

Securities

PwC Fails to Get Early Appeal on Auditor Securities Liability

May 19, 2026, 3:26 PM PDT

PricewaterhouseCoopers LLP lost its bid for an immediate appeal of a ruling keeping it in a suit over Clarivate Plc public offerings that it audited, leaving courts split on auditor liability.

The accounting firm also isn't entitled to have the US District Court for the Eastern District of New York reconsider a ruling denying its dismissal request, Judge Eric Komitee said Monday.

The decision signals a potential circuit split, given that Komitee denied PwC's requests despite acknowledging out-of-circuit cases that came to the opposite conclusion. Those include a November 2025 decision of the US Court of Appeals for the Ninth Circuit in which PwC avoided claims over its audit opinion about two Bloom Energy financial statements in connection with the fuel cell maker's 2018 initial public offering.

The US Supreme Court denied the Bloom Energy investor's request for review, coincidentally also on Monday. That leaves in place the Ninth Circuit's ruling for PwC—holding that the report was an opinion, and that the investors failed to show the accounting firm didn't sincerely believe the material was correct.

Disagreement among courts outside the Second Circuit, which encompasses the Eastern District of New York, doesn't establish the "substantial ground for difference of opinion" necessary for an immediate appeal, Komitee said.

A Second Circuit panel ruled in 2024, "albeit in dicta," that an outside auditor is responsible for material inaccuracies in the statements it certifies or in underlying financial reports, Komitee said.

The judge ruled in March that the investors adequately alleged a material misstatement in a pair of 2021 public offerings, given "the sheer magnitude by which certain key metrics changed" when Clarivate, a data analytics company, later restated the financial figures presented in the related documents. He allowed claims to proceed against Clarivate, an underwriter, PwC, and several Clarivate directors and officers.

Robbins Geller Rudman & Dowd LLP is lead counsel for the investors. Davis Polk & Wardwell LLP represents Clarivate and the individual defendants. Sidley Austin LLP represents PwC.

The case is Pension Tr. Fund for Operating Eng'rs v. Clarivate PLC , E.D.N.Y., No. 22-CV-394, 5/18/26 .

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Securities

McDermott Investors Suing Over CB&I Merger Get Subclass Leader

May 19, 2026, 1:26 PM PDT

McDermott International Inc. investors who alleged losses from the engineering firm's 2018 acquisition of Chicago Bridge & Iron Co. received a leader for their proposed subclass.

Christopher Coligado is the most appropriate representative for shareholders who purchased McDermott stock on the market, the US District Court for the Southern District of Texas said Monday in the long-running suit.

That group is separate from an already certified subclass of former CB&I investors who received McDermott shares in the merger, due to a potential conflict of interest between them. The class conflict issue went up to the US Court of Appeals for the Fifth Circuit, which affirmed last October the district court's grant of class status to the CB&I shareholders and its requirement of a McDermott investor subclass.

The suit alleges that undisclosed CB&I project costs dragged the combined company into Chapter 15 bankruptcy, which protects a company's US assets while restructuring arrangements are worked out elsewhere. McDermott received a UK court's approval of a restructuring plan in February 2024.

Investors in CB&I would have been left with worthless shares without the merger, McDermott argued when the case was on appeal. So CB&I's investors benefited from the merger and McDermott's didn't, creating a conflict between the two sets of shareholders in the suit for securities fraud, the company said.

The Fifth Circuit agreed, prompting the district court to consider who should lead the new proposed subclass of McDermott shareholders. One applicant's "willingness to greatly minimize the losses of class members who purchased earlier than him in the class period" constitutes a "disqualifying conflict of interest that renders him an inadequate lead plaintiff," Magistrate Judge Andrew M. Edison said.

Coligado led an investor group with the largest claimed losses, but the group had too many members, Edison said. "I will not set a record in the modern securities era for the most lead plaintiffs to be appointed to a subclass," he said.

But Coligado, as an individual, had more alleged losses on his own than the next applicant in line, and satisfied the other requirements, Edison said, appointing him lead plaintiff.

