirees' Suit Over Allianz Loss

May 4, 2026, 7:42 AM PDT

Retirees who say their pension plan lost millions after the collapse of Allianz SE's Structured Alpha funds reached a settlement with plan trustees, with claims against investment adviser Callan LLC still pending.

The retirees are finalizing settlement paperwork with the Carpenters of Western Washington Board of Trustees and expect to file their deal for court approval by the end of June, they said in a May 1 filing that didn't include details about the terms of the agreement. The settlement doesn't resolve their pending claims against Callan, but discussions are "ongoing" between these parties, according to court filings.

The lawsuit is fallout from the collapse of Allianz's Structured Alpha funds, which were designed to provide protection against a market crash but instead lost billions of dollars during tumultuous market conditions early in the Covid-19 pandemic. Allianz ultimately agreed to a global settlement worth billions, and one of its units pleaded guilty to fraud and agreed to pay fines and restitution in connection with the collapse.

The Carpenters trustees sued Allianz over their plans' losses, negotiating a \$110 million settlement. Retirees covered by the Carpenters plans then filed their own lawsuit against the trustees and Callan, saying the deal wasn't enough.

The US District Court for the Western District of Washington dismissed the lawsuit in 2023, but the US Court of Appeals for the Ninth Circuit reversed and revived the dispute the following year. Judge John H. Chun then allowed the retirees' Employee Retirement Income Security Act claim to move forward while rejecting their state law negligence claims against Callan.

The retirees are represented by Engstrom Lee LLC, Skiermont Derby LLP, and DeBofsky Law Ltd. The trustees are represented by Gordon Rees Scully Mansukhani LLP and Groom Law Group. Callan is represented by DLA Piper.

The case is Johnson v. Carpenters of W. Wash. Bd. of Trs. , W.D. Wash., No. 2:22-cv-01079, settlement notice 5/1/26 .

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

Securities

Trader Joe's Begins Novel Trial Over Its 401(k) Plan Decisions

May 4, 2026, 8:46 AM PDT

Trader Joe's "came first and no one came second," lawyers for the grocer's current and former employees told a federal judge during openings of a novel trial about the company's management of their 401(k) plan assets.

The plan participants, led by Beau Stephen and other ex-employees, claim Trader Joe's mismanagement of their retirement plan costs them tens of millions of dollars and violated prudence and loyalty standards enshrined in the federal Employee Retirement Income Security Act.

The trial is believed to be the first to test what companies can do with forfeited retirement plan funds—unvested dollars left in departing employees' accounts—since the topic exploded in 2023. Early rulings have largely favored employers, and appeals are pending in multiple circuits.

Valued at no less than \$1.8 billion since 2019, the Trader Joe's plan allowed it to choose between benefiting employees by lowering administrative costs or using the forfeited funds to offset its own contributions to workers' plans.

But by never putting the abandoned funds toward lowering employee costs or having a process to deliberate whether to, Trader Joe's failed to live up to its duties, the workers' attorney Peter Muhic of Cherry Hill, N.J., told US District Judge William G. Young in Boston.

"I have a curiosity," Young interrupted. "How would you balance paying administrative costs and paying out to the beneficiaries? What's the appropriate balance?"

It's a great question for Trader Joe's, Muhic said. He anticipated the trial would examine whether managers considered what an independent fiduciary would have done in that situation.

A Prudent Eye

Participants in the Trader Joe's plan say the company was required to make reasonable efforts to bring its relatively expensive record-keeping fees in line with other options. They allege the grocer maintained underperforming fund options and never allocated any of the \$42.2 million in forfeited funds since 2019 to lowering employee costs.

In its defense, the grocery chain counters that it kept a prudent eye on administrative costs, its choice of investment fund options didn't cause any losses to workers, and the plan lets Trader Joe's management choose how to dispense with unvested funds from departed workers' accounts.

Trader Joe's attorney Catalina Vergara of O'Melveny & Myers LLP predicted the trial will show the workers never suffered a loss from the company's decisions on the 401(k) plan. It's claimed its voluntary contributions to the employees' accounts might not have been as much if it had allocated the forfeited funds to plan expenses.

In response to claims about the plan expenses — which rank in the 75th percentile for plans — Vergara said Trader Joe's worked with consultants at UBS Group AG and later RBC Wealth Management to review the costs, which slid from \$48 to \$38 per participant from 2019 to 2024. The workers have argued the reduction was a function of industry-wide efficiencies, not a result of prudent decisions by Trader Joe's.

Vergara added that the trial would show that the workers' expert witnesses won't be able to show a loss by proving their preferred \$21 per head fee cost was available from a comparable provider.

Benchmarked

Trader Joe's also defended its inclusion of a Growth Fund America investment option that the workers say underperformed and cost them more than \$80 million. They say the grocer's management twice put it on a watch list due to its lackluster performance relative to a benchmark. But the company maintained the fund was a prudent option for its employees.

"Plaintiffs have not identified a single flaw in the process," Vergara said.

The workers argue the fund violated both prongs of the plan investment criteria: that it be in the top half of its peer funds and that it meet or exceed an asset-category benchmark. The evidence will show the fund never satisfied those criteria, Muhic told the judge.

The trial is scheduled to take eight days.

Capozzi Adler PC and Jeffrey Hellman of New Haven, Conn., also represent the plan participants.

The case is *Stephen v. Trader Joe's Co.*, D. Mass., No. 1:25-cv-10212, openings held 5/4/26 .

— With assistance from Jacklyn Wille.

To contact the reporter on this story: Brian Dowling in Boston at bdowling@bloombergindustry.com

Securities

Sonic Automotive 401(k) Suit Axed Despite Pro-Worker SCOTUS Case

May 4, 2026, 7:19 AM PDT

Sonic Automotive Inc. defeated a proposed class action challenging the fees and investment options in its retirement plans, despite a recent US Supreme Court decision making it easier to challenge 401(k) service provider arrangements.

The lawsuit didn't include meaningful comparisons to sufficiently similar investment options, and the alleged underperformance of the disputed funds was too minor and too brief to warrant holding Sonic liable under the Employee Retirement Income Security Act, Judge Kenneth D. Bell said in an opinion docketed May 1. He also rejected claims that certain funds should have been offered in cheaper share classes, saying plaintiff Joseph Nolan III never alleged that Sonic was eligible for those less expensive options.

Nolan also brought a claim under ERISA's prohibited transaction rules—which are aimed at putting guardrails on arrangements between benefit plans and interested parties—based on the plan's contract with service provider Investment Research & Advisory Group. The Supreme Court considered these rules last year, saying in a plaintiff-friendly decision that retirement plan participants alleging prohibited transaction violations don't have to negate the statute's exemptions from liability in their complaints in order to state viable claims.

Bell nevertheless dismissed Nolan's prohibited transaction claims, saying it's clear from the complaint that the service provider's fees are reasonable. The case therefore presents the "rare" circumstance in which "all facts necessary to resolve the issue" are apparent at the pleadings stage, the judge said.

Nolan's lawsuit, filed last year in the US District Court for the Western District of North Carolina, accused the automotive retailer of mismanaging a pair of retirement plans that together held about \$526 million as of 2023. Nolan says the plans offered pricey and poorly performing funds while overpaying its service providers.

Hundreds of employers have been sued over their 401(k) plan management, and the Supreme Court is expected to consider the standard for challenging 401(k) investment options during its next term, which begins in October.

Milberg LLC and Wilkerson Justus PLLC represent Nolan and the proposed class. Groom Law Group and Constangy, Brooks, Smith & Prophete LLP represent Sonic.

The case is Nolan v. Sonic Auto., Inc. , 2026 BL 159124, W.D.N.C., No. 3:25-cv-00474, opinion docketed 5/1/26 .

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

To contact the editor responsible for this story: Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com

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2nd talc bellwether trial opens against Johnson & Johnson

DJ [dailyjournal.com/articles/391188-2nd-talc-bellwether-trial-opens-against-johnson-johnson](https://www.dailyjournal.com/articles/391188-2nd-talc-bellwether-trial-opens-against-johnson-johnson)

Los Angeles County Superior Court Judge Theresa M. Traber

The second bellwether ovarian cancer talc trial against Johnson & Johnson began Monday, focusing on claims brought by family members on behalf of three women who allege the company knew for decades its talc-based products posed a cancer risk but never warned consumers.

The first bellwether trial in the coordinated litigation before Superior Court Judge Theresa M. Traber ended last year in a \$40 million verdict for two women and a spouse, a decision Johnson & Johnson has appealed.

The company, which faces thousands of similar cancer lawsuits nationwide, denies the allegations and maintains its talc-based powder products, including Baby Powder and Shower to Shower, were safe and asbestos-free.

Johnson & Johnson stopped selling its talc-based powder products domestically in 2020 and later transitioned to a cornstarch-based formula globally. The company maintains the move was due to commercial factors and unrelated to the talc lawsuits.

The second group of bellwether plaintiffs is represented by Robinson Calcagnie Inc., Wisner Baum and Beasley Allen Law Firm, with attorneys from each firm splitting opening statements.

Johnson & Johnson is represented by Kirkland & Ellis LLP partners Shaila Diwan and Julia E. Romano, who did not begin opening statements until the late afternoon.

After over two hours of opening statements from the plaintiffs, Diwan urged jurors to wait until they heard all the evidence, arguing the evidence shows talcum powder does not cause ovarian cancer and was not the substantial factor in the plaintiffs' diagnoses.

While the company has maintained that scientific evidence does not establish a causal link between talc and ovarian cancer, plaintiffs' attorney Andy Birchfield of Beasley Allen told jurors their case would prove otherwise.

He said the evidence would center on decades-old internal company documents showing Johnson & Johnson understood the risks tied to talc and asbestos contamination but continued to market its products without warnings.

"This case is about three women who trusted Johnson & Johnson products," Birchfield said. "You will see that J&J made a targeted effort to build trust, but it wasn't trust that was earned by doing the right thing, it was trust that was orchestrated through its marketing campaign."

Jurors were first shown a 1973 company memo involving Windsor Minerals, a Johnson & Johnson subsidiary that operated a talc mine supplying material for its powders. The document reflected "considerable concern" among company officials and a "joint conclusion" that the company could not rely on what was described as a "clean mine approach to address asbestos issues."

"What are they talking about?" Birchfield asked jurors, arguing the memo showed Johnson & Johnson was confronting evidence of asbestos in talc as early as the 1970s.

He said the evidence will show the company knew asbestos and talc occurred in the same mines it sourced from, while publicly maintaining its sources were different and safe.

He also pointed to what he described as internal consideration of switching to cornstarch as an alternative long before the move was made in 2020, telling jurors the company understood cornstarch did not contain the same fiber structures and was able to be "safely absorbed" in the body.

"Ladies and gentlemen, this is one document," Birchfield told the jury.

"This is not the tip of the iceberg, this is a snowflake on the tip of the iceberg," he added, saying he borrowed the phrasing from co-counsel Daniel S. Robinson, a Robinson Calcagnie partner who helped secure the first bellwether verdict against the company.

Jurors were told they would hear testimony that Johnson & Johnson misled the U.S. Food and Drug Administration and public about the purported dangers of its products. "And they continue to sell their talc-based products ... for more than 47 years and never ever, not once, put a warning of the cancer risk on these products."

Birchfield, along with Robinson and Wisner Baum partner Ari S. Friedman, represent the relatives of three women from different families who used the products for decades and died of ovarian cancer.

Robinson, who represents the sons of Mary Owens, briefly addressed jurors about her case.

He outlined the structure of how the evidence would be presented and said jurors would hear that long before the lawsuits, researchers examined a potential link between talc and ovarian cancer, and that most case-control studies found an association - a finding he says Johnson & Johnson has dismissed as biased while remaining in "damage control mode for decades."

Friedman represents the family of Bonnie Tienken. He told jurors the cases they've heard throughout the day "doesn't start in the bathroom; it starts in the Earth, where the talc is mined."

He said the evidence will show Johnson & Johnson "chose the label over the laboratory," as well as "marketing over evidence and "sales over safety."

Birchfield highlighted the story of Geneva Williams, whose claims are being brought by her husband.

He told jurors that Williams' family did not have a history of cancer.

Diwan, for Johnson & Johnson, argued the plaintiffs rely on "cherry-picked" internal documents designed to provoke anger while failing to provide reliable scientific proof, saying the testing of ovarian tissue in the cases had not identified asbestos or talc.

Diwan challenged the plaintiffs' experts as litigation-driven and noting that major scientific bodies have not concluded talc as a risk factor. She also disputed plaintiffs' theory that talc could migrate through the female reproductive system to the ovaries, telling jurors the anatomy does not support that pathway.

Former FDA commissioner Dr. David Kessler is expected to be the plaintiffs' first witness, who testified during last year's trial that Johnson & Johnson concealed evidence of asbestos contamination in its talc products and failed to disclose potential cancer risks for decades. *Johnson & Johnson Talcum Powder Cases*, JCCP4872 (L.A. Super. Ct., filed Aug. 2, 2016).

#391188

4th Circuit OKs damages class for prison opioid treatment

 [legalnewsline.com/west-virginia-record/4th-circuit-oks-damages-class-for-prison-opioid-treatment/article_e2034ff7-a9ff-4d66-a546-974b6274aa12.html](https://www.legalnewsline.com/west-virginia-record/4th-circuit-oks-damages-class-for-prison-opioid-treatment/article_e2034ff7-a9ff-4d66-a546-974b6274aa12.html)

Chris Dickerson, Chris Dickerson

May 5, 2026

RICHMOND, Virginia – A federal appeals court has cleared the way for a class action accusing a prison medical contractor of systematically denying opioid treatment to incarcerated people and forcing them through withdrawal, calling the alleged practice akin to carving insulin out of “comprehensive” care for diabetics.

The Fourth Circuit Court of Appeals three-judge panel issued an opinion May 4 in the case that upholds certification of a multistate damages class against Wexford Health Sources, which provides health care in correctional facilities.

The case was remanded back to federal court in West Virginia to review a separate class that seeks an injunction ordering Wexford to provide opioid-use-disorder treatment going forward.

The class consists of individuals incarcerated at more than 100 facilities across the country where Wexford Health is contracted to provide healthcare.

Forbes
File photo

“This is an important win for basic human rights in jails and prisons throughout the country,” attorney Jesse Forbes, who argued the case before the Fourth Circuit, told *The West Virginia Record*. “This case sends a clear message: constitutional rights do not stop at the jailhouse door.

“These are people coming into facilities from all walks of life who had their medical treatment in some cases completely stopped and ignored. That shouldn’t happen in a third world country much less in approximately 100 facilities across our nation.”

Another lead attorney on the case agreed.

diTrapano
File photo

"The appellate court's well-reasoned decision upheld class certification both for damages that the denial of this necessary medical care caused and for injunctive relief so that those that might be subjected to such inhumane treatment in the future are protected," L. Dante diTrapano told *The Record*. "The defendants sought to overturn the district court on class certification but the appellate court rightly saw that this case is completely appropriate for certification on this basis and these claims will now move forward so that those affected will have their rights protected in court."

Judge Nicole Berner, writing for a unanimous panel, affirmed the lower court's decision to certify a damages class of formerly incarcerated people who allegedly were denied screening and medications for opioid use disorder at 19 Wexford-served facilities across the country, including West Virginia state prisons and jails.

But the panel also remanded the injunctive-relief class so the district court can decide a threshold question: whether the three named plaintiffs who no longer are in custody (though one has since been reincarcerated) have standing to seek relief on behalf of people currently or later held in Wexford-run institutions.

Opioid use disorder is a "progressive brain disease," and the opinion says roughly two-thirds of incarcerated people have moderate to severe substance-use disorders. Since 2002, the court notes, the medically accepted standard of care for OUD has been maintenance medications (MOUD) such as methadone, buprenorphine or naltrexone prescribed in controlled doses and often compared to insulin for diabetes in their long-term management role.

The opinion says major medical and public health bodies – from the World Health Organization to the American Medical Association – recommend screening for OUD and providing MOUD where appropriate. By contrast, simple "detox," or forcing someone through withdrawal without MOUD, is not considered treatment at all and can cause severe suffering, heightened risk of suicide, and increased long-term risk of relapse, overdose, and death.

The plaintiffs allege Wexford, which contracts with nearly 100 jails and prisons nationwide, intentionally structured its "comprehensive" medical packages to exclude OUD screening and MOUD unless a correctional system paid extra, even while always including treatment for other serious conditions such as cancer, heart disease and diabetes.

At the 19 listed institutions” at issue – including systems in Alabama, Illinois, New Mexico and West Virginia – Wexford concedes it contracted to provide comprehensive care but did not include MOUD, despite acknowledging that this omission violated the prevailing medical standard.

Before 2022, Wexford’s own guidelines barred MOUD in its facilities, requiring withdrawal even for people who arrived with valid MOUD prescriptions. Later guideline revisions praised comprehensive MOUD programs and recognized withdrawal’s dangers, but conditioned MOUD on institutional leadership approval, which plaintiffs say simply codified the policy of exclusion and shifted blame to jail and prison officials.

Named plaintiffs Lauren Spurlock and Heather Smith were detained in West Virginia jails, and Shawn Zmudzinski was incarcerated in a New Mexico prison. All were under Wexford’s medical care. Each has long struggled with OUD and says they were denied screening and MOUD, instead being forced through painful withdrawal.

They sued claiming Wexford maintained a uniform policy that amounted to deliberate indifference to a serious medical need in violation of the Eighth and Fourteenth Amendments.

The court summarized their core theory succinctly: you cannot promise “comprehensive medical services” and then carve out treatment for a chronic, life-threatening condition like OUD any more than you could contract for comprehensive care and exclude insulin for diabetics.

U.S. District Judge Robert C. “Chuck” Chambers certified two narrowed classes after pushing plaintiffs to tighten their definitions. One is a damages class of people at the 19 listed facilities during the relevant period who had OUD or a MOUD prescription, or were monitored for opioid withdrawal; were not continued on or screened for MOUD; and were later released.

The second is an injunctive-relief class of current and future people in any facility where Wexford provides comprehensive medical services, who have OUD or are monitored for opioid withdrawal or test positive for opioids.

The court found class members could be identified from Wexford’s own medical records, found numerosity easily satisfied, and held that common questions about Wexford’s policy, its knowledge of risks, and whether that policy was constitutionally deficient tied the class together.

On appeal by Wexford, but the Fourth Circuit panel largely sided with Chambers.

Wexford also said individual questions about injury, causation and the impact of local law would overwhelm common issues. The Fourth Circuit disagreed, emphasizing that the central liability question – did Wexford operate under a uniform, unconstitutional policy excluding MOUD from supposedly comprehensive care – is common and at the “heart of the litigation.”

The panel dismissed Wexford’s suggestion that some facilities or laws barred MOUD, noting the record showed at most one institution with alleged resistance and no concrete legal prohibitions, and that disputes over who truly held policymaking power belong at the merits stage.

It also said plaintiffs had articulated a damages model tied to their theory of liability, including an expert’s per-day denial model, sufficient for certification even if damages will require some individualized calculations later.

Because the named plaintiffs are not currently incarcerated, Wexford argues they cannot show the “real or immediate threat” of future harm required for injunctive relief. The plaintiffs respond that people with OUD face a concrete risk of re-arrest and reincarceration, and one has in fact already returned to a Wexford-served facility during the appeal.

The Fourth Circuit declined to decide that question itself and instead remanded for Chambers to develop the record and determine whether the named plaintiffs can properly represent the injunctive class.

The plaintiffs are being represented by L. Dante diTrapano and David Carriger of Calwell Luce diTrapano in Charleston and by Jesse Forbes and Jennifer Taylor of Forbes Law Offices in Charleston. Wexford is being represented by Jordan Herrick, Justin Taylor and Harrison Cyrus of Bailey & Wyant in Charleston.

U.S. Court of Appeals for the Fourth Circuit case number 25-2038 (U.S. District Court for the Southern District of West Virginia case number 3:23-cv-00476)

Class Action

Manage Newsletters

Federal Judge Has 'Grave Concerns' About Missouri Roundup Deal

May 4, 2026, 1:42 PM PDT

Summary by Bloomberg AI

AI Generated



- A federal judge expressed "grave concerns" about a proposed \$7.25 billion class-action settlement in Missouri over Bayer AG's Roundup weedkiller.
- US District Judge Vince Chhabria questioned whether the settlement would be legally binding on plaintiffs outside Missouri, especially those who have yet to file claims.
- Chhabria refused to block the settlement, saying any problems with it are for the appellate courts in Missouri or the United States Supreme Court to address.

A federal judge overseeing thousands of cancer lawsuits against Bayer AG and its Roundup weedkiller said he had "grave concerns" about whether a proposed [\\$7.25 billion](#) class-action settlement in Missouri could properly address future claims outside the state.

At a hearing last week, US District Judge Vince Chhabria in San Francisco questioned whether an accord reached in a Missouri state court would be legally binding on plaintiffs elsewhere, especially former Roundup users who have yet to file their claims because they haven't developed cancer.

Chhabria also criticized some specific terms of the deal and the way backers persuaded a St. Louis judge to grant preliminary approval for it. But he refused to block the settlement, saying he may revisit the issue when a plaintiff challenges it in his court.

"Whatever problems there are with this settlement agreement – and there are many – that is for the appellate courts in Missouri to address and possibly the United States Supreme Court to address," Chhabria said at hearing Thursday, according to a court transcript.

Bayer officials said Monday they believe the settlement has the backing of enough plaintiffs' that it will be approved by the Missouri judge. "We look forward to moving ahead with the settlement process in the Missouri courts," Bayer said in an emailed statement.

The company has insisted the weedkiller is safe and doesn't cause cancer. The US Environmental Protection Agency has found glyphosate – Roundup's active ingredient – "unlikely to be a human carcinogen" and hasn't required a cancer warning be added to the product label. Still, Bayer removed its glyphosate-based version from the US residential market in 2023.

Read More: [Bayer Gets Mixed Reception at Supreme Court on Roundup Suits](#)

Bayer has failed to contain litigation over Roundup since acquiring the weedkiller's manufacturer, Monsanto, for \$63 billion in 2018. Out of 28 cases that have gone to trial since 2015, plaintiffs have won 11, according to Bayer's 2025 annual report. Several have produced big-dollar damage awards.

Investor concern over the company's liability has hurt Bayer shares, which are down about 60% since the Monsanto deal. Chief Executive Officer Bill Anderson is weighing whether the company should stop making glyphosate and has vowed to get a handle on the litigation by the end of this year.

Bayer [asked](#) the US Supreme Court last week to overturn a \$1.25 million Missouri state-court jury verdict for a man who claims Roundup caused his non-Hodgkin lymphoma and should have had a cancer warning label. The company contends since US regulators didn't require a cancer warning, federal law bars such failure-to-warn claims in Roundup lawsuits.

Chhabria [rejected](#) a 2021 proposal made by Bayer and some plaintiffs lawyers to resolve Roundup class-action cases because the deal didn't properly address future claims. The new Missouri accord aims to entice current and future Roundup claimants to review a settlement offer and opt out if they aren't satisfied to return to the regular court system.

The judge questioned "the validity of this class-action settlement and about the effect on the rights of plaintiffs and potential plaintiffs in California," according to the transcript.

Chhabria pointed to the deal's opt-out provisions, tagging them as "bizarre." He took issue with a requirement all Roundup users must decide whether to sign up for the settlement this summer, even if they don't have cancer now.

Settlement backers said Chhabria's critique of the settlement isn't relevant to whether its approved in Missouri.

"After hard-fought negotiations, we reached a settlement that provides real compensation to Roundup victims diagnosed now or in the coming years," said Chris Seeger, a New Jersey based plaintiffs' lawyer who helped create the deal. "We look forward to answering objections and securing approval for the Roundup settlement in the proper venue, which Judge Chhabria recognized is Missouri state court."

The case is Randal King v Monsanto, No. 2622-CC00325, Missouri 22nd Judicial Circuit Court (St. Louis)

To contact the reporter on this story:

Jef Feeley in Wilmington, Delaware at jfeeley@bloomberg.net

News **Antitrust**

Planned \$110B Paramount-Warner Merger Faces Consumer Antitrust Challenge

"A quick review of the complaint reads like a fanciful work of fiction that is untethered from the facts and without merit," a Paramount spokesperson said after consumers filed a lawsuit in California federal court seeking to block the company's proposed \$110 billion acquisition of Warner Bros. Discovery.

May 04, 2026 at 03:47 PM By  **Sulaiman Abdur-Rahman**



Credit: Paulo M Godoy/Adobe Stock

What You Need to Know

- Consumers filed an antitrust lawsuit seeking to block Paramount Skydance from acquiring Warner Bros. Discovery.
- Paramount represented by Cravath and Latham & Watkins and WBD represented by Wachtell Lipton and Debevoise & Plimpton reached a proposed \$110 billion entertainment merger deal.

- U.S. District Judge Araceli Martinez-Olguin of the Northern District of California is assigned to the consumer-led antitrust case.

Paramount Skydance Corp.'s proposed \$110 billion acquisition of Warner Bros. Discovery Inc. faces growing opposition as plaintiffs' firms in San Francisco seek to block the planned merger on behalf of consumers who allege the transaction would harm competition in violation of federal antitrust law.

Subscribers of the Paramount+ streaming service filed a lawsuit April 30 alleging Paramount unlawfully merged with Skydance Media last summer and that a subsequent merger combining those companies with New York-based WBD would unlawfully reduce consumer choice in the U.S. markets for premium video programming, national television news and theatrical distribution.

"By consolidating ownership and control over premium video-programming assets and nationally significant news properties, the acquisition may substantially lessen competition and increase Paramount's ability and incentive to raise consumer prices and worsen consumer-facing terms, reduce theatrical output and diminish independent editorial rivalry and the quality and diversity of news programming," counsel for the plaintiffs wrote in the [46-page complaint](#).

San Francisco-based Alioto Law Firm and Foreman & Brasso attorneys filed the lawsuit in the U.S. District Court for the Northern District of California on behalf of five plaintiff consumers, alleging violations of the Clayton Act.

The plaintiffs seek treble damages and a court order that would break up Paramount Skydance and prevent Paramount from consummating its proposed acquisition of WBD.

"We are aware of the private action filed in federal district court," a Paramount spokesperson said in a statement Monday.

"A quick review of the complaint reads like a fanciful work of fiction that is untethered from the facts and without merit," the spokesperson added. "The combination of Paramount and WBD will create a stronger competitor that is well positioned to serve as a champion for creative talent and consumer choice."

Am Law 100 firms—including Cravath, Swaine & Moore and Latham & Watkins for Los Angeles-based Paramount and Wachtell, Lipton, Rosen & Katz and Debevoise & Plimpton for WBD—represent the entertainment giants in their proposed M&A deal.

Counsel for the companies did not immediately respond to a request for comment.

U.S. District Judge Araceli Martinez-Olguin of the Northern District of California is assigned to the lawsuit captioned *Faust v. Paramount Skydance Corp.*

More than 4,000 people have signed an [open letter](#) opposing the proposed Paramount-WBD merger, including actors Ben Stiller and Don Cheadle, journalists Jim Acosta and Katie Phang and law professors Jack Lerner and Gloria Contreras Edin.

A coalition of several advocacy groups promoting the open letter, including Democracy Defenders Fund, say a merger of Paramount and WBD would harm competition and threaten freedom of the press and creative expression.

The Federal Communications Commission in 2025 approved Skydance Media's prior [\\$8 billion acquisition](#) of Paramount Global, and that combined company hired former Latham & Watkins partner Makan Delrahim as its [well-compensated chief legal officer](#).

Delrahim has close ties to President Donald Trump, and Paramount Chief Executive Officer David Ellison met privately with Trump at the White House in February, according to allegations in the consumer plaintiffs' complaint.

This action was surfaced by Law.com Radar, which delivers real-time alerting on new litigation across more than 2,900 state and federal courts. [Click here](#) to get started and be first to act on opportunities in your region, practice area or client sector.

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Apple Slammed in Calif. Federal Court With Lawsuits Over AirTag's Alleged Use in Stalking

Apple Inc. was hit last week with a barrage of products liability lawsuits in California federal court, all of which allege that design elements in the Big Tech giant's AirTag tracking devices facilitate stalking.

May 04, 2026 at 04:06 PM By  **Kat Black**



Apple sign. Credit: View Apart/Shutterstock.com

What You Need to Know

- Apple was hit with at least 22 products liability lawsuits in California federal court over the alleged use of its Apple AirTag product in stalking.
- The suits are backed by Wade Kilpela Slade, which filed a similar class action against Apple in 2022 that was recently denied class certification.

- The complaints allege that Apple knowingly failed to implement safeguards against stalking before debuting the product in 2021.

Apple Inc. was hit last week with a barrage of products liability lawsuits in California federal court, all of which allege that design elements in the Big Tech giant's AirTag tracking devices facilitate stalking.

Wade Kilpela Slade, which has offices in Little Rock, Santa Monica and Pittsburgh, filed at least 22 complaints against Apple in the U.S. District Court for the Northern District of California on May 1, almost two months after the firm's previous class action products liability filing against Apple [failed to receive class certification](#) in the same court.

The suits allege negligence under laws spanning multiple states, violation of California's Unfair Competition Law and design defect under California law. Counsel has not yet appeared for Apple.

Wade Kilpela did not immediately respond to phone messages and emails seeking comment Monday.

Apple's AirTag product, a Bluetooth location tracking device used to find missing personal items, debuted in April 2021 with a price point of \$29. According to the complaints, Apple released the product without implementing "adequate safeguards" against stalking, knowing that "abusive, dangerous individuals" could use it to "track, coerce, control, and otherwise endanger and abuse innocent victims."

Though Apple has since introduced AirTag features intended to curb the potential for use in stalking, the development "comes far too late," it said, noting that between April 20, 2021, and April 5, 2024, Apple received over 40,000 stalking reports, or over 1,000 complaints per month on average.

"Its 'stalker proof' protections exposed as totally inadequate, Apple has spent the last five years scrambling to address its failures in protecting people from unwanted, dangerous tracking," the complaint alleged. "To date, most, if not all, of these failures persist, and Apple continues to find itself in the position of reacting to the harms its product has unleashed, as opposed to prophylactically preventing those harms."

Wade Kilpela originally backed a class action product liability suit against Apple involving its AirTag product, captioned [Hughes v. Apple](#), filed on Dec. 5, 2022, in California's Northern District Court. Morrison & Foerster is representing Apple in the case, which alleges that the former romantic partners of the two named plaintiffs used the AirTag to "track," threaten" and "harass"

them, forcing one of them to move to a new neighborhood for her own safety. According to the complaint, the device was also implicated in at least two reported murders in 2022.

U.S. District Judge Vince Chhabria denied, in part, Apple's motion to dismiss *Hughes v. Apple* on March 15, 2024, finding that most claims were "inadequately pled" but ruling that it must face claims for negligence and strict products liability under California law.

During a March 5 hearing, Chhabria expressed skepticism about the likelihood of class certification in *Hughes*, noting that plaintiffs did not have standing to seek injunctive relief and instead advising a path to multidistrict litigation.

"It makes a lot more sense to bring a bunch of individual cases. ... The court's never going to certify a class," Chhabria said, comparing the allegations in the class action to those in ongoing passenger sexual assault multidistrict litigation against rideshare giant Uber Technologies Inc. The MDL saw its first two bellwether jury trials—one in Arizona, which resulted in an [\\$8.5 million verdict](#) for the plaintiff, and one in North Carolina, [which awarded \\$5,000](#) to the plaintiff—in February and April of this year, respectively.

"It's so obvious that you can't bring a class action on behalf of hundreds or thousands of people who were assaulted by Uber drivers, and so we're going to bring them individually. Why didn't you take that approach here?" he asked plaintiffs counsel David Slade.

Slade admitted that the firm had gone "against the instincts of a good class action plaintiff's lawyer" by adding more and more people to the action, which the firm had initially envisioned as a "rifle-shot [California Invasion of Privacy Act] case," and said that the case in its present state resembles a "mass tort" much more than a class action.

Apple did not immediately respond to an emailed request for comment.

This action was surfaced by [Law.com Radar](#), which delivers real-time alerting on new litigation across more than 2,900 state and federal courts. Click here to get started and be first to act on opportunities in your region, practice area or client sector.

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California Brief

Meta Fights Public Nuisance Claims in New Mexico Bench Trial

May 4, 2026, 2:53 PM PDT

Meta Platforms Inc. urged a New Mexico judge Monday to not side with the state attorney general's public nuisance theory of liability, which could force it to pay billions to remedy its youth user safety policies.

Meta made its case against an injunction restructuring its policies during opening arguments of a bench trial that serves as the second part in the state's lawsuit against the social-media giant. A potential injunction could cost Meta roughly \$3.7 billion over the course of 15 years in the form of providing mental health services and new guardrails to its platforms.

New Mexico alleges Meta prioritized profits over safety for years while deceiving teenage users and their parents about the risks of sexual exploitation on its platforms. A jury in March determined Meta was liable for violating two consumer protection laws and awarded the state civil penalties totaling \$375 million.

New Mexico Attorney General Raúl Torrez (D) contends Meta's conduct constitutes a public nuisance that must additionally be abated through injunctive relief requiring the tech giant to pay additional damages and make changes to its platforms and company operations in New Mexico to protect minor users, he said in a statement Monday released in conjunction with the trial's start.

"We proved Meta knowingly harmed children," Torrez said in the statement. "Now we're asking a court to order the fixes Meta has refused to make on its own."

The corporate parent of Facebook and Instagram, Meta is one of several social media companies including TikTok, Snap Inc. and Roblox Corp., facing scrutiny for failure to adequately protect young users from child exploitation

Torrez criticized Meta court filings in which the company said it may have to withdraw its platforms from the state if it's subject to an age verification order.

The injunctive relief the state seeks also includes siloing users between the ages of 13 and 18 to a sub-platform secure from “unconnected” adults. The state is also asking the court to appoint a child safety monitor, not allow local minor users to use encrypted messaging, and allow law enforcement to operate undercover accounts on Meta, among other things.

“It cannot be the case that safety features are only implemented when there are trials or when there are Wall Street Journal articles,” said New Mexico outside counsel David I. Ackerman, an attorney with Motley Rice LLC told the court in opening arguments.

Defense Counter

Alex A. Parkinson, a partner with Kellogg, Hansen, Todd, Figel & Frederick PLLC representing Meta, pushed back on the injunctive relief bid, contending that no New Mexico court has ruled in such a manner before and that there’s inadequate causation to support the state’s theory of liability.

If social media’s a nuisance, “then so is alcohol because of drunk driving, so are cell phones because of distracted driving, so are supermarkets that sell junk food,” Parkinson said. “Public nuisance would swallow tort law.”

State Judge Bryan Biedscheid expressed hesitancy at the trial’s start about the prospect of him being asked to play the role of a “one-person legislator, judge, and executive branch enforcer of administrative code provisions” with respect to Meta’s policies.

“I did at times have concerns that some of these requests could amount to” overreach, Biedscheid said. “I don’t want to be mysterious and opaque and have those concerns and not express them at the outset.”

Ackerman assured that the state isn’t asking Biedscheid to impose any specific age verification scheme but noted that there is a “menu” of solutions available to them. “If you use more than one technique, it gets you to a certain level of effectiveness,” Ackerman said. “And that’s what Meta should be required to do.”

The New Mexico Attorney General’s Office also represents the state. Covington & Burling LLP and Holland & Hart LLP also represent Meta.

The case is State of New Mexico v. Meta Platforms Inc. , N.M. Dist. Ct., No. D-101-CV-2023-02838, 5/4/26 .

To contact the reporter on this story: Quinn Wilson in California at qwilson@bloombergindustry.com

To contact the editor responsible for this story: Andrew Harris at aharris@bloomberglaw.com

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Meta Platforms**Meta and Zuckerberg sued by publishers over 'massive' copyright infringement**

Tech giant faces lawsuit from five large groups over its use of copyrighted works to train Llama AI models



The publishers argue that authors have been harmed because Llama has been used to produce imitation versions of their works © Fabrice Coffrini/AFP/Getty Images

Hannah Murphy in San Francisco

Published 2 HOURS AGO

Meta and its chief executive Mark Zuckerberg face a lawsuit from a coalition of major publishers, alleging the social media platform illegally used copyrighted works to train its Llama AI models.

Five publishers — Hachette, Macmillan, McGraw Hill, Elsevier and Cengage — along with bestselling author Scott Turow, are suing the Big Tech company and its founder over “one of the most massive infringements of copyrighted materials in history”.

According to the filing to the Manhattan federal court on Tuesday, Meta accessed millions of copyrighted books and journal articles from websites hosting pirated material, and also downloaded unauthorised scrapes of “virtually the entire internet” in order to train its generative AI models.

The \$1.5tn company then reproduced and distributed the material without permission, the filing said. The plaintiffs also claim Zuckerberg “himself personally authorised and actively encouraged the infringement”, and that the company deliberately stripped the works of attribution data in order to conceal its training sources.



The plaintiffs claim that Mark Zuckerberg himself authorised the alleged infringement © Jeff Chiu/AP

The case is the latest in a string of fierce copyright battles filed by artists, authors and newspapers alleging that AI groups such as Microsoft and OpenAI have used copyrighted content without compensation or permission to train their chatbots.

Last year, AI start-up Anthropic agreed to [pay \\$1.5bn](#) to settle a copyright lawsuit over its use of pirated texts to train its models.

However, in June, Meta won a similar [copyright lawsuit](#) brought by authors including Ta-Nehisi Coates and Richard Kadrey. Here, the judge ruled that the plaintiffs had not provided enough evidence that the company's AI would harm the market for human-created content by flooding it with AI-generated works, calling this a “potentially winning argument”. Meta's usage of the copyrighted material was therefore found to be “fair use” for developing a transformative technology.

In a statement on Tuesday, Meta said it would fight the latest lawsuit “aggressively”, adding: “AI is powering transformative innovations, productivity and creativity for individuals and companies, and courts have rightly found that training AI on copyrighted material can qualify as fair use.”

According to the lawsuit, Meta initially sought to negotiate licensing deals with publishers but abandoned them on “Zuckerberg's personal instruction”.

The publishers argue that authors have been harmed because Llama has been used to produce imitation versions of their works, calling the technology “an infinite substitution machine”.

They added that AI-generated books were “already flooding the world's largest book marketplace, Amazon, in volumes that materially displace human-authored works”.

The plaintiffs are seeking unspecified damages and aim to represent a broader group of copyright owners.

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News **Legal Technology**

Microsoft's Legal Agent Could Shake Up Legal Tech—If It Delivers

Microsoft's unveiling of its Legal Agent comes as the legal tech industry is still reeling from Anthropic's recent launch of its Claude legal plugin.

May 01, 2026 at 03:23 PM By  **Ella Sherman**

What You Need to Know

- Microsoft unveiled a new AI agent for legal work in Word on Thursday.
- The legal agent is only available through Microsoft's early-access Frontier program in the U.S.
- If the agent ends up performing well for users, it could threaten legal tech companies with similar capabilities like contract redlining, risk detection and document review.

This story has been updated with information on Microsoft's former legal tech hires.

Microsoft unveiled its Legal Agent on Thursday, but the jury is out as to whether the tool will truly impact the legal tech industry due to its current limited availability.

Experts say that if [the Legal Agent](#), which runs in Word, ends up performing well for users, it could threaten legal tech companies with similar capabilities like contract redlining, risk detection and document review—but if it doesn't, Microsoft will be just fine.

Microsoft did not respond to a request for comment.

Right now, the Legal Agent is only available through Microsoft's early-access Frontier program and has not yet been released more broadly. However, Oliver Roberts, co-director of WashU AI Collaborative at Washington University School of Law and CEO and co-founder of Wickard AI, said the tool stands to gain serious traction once it becomes more widely available. With so many legal teams already using Microsoft products, the company will be meeting lawyers where they're at by locating the Legal Agent within users' existing systems.

"It's right there at the lawyer's disposal and their environment that does pose a threat because lawyers may think, 'Why would I go buy another license for another legal tech vendor when it's already within my Microsoft environment?' Even if it performs slightly worse, that'll still be worth

the trade-off for them,” he said. “It’s very significant, but the real question is how reliable can their product actually perform, which I don’t think we know yet.”

Roberts added that if the Legal Agent works well, it could potentially pose a threat to “legal tech companies have been able to distinguish themselves by integrating directly into Word documents, directly integrating into lawyers’ workflows, just to make it simpler for lawyers to use.”

When Microsoft announced the Legal Agent, the company said in its press release that it had been working closely with legal engineers to build it. However, Baretz + Brunelle partner Joe Borstein said he is skeptical of the tool’s capabilities and industry impact.

“Legal tech is extremely domain specific, and I believe that history has shown it needs deep expertise and specialists to work at scale. I generally think it’s good for the marketplace to have the big players thinking about it at all, but I’m skeptical that it will result in any major changes,” he said. “Microsoft made Microsoft Word, Microsoft also made Clippy. They make amazing things, and they make occasionally mediocre things, and we remember the amazing things because they last.”

Big Tech has already made waves in the legal tech industry this year. In February, Anthropic’s Claude Cowork legal plugin was [positioned](#) to disrupt legal tech, and now, it could be Microsoft’s turn to shake up the scene.

Mark Williams, founding co-director at Vanderbilt AI Law Lab and practice of law professor at Vanderbilt Law School, said this move by Microsoft could be a reaction to the advances other Big Tech companies are making toward the legal industry.

“I do find it interesting that they’re announcing that [the Legal Agent] exists and have brought it out to a few select customers as part of their Frontier program early on, even though they don’t seem like they’re ready to deploy it widely yet,” he said. “I wonder if they would’ve done that if not for some of these recent developments from other companies.”

Williams pointed out how Anthropic claimed it [brought in](#) over 20,000 registrants for its webinar workshop addressing Claude for legal teams. If the Legal Agent does not work out for Microsoft, he said, “obviously they’ve been so successful in many other ways, they’ll be OK for sure.”

The launch of Microsoft’s legal agent comes several months after the company hired staff from Robin AI, a London-based contract drafting and review platform [facing insolvency](#), for its Word team, according to [LegalIT Insider](#). In December, U.K.-based AI law firm Scissero [acquired](#) the managed services team of Robin AI.

Scrutiny Update

 fcpaprofessor.com/scrutiny-update-3

May 5, 2026



Merit Medical Systems is a Utah based global manufacturer and marketer of healthcare technology.

In August 2022, the company [disclosed](#):

"We have received a request from the Division of Enforcement of the U.S. Securities and Exchange Commission ("SEC") seeking the voluntary production of information relating to the business activities of Merit's subsidiary in China, including interactions with hospitals and health care officials in China. We are cooperating with this request and investigating the matter and, at this time, are unable to predict the scope, timing, significance or outcome of this matter."

Since then, the same general disclosure appeared in subsequent quarterly filings by the company leading up to April 2025.

In April 2025, the company added the following to its [disclosure](#):

"We are cooperating with the requests, investigating the matter and are in discussions with the SEC Staff regarding a potential resolution to the matter."

In its most recent [annual report](#), Merit Medical disclosed:

"Commencing in January 2022, we received requests from the Division of Enforcement of the U.S. Securities and Exchange Commission (SEC) seeking the voluntary production of information relating to the business activities of Merit's subsidiary in China, including interactions with hospitals and health care officials in China (the SEC Inquiry). We cooperated with the requests and investigated the matter. During the quarter ended September 30, 2025, the SEC's Division of Enforcement notified us that they had concluded the SEC Inquiry and were not recommending enforcement action against us."

Securities

Opinion

Matt Levine's Money Stuff: GameStop Doesn't Have Enough Stock

May 4, 2026, 11:11 AM PDT

GameStop!

Well! Yes! This is the point! Of everything! Like:

1. You do good business stuff;
2. Your stock goes up;
3. Now your stock is worth a lot of money;
4. You use your valuable stock to buy things — executive talent, other companies — that help you do more good business stuff.

A virtuous and self-reinforcing cycle. Step 2 is not, perhaps, the most important part of all of this, but it's not the least important either. At some point in early 2021 the mad scientists at GameStop Corp. realized, somewhat to their own chagrin, that their stock was going up quite a lot for reasons of its own. At first, they were terrified by this dark magic and declined to use it. Later, they tentatively started to use their stock-price powers to, like, hire Amazon.com executives. I am sure that I have somewhere joked that they would eventually use their stock to buy Amazon itself. They're not quite there yet but man we are getting closer:

GameStop Corp. is proposing to buy eBay Inc. for about \$56 billion in cash and stock, a bold attempt by Ryan Cohen to take over a storied e-commerce name several times larger.

The gaming retail chain offered \$125 per share in cash and stock for the online marketplace, or about a 20% premium to its Friday close. GameStop, which built a roughly 5% stake in eBay, said it's secured an initial, non-binding "highly confident letter" from TD Bank to provide about \$20 billion of debt financing. In a memo to investors Sunday, Cohen's company pledged to find some \$2 billion of annual savings within 12 months of closing. ...

The takeover bid follows the surprising ascent of GameStop, a chain of video game outlets that shrank its brick-and-mortar footprint after gamers increasingly bought software in digital stores. In 2021, it became the center of a retail-investor frenzy. ...

Cohen is now proposing to take over a company roughly four times larger than the retail chain he operates. GameStop had a market value of \$12 billion as of Friday. EBay was much bigger at around \$46 billion, though the game retailer has about \$9 billion in cash. The takeover offer is split evenly between cash and GameStop common stock.

Here is GameStop's proposal, which envisions the combined company as, like, a hybrid online/in-person trading venue for collectibles? The presentation says that GameStop's stores would give eBay "a national network for authentication, intake, fulfillment, and live commerce." I do not understand business at all.

Here's a question. What does it mean that, in this proposal, GameStop would "buy" eBay? The Wall Street Journal notes:

GameStop has around \$9 billion in cash on its balance sheet to put toward a deal. It wasn't immediately clear how it would come up with the rest of the money needed for a \$56 billion acquisition. It is possible Cohen could tap outside investors, such as Middle Eastern sovereign-wealth funds, to back the deal, people familiar with the matter said.

And here's a funny Business Insider article about how Cohen and Andrew Ross Sorkin talked past each other on "Squawk Box" this morning:

Sorkin asked Cohen to walk viewers through how the deal would work.

"Yeah, we'll see what happens," Cohen replied, drawing laughter in the studio.

"I hear you. I understand that," Sorkin replied. "I'm just trying to understand where the rest of the money would come from."

"It's half cash, half stock," Cohen said, before Sorkin pushed back.

"I'm just saying that that math doesn't get you to the price that you're offering," Sorkin said.

The video truly is wild, but I think the math is fine? The crude math is (1) \$8 billion of balance-sheet cash plus (2) \$20 billion of "highly confident" debt financing from TD plus (3) \$28 billion of new GameStop stock gets you to \$56 billion. Half cash, half stock. It all adds up. But I'd make a few points.

First, GameStop, sort of obviously, could not go out and borrow \$20 billion itself. (Bloomberg tells me its estimated fiscal 2027 earnings before interest, taxes, depreciation and amortization are about \$469 million, and it already has \$4 billion of debt.) TD is "highly confident" that GameStop could borrow \$20 billion *against eBay*: If it takes over eBay, the combined company would have more cash flow and be able to issue more debt. But this is not GameStop debt; this is a leveraged buyout where the new debt capacity would come from eBay.

Second, in some arithmetic sense, GameStop could issue \$28 billion of new stock. The stock closed at \$26.53 on Friday; if you divide \$28 billion by \$26.53 you get about 1.05 billion. So if GameStop issued 1.05 billion more shares, that would cover the stock portion of the purchase price. But:

1. If GameStop issued 1.05 billion more shares, would they be worth \$26.53 each? Meh. The stock is down a bit today. GameStop has about 448 million shares outstanding, so this deal would more than triple its share count. “Any credible offer would require substantial dilution,” note Bloomberg Intelligence analysts Poonam Goyal and Sydney Goodman. In a sense this is like the debt: *GameStop* couldn't issue 1.05 billion more shares against its own business without driving down the stock price a lot, but if it owned eBay, it would be much bigger and could support a larger stock market valuation. But the new stock that GameStop would issue would not really be “GameStop stock”: It would be stock in a combined GameStop/eBay in which eBay represents the large majority of the business.