Edison approved Wolf Haldenstein Adler Freeman & Herz LLP as lead counsel and Reynolds Frizzell LLP as liaison counsel for the McDermott investor subclass. Pomerantz LLP and Briscoe Law Firm PLLC represent Nova Scotia Health, which leads the subclass of former CB&I shareholders. Counsel for McDermott includes Baker Botts LLP.

The case is *Edwards v. McDermott Int'l, Inc.*, 2026 BL 182274, S.D. Tex., No. 4:18-cv-04330, 5/18/26 .

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Expert Opinion | **Corporate Entities**

Court of Chancery Directs Tesla Stockholder Lawsuits to Texas

As demonstrated by the Delaware Court of Chancery's recent ruling *In re Tesla Derivative Litigation*, a consequence of Tesla's move will be the funneling of fiduciary duty litigation involving the company to the Texas courts.

May 20, 2026 at 06:50 AM By **Albert J. Carroll**



Albert J. Carroll of Morris James.

Tesla's decision to change its state of incorporation from Delaware to Texas has garnered significant attention in the corporate law community. As demonstrated by the Delaware Court of Chancery's recent ruling *In re Tesla Derivative Litigation*, [2026 WL 982336](#) (Del. Ch. April 13, 2026), a consequence of Tesla's move will be the funneling of fiduciary duty litigation involving the company to the Texas courts.

Background

In April 2024, Tesla announced its plan to convert from a Delaware to a Texas corporation. At the time, Tesla's bylaws contained an exclusive Delaware forum provision. As part of the conversion, Tesla's bylaws would be amended to designate an exclusive Texas forum. In June 2024, following stockholder approval, Tesla effectuated its conversion and adopted the new bylaw. Shortly before then, while Tesla was still a Delaware corporation, several of its stockholders initiated fiduciary duty actions in the Delaware Court of Chancery. After the conversion, the defendants moved to dismiss the consolidated actions, citing Tesla's Texas forum selection bylaw. With this decision, Vice Chancellor Bonnie W. David enforced the company's bylaw and granted dismissal.

The Court of Chancery Enforces Tesla's Texas Forum Selection Bylaw

The court first decided that it was not constrained to assess venue at the time of the complaint's filing. Examining relevant authorities, the Vice Chancellor found that courts often look to points in time after a complaint's filing, such as when the defendant appears or when a movant seeks transfer. Further, as the court explained, Delaware law holds that stockholders implicitly consent to be bound by a corporation's current and future bylaws. That includes forum selection bylaws, which precedent holds may be enforced to cover wrongdoing occurring pre-adoption, subject to as-applied challenges for unreasonable or unjust applications. The court cited three analogous decisions from other jurisdictions applying these principles to enforce post-complaint forum selection bylaws in favor of an exclusive Delaware forum. Finally, the court found a post-complaint assessment apt under this case's facts. Tesla had publicly announced its move to Texas and the relevant bylaw before the plaintiffs sued in Delaware. And the company's changes were effectuated soon thereafter, and prior to the defendants appearing and engaging in meaningful litigation in Delaware.

Next, the court determined that enforcement would not offend the Delaware General Corporation Law (DGCL). The plaintiffs argued that enforcement would violate Sections 266(e) and 211. The court disagreed. Section 266(e) governs redomiciling and provides that conversion "shall not be deemed to affect any obligations or liabilities of the corporation incurred prior ..., nor shall it be deemed to affect the choice of law." According to the court, Tesla's previous Delaware forum selection bylaw was not an obligation within the meaning of Section 266 because the bylaw could be amended and thus created no vested right or obligation. Further, the Texas forum selection bylaw only affected the choice of forum, not the choice of law. Nor did the bylaw run afoul of Section 211, which prohibits designating an exclusive non-Delaware forum. Tesla was a Texas corporation when it formally adopted the Texas forum selection bylaw and therefore no longer subject to Section 211.

Finally, the court was unconvinced by the plaintiffs' arguments that enforcing the bylaw would be unreasonable or unjust under this case's facts. While the plaintiffs attacked the company's

redomiciling disclosures, those arguments did not directly implicate the bylaw in the sense that the stockholders were misled regarding its consequences. The court also declined to second-guess the decision of the Tesla stockholders in favor of a Texas forum by weighing the alleged advantages or disadvantages of Texas law and procedure relative to Delaware. Accordingly, the court applied Tesla's bylaw and granted dismissal.