2. Relatedly, that means that, in any deal, legacy eBay shareholders would own twice as much of the combined company as legacy GameStop shareholders. GameStop would “buy” eBay in the sense that (1) that's what the press release says and (2) Ryan Cohen would be the CEO of the combined company. But eBay shareholders would own most of the combined company, which would be mostly eBay.

3. Under New York Stock Exchange rules, this would require a GameStop shareholder vote, for intuitive reasons. Ordinarily if a big company acquires a smaller one for cash, or for a small amount of stock, the acquirer's shareholders don't get to vote, but the target's shareholders — who are giving up their company — do. But, here, *GameStop* is more or less getting acquired, so its shareholders get to vote. (As do eBay's.)

4. Also GameStop can't actually issue 1.05 billion more shares! It is often reasonable to assume that companies can freely print as much of their own stock as they want: Stock is just the fractions in which ownership of the company is divided, and the company can make up as much as it wants. But that is not *exactly* legally true. A company's certificate of incorporation will normally authorize a large but finite number of shares, and the company can't go around issuing more than that. In fact, GameStop has only 1 billion authorized common shares, and about 448 million are already outstanding, meaning that GameStop doesn't have anywhere near enough authorized shares to pay \$28 billion in stock for eBay. Oops!

That last point is not an insurmountable problem: GameStop's shareholders could vote to authorize new shares. They'd have to vote to approve the deal anyway, so getting more shares authorized is not impossible. Still it's odd that it's not even mentioned in the proposal. GameStop is offering to buy eBay for cash it doesn't have, and also for stock it doesn't have. One gets the sense that GameStop did not entirely think this through.

Moonshots

Incidentally. The Journal notes:

Cohen also has a potentially massive payday at stake if he can pull it all off. GameStop adjusted Cohen's compensation package at the beginning of the year to give him extra incentive to boost the company's market value and profitability. He stands to make as much as \$35 billion in stock if certain criteria are met, including if its market value hits \$100 billion.

This sort of thing is not uncommon these days; it is often called a “moonshot” pay package and, like so many things, is largely Elon Musk’s doing. Instead of paying your chief executive officer a reasonably large amount of money for hitting reasonably ambitious goals, you pay her (1) not very much money plus (2) an extraordinarily large amount of money if she hits extraordinarily unreasonable goals. In 2018, Musk famously got a pay package that would be worth about \$56 billion if he took Tesla Inc.’s market value from \$59 billion to \$650 billion; he did, and it was. He now has a similarly ambitious 2025 Tesla pay package that will be worth something like \$1 trillion if he takes the market cap to \$8.5 trillion; he also apparently has a pay package at SpaceX that will trigger on \$6.6 trillion in market cap and a lot of data centers in space.

Lots of CEOs who would like to think of themselves as Musk-esque have persuaded their boards to give them similar pay packages, Cohen among them. In January, GameStop granted him a package of options contingent on hitting targets for market capitalization and earnings before interest, taxes, depreciation and amortization. If he hits all of the targets — \$10 billion of “cumulative performance EBITDA” and \$100 billion of market cap — within 10 years, he’ll get 171.5 million options worth, at those levels, about \$35 billion.

Now. Musk has in recent months added to SpaceX’s market capitalization by acquiring xAI (and X, formerly Twitter). There is occasional fun speculation that he might at some point merge Tesla and SpaceX. Cohen, as GameStop CEO, is trying to acquire eBay. Intuitively you might think: “Well, yes. These guys have enormous, entirely at-risk pay packages that depend mostly on *size*. They are incentivized to get a large market cap and large earnings rather than, say, a high stock price per share, or high earnings per share, or a high profit margin. If you have a \$12 billion company earning \$500 million a year, and you need to make it a \$100 billion company earning \$2 billion a year, merging it with a \$46 billion company earning \$3 billion a year is a helpful shortcut.”

I think that intuition is approximately correct. The boards of directors who agree to these pay packages understand this, and they understand that it is in a sense a problem: Turning a \$10 billion company into a \$100 billion one organically (1) is probably harder than just merging with a \$50 billion company and (2) certainly *creates more shareholder value*; just adding \$50 billion of already-existing company to GameStop doesn’t really create any new value. The goal of the compensation package is to encourage value creation, not just indiscriminate acquisition. And so Cohen’s pay package says:

The Performance Hurdles will be adjusted by the Committee equitably and proportionately as determined by the Committee in a manner designed to preserve the economic opportunity provided under the Award, (a) higher to account for acquisition activity for which stock is provided as consideration; and (b) lower to account for a split-up, spin-off, dividend or other distribution (whether in the form of cash, shares, other securities, or other property) or divestiture activity, in each case, that could be considered material to the achievement of the Performance Hurdles, as applicable.

Though it doesn’t spell out *how* the hurdles will be adjusted, other than “equitably and proportionately.” Musk’s 2025 Tesla pay package is a bit more explicit:

In the event that Tesla acquires a business with a purchase price of more than \$20 billion, any then-unearned Market Capitalization Milestone will be increased by the purchase price of such acquisition. Similarly, if the target of an acquisition transaction has Adjusted EBITDA (based on cumulative four consecutive quarters prior to the transaction) of more than \$2 billion, the then-unachieved Adjusted EBITDA Milestones will be increased by such target's Adjusted EBITDA. ... These features of the 2025 CEO Performance Award are designed to prevent achievement of milestones based on acquisition activity that could be considered material to the achievement of those milestones.

But notice that that doesn't quite solve the problem, because it is arithmetically easier to grow (say) a \$60 billion company to \$150 billion than it is to grow a \$10 billion company to \$100 billion. Assume Cohen is very talented and it is easy for him to grow his company's market capitalization by 20% per year. If he starts at \$10 billion, after 10 years he'll be at about \$62 billion: terrific, but not enough to meet all the milestones. But if, right out of the gate, he buys \$50 billion of market cap, and then compounds that at only 10% per year, at the end of 10 years he'll have a market cap of about \$156 billion: enough to meet the milestone, even if it is adjusted from \$100 billion to \$150 billion to account for the acquisition.

Or put another way: Let's say in rough numbers that Tesla is worth \$1.5 trillion and Musk gets maximally paid for getting it to \$8.5 trillion, and that SpaceX is worth \$2 trillion and Musk gets maximally paid for getting it to \$6.6 trillion. Let's assume that SpaceX's pay plan adjusts the same way as Tesla's. Right now, Musk needs to get to a total market capitalization of \$15.1 trillion for his two companies (\$8.5 trillion for Tesla, \$6.6 trillion for SpaceX) to get his full pay packages. If they merged, loosely speaking, his Tesla pay package milestone would adjust up by the value of SpaceX, from \$8.5 trillion to \$10.5 trillion, and his SpaceX one would adjust up by the value of Tesla, from \$6.6 trillion to \$8.1 trillion. But notice they're the same company now. Getting the combined company to \$10.5 trillion would hit all the targets, \$4.6 trillion earlier than if they were separate companies.

I don't actually know how GameStop's board would adjust Cohen's pay package if GameStop buys eBay. (Or what would happen if Tesla and SpaceX merge, for that matter.) You could imagine doing it multiplicatively — "if you go from \$10 billion of market cap to \$60 billion by acquisition, the target is adjusted from \$100 billion to \$600 billion" — but not really. That seems unfair too; it's harder to add \$500 billion of market cap to a big company than it is to add \$50 billion to a smaller one. My guess is that most moonshot pay packages would adjust for big acquisitions the way Musk's does, by *adding* the acquisition to the target market capitalization in a way that seems roughly fair but that gives CEOs a powerful incentive to pursue bigness by acquisition.

Of course here I am assuming that these moonshot pay packages are intended to encourage organic value creation, and that assumption might be wrong. Maybe the boards, and the shareholders, actually just want bigness. Perhaps it would be fun for Tesla and SpaceX shareholders if their companies merged. Surely it will be fun for GameStop shareholders if GameStop takes over eBay; that is just the sort of random swashbuckling that GameStop shareholders should enjoy. GameStop shareholders should be pleased with this little adventure; of course Cohen's pay package should encourage it.

In the governance literature, this sort of thing — CEOs pursuing size rather than return on investment — is called “empire building,” and is considered a bad thing. But, come on. If you’re a shareholder of the Elon Musk complex, or of Ryan Cohen’s GameStop, don’t you sort of want your CEO to build an empire?

Prediction market making

We talked a couple of weeks ago about sportsbooks. There is a popular misconception that sportsbooks set their betting lines to balance their action, so that they make a little bit of money no matter who wins a game. But in fact that’s largely not true: Sportsbooks set their betting lines to *maximize profit*, and if public bettors are systematically wrong — if they always overestimate the chances of the home team or the underdog or whatever — then sportsbooks will take the other side of that bet. They will take directional risk, if it’s good risk.

Modern sports betting increasingly happens not at sportsbooks but at prediction markets. In theory, in a prediction market, if you want to bet on the Mets you are betting against some other customer who is betting on the Nationals. In practice, there’s a decent and increasing chance that the person on the other side of your bet is a professional or semi-professional market maker, someone (or some algorithm) who makes two-sided markets, buying “Mets win” contracts at \$0.40, selling them at \$0.41 and collecting the spread.

I pointed out that financial market makers are a lot like sportsbooks, in that (1) the simple model is that they balance buying and selling, collect the spread and do not take any directional risk, but (2) in fact sophisticated well-capitalized market makers do often have fundamental value models and lean into one side or the other. If retail investors all want to get long the same dumb stock, a market maker might end up short that stock and happy with its position.

Also, we have talked from time to time around here about insider trading on prediction markets. Intuitively, if you are betting on the capture of Nicolás Maduro using inside information, you are betting *against* someone, someone who does not have inside information and therefore loses money. Loosely speaking the person you are betting against is probably a market maker.

Thus market making in prediction markets consists of:

1. Sometimes buying at \$0.40, selling at \$0.41 and clipping a \$0.01 spread for a few minutes of risk;
2. Sometimes making a considered fundamental bet that public bettors overstate the probability of an event happening, selling at \$0.41, holding until resolution, and making a \$0.41 profit when the thing doesn’t happen ; and
3. Sometimes making that considered fundamental bet, selling at \$0.41 to someone trading on inside information, and losing \$0.59 when the thing happens and you have to pay out \$1.

Here’s a fascinating paper on “Adverse Selection in Prediction Markets: Evidence from Kalshi,” by Robert Bartlett and Maureen O’Hara:

Using 41.6 million trades, we measure adverse selection in prediction markets. Adapting Kyle's λ and the Glosten-Harris decomposition, we show single-name markets exhibit greater informed price impact than broad-based markets. Despite this, effective spreads are only modestly wider, and market makers earn twice as much per contract. A frequency-magnitude decomposition resolves this puzzle: traders systematically overbet YES in markets that predominantly settle NO, generating a behavioral surplus that cross-subsidizes adverse selection. Adapting the VPIN toxicity metric, we find that one-sided order flow predicts maker losses in single-name markets but not broad-based markets. Our research suggests a new microstructure equilibrium concept for bilateral settlement markets.

They divide Kalshi contracts into "either single-name (referencing a specific company or individual) or broad-based (referencing macroeconomic aggregates, market indices, or asset prices)," and find that contracts referencing a specific company or individual have a lot of "informed trading," which doesn't necessarily mean "insider trading" but who knows: "Markets referencing outcomes known to a handful of insiders exhibit more informed trading, and that information is incorporated permanently into prices."

That is bad for market makers in those contracts: If you sell the "Nicolás Maduro out" contract, it's probably to a Special Forces soldier planning his capture, and you lose money. Why, then, would market makers trade those contracts, given that they're probably trading against insiders? Intuitively the answer is that they're trading against *some* insiders and also a lot of randos who are systematically wrong, which subsidizes the market makers (and thus the insiders):

Events trading at an implied 46% YES probability actually settle YES only 21% of the time, reflecting a miscalibration of 25 percentage points. Takers on single-name markets exhibit not simply a classical favorite-longshot bias but a pervasive YES optimism, most pronounced where outcomes are most contested.

So market makers systematically fade public bettors, betting No where the public naively bets Yes, and make money.

Incidentally, when we talked about market making on prediction markets a few weeks ago, I quoted a tweet from a guy who set up "a Polymarket bot that automatically buys 'No' for every non-sports market and holds to resolution." "Right," I said, "that's (one-sided) model-based positive-expected-value passive liquidity provision." It basically works!

One question is: Why make two-sided markets at all, betting "No" *and* "Yes" on all of these markets where the public predictably overvalues the "Yes" side? Bartlett answered by email:

The temptation is to think: if YES is overpriced, why not just sell YES all day? We ran the counterfactual. An offer-only maker (never bids YES) earns roughly twice as much in gross profit on single-name markets as the full-book maker, so the instinct is right that the sell side is where the money is. But the offer-only maker's standard deviation is 3X higher, and her 20 worst markets are 100% events that actually happened. By refusing to bid YES, she concentrates her exposure on exactly the markets where informed YES takers show up knowing the event will occur. The full-book maker gives up half the gross for a 70% reduction in variance, because her YES bids accumulate cheap long positions from wrong-side NO takers that cushion her when events do happen.

Intuitively, the offer side is the revenue engine, and the bid side is the hedge. The maker who only runs the engine blows up on every TikTok-gets-banned or CEO-gets-fired market where someone on the other side knew the answer. The maker who runs both earns less per market but survives the tail across the portfolio.

Mostly the public is wrong, but sometimes it's insider trading.

Play-money casinos

"Maybe the most important paper in economics," I once wrote, "is the one about how people sometimes give themselves painful electric shocks just because that is an option that's available to them." They should teach that paper on the first day of Evil Business School. It might give you ideas for business models. One business model is: I give you something of value, and in exchange you give me money. This is probably the most common business model, and the most socially beneficial, but the problem with it from my perspective is that it is a lot of work for me to give you something of value.

Another business model is: I promise to give you something of value, and in exchange you give me money, and then I don't give you anything of value. I talk about this model a lot around here — loosely speaking it is called "fraud" — but it has some big downsides for me too. For one thing, it's a fair amount of work for me to *trick* you into giving me your money. Plus I might go to jail, etc.

A third business model is: I promise you something worthless, and in exchange you give me money. I suppose I talk about this model a lot around here too. It is called "crypto," ahahahahahahaha, no, kidding, sort of. I mean. If I can create some tokens that cost me nothing, and that promise you nothing, and then I can sell them to you for real dollars without technically lying to you, that's a good business for me. What is it for you? Well. It's an option that is available to you. If you're sitting around, bored, thinking "you know what I could go for right now is a painful electric shock," maybe you'll buy my worthless tokens?

At Bloomberg Businessweek, Peter Robison and Vernon Silver report:

Tens of millions of people play [social casino apps] daily. High 5 Casino, Jackpot Party, Slotomania and similar apps are billed as just-for-fun diversions that can be played for free.

And they can be: You download the game at no cost and start with a small stash of coins. But you'll almost certainly run out—because, as at every casino, the house always wins. Then you'll be prompted through a stream of pop-ups to pay real money for more coins, to avoid waiting (maybe an hour, maybe all day) for the game to dispense more free ones. Even when you pay, and win, you can't cash out. It's the defining element of a social casino; the prize is the make-believe coins, and perhaps some dopamine.

"Perhaps Some Dopamine" would be a good name for a startup. Just an underrated explanation for all sorts of economic phenomena. Robison and Silver write about how people become addicted to these games:

Considering you can't win real money, casino-style games generate an astonishing amount of actual revenue, more than \$11 billion in 2025, according to the market intelligence firm Sensor Tower Inc. And actual pain: Some players have spent more than \$1 million, contemplated suicide, mortgaged houses or divorced their spouses over the games.

Big spenders, a jury was told, were described within High 5 as "whales" or "monetizers." When a staffer reported that one user—"good ol' Patty... the whale with crazy monetization habits"—had bought several coin packages in a single day, another suggested sending "a box of wine or three" to her home to keep her tapping away at her favorite game, Ciao, Roma! "Thumbs up," responded Patrick Benson, High 5's vice president for integrated marketing. "I hope she sits down with a box of wine tonight and plays C. Roma all night." High 5 declined to comment for this story.

Like if I just offered you the proposition "if you give me \$1 million in real money, I will give you one trillion imaginary coins that can't be redeemed for anything," you would probably say no. But if I did it over time and packaged it in a colorful slot machine on your phone you might say "sure yeah whatever" and then we're in business.

Things happen

Jane Street's Record Year Translates Into a \$2.68 Million Payout Per Employee. OpenAI Finalizes \$10 Billion Joint Venture With PE Firms to Deploy AI. Anthropic Unveils \$1.5 Billion Joint Venture With Wall Street Firms. U.S. Senators Now Prohibited From Trading on Prediction Markets. Why Almost Everyone Loses—Except a Few Sharks—on Prediction Markets. Trump-Linked World Liberty Sues Justin Sun for Defamation. Trump Family Crypto Project Quietly Sold as Holders Got Stuck. Trump Media's Latest Pivot Is a Leadership Shake-Up. Private Credit Could Spark Psychological Contagion, Barr Warns. Bill Savitt profile. Hotspan extension. The Mystery of 'Human Meat' for Sale on Temu.

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To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

1. That is: 171,537,327 shares of options with a strike price of \$20.66 per share. The market cap as of Friday was about \$11.9 billion at a stock price of \$26.53, implying a market cap of \$100 billion at a stock price around \$223.03 per share. So each option is worth about \$202.37 at that price (\$223.03 minus the \$20.66 strike price), or a total of about \$34.7 billion. This is inexact for the reasons in the text: The target is a *market cap*, not a *stock price*, so the more stock you issue to get there, the less the options are worth. Still quite a lot though! I should add that those 171.5 million shares should probably be subtracted from GameStop's authorized but unissued shares, leaving even less room to buy eBay.
2. Made up. What he needs is \$10 billion of *cumulative* earnings over 10 years, as measured, so \$2 billion a year should be ample.
3. Same argument for earnings targets.
4. This is loose. Really it's making the \$0.41 profit more than 60% of the time and losing \$0.59 less than 40% of the time: You're not betting that the public is always wrong, just that it overstates the probability.

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News from Bloomberg Terminal
Investment Banking Without a License
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By Matt Levine

(Bloomberg Opinion) --

Unlicensed investment bankers

Investment banking is, in the US, a regulated profession. If you are doing certain investment banking activities – like “advising on and/or facilitating ... debt and equity offerings, mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations and business combination transactions,” you have to pass a licensing exam and register with Finra, the Financial Industry Regulatory Authority.

This sometimes trips people up, because investment banking is not as clearly defined as some other professions. If I am buddies with a chief executive officer, and I tell her “hey I’ve got another buddy who runs a startup, you should buy them,” and she does and pays me a finder’s fee, did I commit unlicensed investment banking? Maybe? If I am some random celebrity or politician and I get hired by an investment bank to glad-hand clients, can I glad-hand the clients before passing my licensing exams? Not a great idea, but I bet it has happened.

Or new investment banking analysts have a few weeks to study for and pass their licensing exams after they start work. So, for some period of time, they are not licensed investment bankers. Yet they work 100-hour weeks. What do they do? Well, not “advise on and/or facilitate” mergers, in the sense that the first-week analyst is not on the phone with the client’s CEO walking her through merger strategy. But can they format pitchbooks? Probably. Can they show up at client meetings and sit quietly? I do not want to give you any sort of regulatory advice, but I bet (1) that has happened and (2) no one has gotten in trouble for it.

It’s possible that the practical rule is something like: “If you are on the working group list for a live transaction, you’d better be a licensed investment banker.” The WGL is a document that, among other things, tells the client who its advisers are. If your phone number is listed on the WGL, the client might call you for advice, so you need to be licensed to give that advice. If you’re just back in your cubicle toiling on pitchbooks, and the client has never heard of you, then you’re not advising anyone and don’t need a license. This is not any sort of advice, and is certainly not the technical rule, but it feels like roughly the right idea.

At big investment banks, this stuff doesn’t come up that much. Anyone who gets hired into an investment banking role is expected to take their licensing exams as soon as possible. Investment bankers are smart and driven enough, and the exams are easy enough, that they all pass and get licensed pretty quickly. There are temporary gaps, but for the most part any investment banker at a big bank is a licensed investment banker.

Except at Morgan Stanley Budapest I guess? The Wall Street Journal reports:

The Financial Industry Regulatory Authority in the U.S. has opened an inquiry about what kind of work the Budapest bankers were doing, how much contact they had with clients and how they were supervised, people familiar with the matter said. The probe is at an early stage, the people said.

A former employee had contacted the regulator as a whistleblower, the people said, alleging those in the program lacked the proper licenses that work would have required. ...

The offshoring of back-office jobs to support bankers on Wall Street has been going on for years. ... But those workers aren't typically allowed to carry out any financial analysis and are viewed as support staff.

In Budapest, Morgan Stanley took the idea one step further, moving front-office jobs that typically go to graduates of top universities in cities such as London or New York. ...

The young analysts in Budapest have similar roles and responsibilities to their peers in London and New York: working on pitch decks to help win the bank business and live deals to help clients raise capital or buy companies. They work the same hours as their counterparts, meaning that analysts supporting the New York office often toiled between 1 p.m. and 7 a.m. local time, according to timestamped messages reviewed by The Wall Street Journal. ...

The bank made clear in a 2024 memorandum to staff that the Budapest analysts "are not licensed to undertake any regulated activities," including direct contact with clients and any handling of know-your-customer processes.

But the rules weren't properly enforced, the people said. ...

In pitch decks for clients, the analysts were listed as employees on the New York and London teams, sometimes designated with flags of the U.S. and U.K. More recently, another analyst traveled to meet a client based in Europe, people familiar with the matter said.

Plausibly any amount of pitch-deck formatting and maybe even financial modeling is fine, as long as some licensed banker is checking the model and giving the client the advice. But once you show up on the "Our Team" page in the pitchbook, you might be a client adviser.

I should add that the Budapest office seems pretty grueling (1 p.m. to 7 a.m.?) and relatively poorly paid, and "Morgan Stanley has walked back the promise of transfers to the home offices," so it makes sense that being an unlicensed-investment-banking whistleblower was a better deal than being an unlicensed investment banker.

Elsewhere:

Anthropic PBC unveiled a set of new artificial intelligence agents designed to handle a broader mix of financial services tasks, part of the company's push to win over Wall Street.

The Claude maker is releasing AI agents that it says can draft pitch decks for client meetings, review financial statements and escalate cases for compliance review. The new tools – 10 in total – are aimed at professionals across banking, insurance, asset management and financial technology.

Pretty soon every investment bank's "Our Team" pitchbook page is going to have an entry like "Morgana is our autonomous AI agent who can walk you through the model, explain the deal process and answer all your questions; you can email or even call her any time, day or night." Will the AI agents have to get their Finra licenses? I'm pretty sure they could pass the exams.

Unregistered commodities exchanges

In 1992, Congress passed a law called the Professional and Amateur Sports Protection Act, which made sports gambling illegal in the US with a few exceptions. PASPA did not make betting on sports a federal crime; instead, it forbade US states (other than Nevada) from legalizing sports gambling. States grumbled about this, and in 2018 the US Supreme Court ruled that the law was unconstitutional because it told state legislatures what to do. The Supreme Court concluded:

The legalization of sports gambling requires an important policy choice, but the choice is not ours to make. Congress can regulate sports gambling directly, but if it elects not to do so, each State is free to act on its own. Our job is to interpret the law Congress has enacted and decide whether it is consistent with the Constitution. PASPA is not. PASPA "regulate[s] state governments' regulation" of their citizens. ... The Constitution gives Congress no such power.

And so, from 2018 until about 2025, states were free to regulate sports gambling. Some allowed it, and some did not.

Starting in about 2025, as we have discussed, the situation changed. Kalshi got into the business of offering "event contracts," which it argued were commodity futures regulated by the US Commodity Futures Trading Commission. A sports bet is, in Kalshi's view, an event contract, so as a CFTC-regulated commodities futures exchange (or DCM, "designated contract market"), Kalshi could offer sports bets.

This argument struck a lot of people as crazy, because it is, and various states tried to stop Kalshi from offering illegal sport bets. Kalshi's response was: "Nyah nyah, we are federally regulated by the CFTC, CFTC regulation preempts state regulation, so we don't have to follow state gaming rules." This argument has mostly worked, and in the Trump administration the CFTC has enthusiastically supported it. Sports betting is now federally regulated, and quite *lightly* regulated: Kalshi can offer sports bets nationwide, to 18-year-olds, without most of the consumer protection rules that state gaming regulators typically require.

So states are now *not* free to regulate sports gambling: Even in states that ban online sports gambling, you can bet on sports online on Kalshi. The states can't stop you. We've talked about this a lot, it's wild, whatever.

But there is another implication of this new regime, which is that states might not be free to *allow* sports gambling. In states that allow online sports gambling, you can go to a state-regulated online sportsbook to place a bet. What is that? Well, it's a "sports bet" at an "online sportsbook" under the state regulatory regime. But it is also, under the logic of Kalshi and the CFTC, a "swap contract" traded at an "unregistered swaps exchange" under the CFTC's rules. That is: A state-regulated sportsbook is *trading commodities futures with retail customers*, but it is *not registered with the CFTC*.

That might be illegal under federal law. Section 2(e) of the Commodity Exchange Act says that it is "It shall be unlawful for any person, other than an eligible contract participant, to enter into a swap unless the swap is entered into on, or subject to the rules of, a board of trade designated as a contract market under section 7 of this title." (An "eligible contract participant" is basically an institutional trader; retail customers have to trade swaps on designated exchanges.)

Therefore, states can't regulate sports gambling at all. They can't ban it: The CFTC's rules preempt state rules and allow nationwide sports gambling on Kalshi. They also can't license it: The CFTC's rules preempt state rules and forbid sports bets on state-licensed sportsbooks. Sports betting is entirely out of the states' hands.

I wrote this last week:

Does the CFTC have exclusive jurisdiction over sports bets? Not just sports bets on Kalshi (or Polymarket), but all sports bets, at an online sportsbook or a Las Vegas casino or your March Madness pool. They are all "swaps," all the same type of event contract that the CFTC regulates.

And not just sports: Any bet at all, any promise of money "settled based on the occurrence or nonoccurrence of a specified future event," is a swap regulated by the CFTC and subject to insider trading law.

Now, I should say, this is not legal advice, and it is not actually what the CFTC says. I was writing about a CFTC event-contract *insider trading* case, brought against a guy who traded on Polymarket, which is (like sportsbooks) not registered with the CFTC. The CFTC, I think, has claimed the power to police *fraud* in all event contracts, even those that don't trade on a registered exchange like Kalshi. But it has not claimed that it is illegal for anyone to offer bets without registering with the CFTC, and it has not gone after state-regulated sportsbooks for offering illegal commodities futures contracts.

But that is the obvious implication of the CFTC's claim that (1) it has exclusive regulatory authority over event contracts and (2) sports bets are event contracts. Here is a CFTC comment letter from Lexicon Labs making this point:

State-regulated sports betting constitutes illegal off-exchange swap trading, expressly prohibited by the CEA.

The Commission is not at liberty to enforce some parts of the statute and ignore others. If the CFTC has exclusive jurisdiction over all event contracts, including those resolving on sports outcomes – and it does – then it has to faithfully enforce all the relevant statutes. ...

Perhaps wary of the implications of combining federal preemption with the CEA's off-exchange trading prohibitions – namely, the illegality of state-regulated sports gambling – prediction market participants, and at times the Commission itself, have advanced a reading of the statute under which federal and state regimes can co-exist, and the same product can trade on-exchange and off-exchange. The statute simply does not allow it, but courts have set it aside regardless.

If sports bets are really commodities futures, then they have to trade on commodities exchanges.

"Congress can regulate sports gambling directly, but if it elects not to do so, each State is free to act on its own," said the Supreme Court in 2018, but eight years later here we are. Congress has *not* regulated sports gambling directly: It hasn't written any sports-gambling laws at all, but the CFTC has decided that sports gambling falls under the Commodity Exchange Act. And so no state is free to act on its own.

Spoofing training

Sometimes traders at banks make money by doing illegal stuff: spoofing, or manipulating Libor, or "the big figure trick" (buy at \$1.0123, tell the client you bought at \$1.0213), or various other nefarious ways of making money. Sometimes the trader who does this will act alone and come up with a nefarious thing that no one has ever thought of before, but most of the time (1) trading desks are pretty tight-knit and (2) they're reaching into the same bag of illegal tricks.

And so it is not unheard-of for a new junior trader to show up for her first week of work and get two contradictory sorts of training:

1. She will watch a compliance video saying "doooooooooon't do spoofing, spoofing will ruin your life," and
2. The somewhat more senior trader next to her on the desk will be like "lemme teach you how to spoof, it's crucial to our job, watch me do it." And she'll be like "I thought compliance said" and he'll be like "lol compliance" and their boss will be like "yeah, lol compliance."

And the junior trader will either, like, report all of them to compliance and create a lot of bother for herself in her first week, or think "I guess we spoof then" and start doing it herself and create really quite a lot of bother for herself in a few years, when she gets arrested. The Financial Times reports:

Deutsche Bank has denied training employees to engage in market manipulation after a former trader who was convicted of fraud accused the German lender of teaching him to use an illegal trading strategy.

James Vorley, a former London-based commodities trader at Deutsche, is suing the bank for £12mn in London's High Court over claims he was taught and instructed by more senior employees at the lender to trade in a way that exposed him to criminal prosecution in the US.

Vorley – who has always maintained his innocence – was convicted of wire fraud in federal court in Illinois in 2020. He was sentenced to 12 months and a day in prison for "spoofing" the futures market for gold and silver between 2008 and 2013. ...

In its defence filing to the lawsuit, Deutsche denied the allegations, saying Vorley was given “all appropriate training” and “knew or ought to have known that he should not have committed fraud”. ...

It added that if more senior staff taught Vorley or others to use nefarious trading strategies, “any such teaching was informal and not endorsed or otherwise approved” and “was not known” to the lender.

Right, no, that’s the point, the informal training you get from the head of your desk is way more salient and memorable than the compliance video you watch with the sound off.

Elon Musk is above the law

Well there you go:

Elon Musk agreed to pay \$1.5 million to settle Securities and Exchange Commission allegations that he cheated Twitter shareholders in 2022 by failing to properly disclose his growing stake in the social media company.

An Elon Musk revocable trust would pay the penalty to end the SEC’s lawsuit under the plan, which is still subject to court approval. Musk didn’t admit to the regulator’s allegations, according to a filing on Monday.

It’s a much smaller penalty than what Musk’s attorney said the SEC initially sought. The agency in December 2024 asked Musk to pay more than \$200 million to settle, according to a letter his lawyers sent to the agency and reviewed by Bloomberg News.

The SEC sued Musk in January 2025, days before President Donald Trump took office, alleging Musk blew the deadline to disclose he accumulated more than 5% of the social-media platform’s stock. That delay cost Twitter shareholders more than \$150 million, the regulator said. Musk later bought the company in 2022 and renamed it X.

We’ve talked about this case a bunch of times before. Basically Musk bought 5% of Twitter’s stock, which triggered a requirement that he disclose his stake within 10 days. But he didn’t, and kept buying more stock secretly. When he ultimately did disclose his stake, the stock predictably shot up; by delaying his disclosure, he saved himself about \$150 million at the expense of Twitter shareholders. The SEC, back when it didn’t like Musk, sued him for the \$150 million. The new SEC changed its mind and settled for \$1.5 million.

I suppose it’s worth saying that:

1. The disclosure rules really are designed to protect regular investors in exactly this scenario. When a big investor acquires a big stake in a public company, that is material news to other investors, and the stock predictably shoots up. Disclosure lets regular investors know all the material facts. After Musk's trades, the SEC actually shortened the disclosure requirement from 10 days to five business days, saying: "In our fast-paced markets, it shouldn't take 10 days for the public to learn about an attempt to change or influence control of a public company." At Twitter, it took 21 days.
2. The disclosure rules are *costly* for big investors. Musk would have paid an extra \$150 million for Twitter if he had followed the rules. Other activist investors who do follow the rules complain that they make activism too difficult: You can't build a big stake silently, so your ability to profit from your activism is limited.

But if the rules aren't binding, well. Musk paid effectively a 1% tax on his savings. "If you're economic activist investors with political connections," a reader emailed me, "why would you ever file a 13D on time again? Just run the same playbook and you're fine."

Who controls Bruno's Tavern?

My basic thesis around here is that if you can get the employees and suppliers and customers of a company to do what you tell them to do, then you own the company, even if that is not quite true in a legal sense. "The night watchman controls the company," I once wrote, "if he can change the locks overnight and not let the managers and directors and shareholders in the door the next morning." I once contemplated trying to take over the US Consumer Financial Protection Bureau, during a difficult and unsettled time for the agency, by showing up at its offices with bagels. In the right context, a few dozen bagels can work better than a fully financed tender offer.

Anyway here's a story in the Tulane Hullabaloo about a guy who briefly acquired (?) a New Orleans bar called Bruno's Tavern by (1) showing up during a difficult and unsettled time, (2) saying he owned it, (3) paying random cash bonuses and (4) being pretty fun and charming:

With a fake New Zealand accent and what one former employee described as "reckless" spending habits, 41-year-old [Isaac] Sylvester claimed to be the owner of Bruno's in early March, according to former employees.

The New Orleans Department of Safety and Permits records do not reflect a change of ownership in March.

"It's freaky how charismatic [he was] and how easily he won all of us over," Audrey Gotham, Tulane University sophomore and former Bruno's employee, said. "All of us had [on] our little rose colored glasses." ...

"He was very reckless with money. Anytime someone would say something or do something that he liked, he would give you 100 bucks," Kate, a Tulane junior and a former Bruno's bartender, said. Kate asked to only be identified by her first name. ...

However, as staff got to know Sylvester, the act began to slip.

"The more he would get drunk, the less his accent would be there," Gotham said. Another employee said Sylvester sounded "too good to be true."

Eventually he lost the bar when he was arrested on a 2017 warrant "for failing to appear at a sentencing hearing in New York after pleading guilty to forgery," sure.

Things happen

Wachtell Lipton: The law firm that shaped Wall Street and the world. OpenAI president defends motives in for-profit restructuring as he reveals \$30bn stake. Ahead of Race to IPO, OpenAI Discussed Spinning Out Robotics, Hardware Divisions. Cerebras Plans Up to \$3.5 Billion IPO. How the US Is Using Swap Lines to Project Financial Power. Coinbase to Cut 14% of Workforce, Citing Volatile Markets and AI. The \$1.14 Million Trade That Sparked Hong Kong's Segantii Insider Trading Trial. Gun Makers Reach Cooperation Pact After Months of Tense Proxy Battle. How Corporations Use the Texas Two-Step to Avoid Asbestos Lawsuits. Fortress expands in US legal market with personal injury law firm deal. Why the Collapse of Spirit Airlines Means Higher Fares for Everyone. Andreessen Horowitz Raises New \$2.2 Billion Crypto Fund. Counterfeit tomatoes.

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To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

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Elon Musk settles SEC lawsuit over Twitter disclosures, \$1.5 million fine imposed

 [reuters.com/world/elon-musk-settles-sec-lawsuit-over-twitter-disclosures-trust-will-pay-15-million-](https://www.reuters.com/world/elon-musk-settles-sec-lawsuit-over-twitter-disclosures-trust-will-pay-15-million-2026-05-04)
2026-05-04

Jonathan Stempel, Douglas Gillison

May 4, 2026

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- SEC alleged Musk saved \$150 million by delaying disclosures
- Musk, SEC had fraught history of litigation
- No admission of wrongdoing

WASHINGTON/NEW YORK, May 4 (Reuters) - Elon Musk settled the U.S. Securities and Exchange Commission's civil lawsuit accusing the world's richest person of waiting too long in 2022 to disclose his initial purchases of Twitter, now known as X.

A trust in Musk's name will pay a \$1.5 million civil penalty, without admitting wrongdoing. Musk won't have to give up any money he allegedly saved from the delay.

The settlement was disclosed on Monday in the Washington, D.C., federal court. In its January 2025 lawsuit, the SEC said Musk's 11-day delay in revealing his initial 5% Twitter stake in late March and early April 2022 let him buy more than \$500 million of shares at artificially low prices, before he finally revealed a 9.2% stake. The SEC had argued that Musk should pay a civil fine and repay the \$150 million he allegedly saved at the expense of unsuspecting investors.

Musk [called the delay](#) inadvertent, and accused the SEC of violating his free speech rights by targeting him.

"Mr. Musk has now been cleared of all issues related to the late filing of forms in the Twitter acquisition, as we said from the outset he would be," his lawyer Alex Spiro said in a statement.

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Musk completed the \$44 billion Twitter purchase in October 2022. He eventually folded Twitter into his artificial intelligence company xAI, and later folded xAI into his rocket company SpaceX. Forbes magazine says Musk is worth \$789.9 billion.

SETTLEMENT FOLLOWS SEC ENFORCEMENT CHIEF'S DEPARTURE

The SEC sued Musk six days before former U.S. President Joe Biden left the White House and was replaced by Donald Trump.

Current SEC Chairman Paul Atkins has been refocusing the regulator's enforcement priorities.

Both sides had disclosed on March 17 they were in [talks](#) to settle, one day after SEC enforcement chief Margaret Ryan abruptly left her job after just over six months.

Elon Musk attends the U.S.-Saudi Investment Forum in Washington, D.C., U.S., November 19, 2025. REUTERS/Evelyn Hockstein [Purchase Licensing Rights, opens new tab](#)

Ryan's departure followed [clashes](#) with other leaders at the agency over enforcement, people familiar with the matter have said.

The SEC did not immediately respond to a request for comment over the settlement. A lawyer for Ryan did not immediately respond to a similar request.

LARGEST PENALTY OF ITS TYPE

Musk's civil penalty is the largest in SEC history for the type of violation he was accused of, a person familiar with the settlement said.

The SEC's effort to recoup the \$150 million may have been tough to prove in court, people familiar with the settlement said.

Musk has had a fraught relationship with the SEC, starting in September 2018 when the regulator charged him with securities fraud for saying on Twitter he had "secured" funding to potentially take his electric car company Tesla ([TSLA.O](#)), [opens new tab](#) private.

He settled that case by paying a \$20 million civil fine, letting Tesla lawyers review some Twitter posts in advance, and giving up his role as Tesla's chairman. Monday's settlement came three months after U.S. District Judge Sparkle Sooknanan [rejected](#) Musk's bid to dismiss the case.

JURY FOUND MUSK LIABLE OVER TWITTER

The case is separate from a civil lawsuit where a San Francisco jury held Musk [liable](#) on March 20 for having defrauded Twitter shareholders after announcing the buyout.

Shareholders alleged that Musk questioned whether Twitter was overrun by fake and spam accounts, known as bots, in an effort to force Twitter to renegotiate the takeover price or let him back out.

Musk is trying to overturn that verdict or get a new trial.

Reporting by Jonathan Stempel in New York and Douglas Gillison in Washington, D.C.; Editing by David Gaffen and Deepa Babington

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

Douglas Gillison covers financial regulation for Reuters, focusing on securities regulation, consumer finance and prudential oversight. He was previously a Congo-focused anticorruption investigator for a transparency organization and has covered war crimes trials and human rights. His reporting has sparked a foreign bribery probe of a publicly traded mining company.

Securities

Musk Agrees to Pay \$1.5 Million Over SEC Twitter Stake Case (2)

May 4, 2026, 2:50 PM PDT

Elon Musk agreed to pay \$1.5 million to settle Securities and Exchange Commission allegations that he cheated Twitter shareholders in 2022 by failing to properly disclose his growing stake in the social media company.

An Elon Musk revocable trust would pay the penalty to end the SEC's lawsuit under the plan, which is still subject to court approval. Musk didn't admit to the regulator's allegations, according to a filing on Monday.

It's a much smaller penalty than what Musk's attorney said the SEC initially sought. The agency in December 2024 asked Musk to pay more than \$200 million to settle, according to a letter his lawyers sent to the agency and reviewed by Bloomberg News.

The SEC sued Musk in January 2025, days before President Donald Trump took office, alleging Musk blew the deadline to disclose he accumulated more than 5% of the social-media platform's stock. That delay cost Twitter shareholders more than \$150 million, the regulator said. Musk later bought the company in 2022 and renamed it X.

Elon Musk's 2022 Twitter Share Stockpile Timeline

SEC alleges billionaire secretly amassed shares cheaply before takeover bid

Date	Event
March 14	Trips 5% ownership threshold with purchase of 2.8 million Twitter shares
March 24	Deadline to file SEC form revealing ownership stake
March 25	Buys almost 3.5 million more shares of social media platform
March 28	Buys additional 2.6 million shares
March 29	Buys 2.9 million more shares
March 31	Privately tells Twitter CEO he's considering acquiring the company
April 4	Files report 11 days late revealing 9% stake; Twitter stock jumps 27%
April 13	Makes offer to buy company

Source: SEC lawsuit against Elon Musk filed Jan. 14, 2025

Bloomberg

An SEC spokesperson said the deal, if finalized, would be the largest penalty the agency has levied against an entity or individual for allegedly failing to file a beneficial ownership report on time.

Musk's attorney, however, called it a "small fine."

"Mr. Musk has now been cleared of all issues related to the late filing of forms in the Twitter acquisition, as we said from the outset he would be," Alex Spiro, a lawyer for Musk, said in a statement. "A trust vehicle has agreed to a small fine for being late on one filing."

The SEC originally sought a civil penalty and a return of illegal profits, plus interest. The deal announced Monday represents only a civil penalty.

At the time of the January 2025 lawsuit, Musk was a key Trump ally who had donated hundreds of millions of dollars to help him get elected. Once Trump took office, Musk oversaw a massive restructuring of the federal government before having a public falling out with the president.

The case was also fraught within the agency. Commissioner **Mark Uyeda**, a Republican who later would serve as the SEC's acting chairman, took the unusual step of asking enforcement staff members to declare the case wasn't motivated by politics, Bloomberg News reported in February 2025.

The agency said the billionaire taking a huge position in the company would have sent the stock price soaring if the public knew and that investors who sold their shares missed out on big gains. Musk also stockpiled shares at an unfair discount behind the scenes, according to the lawsuit.

Once he properly disclosed his purchase, Twitter shares surged 27%, the lawsuit said.

The SEC first started probing Musk's Twitter purchases in 2022. In September 2024, Musk stood up SEC attorneys who flew to Los Angeles for his deposition in the case, choosing to attend a rocket launch for his SpaceX company instead. Musk offered a few thousand dollars to cover the government lawyers' travel expenses. The agency balked.

When the SEC filed its lawsuit, Musk's attorney accused the agency of waging a multi-year "campaign of harassment" against the billionaire. He said at the time that the type of allegations against Musk would normally only carry a nominal penalty.

Musk sought to dismiss the SEC's case in August, calling it "a waste of this court's time and taxpayer resources." The SEC responded by urging the judge to find Musk liable without a trial and said there is "absolutely no dispute" the billionaire missed the deadline.

Musk still faces a class-action investor suit over the same missed disclosure deadline.

(Updates to add comment in fifth paragraph, chart.)

--With assistance from Chris Dolmetsch and Zoe Tillman.

To contact the reporter on this story:

Nicola M White in Washington at nicwhite@bloomberg.net

To contact the editors responsible for this story:

Megan Howard at mhoward70@bloomberg.net

Peter Blumberg

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Musk Pays Just \$1.5 Million to Settle SEC Suit Accusing Him of Underpaying Twitter Investors by \$150M

The deal reflects a stark difference in enforcement philosophies between President Joe Biden's SEC chair, Gary Gensler, who brought the case, and Trump's SEC chair, Paul Atkins.

May 04, 2026 at 08:37 PM By **Michael Gennaro**



Credit: Monika Kozak/Adobe Stock

Elon Musk has reached a settlement with the Securities and Exchange Commission to resolve a lawsuit alleging that he was late in disclosing his purchase of a major stake in Twitter ahead of his \$44 billion acquisition of the social media company in October 2022, according to [a court filing](#) posted Monday.

Under the terms of the deal, a revocable trust in Musk's name will pay \$1.5 million without admitting or denying the SEC's allegations. If the court approves the proposed settlement, the SEC will move to dismiss the complaint against Musk, resolving the case.

The SEC, then led by President Joe Biden's SEC chair, Gary Gensler, filed the lawsuit in Washington, D.C., federal court on Jan. 14, 2025, just six days before Gensler stepped down in conjunction with Donald Trump's return to the White House.

It asserted that Musk was 11 days late in filing required disclosures after acquiring more than 5% of Twitter in early 2022.

The agency argued that the delay allowed Musk to continue purchasing shares at prices that were lower than he would have had to pay had investors known of his buying spree.

Musk's attorney, Alex Spiro of Quinn Emanuel Urquhart & Sullivan, cast the outcome as a vindication.

"Mr. Musk has now been cleared of all issues related to the late filing of forms in the Twitter acquisition, as we said from the outset he would be," Spiro said in a statement. "A trust vehicle has agreed to a small fine for being late on one filing."

Musk continues to own the San Francisco-based social media company, which he rebranded as X in July 2023.

Court approval would bring to an end one of the most high-profile SEC enforcement actions of the Biden administration—one that escalated long-running tensions between the world's richest man and the nation's top securities regulator.

Musk has publicly stated that he does not respect the SEC—ill will that stems in part from a 2018 SEC enforcement action over Musk's declaring on Twitter that he was considering taking his electric car company, Tesla, private and that he had "funding secured" to do so.

The SEC alleged that the tweet was fraudulent and that it misled investors and caused market upheaval.

Later that year, Musk settled, agreeing to pay a \$20 million fine, step down as Tesla chairman for three years and have his tweets pre-approved by company attorneys.

The settlement disclosed Monday reflects a marked difference in enforcement philosophies between Gensler, and Trump's SEC chair, Paul Atkins, an advocate for lighter-touch regulation.

Under Atkins, the agency has dropped major lawsuits and investigations, many of them targeting cryptocurrency companies, and brought far fewer cases overall.

Atkins has argued the agency is refocusing its resources on core fraud and market-manipulation cases rather than more technical regulatory violations.

<https://bsky.app/profile/annmlipton.bsky.social/post/3ml2vb5ruws2k>



Ann M. Lipton

@annmlipton.bsky.social

i think the question of the proper amount of an sec fine in this case is ... complicated.

but what this case does demonstrate is, if the state doesn't have a monopoly on enforcement - if private actors can sue - the state can't make deals with friends while reserving coercive power for enemies



Ivan the K @ivanthek.bsky.social · 22h

Musk settles SEC lawsuit over Twitter disclosures; trust will pay \$1.5 million penalty

One of the greatest examples of regulatory arbitrage in modern history, IMO.

@annmlipton.bsky.social



Musk settles SEC lawsuit over Twitter disclosures; trust will pay \$1.5 million penalty

Elon Musk settled the U.S. Securities and Exchange Commission's civil lawsuit accusing the world's richest person of waiting too long in 2022 to disclose his ...

www.reuters.com

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Ivan the K @ivanthek.bsky.social · 8h

Has the SEC given up on seeking disgorgement of profits in advance of a SCOTUS ruling?



1



1





Ann M. Lipton @annmlipton.bsky.social · 8h

I think it's likely they win that one, but more generally, they don't have a history of seeking disgorgement in simple 13d violations. They almost certainly sought it against Musk bc he refused to settle out.



Ivan the K™ @ivanthek.bsky.social · 8h

It seems to me that this one was worth litigating instead of folding.



Ann M. Lipton @annmlipton.bsky.social · 8h

that's why it's complicated. we know politics was involved. the \$ figure is about normal had musk settled right away. absent politics, i don't know that the sec wouldn't have demanded more just bc he dragged this stupid thing out.



Ivan the K™ @ivanthek.bsky.social · 8h

I know there's a private lawsuit. Does 13D provide an explicit private right of action, or are the plaintiffs relying on something else?



Ann M. Lipton @annmlipton.bsky.social · 8h

they're relying on 10b. they're claiming that the failure to file the 13d was part of a scheme to depress the price of twitter stock. class was certified, they're still in discovery, i assume it'll go to trial but who knows.



qs-not.bsky.social @qs-not.bsky.social · 6h

Does it say something if the sec settles but that case goes to trial and finds him guilty? Feels like if that happens it highlights just how much politics saved him from a trial here



Ann M. Lipton @annmlipton.bsky.social · 6h

politics isn't what saved him from a trial, exactly. it was ludicrous that he refused to settle from the beginning. in any event the private claims are different.



qs-not.bsky.social @qs-not.bsky.social · 6h

Got it thanks!



The Nite Owl @edmundjexley.bsky.social · 18h

The right 'penalty' is disgorgement. They've gotten it before in similar cases and they had him dead to rights: it's a strict liability violation. I feel sick for the people who worked on this in 2024.



Ann M. Lipton @annmlipton.bsky.social · 18h

what similar cases requested disgorgement for a 13d filing delay? i'm actually asking because i know it's a theoretical possibility but i am not aware of specific precedents

 **The Nite Owl** @edmundjexley.bsky.social · 18h
I think there are others but this is the one I'm familiar with.
www.sec.gov/news/press/2...

Judge Orders Plastics Executive to Pay \$49.5 Million in SEC Case; 2011-275; December 22, 2011

www.sec.gov

 **Ann M. Lipton** @annmlipton.bsky.social · 18h
okay, but that was false filings over a period of years, and actually went to trial. have they ever settled for a disgorgement penalty? because my sense was always the sec was seeking disgorgement bc he wouldn't settle.

 **Ann M. Lipton** @annmlipton.bsky.social · 18h
which is why i say the number here is complicated. this is well within what they would have settled for, i assume, at the outset of the case. they sought disgorgement bc he was fighting. so it's hard to say what the right number is if he settles, but belatedly.

 **The Nite Owl** @edmundjexley.bsky.social · 18h
Lit Release 23956 might be a lead. Settlement by mnay, including one defendant (of 2) who settled on 13d - agreed to around \$1.9 million in disgorgement and a \$250k penalty.

 **Ann M. Lipton** @annmlipton.bsky.social · 18h
still not comparable, it was a pump and dump where they settled for the lower violation.

in musk's case, they investigated for over a year, i think, trying to find a 10b violation and couldn't

 **Ann M. Lipton** @annmlipton.bsky.social · 18h
i mean to be fair the private plaintiffs are alleging a 10b violation and who knows if they'll win, but the sec tried and didn't feel they had a case.

SEC Unveils Plan to Let Companies Move to Semiannual Reports

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Lydia Beyoud

May 5, 2026

Paul Atkins, chairman of the US Securities and Exchange Commission

Photographer: Ian Maule/Bloomberg

Summary by Bloomberg AI

AI Generated



- The Securities and Exchange Commission has released a proposal that would allow US companies to report earnings semiannually instead of quarterly, potentially reducing the information publicly-traded firms must share with investors.
- The proposal would provide companies with increased regulatory flexibility, according to SEC Chairman Paul Atkins, and could save publicly-traded companies time and money.
- Critics argue that less frequent reports could increase the risk of insider trading and allow companies to bury bad news, while proponents say it would allow managers and boards to focus on longer-term results rather than quarterly financial targets.

US companies could choose to report earnings semiannually instead of quarterly under a proposal released by the [Securities and Exchange Commission](#), potentially reducing how much information publicly traded firms must share with investors.

The SEC has mandated quarterly reports, known as 10-Qs, for more than half a century in a bid to provide more transparency. While this proposal would drop that requirement for publicly traded companies, firms might choose to continue issuing earnings releases and performance outlooks every three months.

"Today's proposed amendments, if ultimately adopted, would provide companies with increased regulatory flexibility," said SEC Chairman [Paul Atkins](#) in a [statement](#).



Paul Atkins, chairman of the US Securities and Exchange Commission
Photographer: Ian Maule/Bloomberg

Atkins had vowed to fast-track the semiannual disclosure plan after President [Donald Trump](#) called to end mandatory quarterly reporting. Historically, agency rulemaking can take around 18 months to two years to complete.

Under the proposal, companies that elect to file semiannual reports would file one such report and one annual report for each fiscal year in lieu of three quarterly reports and one annual report.

Read More: [End Quarterly Earnings Reports? Here's the Debate: QuickTake](#)

"There's a universe of companies for whom this will be attractive, but at least initially it'll be more small to mid-cap companies," said Erik Gerding, a partner in Freshfields' capital markets group who previously led the SEC Division of Corporation Finance.

Proponents of the measure, including [Nasdaq Inc.](#), have said it could save publicly traded companies time and money in addition to allowing managers and boards to focus on longer-term results rather than hitting quarterly financial targets.

But critics argue there is the potential for companies to bury bad news and that less frequent reports could increase the risk of insider trading. Some investors have also been reticent about the idea of losing data from issuers, particularly as the SEC looks to trim the scope of disclosures currently required of companies.

The Investment Company Institute, an industry group, emphasized the quality of the information is more important than the frequency of reports.

"It is important to strike a balance between reducing unnecessary compliance burdens and preserving the quality disclosure framework that underpins investor confidence," ICI said in a statement.

The agency will take public feedback on the semiannual reporting proposal for 60 days.

(Updates with details beginning in fifth paragraph.)

Securities

SEC Investigating Alleged Fraud in Private Credit, Atkins Says

May 4, 2026, 1:00 PM PDT

Securities and Exchange Commission Chairman **Paul Atkins** said the agency is investigating allegations of fraud in private credit firms, though he declined to say specifically which companies are under scrutiny.

Atkins spoke Monday at the Milken Institute Global Conference, noting the SEC was monitoring the private credit space alongside the US Treasury Department and the Federal Reserve.



SEC Chairman Paul Atkins

Photographer: Ian Maule/Bloomberg

"We are taking it seriously, we are monitoring the situation," Atkins said, adding the agency is examining various firms like the regulator would normally do. "There's been allegations of fraud and obviously I can't talk about any specific cases, but we are investigating that as well."

In addition to discussing potential issues, Atkins touted the benefit of private credit and said the markets serve as an important source of credit and funding for small and private businesses.

Atkins has previously said the sector is not a systemic risk but noted in April the agency was tracking "emerging pressures" as redemption requests persisted alongside rising projections for defaults.

Read More: SEC Monitoring 'Emerging Pressures' in Private Credit Space

Firms have sought to reassure investors about risks in the industry, with executives at Blue Owl Capital Inc. last week saying sentiment in private credit is far grimmer than reality.

To contact the reporter on this story:

Lydia Beyoud in Washington at lbeyoud2@bloomberg.net

To contact the editors responsible for this story:

Megan Howard at mhoward70@bloomberg.net

Anthony Aarons

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News **Capital Markets**

SEC Monitoring Fraud Risks in Private Credit as Defaults Rise, Atkins Says

Businesses that borrowed from private credit defaulted at a record 9.5% rate in 2025, according to credit rating firm Fitch Ratings. The growing risk to private credit comes amid the Trump administration's push to increase investment in private markets.

May 04, 2026 at 04:43 PM By  **Dan Novak**



Paul Atkins, chair of the U.S. Securities and Exchange Commission. Photo: Diego M. Radzinski/Law.com

The U.S. Securities and Exchange Commission is “carefully monitoring” fraud and manipulation in the private credit industry amid a rise in default rates, SEC Chair Paul Atkins said Monday at the Milken Institute Global Conference in Los Angeles.

The SEC is also working with the U.S. Treasury Department on a rule proposal to allow private market assets like private credit, private equity and real estate to be included in 401(k) retirement plans, Atkins added.

“We need to be careful as to give good firm guidelines to trustees of 401(k) plans with respect to appropriate investments,” he said.

There have been recent signs of stress in the roughly \$2 trillion private credit market, with rising default rates at major private credit funds. Many large creditors defaulted on their debts in the past year, according to an analysis by JPMorgan Asset Management, and accounting fraud has been alleged in many of those cases.

Overall, businesses that borrowed from private credit defaulted at a record 9.5% rate in 2025, according to credit rating firm Fitch Ratings.

The growing risk to private credit comes amid the Trump administration’s push to increase investment in private markets. In March, Treasury released its proposed rule to “democratize” access to private markets in 401(k) retirement plans, following an executive order by President Donald Trump.

When formulating the rule, regulators should give 401(k) managers guidance, so they don’t put retirement savings into overly risky investments, Atkins said. He has previously said opacity in the private credit industry can be a problem.

“There are issues around valuation and obviously liquidity as we’ve seen in the recent issues around the private markets,” Atkins said. “And where investors stand in the capital stack, whether you have investment grade or you have junk—I mean, there’s a huge difference there. So, we need to be careful and give these guidelines to 401(k) trustees so that they can look after their beneficiaries.”

Atkins said the SEC still can police securities sales in private markets, adding that the commission is closely watching the market for fraud and manipulation.

Still, the chair said the SEC and other financial market regulators on the Financial Stability Oversight Council do not see private credit as a systemic risk, “at least at the current time.”

Pension funds, 401(k) plans, and other retirement funds should be well diversified with exposure in the public and private markets, Atkins said.

“That’s what we aim to do for American investors and retirees to have a good firm retirement income,” he added.

Page printed from: <https://www.law.com/nationallawjournal/2026/05/04/sec-monitoring-fraud-risks-in-private-credit-as-defaults-rise-atkins-says/print/>

Securities

Proxy Firm ISS Opposes Board Director Over Excluded Proposal (1)

May 4, 2026, 10:37 AM PDT; Updated: May 5, 2026, 7:18 AM PDT

One of the world's largest proxy firms, ISS, took the unusual step of opposing a board director's reelection after the S&P 500 company kept investors from voting on a shareholder proposal.

This is the first time in 2026 Institutional Shareholder Services Inc. has recommended against a director because of a shareholder proposal exclusion, according to a person familiar with the firm's assessment of corporate ballot matters. The other most notable proxy adviser, Glass, Lewis & Co., has not yet endorsed action against a US-based company director over a similar situation, a spokesman confirmed.

The proposal ISS is referring to had asked Alexandria Real Estate Equities Inc. to adopt an independent board chair policy. The proxy firm declined to comment.

Proxy firms were bound to oppose board directors over shareholder proposal disputes this year, said Douglas Chia, president of Soundboard Governance LLC. The threat of disapproval from the firms, which advise shareholders how to vote at annual meetings, is a key accountability mechanism for companies since the Securities and Exchange Commission stopped directing corporations which shareholder proposals require a vote.

"This proxy season, weird stuff is going to happen," Chia said.

ISS recommended a vote against James Cain, chair of the Alexandria Real Estate Equities board's Nominating & Governance Committee, because the company provided "limited rationale" on its decision to exclude a shareholder proposal "on a topic that has long been considered an appropriate subject for consideration by shareholders," according to a May 1 report obtained by Bloomberg Law. The proxy firm endorsed the seven other board candidates up for election.

"Unlike the vast majority of companies that have excluded shareholder proposals in 2026, ARE did not provide a clear and compelling argument that it had a reasonable basis to exclude the proposal," according to the ISS report.

Alexandria Real Estate Equities asked ISS to reconsider its position in a May 4 letter. The company maintained it wasn't required to provide extensive analysis under new SEC procedure, nor did shareholders reach out with follow-up questions about the exclusion decision. At least seven other companies excluded the same proposal from their proxy materials without consequences from ISS, the company said.

"ARE is the only company within this group that ISS has singled out," the letter said.

Alexandria Real Estate Equities originally notified the SEC Jan. 13 of plans to exclude longtime shareholder proponent John Chevedden's independent board chair proposal. The real estate investment trust said the resolution was misleading and sought to micromanage the company, but did not provide further analysis.

Chevedden called the company's response "bare bones" in a Jan. 5 letter to the agency.

"This proposal is a routine independent board chairman proposal calling for a policy, a topic that has been voted on for decades," he wrote, indicating the real estate firm didn't respond to his request asking if there are more pages.

Chevedden earlier this year spoke out against Cain's reelection in a message to shareholders.

(Updated with Alexandria Real Estate Equities' response in paragraphs eight and nine.)

To contact the reporter on this story: Drew Hutchinson in Washington at dhutchinson@bloombergindustry.com

To contact the editors responsible for this story: Michelle M. Stein at mstein1@bloombergindustry.com; Jeff Harrington at jharrington@bloombergindustry.com

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Securities

Dell Embraces Shareholder Restrictions In Planned Texas Move (2)

May 4, 2026, 1:19 PM PDT; Updated: May 4, 2026, 3:19 PM PDT

Dell Technologies Inc. is asking shareholders to approve relocating its legal home from Delaware to Texas, a move that would bring new restrictions on shareholder proposals and derivative lawsuits.

If the move is approved at its June 25 meeting, Dell plans to opt into a Texas law that allows companies to set a 3% or \$1 million stock ownership threshold, whichever is less, for shareholder proposal submissions, according to a preliminary proxy statement filed Monday. The company would also gain a new 3% stock ownership requirement for shareholders wishing to sue management in derivative lawsuits, a measure intended to reduce “frivolous” litigation, according to the filing.

Dell said in its proxy that the benefits of Texas incorporation “outweigh the countervailing considerations, including certain impacts on stockholder rights.”

The technology company pointed to the state’s new business court and wider shields for company leadership in breach of fiduciary duty claims as examples. However, it also warned shareholders of a lack of robust case law within that same court and the possibility of lawsuits over its potential move.

Overall, the company’s strategy to entice investors to vote for the move is quite different from that of Exxon Mobil Corp., which also proposed a Texas reincorporation this year. The oil giant in March told shareholders it “has no plans” to raise thresholds for shareholder proposals or derivative lawsuits. Tesla Inc., however, opted into more-restrictive Texas provisions after its 2024 reincorporation—though it was met with a trio of shareholder proposals seeking to scale back the decision or require a shareholder vote before any other changes.

Dell is also the latest high-profile tech firm to snub Delaware in the face of a major investor lawsuit, following in the footsteps of Tesla, Coinbase Global Inc., and TripAdvisor Inc., which landed in Nevada last year. The computer manufacturer’s \$1 billion settlement in 2022 included a \$267 million payday for the shareholder attorneys who led the case, at the time the second-largest ever handed out by a Delaware Chancery Court judge.

The state's top tribunal upheld those legal fees in a 2024 ruling delivered in the shadow of the \$56 billion compensation case that ultimately drove Elon Musk and his automaker to Texas. But the justices warned in the same opinion about the potential of lawyer windfalls to stoke public outrage—an admonition that foreshadowed their decision slashing nearly \$300 million off the record \$345 million initially awarded to the lawyers who challenged Musk's pay, which the high court reinstated.

eXp World Holdings Inc. is also asking shareholders to approve a reincorporation to Texas after the Delaware Chancery Court allowed litigation over the real estate firm's alleged "rape culture" to proceed. That vote is scheduled for May 8.

—With assistance from Mike Leonard

(Updated with company warnings in the third paragraph)

To contact the reporter on this story: Drew Hutchinson in Washington at dhutchinson@bloombergindustry.com

To contact the editor responsible for this story: Jeff Harrington at jharrington@bloombergindustry.com

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Securities

Manage Newsletters

KKR Warns on 2026 Profit Target Amid Murky Outlook for Deals

May 5, 2026, 9:18 AM PDT

Summary by Bloomberg AI

AI Generated



- KKR & Co. said it's "more likely" to miss a key profit target for this year because it's taking longer to sell assets than previously expected.
- The firm may fall short of its goal of \$7 a share of adjusted net income because the path for exiting investments has become cloudier.
- Executives reiterated the portfolio remains in good shape and that limited partners "are happy with us" because of KKR's focus on returning cash to them.

KKR & Co. told analysts it's "more likely" to miss a key profit target for this year because it's taking longer to sell assets than previously expected.

The firm may fall short of its previously disclosed goal of \$7 a share of adjusted net income because the path for exiting investments has become cloudier, Chief Financial Officer **Rob Lewin** said on a conference call Tuesday, after KKR reported first-quarter results that beat Wall Street estimates.

"It is more likely that we land below that level," he said. "Importantly, if that were to happen, any delayed monetizations that impact 2026 would not be lost, as we would expect them to shift to 2027 and beyond."

Shares of KKR slid 2.1% to \$101.20 at 11:45 a.m. in New York, erasing earlier gains, following those comments.

Executives reiterated the portfolio remains in good shape. The firm's fund investors, known as limited partners, "are happy with us" because of KKR's focus on returning cash to them, Co-Chief Executive Officer Scott Nuttall said on the call with analysts.

KKR delivered more proceeds from asset sales to shareholders and dealmakers in the first quarter.

Adjusted net income climbed 21% from a year earlier to \$1.2 billion, or \$1.39 a share, according to a statement. That topped the \$1.26 average estimate of analysts surveyed by Bloomberg.

Net realized performance income, or carried interest, more than doubled to \$197.2 million, and gross asset sales increased 55%.

Software Investments

The company's stock had dropped 19% this year through Monday, tumbling along with other alternative asset managers on weakness in private credit and software investments in particular, amid concerns that artificial intelligence will disrupt that industry.

Analysts on the call zeroed in on the potential impact of artificial intelligence on KKR's portfolio, including its holdings in software, which accounts for about 15% of its private equity book and 5% of credit. It's using AI at more than 150 portfolio companies to automate workflows and drive growth.

Executives also touted the strength of KKR's retail business amid recent market volatility and jitters over private credit. The firm's K-Series assets under management increased about 80% in the 12 months through March to \$38 billion.

KKR bought back \$317 million of its shares this year through May 1 and approved a \$500 million increase to its share repurchase program.

The firm also said it completed its previously announced acquisition of sports investor Arctos Partners after the end of the first quarter. KKR is considering evergreen wealth funds in sports and secondaries stemming from the acquisition, said **Craig Larson**, the firm's head of investor relations.

Read More: [KKR Sees Arctos as Linchpin for Building a \\$100 Billion Business](#)

Assets under management rose 14% to \$758 billion as the firm raised \$28 billion of new money during the quarter. It invested \$22 billion in the period and \$97 billion over the past year, according to the statement.

--With assistance from **Erin Fuchs**.

To contact the reporter on this story:

Allison McNeely in New York at amcneely@bloomberg.net

To contact the editors responsible for this story:

Amanda Cantrell at acantrell10@bloomberg.net

Peter Eichenbaum

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UK banks**HSBC profits hit by \$400mn 'fraud-related' exposure**

Loss came via Apollo lending to collapsed mortgage lender MFS



HSBC said it had booked \$1.3bn in expected credit losses for the period, up 50% from a year earlier © Reuters

Ortenca Aliaj in London and **Arjun Neil Alim** in Hong Kong

Published YESTERDAY | Updated 07:00

HSBC has taken a \$400mn “fraud-related” charge tied to collapsed UK mortgage lender Market Financial Solutions, hitting quarterly profits at Europe’s biggest bank and sending its shares down more than 7 per cent.

The bank said on Tuesday that it had “indirect exposure” through a financial sponsor, which people familiar with the matter identified as Apollo’s asset-backed lending unit Atlas SP.

“We have an exposure to a financial sponsor who has an exposure to the company,” HSBC’s chief financial officer Pam Kaur said on a media call, without naming the group.

Banks often provide financing to private credit firms through credit lines known in the industry as back leverage. These loans give the bank indirect exposure to private credit borrowers and have come under increasing scrutiny as regulators attempt to understand links between the two industries.

Atlas SP funds held £1bn of debt across two of the collapsed mortgage group's lending vehicles, according to insolvency documents. The firm has stated that its net economic exposure is £400mn, which a person familiar with the matter said reflected risk transferred to other parties.

A \$400mn loss would place HSBC among the lenders hardest hit by the MFS implosion. Apollo and HSBC declined to comment.

The disclosure marks the widening fallout from MFS's demise after Barclays [took a £228mn hit](#) last week. The collapsed bridging lender's creditors are facing a more than £1.3bn shortfall amid allegations that it double pledged collateral.

HSBC said it had booked total expected credit losses of \$1.3bn for the first quarter, up 50 per cent from a year earlier.

The bank also blamed the Middle East war for a drop in first-quarter profits, setting aside \$300mn to cover impairments tied to the conflict.

Rival lender Standard Chartered said last week that [it had set aside an additional \\$190mn](#) for the fallout from the Iran conflict, including sovereign downgrades and petrochemical sector risks.

Shares in [HSBC](#) fell 7.1 per cent to £12.63.

The bank's pre-tax profits for the first quarter fell by \$100mn to \$9.4bn, missing analysts' expectations of almost \$9.6bn. Operating expenses rose \$600mn year on year to \$8.7bn, above analyst consensus.

Revenues at the UK-based lender were \$18.6bn for the period, up 6 per cent from a year earlier and surpassing forecasts.

The bank's top line was boosted by its wealth management and insurance business, mainly in its "second home market" of Hong Kong.

HSBC also raised its forecast for net interest income by \$1bn to \$46bn for the full year, adding that interest rates would now remain higher than it had previously expected.

The bank is facing the economic repercussions of the Middle East war as chief executive Georges Elhedery presses ahead with an overhaul of the sprawling lender.

Its quarterly results also included a charge tied to Elhedery's reorganisation and the bank's retreat from certain markets — including a \$300mn loss from the planned sale of its Malta business.

"We continued to make positive progress in creating a simple, more agile, growing HSBC," said Elhedery. "We remain confident in achieving the targets we set out in February."

The lender reiterated that it was on track to deliver [\\$1.5bn of annual cost savings](#) by June this year — six months earlier than planned. It also said it was aiming for 5 per cent year-on-year revenue growth by 2028.

HSBC shares have performed strongly this year, up more than 13 per cent and far outpacing its rivals, including StanChart and Barclays.

Separately, Oversea-Chinese Banking Corp said on Monday that its Indonesian unit would buy parts of HSBC's wealth and premier banking portfolio in Indonesia.

No price was given for the deal, which will add 336,000 customers, S\$6.6bn (US\$5.2bn) in assets under management and about 1,300 staff to Singapore-based OCBC.

Additional reporting by Alexandra Heal and Robert Smith in London

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OpenAI co-founder discloses nearly \$30 billion stake, financial ties to Altman

 [reuters.com/sustainability/boards-policy-regulation/openai-co-founder-discloses-nearly-30-billion-stake-financial-ties-altman-2026-05-04](https://www.reuters.com/sustainability/boards-policy-regulation/openai-co-founder-discloses-nearly-30-billion-stake-financial-ties-altman-2026-05-04)

Deepa Seetharaman, Juby Babu

May 4, 2026



Item 1 of 2 OpenAI President Greg Brockman is questioned by Elon Musk's lawyer Steven Molo, during Musk's lawsuit trial over OpenAI's for-profit conversion before U.S. District Judge Yvonne Gonzalez Rogers at a federal courthouse in Oakland, California, U.S., May 4, 2026 in a courtroom sketch. REUTERS/Vicki Behringer

[1/2] OpenAI President Greg Brockman is questioned by Elon Musk's lawyer Steven Molo, during Musk's lawsuit trial over OpenAI's for-profit conversion before U.S. District Judge Yvonne Gonzalez Rogers at a federal courthouse in Oakland, California, U.S., May 4, 2026 in a courtroom sketch. REUTERS/Vicki...

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- Brockman reveals \$30 billion OpenAI stake and \$10 million from Altman in court
- Musk alleges OpenAI abandoned nonprofit mission, seeks leadership ouster and damages
- OpenAI claims Musk motivated by control and rivalry, disputes his safety and nonprofit claims

OAKLAND, California, May 4 (Reuters) - OpenAI's co-founder and president, Greg Brockman, on Monday disclosed deeper financial ties to CEO Sam Altman than previously known as well as a stake in the ChatGPT maker worth almost \$30 billion.

The details were shared in court during questioning by a lawyer for Elon Musk, who co-founded OpenAI and is now suing the company on grounds that it

improperly became a for-profit company, abandoned charitable goals and should turn back into a nonprofit.

Musk's team said that Brockman's independence was potentially compromised by financial incentives that led him to support Altman, the driver behind OpenAI's reinvention as a for-profit company. Brockman also disclosed in court that he holds stakes in two startups backed by Altman as well as a percentage of Altman's family fund.

The trial, in its second week in a California courtroom, could determine the future of OpenAI, which sparked a widespread craze over generative artificial intelligence after launching its ChatGPT chatbot in late 2022. Since then, OpenAI has raised well over \$100 billion from investors to hire researchers, buy computing power and expand the company ahead of a potential trillion-dollar IPO.

Musk is seeking the ouster of Altman and Brockman from leadership as well as \$150 billion in damages.

Brockman early in his testimony agreed that his stake in OpenAI was worth close to \$30 billion, a figure not previously known. In 2017, Altman gave Brockman a stake in Altman's family office that was worth \$10 million at the time. That same year, Brockman, Musk and other OpenAI executives discussed restructuring OpenAI as a for-profit so the organization could pay for the pricey computing power required to train AI systems.

2017 COMPENSATION ARRANGEMENT

Brockman said he did not discuss his compensation directly with Musk. Emails read out in court showed that Altman mentioned the arrangement during a separate conversation with Jared Birchall, Musk's head of family office, who relayed the details to Musk.

"One thing worth mentioning now is that he compensated Greg on the side by giving him a percentage ownership of Sam's personal family office," Birchall wrote in the email, adding the deal could mean that "Greg is going to have a greater allegiance to Sam as a result of this arrangement." Musk forwarded Birchall's note to Brockman with two question marks.

When pressed on whether he was loyal to Altman, Brockman said, "I don't know I would say it quite like that."

STAKES IN ALTMAN-BACKED STARTUPS

On Monday, Brockman disclosed that he owned shares of AI chip startup Cerebras, including during various moments when OpenAI discussed buying the

chipmaker. This year, OpenAI has said it will spend a significant amount of money to buy Cerebras chips.

Brockman also said he has a stake in Helion Energy, a fusion startup in which Altman has already invested hundreds of millions of dollars. In March, Altman stepped down from Helion's board because the two companies were looking to work together.

Musk, the world's richest person, alleges OpenAI, Altman and Brockman secured his \$38 million in donations and personal help by promising to build a nonprofit that would prioritize safe development of AI, before pivoting to create a for-profit entity to enrich themselves. His charges include breach of charitable trust and unjust enrichment.

OpenAI has said that Musk, the CEO of Tesla ([TSLA.O](#)), [opens new tab](#) and SpaceX, is driven by a compulsion to control OpenAI and is bitter about the company's success after he left its board in 2018. It has also said Musk did not prioritize safety issues while with the company, and that he is trying to bolster his own AI company, SpaceX unit xAI, which lags OpenAI in user adoption.

Reporting by Deepa Seetharaman in Oakland, California, and Juby Babu in Mexico City; Editing by Peter Henderson and Matthew Lewis

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FT PROFESSIONAL

Travel & leisure industry**World Cup fans cry foul over
'unprecedented' US transport costs**

New Jersey to charge \$150 for round trip to MetLife stadium, up from usual fare of \$12.90



A Fifa banner at the MetLife Stadium, where parking at the nearby American Dream mall will cost \$225 © Michael Nagle/Bloomberg

Zehra Munir in New York

Published YESTERDAY

Just weeks before the 2026 men's football World Cup kicks off, two US host cities are being accused of exploiting fans for the sky-high transit fares they are charging for ferrying people to and from games.

New Jersey's transport system has set a price of \$150 for round-trip tickets for match ticket holders from New York's Penn Station to the MetLife Stadium, where eight games including the final will be played. The fare is usually \$12.90 for concerts or other sporting events. Boston has raised the price of train tickets to the Boston stadium from \$20 to \$80 for [tournament](#) matches.

The high fares are “completely unprecedented”, said Ronan Evain, executive director of fan group Football Supporters Europe. In Boston and New Jersey, “every fan group is looking for alternative transport”, he added.

The outcry over the sky-high prices adds to complaints that this summer’s [World Cup](#) will only be enjoyed by those with deep pockets, with many global fans of the beautiful game being priced out of the tournament.

Fan groups have been complaining for months that the cost of attending the cup is prohibitive, while the mayors of Los Angeles and New York have criticised the dynamic pricing Fifa has adopted.



Fifa is to blame for NJ Transit’s high World Cup fares, says New Jersey governor Mikie Sherrill © Dustin Satloff/Getty Images

Fans who want to drive to matches at MetLife — to be renamed the New York New Jersey Stadium during the tournament — will have to pay at least \$225 for parking at the nearby American Dream mall. A shuttle service organised by the New York and New Jersey host committee will be available, priced at \$80.

Not all US host cities have increased transport prices for football fans. In Philadelphia, Seattle and LA, transit fares will remain unchanged from the local transport system's normal pricing, or drop to being free for one leg of the journey.

New Jersey and Boston blame the price increases on the labour, security and other costs of having trains go on an irregular service to the stadiums and back with tens of thousands of riders, according to the NJ Transit and Massachusetts Bay Transportation Authority. In cities such as Philadelphia and Seattle, by contrast, the stadiums are located in the city and are on the regular metro routes.

NJ Transit's chief executive Kris Kolluri said the system has a structural deficit of \$200mn. "All we are trying to do is recover the cost of operating," he told the FT.

But Philadelphia's transit system also has a structural budget deficit of \$192mn. However, the Southeastern Pennsylvania Transportation Authority has a sponsorship deal with Airbnb to cover fares so fans will not be charged for the train ride back from the six football games to be held there.

New Jersey governor Mikie Sherrill has blamed Fifa for NJ Transit's high fares.

"We inherited an agreement where Fifa is providing \$0 for transportation to the World Cup," Sherrill [wrote on X](#). "And while NJ TRANSIT is stuck with a \$48 million bill to safely get fans to and from games, FIFA is making \$11 billion."

Fifa [replied](#) that it was "quite surprised by the NJ Governor's approach today on fan transportation".

Fifa reminded Sherrill that it updated the terms of its agreement with the US in 2023 to allow host cities to provide transport "at cost", in recognition of the "financial strain" that free travel would put on them.

The Fifa World Cup trophy. It is not clear whether US host cities will receive much of an economic boost for holding the tournament © Bob Frid/EPA/Shutterstock

It is not clear whether US host cities will receive much of an economic boost for holding the tournament. They will have “some GDP growth this summer”, but the “medium-term impact on growth will be limited and, for the most part, tourism activity surrounding the games will merely displace existing tourism”, according to a recent analysis from Barbara Denham at Oxford Economics.

Hotels in match cities including Atlanta, Miami and Dallas have slashed their on-the-day rates by about a third from their peak earlier this year, according to data tracker [Lighthouse Intelligence](#) as they contend with lower than expected demand.

“The discrepancy between how much Fifa is making and how much it costs the host cities [to put on a World Cup]”, is the main problem with the sporting competition, Evain said. “What this means is the model needs to evolve, or it can only go to Saudi Arabia for a tournament.”

Fifa did not respond to a request for comment.

Trump family crypto project countersues billionaire backer Sun for 'smear campaign'

 [reuters.com/legal/government/world-liberty-financial-sues-justin-sun-defamation-alleges-token-misconduct-2026-05-04](https://www.reuters.com/legal/government/world-liberty-financial-sues-justin-sun-defamation-alleges-token-misconduct-2026-05-04)

Lawrence Delevingne, Elizabeth Howcroft, Tom Wilson

May 4, 2026

Justin Sun, founder of Tron, speaks during an press conference in Hong Kong, China April 3, 2025. REUTERS/Tyrone Siu/File Photo [Purchase Licensing Rights](#), [opens new tab](#)

- World Liberty Financial sues Justin Sun in Florida state court
- World Liberty alleges defamation, says Sun shorted its token
- Sun recently sued World Liberty over frozen tokens, calls new suit 'PR stunt'

May 4 (Reuters) - World Liberty Financial, the crypto venture co-founded by U.S. President Donald Trump and his sons, said on Monday it had filed a defamation lawsuit in Florida state court against Hong Kong-based crypto entrepreneur Justin Sun, as a dispute escalates between the project and one of its most prominent backers.

World Liberty posted a copy of its lawsuit on X in which it accused Sun of launching a "public smear campaign." It alleged that Sun had improperly transferred some of his WLFI tokens that come with voting and governance rights to crypto exchange Binance and, separately, that he had placed bets that WLFI would decline in market value, known as short-selling. That was part of a coordinated effort to push the token's market price down as public trading began in September, the lawsuit alleged.

"Justin Sun engaged in a defamatory campaign to torch World Liberty Financial's reputation. He knew his claims were false and made them anyway to harm WLFI token holders," Zach Witkoff, World Liberty's CEO, said in a separate post on X on Monday.

Sun told Reuters: "The alleged defamation lawsuit that World Liberty announced on X today is nothing more than a meritless PR stunt. I stand by my actions and look forward to defeating the case in court." He posted the same message on X. In April, [Sun sued World Liberty](#), saying the company had illegally frozen the tokens he had bought. Sun said World Liberty secretly installed tools to prevent the sale of his tokens after they became tradeable in September 2025. In that lawsuit, Sun denied shorting WLFI's token.

In the legal action on Monday, World Liberty said its ability to freeze tokens had been disclosed in the Terms of Sale.

World Liberty's token rallied after news of the lawsuit, gaining about 12% over the last 24 hours, but is overall down about 72% since it began trading on September 1. Sun's stake of 4 billion tokens in World Liberty is currently worth around \$264 million.

HIGH PROFILE BREAK

The war of words and lawsuits between World Liberty and Sun, a high-profile crypto billionaire, is a sharp reversal of a previously rosy relationship. Sun's early backing of World Liberty in late 2024 and early 2025, when he bought \$45 million worth of its tokens and was named an adviser to the venture, was critical to getting the project off the ground, Reuters has [reported](#). Eric Trump, a World Liberty co-founder and son of the president, described Sun as "a great friend and an icon in the crypto space" in an X post on June 16. On September 1, the date the token began public trading, Sun posted: "I truly believe this will be one of the biggest and most important projects in crypto." World Liberty is the most prominent of several lucrative crypto businesses co-founded or controlled by the Trump family, which has already made more than \$1 billion from World Liberty, according to a Reuters analysis. World Liberty's bylaws state that 75% of the revenue from WLFI token sales is routed to the Trumps. Reporting by Lawrence Delevingne, Tom Wilson, Elizabeth Howcroft, David Gauthier-Villars and Dagmarah Mackos; Editing by Tom Lasseter, Hugh Lawson and Rosalba O'Brien

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Securities

Trump-Linked World Liberty Sues Justin Sun for Defamation (2)

May 4, 2026, 10:27 AM PDT

World Liberty Financial said it is suing **Justin Sun** for defamation, accusing the billionaire crypto entrepreneur of running a coordinated media campaign against the Trump-linked project after he filed his own lawsuit against it last month.

“Sun has launched a coordinated media smear campaign against World Liberty Financial and refused to stop even when confronted with the truth,” the project said in a statement on X. A World Liberty spokesperson confirmed the lawsuit.

The lawsuit accused Sun of improper transfers, conducting straw purchases, and shorting the tokens. It alleges that Sun acquired tokens for undisclosed individuals through straw purchases, in which one entity typically purchases an asset on behalf of another person.

“Sun embarked on a scorched-earth pressure campaign against World Liberty to try to extract hundreds of millions of dollars from World Liberty, including having his counsel threaten litigation designed to “light World Liberty on fire,” the lawsuit said.

“The alleged defamation lawsuit that World Liberty announced on Twitter today is nothing more than a meritless PR stunt. I stand by my actions and look forward to defeating the case in court.” Sun said in a statement on Monday.

The counter-suit escalates a legal dispute that has become one of the most public ruptures in crypto this year. Sun sued World Liberty alleging extortion and an illegal scheme to seize his tokens, charges the project’s co-founders denied. The dueling lawsuits mark a new phase in a dispute that has become the most public unraveling of a Trump-linked business venture since the president took office.

“Rather than acting in good faith, Justin Sun chose to defame World Liberty — repeatedly, publicly, and to millions of followers. World Liberty filed this lawsuit as a last resort to correct the record and to protect its token holders, its employees, and all its stakeholders. We are eager to expose the falsity of Sun’s statements in court and in public,” said Tom Clare, attorney for World Liberty Financial.

World Liberty was co-founded by President Donald Trump and his sons, as well as Steve Witkoff, the president's special envoy to the Middle East, and his family members. The Trump name isn't mentioned - outside of references to articles or tweets - in the World Liberty defamation lawsuit, which has many redacted parts. The co-founders' photos and names have also been removed from the project's website, which a World Liberty spokesperson said is always being updated. The company sold its WLFI tokens to investors in two public rounds in late 2024 and early 2025, and Sun bought \$45 million worth of the tokens, per his statements.

Under the project's disclosures on its website, DT Marks DEFI LLC — an entity affiliated with Donald Trump and certain family members — is entitled to received 75% of WLFI token sale proceeds after deduction of agreed reserves and expenses. DT Marks and certain Trump family members also hold 22.5 billion WLFI tokens.

Sun is the founder of the Tron blockchain, and was at one time hailed as the president's biggest crypto benefactor. Sun also invested in the president memecoin, and attended a dinner with the president last year.

The Securities and Exchange Commission said in March that it ended its lawsuit against Sun, and a firm affiliated with him agreed to pay \$10 million.

The case is World Liberty Financial LLC v. Sun, 2026-08955, 11th Florida Circuit Court (Miami).

(Adds information on World Liberty beginning in the eighth paragraph.)

To contact the reporters on this story:

David Pan in New York at jpan206@bloomberg.net;

Olga Kharif in Portland at okharif@bloomberg.net

To contact the editors responsible for this story:

Sid Verma at sverma100@bloomberg.net

Dave Liedtka

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Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Software Co. MongoDB To Face Narrowed Investor Claims

By **Emilie Ruscoe**

Law360 (May 4, 2026, 5:27 PM EDT) -- Software company MongoDB Inc. must face some but not all claims from a proposed investor class action alleging it failed to disclose the financial fallout from a change in its customer acquisition strategy, a Manhattan federal judge has ruled.

In a Thursday **order**, U.S. District Judge Gregory H. Woods partially denied MongoDB's motion to dismiss claims that the company concealed disappointing revenue from certain "pay in arrears" client subscription contracts it inked during its 2024 fiscal year, though the judge tossed claims over some alleged misstatements from the 101-page amended complaint.

"Lead plaintiffs have adequately pleaded scienter with respect to the plausibly misleading statements which failed to disclose" that those 2024 customer contracts weren't leading to typical revenues for the company, Judge Woods said Thursday.

Specifically, the judge said, the company must face claims tied to four alleged misstatements made by MongoDB executives.

One of those statements was from CEO Dev C. Ittycheria, who said that during the relevant period of time, the company was "acquiring high-quality workloads" with its new customers. Another was finance executive Serge Tanjga's statement that relevant changes to the company's sales organization wouldn't affect "mechanics of the financial model for next year."

The judge said the suit, led by two pension funds, also adequately pled its claim that Ittycheria misled investors when he said during the proposed class period that relevant "consumption trends have been steady for several quarters now."

The investors also sufficiently pled the claim that former Chief Financial Officer Michael Lawrence Gordon misled them when he said that the relevant new customer relationships were "accretive to growth," the judge found.

But Judge Woods trimmed claims stemming from certain other alleged misstatements, finding that some were corporate puffery, some were expressions of opinion and some were protected forward-looking statements.

The judge said the investors could amend claims about some of those forward-looking statements and some of those opinion statements, saying he couldn't conclude that further amendment of the complaint couldn't address deficiencies with those claims. All other dismissed claims were dismissed with prejudice.

In the latest version of the claims from January 2025, the institutional investor lead plaintiffs said a "significant change" to MongoDB's "go-to-market" sales strategy in 2023 precipitated slowed growth of the workloads that customers deploy on the company's data platform.

Specifically, the complaint said, "an economic lull affecting the software industry" prompted the company to move away from pitching prospective customers on upfront commitments to use its platform for a year. Instead, the suit said, the company started focusing on "acquiring a large volume of new customers quickly through a pay-as-you-go, or consumption-based payment structure in which customers pay in arrears only for what they use."

According to the investors, customers who signed up to use MongoDB under the new payment structure didn't use the platform as much, and their platform usage didn't grow at the company's historical rates.

At first, the suit said, the company told investors that the sales strategy changes resulted in "'more efficient growth' and positioning the company for 'better' long-term growth."

But the company eventually lowered its revenue guidance for its 2025 fiscal year, citing slower-than-expected growth, after which trading prices for MongoDB shares fell 24% from \$310 to \$236, hurting investors, they claimed.

The proposed class would include those who purchased MongoDB shares between June 2023, when Ittycheria told investors that acquiring new customer workloads was the company's "north star," and May 2024, when the company described its sales strategy shift as the root cause of "self-inflicted damage" to its growth prospects.

Alongside MongoDB, the suit names Ittycheria, Tanjga and Gordon as defendants.

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

The investors are represented by Samuel H. Rudman, David A. Rosenfeld, Vincent M. Serra, Avital O. Malina and Jason R. Edelman of Robbins Geller Rudman & Dowd LLP.

MongoDB Inc. is represented by Edmund Polubinski, Marie Killmond and Mary Kate Sherwood of Davis Polk & Wardwell LLP.

The case is Baxter v. MongoDB Inc et al., case number 1:24-cv-05191, in the U.S. District Court for the Southern District of New York.

--Editing by Haylee Pearl.



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Exxon Execs Never Pressured Profitability Analysts, Jury Hears

By **Spencer Brewer**

Law360 (May 4, 2026, 10:56 PM EDT) -- Former Exxon Chief Executive Rex Tillerson testified Monday that the company's top brass never pressured employees to make the company's holdings seem more profitable than they were, telling a jury in Texas federal court that he stood by the reports the company issued to investors.

Tillerson told the jury that neither he nor anyone else working at Exxon Mobil Corp. pressed the employees who were conducting a proved reserve analysis to fudge the numbers for the company's Kearl Lake holdings in Canada. Lead plaintiff Eastern Atlantic States Carpenters Pension Fund **alleges in its class action** that Exxon and its executives, including Tillerson, knew certain operations including Kearl Lake were less profitable than the company told investors, and investors in turn had to **eat a loss in stock value**.

Exxon's attorney, Thomas Melsheimer of King & Spalding LLP, asked Tillerson point-blank if he "took part in any scheme to defraud" Exxon's investors. Tillerson answered in the negative.

A central claim in the shareholders' lawsuit is that Exxon overhyped the profitability of its Kearl Lake bitumen operations in its 2015 annual report to the U.S. Securities and Exchange Commission. Bitumen refers to a highly viscous form of petroleum.

Tillerson told the jury that he **stood by every word** in the company's annual report. More than 100 people worked on the document, he said, and he never tried to influence anyone working on the 10-K to write anything a certain way.

In 2015, during the time the shareholders allege that Exxon downplayed the risk of its Kearl Lake operations, prices were down, Tillerson said. The company had confidence that its operations in Kearl Lake would bear out, but at the time the company had no way of foreseeing every risk.

Exxon, along with every other company that operates in the energy sector, operates as a price taker, not a price setter, because the market ultimately dictates the price of oil and gas, Tillerson told the jury.

"Price is something we never control," he said.

Although the business environment had deteriorated, the company suspected that oil prices had bottomed out and prices would soon rise, he said. The company's operations in Kearl Lake passed the SEC test to count as proved reserves, he said. Proved reserves specify the amount of a natural resource a company expects to extract from a specific geological formation.

The company conducted internal analysis and concluded that Exxon should not take an impairment for its Kearl Lake operations. Melsheimer asked Tillerson if he believed anyone who conducted that analysis had violated SEC rules, and Tillerson said he did not.

Exxon is represented by Theodore V. Wells Jr., Daniel J. Toal, Audra J. Soloway, Paul D. Brachman and Lyuba Shamailova of Paul Weiss Rifkind Wharton & Garrison LLP, Nina Cortell, Jason Bloom and Jason Neil Jordan of Haynes Boone, Thomas M. Melsheimer of King & Spalding LLP and Scott C. Thomas of Latham & Watkins LLP.

Tillerson is represented by D. Patrick Long of Squire Patton Boggs LLP.

The case is Ramirez v. Exxon Mobil Corp. et al., case number 3:16-cv-03111, in the U.S. District Court for the Northern District of Texas.

--Additional reporting by Elliot Weld. Editing by Brian Baresch.

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Catching Up With Delaware's Chancery Court

By Jarek Rutz

Law360 (May 4, 2026, 2:44 PM EDT) -- The Delaware Chancery Court this past week handled a wide-ranging docket of deal disputes, advancement fights, stockholder suits and contract claims, with several matters turning on timing, forum limits and the remedies available when transactions or governance agreements break down.

From a Trump-linked SPAC's fight over legal fee advancements to a \$20 million hair restoration business sale and a dispute over artificial intelligence technology for legal proceedings, the week's activity reflected the court's continued role in policing both high-stakes transactions and the procedural rules that shape litigation.

Here's what you might have missed.

Deal Disputes and Contract Fights

Several matters this week centered on whether parties to disputed transactions must follow through on their agreements or whether threshold contract terms cut off the claims.

Venus Concept Inc. sued Korean buyer MHG Co. Ltd. in Delaware Chancery Court, accusing it of trying to abandon a **\$20 million agreement** to purchase Venus' hair restoration business, including the ARTAS and NeoGraft product lines. Venus claims MHG delayed preclosing obligations, ignored communications and used a late valuation of about \$7.07 million to push for a lower price, despite the deal allegedly not making valuation a closing condition.

A separate contract dispute over legal technology also drew the court's attention, with Vice Chancellor Morgan T. Zurn saying after posttrial arguments that Candor Compass LLC **appeared likely to prevail** against Italian AI company iDentiVisuals SRL. Candor says iDentiVisuals failed to deliver emotion-recognition technology licensed for North American use, while iDentiVisuals argues the parties' November 2023 term sheet was too ambiguous to justify specific performance or a transfer of technology it says required years and more than \$2 million to develop.

In another transaction-related fight, a former SK Hynix Nand Product Solutions Corp. executive and the Korean memory chip company clashed over whether Steven Phillpott was still a stockholder when he filed a **books-and-records suit** after a \$2.36 million stock repurchase. Phillpott says payment arrived about 45 minutes after he sued, while SK Hynix argues the agreement transferred title days earlier, leaving Magistrate in Chancery Danielle Gibbs to parse the timing language in the repurchase contract.

Advancement, Procedure and Jurisdiction

The court also confronted procedural questions that could shape how quickly litigants must comply with interim rulings and where disputes may be heard.

A hearing over Digital World Acquisition Corp., the SPAC now tied to Trump Media, focused on whether the company must immediately **pay more than \$2 million** in disputed legal fee advancements to former CEO Patrick Orlando or may wait while challenging a magistrate's ruling. Digital World argued the contempt order and \$25,000-per-day sanction are not enforceable until reviewed by a vice chancellor, while Orlando countered that delaying advancement would defeat its purpose by depriving former executives of defense funding while litigation proceeds.

At the appellate level, the Delaware Supreme Court **affirmed dismissal** of SPCP Group LLC's suit over a failed purchase of a more than \$10 million FTX bankruptcy customer claim. The high court agreed Delaware lacked jurisdiction over the dispute, despite the FTX bankruptcy proceeding in Delaware, because the alleged misconduct and injury involved non-Delaware parties and occurred outside the state.

Stockholder Claims and Fiduciary Limits

Stockholder litigation also remained active, with new claims challenging alleged insider conduct and a ruling narrowing contract-based theories brought by preferred investors.

A stockholder sued Enphase Energy Inc.'s officers and directors, **accusing them of misleading investors** about weakening demand for the solar technology company's products while insiders allegedly sold more than \$58.8 million in stock. The complaint also challenges nearly \$907 million in stock repurchases that were allegedly made at inflated prices as Enphase faced pressures including higher interest rates, California policy changes, European demand weakness, Chinese competition and inventory issues.

In a separate decision, Vice Chancellor J. Travis Laster **dismissed three contract-based claims** brought by early preferred investors in Footprint International Holdco Inc., finding they could not use the implied covenant of good faith and fair dealing to add protections that were not included in their governance agreement. The ruling left other fiduciary duty and related claims pending, but rejected the investors' effort to rewrite the deal after a later financing allegedly diluted their rights and value.

Emergency Relief and Restrictive Covenants

The court also declined to grant immediate emergency relief in a noncompete dispute involving the founder of a fishing gear business, while moving the case quickly toward a fuller injunction record.

Vice Chancellor Nathan A. Cook **refused to immediately block** former Anything Possible founder Ralph Duda III from operating SheFish, a women-focused fishing products company, despite APB Holdco LLC's claim that Duda was violating noncompete restrictions tied to his remaining ownership stake after selling the company in 2020. Vice Chancellor Cook found too many factual disputes for a temporary restraining order, including over whether APB waited too long to seek emergency relief, but said APB appeared to have the stronger early argument on the validity of an amended operating agreement and ordered expedited discovery toward a preliminary injunction hearing in about 45 days.

Quotable

"I think that the term sheet is a binding Type I agreement," Vice Chancellor Morgan T. Zurn said during posttrial arguments in Candor Compass LLC's contract fight with iDentiVisuals SRL, adding that specific performance may be "the only one that I can really think of" as a workable remedy.

--Editing by Alyssa Miller.



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Biotech Overhyping Obesity Drug Hurt Investors, Suit Says

By **Emilie Ruscoe**

Law360 (May 4, 2026, 8:44 PM EDT) -- Current and former executives of drugmaker Skye Bioscience Inc. breached their fiduciary duties by overstating an obesity drug's clinical prospects and precipitating a trading price decline when the company revealed disappointing study results, an investor has alleged.

In a **shareholder derivative complaint** filed Thursday in California, Skye investor Dillan White took aim at three current and former executives and five directors of the company, alleging they mischaracterized the likelihood that the company's lead product candidate nimacimab would prove to be an effective weight-loss treatment.

According to the investor, the brass knew or should have known the company's "existing data did not support robust confidence" in nimacimab's effectiveness.

The defendants nonetheless described "significant opportunity" for the product candidate to potentially stand alone as an anti-obesity drug or complement treatment with other therapies such as GLP-1 agonists.

Because of the alleged misrepresentations, the investor said, trading prices for Skye shares were artificially inflated between November 2024 and Oct. 5, 2025, the day before the company announced that nimacimab didn't achieve its primary endpoint in a certain trial.

According to the complaint, the trial sought to show an 8% difference in average weight loss between the drug candidate and a placebo. According to the company's press release from October 2025, patients who received the treatment lost 1.52% of their weight on average, compared to control group patients, who lost 0.26% of their weight.

The company also said its treatment worked by means that went "beyond suppression of food intake" and asserted that that would set the drug apart from other weight-loss treatments. But according to the complaint, Skye didn't have sufficient evidence supporting that assertion.

Following the disclosure of the study results, White said, trading prices for Skye shares fell 60%, from \$4.75 to \$1.90, hurting investors.

The derivative suit also followed a related investor action, filed in November 2025, alleging "nimacimab was less effective than defendants had led investors to believe."

The derivative suit asserts the company "will incur many millions of dollars of legal liability and/or costs to defend unlawful actions" in connection with the individual defendants' alleged misdeeds.

The individual defendants named in the action include Skye Biosciences Inc. CEO Punit Dhillon, its former Chief Financial Officer Kaitlyn Arsenault and its Chief Scientific Officer Christopher G. Twitty.

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

Dillan White is represented by Marc G. Reich and Adam T. Hoover of Reich Radcliffe & Hoover LLP, and Joshua M. Lifshitz of Lifshitz Law PLLC.

Counsel information for the defendants wasn't available Monday.

The shareholder derivative action is White v. Dhillon et al., case number 3:26-cv-02776, and the related proposed investor class action is Stout v. Skye Bioscience Inc et al., case number 3:25-cv-03177, both in the U.S. District Court for the Southern District of California.

--Editing by Lakshna Mehta.

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Judge OKs \$55M Deal In BP Archaea Suit

By **Jarek Rutz**

Law360 (May 4, 2026, 6:12 PM EDT) -- The Delaware Chancery Court on Monday approved a \$55.3 million settlement resolving derivative claims that Noble Environmental Inc.'s founders diverted a multibillion-dollar renewable energy opportunity to themselves through Archaea Energy, which BP later bought for \$4.1 billion.

Vice Chancellor Bonnie W. David granted the special litigation committee's motion over objections from the stockholder plaintiffs, finding that the two-member committee was independent, conducted a reasonable investigation and reached a reasonable compromise that will send cash directly to Noble's unaffiliated stockholders.

"I have decided to approve the proposed settlement over the plaintiff's objections," Vice Chancellor David said during a hearing.

The case stems from allegations by Noble stockholders Michael Schatzow and Scott Wedum that Noble's co-founders — Nicholas Stork, Richard Walton, Terrence Cunningham, and Alexander Sulkowski — used Noble's biogas technology, employees, and landfill assets to build Archaea Energy while leaving Noble's minority investors behind.

According to the ruling, Noble was founded in 2016 as a Delaware environmental services company whose Westmoreland Sanitary Landfill in Pennsylvania produced biogas, a combustible gas derived from waste. In 2018, Stork and Walton began raising money for Archaea LLC, a new venture focused on biogas development, while materials indicated that Noble would have a significant stake in the new business.

But Archaea's final formation documents gave Noble no equity stake, while Stork and Walton received incentive units and agreed to limit their work at Noble to its "existing business," the court said. Noble later received about \$26 million when BP bought Archaea Inc. in December 2022, while Stork-affiliated entities received more than \$200 million and Walton and an affiliated entity received about \$143 million.

After Noble's board formed the special litigation committee, or SLC, in June 2024, the committee retained Wilson Sonsini Goodrich & Rosati PC and spent roughly a year investigating the claims. Vice Chancellor David said the committee met 16 times, reviewed more than 150,000 documents from 25 custodians and conducted 10 witness interviews.

The settlement requires a \$55.3 million cash payment to Noble stockholders who are not settling parties. It also provides that Noble's Series B shares will be treated as owning 20% of the company's total outstanding equity. The settlement is tied to a proposed third-party acquisition of Noble for \$755 million on a cash-free, debt-free basis, expected to result in roughly \$350 million to \$400 million being paid to Noble stockholders, subject to adjustments and escrow releases.

The plaintiffs opposed approval, arguing the SLC was not sufficiently independent and did not adequately investigate or value the claims. They challenged committee member Andrew Aloe's relationship with a K&L Gates attorney who had represented Noble, questioned whether fellow committee member Matthew Newton was effectively Aloe's "mentee," and pointed to an August 2025 email from Stork disputing dilution issues as evidence that the committee was under pressure.

Vice Chancellor David rejected those arguments, finding neither Aloe nor Newton had a disabling relationship with any defendant. She said K&L Gates and its attorney were not defendants, were not

targets of the SLC's investigation and did not control the committee's work. She also said the record showed both SLC members were "present, involved and engaged" throughout the process.

The plaintiffs also argued the SLC failed to fully address dilution claims, the validity of shares held by nonparty Sean Lehman, potential claims against additional Rice family defendants and other alleged Stork-related misconduct. The court found those issues did not undermine the committee's work, noting some were unpled or raised late, and that the SLC nevertheless considered them.

On valuation, the court said the SLC relied on adviser Griffin Group, which estimated potential damages between \$111 million and \$968 million. Plaintiffs' own expert, Daniel Fishel, valued the claims at up to \$2 billion, but the SLC found that analysis speculative and based on assumptions inconsistent with the evidence and business negotiations.

Vice Chancellor David said the SLC reasonably considered the risks of continued litigation, advancement costs, uncertain damages and the benefit of an immediate cash recovery. She also said the proposed Noble sale supported approval, though it did not drive her analysis.

"I am convinced that the proposed settlement is reasonable," Vice Chancellor David said.

The court directed the parties to submit a revised order, including language requested by the plaintiffs and not opposed by the SLC, that the plaintiffs be included in the release of claims. SLC counsel Andrew Cordo of Wilson Sonsini also told the court the final order should clarify that it is a partial final judgment, because a fee application and confidentiality motions may remain pending.

"I'm gratified that the Court approved the settlement and there is now a clear path for an acquisition that will provide tremendous returns to all shareholders," a spokesperson for Stork said. "I am extremely proud of Noble's achievements and look forward to continuing to build purpose-driven businesses that create lasting impact."

Fox Rothschild LLP, representing Walton, declined to comment on the ruling. Other representatives for the parties did not immediately respond to requests for comment on Monday.

Michael Schatzow is represented by Tibor L. Nagy Jr., Gregory N. Wolfe and Joseph Baier of Nagy Wolfe Appleton LLP and by Marcus E. Montejo, Caneel Radinson-Blasucci, Kirsten M. Valania and Brianna V. Manobianco of Prickett Jones & Elliot PA.

Archaea Energy is represented by William E. Gamgort, Lakshmi A. Muthu and Kevin Rickert of Young Conaway Stargatt and Taylor LLP and by Richard C. Pepperman II and Christopher Michael Viapiano of Sullivan & Cromwell LLP.

Nicholas Stork is represented by Vivek Tata of Elsberg Baker & Maruri PLLC and by Thomas W. Briggs of Morris Nichols Arsht & Tunnell LLP.

Richard Walton is represented by Brett A. Berman, Sidney S. Liebesman, E. Chaney Hall and Griffin A. Schoenbaum of Fox Rothschild LLP.

The Special Litigation Committee of the Board of Directors of nominal defendant Noble Environmental Inc. is represented by Katherine L. Henderson, Joseph Slights, Andrew D. Cordo and Andrew D. Berni of Wilson Sonsini Goodrich & Rosati PC.

The case is Michael Schatzow v. Nicholas Stork, et al., case number 2024-0485, in the Delaware Chancery Court.

--Editing by Vaqas Asghar.



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Attys Defend \$85M Fee Bid Blasted By Judge In Google Deal

By **Bonnie Eslinger**

Law360 (May 4, 2026, 5:41 PM EDT) -- Consumers who pursued an antitrust class action against Google urged the California federal judge who criticized their 98,000 hours billed as "grotesquely bloated" to approve their \$85 million fee request, emphasizing Friday that they filed suit a year before state attorneys general joined the case and maintained a leading role in the litigation.

The consumer-led case was first filed in August 2020 and the states entered the litigation in July of 2021, the supplemental brief filed Friday underscores.

The state attorney generals "appreciated that consumer counsel had already done an enormous amount of work developing their common claims against Google, and entered [a] groundbreaking [joint prosecution agreement] to leverage consumer counsel's knowledge, skill and substantial resources going forward in the litigation," the brief in support of consumer counsel's motion for attorney's fees states.

U.S. District Judge James Donato had issued that criticism and others during a San Francisco hearing Thursday on the \$700 million proposed settlement, saying at one point, "the pyramids were built in less time than it took to litigate this case."

In their written motion, the consumers' counsel also highlighted that the 53 state AGs who signed on to the settlement unanimously agreed not to oppose their fee petition.

"The states had direct, first-hand knowledge of consumer counsel's contributions to the litigation and settlement," the Friday brief states. "They also have a well-established practice of scrutinizing and opposing excessive fee requests by private counsel, yet not one of them objects to this request."

The counsel for the consumers told the judge that throughout the case, the states relied on their work.

"An antitrust case of this magnitude, against one of the largest companies on earth, naturally required massive fact discovery, complex expert analysis, and extensive motions practice – not to mention discovery of Google's systematic destruction of evidence," the consumers' counsel said. "Consumer Counsel took a leading role in all of it, right up to the eve of trial when the settlement was inked."

Further, the \$85 million fee ask is just 13.5% of the settlement total with interest earned – about half of the Ninth Circuit's standard 25% benchmark, the consumers' counsel told court.

In addition, their role in mediation was also "equally substantial" to the attorney generals' as the deal was hammered out over more than a year, the lawyers for the consumers told the court.

"Consumer counsel took the lead in drafting the joint mediation statement and made the principal liability and damages presentations to Google," the brief states.

Hundreds of hours were spent on that task alone, the lawyers said.

"Both mediators have offered, on the court's invitation and with the parties' consent, to submit declarations attesting to consumer counsel's instrumental contributions," the brief states.

The lawyers for the consumers also underscored that they had worked on this case on a contingent basis.

Consumers' counsel "were critical in obtaining one of the largest settlements Google has ever paid in this landmark antitrust case," the brief states, adding that the average consumer is expected to receive over "47% of overcharge damages."

The consumers also noted that Epic's counsel has reported spending over 248,838 hours on their case against Google.

"While Epic went to trial, consumer counsel's hours represent less than 40% of Epic's hours, even though consumer counsel worked on behalf of consumers nationwide through the eve of trial," the brief states.

In another comparison, the consumers noted that developers who filed antitrust claims against Google were **awarded** 24.1% of the \$90 million deal, reached even before class certification motions were filed.

During Thursday's hearing, co-lead counsel for the consumers, Karma Giulianelli of Bartlit Beck LLP, told the court that the states were not making a fee request from the settlement fund.

Judge Donato noted at that time that the consumer class had been decertified during the litigation and the case never went to trial.

"The idea that you spent almost 100,000 hours on that type of case, I just don't see it," the judge said. "It seems patently unreasonable."

Giulianelli said the consumers "took much of the labor in the case throughout" the three years before the settlement was reached.

During Thursday's hearing Judge Donato also took issue with the fact that getting to the \$85 million involves multiplying the attorney fees by 1.34. He said there's no evidence that the case is "rare and exceptional" and that the lodestar amount of fees "is so unreasonably low that a multiplier might be something to consider."

Giulianelli said the states heavily vetted the fee request and have not objected to it. Judge Donato said the consent of the co-party is not relevant to his decision.

"This is a grotesquely bloated amount," he said. "The multiplier, I think, is just not going to happen."

In the written brief filed Friday, the lawyers for the consumers also pointed out that the multiplier is lower than the 1.41 multiplier Judge Donato approved for the developers' counsel, "who settled much earlier in the litigation before class certification."

Counsel for the consumers did not immediately provide a comment Monday about their filing and Google's representatives did not respond to the request.

The deal resolves antitrust claims over Google LLC's control of the Play Store for Android apps. The suit, entered in 2021 by attorneys general from dozens of states and Washington, D.C., said the search giant effectively forces Android users and application developers to use its app store while collecting "extravagant" commissions on app purchases.

Alphabet Inc. and Google reached their deal with the state attorneys general and the proposed consumer class in September 2023, leaving Epic Games Inc. and dating app-maker Match Group LLC to proceed at trial alone against the tech giant. Terms of the deal were disclosed a few months later. That settlement and another Google reached with Match left Epic to go to trial on its own against the tech giant — a battle the Fortnite developer **won**.

During a **hearing** over the deal in early 2024, Judge Donato also remarked that he didn't think much of the \$700 million agreement, saying the plaintiffs "folded" with "four aces." Preliminary approval

was granted in November 2025.

The consumer plaintiffs are represented by Karma M. Giulianelli of Bartlit Beck LLP and Hae Sung Nam of Kaplan Fox & Kilsheimer LLP.

The states are represented by Paula L. Blizzard, Brian D. Wang and Carolyn D. Jeffries of the Office of the Attorney General of California, Jessica V. Sutton and Sarah G. Boyce of the North Carolina Department of Justice, Jayme L. Weber of the Office of the Attorney General of Arizona, David N. Sonnenreich and Marie W.L. Martin of the Office of the Attorney General of Utah, and S. Ethan Bowers and Tyler T. Corcoran of the Office of the Attorney General of Tennessee.

Google is represented by Glenn D. Pomerantz, Kuruvilla Olasa, Justin P. Raphael and Dane P. Shikman of Munger Tolles & Olson LLP, Brian C. Rocca, Sujal J. Shah and Michelle Park Chiu of Morgan Lewis & Bockius LLP, and Jessica L. Ellsworth of Hogan Lovells.

The overall case is In re: Google Play Store Antitrust Litigation, case number 3:21-md-02981, the consumer class action is In re: Google Play Consumer Antitrust Litigation, case number 3:20-cv-05761, and the state attorneys general's case is State of Utah et al. v. Google LLC et al., case number 3:21-cv-05227, all in the U.S. District Court for the Northern District of California.

--Additional reporting by Bryan Koenig and Dorothy Atkins. Editing by Alex Hubbard.

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Gas Stations Bound To Visa Swipe Fee Deal, 2nd Circ. Says

By **Bryan Koenig**

Law360 (May 4, 2026, 8:33 PM EDT) -- A Second Circuit panel refused Monday to let a group of gas stations separately sue Visa and Mastercard over their swipe fees, holding the would-be plaintiffs cannot get out of a \$5.6 billion antitrust settlement the credit card giants inked with merchants.

The **2019 deal** is one of two Mastercard and Visa have inked in the long-running case, in addition to a broader agreement for sweeping changes **now under review** in New York federal court.

The Second Circuit panel said Monday that a New York federal judge rightly held the gas stations to that 2019 deal, rejecting appellate arguments that the agreement only included "direct" payors — that in the gas stations' telling meant Chevron, Shell, BP and other gasoline "suppliers" — rather than the gas stations themselves and that the settlement did not cover such indirect state law claims.

"The district court did not clearly err in determining that the settling parties intended to include the Old Jericho plaintiffs in the settlement class. Second, we conclude that the Old Jericho plaintiffs' claims were validly released because they were adequately represented in the settlement agreement and rest on the same factual predicate as the other released claims," the panel said, affirming the lower court decision rejecting their bid for summary judgment, which would have held the plaintiffs unbound by the deal.

According to the **14-page decision**, the gas stations led by Old Jericho Enterprise Inc. had failed to opt out of the settlement, only to file their own state law damages claims in an effort to get around the U.S. Supreme Court's **Illinois Brick** precedent barring federal antitrust damages claims from indirect purchasers.

The Old Jericho plaintiffs had claimed a workaround by pointing to the 2023 Second Circuit decision in **Fikes Wholesale Inc. v. HSBC Bank USA NA** upholding the 2019 settlement.

But the appellate panel held Monday the gas stations cannot use Fikes to establish a "different standard" for determining the reach of a settlement, one that would require the court use federal antitrust law to identify the specific payors in any particular transaction and determine their class membership.

That argument, the panel said, "overreads our prior decision," which addressed how ascertainable the class was, and doesn't supplant reading settlements based on the intent of the parties.

"Fikes stated that the class definition is 'objectively guided by federal antitrust standards,' not that federal antitrust law replaces the parties' intent," the panel said.

"Moreover, recognizing that the inquiry into class membership might turn on facts not in the appellate record, we made 'no ruling as to how damages should be allocated as between branded oil companies and their branded service station franchisees,' leaving the district court to consider the issue on a 'developed factual record,'" it continued.

The reach of the agreement had hinged on who "accepted" the card. The answer, the appellate panel held Monday, is the gas stations.

The panel agreed with the district court that gas stations are the ones accepting a card from the

consumer paying at the point of sale, and it rejected arguments based on their contracts with the gas giants for card acceptance services in addition to buying gasoline. Arguments of an intermediary, the panel said, "ignores the fact that every merchant in the settlement class has an intermediary between it and defendants."

According to the ruling, the settling class already has contended that consumer payments go through the acquiring bank or a third-party processor that then sends a transmission to Visa's or Mastercard's networks. And the Old Jericho plaintiffs haven't explained why "a second intermediary should be determinative."

"The class plaintiffs argue that they are direct purchasers with federal antitrust standing despite the presence of intermediaries, while the Old Jericho plaintiffs assert that they are indirect purchasers and have only indirect-purchaser claims due to the presence of intermediaries," the panel said. "We conclude, as the district court did, that the Old Jericho plaintiffs are asserting claims based on a different legal theory but the same factual predicate as those in the settlement agreement."

It was the very presence of intermediaries that helped push the settlement in the first place, based on concerns of running into the wall of Illinois Brick, according to the ruling.

"This remains an open question: in opt-out litigation, the district court held that there is a 'dispute of material fact as to whether merchants are direct purchasers of card-acceptance services' despite the presence of intermediaries," the panel said in a footnote. "This appeal is about membership in a class action settlement, not the underlying issues of federal antitrust law, and we express no opinion on this issue."

The panel went on to reject the gas stations' assertions that they weren't adequately represented by the settling class, noting the settlement entitled them to a pro rata share of the agreement fund based on the size of their financial interests, "just like every other class member."

Counsel for the parties did not respond Monday to requests for comment.

The more than 20-year-old litigation targets rules set by the credit card companies that allegedly reduced choice and forced merchants to accept higher-fee cards without the ability to refuse them or steer consumers toward ones with cheaper rates.

U.S. Circuit judges Dennis Jacobs, Pierre N. Leval and Michael H. Park sat on the panel for the Second Circuit.

The gas stations are represented by Christopher J. Bateman, Daniel Gifford and Manuel J. Dominguez of Cohen Milstein Sellers & Toll PLLC.

Visa is represented by Michael S. Shuster, Demian A. Ordway, Jayme Jonat and Gregory J. Dubinsky of Holwell Shuster & Goldberg LLP, and Matthew A. Eisenstein, Rosemary Szanyi and R. Stanton Jones of Arnold & Porter Kaye Scholer LLP.

Mastercard is represented by Kannon K. Shanmugam, Kenneth A. Gallo, Brette Tannenbaum and Nina Kovalenko of Paul Weiss Rifkind Wharton & Garrison LLP.

The case is Old Jericho Enterprise Inc. v. Visa Inc., case number 24-2678, in the U.S. Court of Appeals for the Second Circuit.

The underlying case is In re: Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, case number 1:05-md-01720, in the U.S. District Court for the Eastern District of New York.

--Additional reporting by Katryna Perera. Editing by Lakshna Mehta.



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Hedge Fund Says Expert Loss Isn't Fatal To Spoofing Case

By **Jon Hill**

Law360 (May 4, 2026, 10:00 PM EDT) -- A hedge fund that is suing units of Bank of America and Canadian Imperial Bank of Commerce for alleged spoofing by their clients has told a New York federal court that a recent decision to exclude the hedge fund's damages expert doesn't doom its case, pushing back on a bid from the banks for an end to the litigation.

In a Friday letter, plaintiff Harrington Global Opportunity Fund Ltd. urged U.S. District Judge Lorna G. Schofield to reject a request last week from defendants BofA Securities Inc., Merrill Lynch Canada Inc. and CIBC World Markets Inc. for immediate "sua sponte" summary judgment.

Their Apr. 28 request followed a federal magistrate judge's March decision that delivered a split verdict on challenges to two Harrington-offered experts **in the case**, which accuses the bank broker-dealer subsidiaries of facilitating spoofing in a former Canadian pharma firm's stock. Spoofing is an illegal tactic in which traders place sham orders to influence prices.

In her decision, the magistrate judge ruled that while one of Harrington's experts could weigh in on whether spoofing-like activity occurred, the other expert's opinions on loss causation and damages were inadmissible. Without this testimony, Harrington can't prove key elements of its claims and should not be allowed to continue the case any longer, the banks argued.

But Harrington fired back Friday that this request seeks unjustified and "unprecedented" relief. Not only is there still "adequate evidence" to prove losses even without the excluded testimony, the hedge fund said, but the banks also cannot obtain summary judgment when neither side has filed a formal motion for it.

"District courts may only grant summary judgment where parties have notice and a reasonable time to respond," the hedge fund said. "After an extensive search, Harrington has been unable to find a single instance in the Second Circuit where a district court's entry of summary judgment sua sponte was held to be proper without a pending motion."

"In fact, the one instance in which a district court attempted to grant similar relief resulted in a swift reversal," it added.

BofA, Merrill and CIBC argued in their request last week that it "should not be necessary" to proceed with full summary judgment briefing now that Harrington can no longer rely on its "only evidence of loss causation and damages."

According to the banks, Harrington has known and accepted for months that losing its damages expert would be fatal to its suit. But if Judge Schofield doesn't want to jump straight to dismissal, she could issue a "show cause" order first to give the hedge fund a chance to respond, they suggested.

Harrington countered Friday that this alternative approach should likewise be rejected, arguing it seeks to effectively "bifurcate summary judgment" and would drag out the litigation further with potentially multiple rounds of briefing.

The hedge fund also downplayed the impact of its damages expert's exclusion. Particularly for stock sales that took place within seconds of alleged spoofing episodes, the "close proximity" in timing means that under Second Circuit precedent, one can still draw the "common sense" inference that

these transactions occurred at artificially influenced prices, Harrington said.

"There has already been enough delay," it said. "It is high time that this case proceed to an adjudication on the merits. Harrington respectfully requests that this court deny defendants' request and direct the parties to meet-and-confer on a summary judgment briefing schedule."

Representatives for Bank of America and CIBC did not respond to requests for comment late Monday. Counsel for Harrington declined to comment.

Harrington is represented by Alan M. Pollack, Felicia S. Ennis, Thomas Filardo, Leron Thumim and Meghan Hallinan of Warshaw Burstein LLP, and James Wes Christian and Ardan Attar of Christian Attar.

BofA Securities and Merrill Lynch Canada are represented by Abby F. Rudzin of O'Melveny & Myers LLP.

CIBC World Markets is represented by Sandra D. Hauser of Dentons US LLP.

The case is Harrington Global Opportunity Fund Ltd. v. BofA Securities Inc. et al., case number 1:21-cv-00761, in the U.S. District Court for the Southern District of New York.

--Editing by Lakshna Mehta.

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SEC Drops Suit Against Iconix Founder After Conviction Nixed

By **Gina Kim**

Law360 (May 4, 2026, 11:14 PM EDT) -- The U.S. Securities and Exchange Commission told a New York federal judge Monday it has agreed to dismiss its parallel civil enforcement action against Iconix Brand Group's founder who was accused of falsely inflating revenue by \$11 million to meet earnings targets and had his conviction overturned by the Second Circuit.

"The commission's decision to seek dismissal of this enforcement action is an exercise of its discretion and does not necessarily reflect the commission's position on any other case," the SEC's notice of voluntary dismissal said. The agency announced that it dropped its case against Iconix founder and former CEO Neil Cole in a news release issued Monday, which did not include any further details.

"We are very pleased that the SEC has dismissed this action," said Sean Hecker of Hecker Fink LLP, an attorney representing Cole.

Monday's notice comes nearly **seven years after** the federal government charged Cole in what it described as an \$11 million accounting scam. Cole was charged alongside former Iconix Chief Operating Officer **Seth Horowitz**, who pled guilty and cooperated with prosecutors.

According to the government, the pair agreed with Iconix's joint venture partner, Hong Kong-based Global Brands Group Holding Ltd., to engage in secret round-trip transactions in 2013 and 2014 that resulted in Iconix inflating its revenue by \$11 million. The SEC filed a parallel civil enforcement action alleging the overpayments were for "intellectual property assets."

In November 2021, a Manhattan federal jury acquitted Cole of conspiracy charges and failed to reach a verdict on the remaining counts related to allegations he booked fake revenue to help the licensing giant hit Wall Street targets. Federal prosecutors **announced in early 2022 that they planned to retry** Cole after the jury deadlocked on the remaining charges.

Later that year, jurors **convicted** Cole on the remaining charges. U.S. District Judge Edgardo Ramos sentenced Cole to 18 months in prison in **October 2023**.

Cole appealed to the U.S. Court of Appeals for the Second Circuit, which presided over oral arguments in January 2025. The Second Circuit judges expressed skepticism about Cole's conviction and **appeared open to his argument** that the retrial violated the Fifth Amendment's double jeopardy clause.

The key piece of evidence against Cole in both cases was the testimony of Horowitz, who testified that he schemed in secret with Cole to book the \$11 million in fake revenue by structuring sham contracts in 2014 with GBG.

Prosecutors had said Cole and Horowitz schemed to falsely inflate Iconix's reported revenue and adjusted per-share earnings through a series of "round trip" transactions in which they induced GBG to pay an inflated price for joint venture interests, with the understanding that Iconix would then reimburse the partner for the overpayments.

It was a goal of the scheme to ensure that Iconix's performance met or exceeded Wall Street analysts' expectations, according to the indictment, and absent the inflated revenue from the joint

ventures, the company would have missed the analysts' consensus for the company's financial performance.

During oral arguments in January 2025, the Second Circuit judges seemed dubious at times with respect to the government's argument that reversal of Cole's conviction wasn't warranted, since this wasn't a case where collateral estoppel barred prosecutors from relitigating issues that were "necessarily" decided by a jury's acquittal in the first trial, such as the notion that Cole's scheme did not exist or that he wasn't a part of it.

The defense maintained that despite Cole's acquittal on both conspiracy counts at trial, the government still presented a conspiracy case to the second jury in all but name, even though he was only facing substantive counts at retrial. Prosecutors treated the first trial "as no more than a dry run for the second prosecution," Cole's attorney told the Second Circuit.

Last fall, the Second Circuit ultimately **threw out Cole's conviction**, finding he was subjected to double jeopardy. The panel found that his 2021 acquittal on related conspiracy charges "necessarily decided" factual questions for the other charges that prosecutors later retried.

After the Second Circuit reversed his conviction and ordered the lower court to dismiss the underlying indictment against Cole, the parties submitted a status letter to the New York federal court in the SEC's parallel civil enforcement action.

"In this civil matter, the parties are in discussions regarding a potential resolution," the parties' Jan. 30 letter said. "While those discussions continue and to allow time for the commission's internal approval processes, the parties jointly request that the court continue to stay the matter."

A few weeks after the Second Circuit's decision, Cole **filed a \$45 million malicious prosecution and breach of contract suit** against Iconix and Horowitz, alleging "his life and his life's work" were "effectively ripped away from him based on abject lies" from his onetime protégé.

Horowitz's allegations triggered a federal securities fraud and conspiracy criminal case against Cole that "tortured" him for nearly a decade, Cole's suit alleged.

The SEC is represented in-house by Zachary A. Avallone and Melissa Armstrong.

Cole is represented by Sean Hecker, Jenna Dabbs and Jeffrey Then of Hecker Fink LLP.

The case is U.S. Securities and Exchange Commission v. Neil R. Cole, case number 1:19-cv-11148, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Stewart Bishop, Pete Brush and Cara Salvatore. Editing by Jay Jackson Jr.



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SPAC Says Investor Bought In Knowing \$29M Deal Had Failed

By **Katryna Perera**

Law360 (May 4, 2026, 6:42 PM EDT) -- The sponsor of a blank check company linked to energy giant Nabors Industries Ltd. pushed back against an investor suit alleging its top brass unfairly claimed a \$29 million settlement despite missing a deadline to merge with another company, arguing the investor bought shares knowing the acquisition already failed.

Nabors Energy Transition Sponsor II LLC and its officers and directors filed a dismissal **motion** Thursday, saying investor Camac Fund LP's suit is the latest in a "line of manufactured [special purpose acquisition company] suits where a plaintiff purchases SPAC shares after a failed de-SPAC transaction and seeks to challenge a settlement between the SPAC and the target in the failed deal."

The **suit**, filed in February, says that directors and officers of Nabors tried to claim the so-called breakup fee given to the SPAC, Nabors Energy Transition Corp. II, as part of a settlement with e2Cos. LLC, the company it tried but failed to acquire.

"Defendants' misappropriation is expressly prohibited by the SPAC's governing documents," the investor claims. "Defendants failed to complete a business combination, and thus have 'no right, title, interest or claim' to the SPAC's assets pursuant to agreements that defendants themselves drafted."

However, on Thursday, Nabors executives urged a New York federal judge to dismiss the action, arguing that the suit's allegations fail because, as the amended complaint acknowledges, public shareholders were offered the opportunity to participate in the settlement with e2. Additionally, the defendants sought shareholder approval to extend the SPAC's mandated redemption deadline, so shareholders could participate in the deal on a pro rata basis, according to the motion.

"The shareholders voted down the proposal, and the company redeemed their shares as required by [the SPAC's] amended and restated memorandum and articles of association, the governing document defining the rights of [the SPAC] shareholders," the motion states.

"Only after the proposal had been rejected and [Nabors] publicly announced the upcoming mandatory redemption did plaintiff opportunistically purchase its shares, with full knowledge that the charter here, explicitly extinguished its rights to post-redemption distributions," the motion notes.

According to Nabors, Camac Fund has admitted it purchased its shares in the SPAC on or about Nov. 18, 2025 — "just fifteen days before being mandatorily redeemed at full trust account value on Dec. 3, 2025, the very outcome [Nabors] had publicly announced one day before plaintiff purchased."

The fact that Nabors is based in the Cayman Islands also causes the suit's claims to fail, according to the motion, because the SPAC's charter requires all disputes that relate to shareholding in the company be adjudicated in the Cayman Islands.

"Plaintiff bought into a Cayman SPAC with the understanding that it had no rights to further distributions under the charter. Plaintiff should not be rewarded for its contrived attempt to avoid the charter and bring a claim outside the Cayman Islands," the motion states.

Finally, the defendants argue that the operative complaint fails to allege any liquidation of the SPAC.

"Plaintiff's contract argument depends on an allegation of liquidation — yet the original complaint offered only two conclusory assertions on the point, unsupported by any factual detail. Plaintiff's amended complaint maintains those threadbare allegations," the motion states. "The reason is plain: there has been no liquidation, and plaintiff cannot plead otherwise."

Named in the suit are Nabors, the SPAC's CEO Anthony Petrello and its Chief Financial Officer William Restrepo, who are also the CEO and former CFO of Nabors Industries, respectively. The SPAC itself, Nabors Energy Transition Corp. II, is a nominal defendant.

According to the suit, the SPAC raised \$305 million from its July 2023 initial public offering and placed those assets in a trust account. It then had two years to finalize a merger or return those proceeds to investors.

Before the IPO, the individual defendants and the sponsor also were issued millions of so-called founder shares, priced at less than a penny, according to the suit. Those founder shares would convert to public shares if the SPAC merged with another company within two years of its IPO, the suit states. Otherwise, those shares would expire and be worthless, it adds.

The SPAC contract language additionally held that if a merger did not occur within that time frame, the managers and sponsor would have "no right, title, interest or claim of any kind in or to any monies held in the trust account or any other asset of the [SPAC] as a result of any liquidation," the investor says.

Nabors announced in February 2025 a plan to merge with e2, an energy management firm, estimating that the resulting company would be worth about \$500 million. But this plan fell apart when e2 reneged, leading the SPAC to sue in July 2025, right around the time of its merger deadline, to force e2 to go through with the merger.

The SPAC and e2 eventually reached an agreement in October 2025 to terminate their business combination, which stipulated that e2 would pay the SPAC a breakup fee of at least \$29.23 million, the investor says.

But the defendants structured the breakup fee to vest over time "to make it easier for them to retain it for themselves after the redemption of public stockholders," the investor contends.

After the settlement deal was inked, the defendants proposed a plan to distribute the SPAC's assets that would entitle them to all the interest that had accrued on the funds in the SPAC's trust to cover fees and expenses the company had incurred since it formed, according to the suit.

Under that proposal, the defendants said the roughly \$14.1 million they sought to recover would come from interest earned on the trust's funds, including \$4.1 million the sponsor allegedly loaned to the SPAC, according to the complaint.

Though the Nabors defendants tweaked the plan in response to investor reaction, they didn't walk back their plan to hold onto interest from the trust account, Camac Fund claims.

Under this proposal, Camac Fund says, "defendants proposed for purely self-interested purposes that millions of dollars of capital would remain tied up indefinitely in trust and would not accrue interest or other investment return, all of which would be diverted to defendants."

In November 2025, Camac Fund says, investors in the SPAC's public offering voted down that distribution proposal — after which the sponsor and its managers "opted to simply liquidate the SPAC and keep the breakup fee assets for themselves."

Specifically, the defendants said they would redeem all the outstanding shares from the public offering without giving investors any of the breakup fee, according to the complaint. That redemption happened early last December, according to the suit.

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

Camac Fund and the proposed class are represented by Aaron T. Morris and Andrew W. Robertson of

Morris Kandinov LLP.

The defendants are represented by Marisa Giles, William Stripling and Jason Halper of Vinson & Elkins LLP.

The case is Camac Fund LP v. Nabors Energy Transition Sponsor II LLC et al., case number 1:26-cv-01289, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Emilie Ruscoe. Editing by Kristen Becker.

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Subaru Hit With Class Suit Over Alleged Battery Failures

By **Jonathan Capriel**

Law360 (May 4, 2026, 11:20 PM EDT) -- Subaru has sold hundreds of thousands of vehicles with a defect that drains their batteries, which forces owners to buy replacements and, in some cases, leaves drivers stranded, alleges a lawsuit filed in New Jersey federal court that seeks to force a recall or vehicle buyback.

The 116-page complaint, filed Friday, said the automaker has known about the defect since at least 2014, claiming it has issued numerous technical service bulletins addressing the problem but has failed to provide a real fix. The issue — which the complaint said is found in a wide variety of SUVs, crossovers and sedans — allegedly kills the battery and has left many Subaru drivers stranded, including the four lead plaintiffs and two dozen others who reported the problem to federal regulators.

"The defect renders the class vehicles unsuitable for their intended purpose — transportation," the suit said. "The defect is substantially certain to manifest in the class vehicles, and many class members have had a battery die more than once, leaving them stranded."

The drivers seek damages for claims of breach of implied warranty of merchantability, breach of express warranty, violations of the Magnuson-Moss Warranty Act and violations of state consumer protection laws, including those of New Jersey, California, New York and Texas.

The complaint asks the court to impose a permanent injunction on what it alleges are unlawful practices by the Japanese company Subaru Corp. and its domestic affiliate, Subaru of America Inc. Drivers want restitution for costs they incurred, such as for buying new batteries, as well as a recall that will correct the alleged problem or a buyback program. They claim the automaker concealed the defect and thereby deprived buyers of the benefit of the bargains they got on their vehicles.

The defect occurs in various makes, the suit said, including the Outback, Ascent, Impreza, Crosstrek, Forester, WRX and Legacy. While the issue spans model years 2019 to 2025, not every vehicle produced within that range is affected, the complaint added.

The suit said the vehicles contain a "sleep-state defect" that prevents electronic modules from entering low-power mode when the vehicles are turned off. This causes "parasitic battery drain," the suit added. Over long periods of time, this cuts a battery's life, forcing drivers to buy replacements more frequently, the plaintiffs claimed. Oftentimes, the defect drains the battery, requiring the driver to get a jump start when they are stranded, the suit said.

The suit points to more than 150 reports by drivers submitted to the National Highway Traffic Safety Administration, which identified the issue.

Subaru did not respond to a request for comment.

The drivers are represented by Bruce D. Greenberg of Lite DePalma Greenberg & Afanador LLC and Matthew D. Schelkopf and Joseph B. Kenney of Sauder Schelkopf LLC.

Counsel information for Subaru wasn't immediately available.

The case is Taylor et al. v. Subaru of America Inc. et al., case number 2:26-cv-04935, in the U.S.

District Court for the District of New Jersey.

--Editing by Nick Siwek.

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'They Knew It': J&J Accused Of Hiding Talc Risk At LA Trial

By **Craig Clough**

Law360 (May 4, 2026, 10:05 PM EDT) -- Johnson & Johnson knew for decades that its baby powder contained asbestos, even as it advertised the product as safe and "pure," attorneys for the families of three women who died of ovarian cancer told a California jury Monday during opening statements in a bellwether trial.

The trial is the second ovarian cancer bellwether out of hundreds of consolidated cases in Los Angeles Superior Court to go to before a jury since J&J last year abandoned its effort to use Chapter 11 bankruptcy to resolve the thousands of talc cases it is facing nationwide.

In the first bellwether trial to proceed over the ovarian cancer cases, a Los Angeles jury in the same courtroom as the one underway this week hit J&J with a **\$40 million verdict** after a monthlong trial, finding its talc products were a substantial factor in causing two women's ovarian cancer but declining to award punitive damages.

On Monday, attorneys for the women's families in the second bellwether walked the jury through a series of internal documents dating back to the 1960s, '70s and '80s that allegedly suggest the company knew about or was concerned about asbestos in talc, and that talc itself is a health hazard even without asbestos.

"They knew it," Andy Birchfield of Beasley Allen Law Firm, who represents the husband of one of the women, told the jury. "They knew that asbestos causes cancer. They knew that asbestos has been detected in their talc."

The attorneys said that instead of warning the public, J&J continued to advertise its product as safe and "pure" for decades while encouraging women to use it on their children and their own bodies, including in a suggestive ad from the late 1970s shown to the jury of a woman pulling her dress off her shoulders and then pulling down her bra strap while saying that the only thing she wears "under these underthings" is Johnson's Baby Powder, because it keeps her "soft and fresh and cool during the day."

"Pure, gentle Johnson's Baby Power," the woman added. "Wear it under underthings every day and you'll feel fresh all over."

Mary Owens, Bonnie Tienken and Geneva Williams, the three women at the center of the trial, all used J&J's talc products for feminine hygiene and other purposes for decades because they believed the company's assurances that it was safe, the attorneys told the jury.

But Shaila Diwan of Kirkland & Ellis LLP, who represents J&J and its subsidiary Red River Talc LLC, told the jury that the plaintiffs' allegations of a "vast worldwide conspiracy" by J&J just don't add up, and that when jurors get a close look at the scientific evidence, they will conclude the company's talc didn't have asbestos in it and that talc doesn't cause cancer.

"That product, Johnson's Baby Powder, has been on the shelf, and anyone can go buy it, and anyone can go test it," she said. "If you were hiding asbestos in baby power, why would you have it publicly available for anyone to go purchase it and take it to a scientist and get it tested?"

Johnson & Johnson developed baby powder using the mineral talc and started selling it in the United

States in 1894. The ingredients were reformulated in 2020 in the United States and in 2023 for international markets, replacing talc as the main ingredient with cornstarch powder.

Diwan told the jury the company didn't switch to cornstarch because of any health risks associated with talc, but because "misinformation" about talc caused customers to no longer want to buy it.

Some of the same attorneys and firms from the first bellwether trial are again involved in the current trial, which will feature many of the same experts and evidence, including the internal J&J documents that Birchfield focused much of his opening statement on. Diwan's comment about why J&J stopped using talc in baby power mirrored one given by Allison Brown of Kirkland during her opening statement at the first bellwether trial.

The cases are among tens of thousands pending nationwide. The hundreds of coordinated Los Angeles cases resulted in at least one trial in 2017; in that case, a Los Angeles jury reached a **\$417 million verdict** concluding Johnson & Johnson was liable for a woman's ovarian cancer, only for the judge to overturn the verdict.

In October, a Los Angeles jury hit J&J with a **\$966 million verdict** after finding it liable for an 88-year-old woman's death from mesothelioma, although a Los Angeles judge cut the award to **\$16 million**, saying the estate's counsel had failed to sufficiently show the pharmaceutical giant acted maliciously.

Allegations that talc can cause mesothelioma and ovarian cancer have dogged J&J for years, leading the company to spin off its talc unit into a separate entity and seek bankruptcy protection for it in a so-called Texas two-step maneuver, a request that the bankruptcy court rejected **three times**.

For Birchfield, the trial is getting underway as he and his firm fend off disqualification efforts around the country by J&J amid allegations that Beasley Allen associated closely with a former outside counsel for J&J.

In March, those claims led a Cook County, Illinois, circuit court to terminate the appearances of Beasley Allen attorneys in approximately 70 talc cases, and a New Jersey federal judge to **disqualify** the firm from representing hundreds of plaintiffs in sprawling multidistrict litigation over Johnson & Johnson's talc-based baby powder.

A New Jersey state appeals court in February **disqualified** the Beasley Allen representing plaintiffs in multicounty litigation over talc, and a Pennsylvania state court in April also **booted** the firm from representing consumers in nine cases that link J&J talcum powder to ovarian cancer.

In the current bellwether case, Los Angeles Superior Court Judge Theresa Traber denied J&J's bid to disqualify Beasley Allen from the trial, finding the motion untimely. That ruling was upheld by an appellate panel, which cleared the way for the firm to handle the trial that began Monday.

Plaintiffs John Owens is represented by Daniel S. Robinson of Robinson Calcagnie Inc.

Plaintiffs Kimberly J. Hedrick, Eric D. Tienken and Kevin Tienken are represented by Ari S. Friedman of Wisner Baum.

Plaintiff Harold Williams Jr. is represented by Andy Birchfield of Beasley Allen Law Firm and Daniel S. Robinson of Robinson Calcagnie Inc.

J&J and Red River Talc LLC are represented by Shaila Diwan and Julia E. Romano and of Kirkland & Ellis

The individual cases are Mary Owens, et al. v. Johnson & Johnson, et al., case number CIVDS1618507; Bonnie Tienken, et al. v. Johnson & Johnson, et al., case number 18CECG01553; and Harold Williams, Jr., an Individual, and as Successor in Interest for Geneva Williams v. Johnson & Johnson, et al., case number CIVDS1807370; and the coordinated proceeding is Johnson & Johnson Talcum Powder Cases, case number JCCP4872, in the Superior Court of the State of California, County of Los Angeles.



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Wells Fargo, Lloyd's Beat \$900B Fraud Suit Over Wire Error

By **Katryna Perera**

Law360 (May 4, 2026, 8:27 PM EDT) -- A Maryland federal judge has permanently tossed a lawsuit brought by Alliance Global Capital Fund and a cheese shop that sought \$900 billion in damages alleging Wells Fargo refused to redirect funds it knew were credited to the wrong account, finding a majority of the case's claims were brought too late.

U.S. District Judge Adam B. Abelson issued an **opinion** Thursday dismissing, with prejudice, the plaintiffs' third amended complaint against Wells Fargo and Lloyd's of London. The suit accused the companies of taking part in a conspiracy that "involved multiple parties engaging in fraudulent activities over several years, encompassing fraudulent securities transactions, the inducement of plaintiffs to retain defendant transactional services, and other overt acts."

"Plaintiffs allege that '[a]s part of the scheme, the defendants intentionally withheld securities from the plaintiffs and made material misrepresentations regarding specific securities transactions, which the plaintiffs relied on to their detriment,'" according to the ruling.

However, Judge Abelson found, most of the counts asserted in the action were time-barred because the relevant statutes of limitations had all expired by the time the suit was filed in 2024.

According to the opinion, the plaintiffs — Alliance Global Capital Fund, Alliance Warburg Capital Management Inc. and Sun-Re Cheese Corp. — argued the statutes of limitations should be tolled under the legal theories of fraudulent concealment, wrongful imprisonment and continuing violations. However, the court did not find any of those arguments persuasive Thursday.

"Plaintiffs have not alleged sufficient facts, rather than legal conclusions, to support the application of these theories to any of their claims," Judge Abelson wrote. "Instead, the [third amended complaint] and plaintiffs' response brief make conclusory statements regarding an undefined scheme involving the government and defendants."

In addition to being time-barred, the claims also fail because they are "almost entirely comprised of legal conclusions rather than factual allegations," the opinion said.

"For example, plaintiffs' contentions regarding race discrimination are not based on any non-conclusory factual allegations and are not supported by the evidence they cite ... plaintiffs admit that some claims do not state a valid cause of action, adding an additional reason for their dismissal ... [and] regarding Count 4 (Bank Secrecy Act), plaintiffs concede that 'the BSA provides no private right of action,'" the decision continued.

Regarding the claims against Lloyd's, the judge determined the insurance market is neither named nor implicated in the asserted counts and that the plaintiffs have failed to establish jurisdiction over that party.

"Sometimes plaintiffs allege that Lloyd's itself is a conspirator (because it allegedly issued or facilitated insurance contracts). Sometimes plaintiffs simply lump Lloyd's in with Wells Fargo," the court noted.

"Plaintiffs' allegations against Lloyd's are both unclear and conclusory, and when stripped away from the conclusory allegations that Lloyd's had knowledge of fraud, amount to nothing more than the

allegation that Lloyd's insured Wells Fargo, which is not actionable conduct," the judge added.

Judge Abelson concluded that dismissal with prejudice is warranted due to the operative complaint's violations of Rule 11 of the Federal Rules of Civil Procedure and the defendants' request for sanctions.

"It is clear that even a cursory review of the evidence plaintiffs cited in support of such allegations shows the evidence is largely irrelevant to the claims. Thus, counsel could not have conducted a reasonable investigation of the factual bases underlying the claims before proffering or defending them," according to the opinion

The judge said dismissal of the suit with prejudice will serve as sanctions.

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

Alliance Global Capital Fund and the other plaintiffs are represented by Francisco E. Mundaca and Zachary Aman of The Mundaca Law Firm LLC.

Wells Fargo is represented by Andrew D. Atkins, Jason D. Evan and Lauren E. Lacey of Troutman Pepper Locke LLP.

Lloyd's is represented by Michele Hayes Dinterman of Niles Barton & Wilmer LLP and Paul L. Fields Jr., Gregory L. Mast, Brandon R. Gossett and Taylor N. Lear of Fields Howell LLP.

The case is Alliance Global Capital Fund LP et al. v. Wells Fargo Bank NA et al., case number 8:24-cv-01130, in the U.S. District Court for the District of Maryland.

--Editing by Covey Son.

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