Key Takeaway

With the recent uptick of redomiciling decisions, the *Tesla* forum selection bylaw ruling provides helpful guidance regarding how the Court of Chancery, and potentially other courts, will assess forum selection issues in litigation timed near a company's conversion.

Albert J. Carroll, *an attorney with Morris James, is a member of the firm's corporate and commercial litigation group and focuses his practice on litigation involving corporations and alternative entities formed under Delaware law.*

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Class Action

Manage Newsletters

Veon's \$20 Million Investor Settlement Gets Final Court Approval

May 20, 2026, 9:53 AM PDT

Veon Ltd. received a court's final sign-off on its nearly \$20 million class settlement to resolve investors' claims that the telecommunications company concealed an Uzbek bribery scheme and overstated its financial controls.

The deal is fair, reasonable, and adequate, Judge Andrew L. Carter Jr. said Tuesday for the US District Court for the Southern District of New York. Carter also approved fees amounting to one-third of the settlement fund—or about \$6.7 million—to pay the investors' lawyers for their work in the decade-long litigation.

The investors alleged the multinational telecom company, formerly known as VimpelCom, hid that it was funneling bribes to a late Uzbekistan president's daughter in exchange for access to that country's market

The settlement amount represents more than 13% of the \$149 million in maximum estimated stock losses, the investors said when seeking Carter's final approval of the agreement reached in December

Veon doesn't admit the securities fraud allegations, according to the order

Rosen Law Firm PA was lead counsel for the investors. Herbert Smith Freehills Kramer LLP represented Veon.

The case is In re VEON Ltd. Sec. Litig. , S.D.N.Y., No. 1:15-cv-08672, 5/19/26 .

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3 social media giants settle with first bellwether plaintiff ahead of addiction trial

DJ [dailyjournal.com/articles/391595-3-social-media-giants-settle-with-first-bellwether-plaintiff-ahead-of-addiction-trial](https://www.dailyjournal.com/articles/391595-3-social-media-giants-settle-with-first-bellwether-plaintiff-ahead-of-addiction-trial)

U.S. District Judge Yvonne Gonzalez Rogers

Three of the four social media companies in the multidistrict litigation alleging they designed addictive platforms settled with the first bellwether plaintiff ahead of trial, which is slated to begin next month.

Breathitt County (Ky.) Schools settled its claims against Snap, TikTok and YouTube, a spokesperson for the plaintiffs' lead counsel told the Daily Journal. The district dismissed its claims against the three companies on May 15, court documents show. *In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation*, 4:22-md-03047 (N.D. Cal., filed Oct. 6, 2022).

Lexi J. Hazam of Lieff Cabraser and Previn Warren of Motley Rice LLC serve as the plaintiffs' lead counsel. Christopher A. Seeger of Seeger Weiss LLP served as lead settlement counsel for the plaintiff.

"Breathitt's action with TikTok has been resolved. Breathitt and Snap are pleased to have been able to resolve this matter in an amicable manner. This matter has been amicably resolved with YouTube and our focus remains on pursuing justice for the remaining 1,200 school districts who have filed cases," a joint statement issued by Hazam, Warren, Seeger and Breathitt's attorney, Ronald E. Johnson, HJV Car Accident Personal Injury Lawyers, said.

None of the settling defendants could be reached for comment.

Breathitt's claims against Meta, represented by Covington & Burling LLP, haven't been dismissed, with trial scheduled to begin the week of June 15 in Oakland.

Breathitt, one of hundreds of school districts suing the social media companies, alleges they knowingly designed their platforms to be addictive to children and teens. The school districts claim social media addiction harms students' mental health, disrupts the learning environment, and diverts time and resources away from instruction.

The tech companies argued they were protected by Section 230 of the Communications Decency Act, which shields technology companies from liability for content posted on their platforms by third parties. But U.S. District Judge

Yvonne Gonzalez Rogers let the claims move forward, finding some of the allegations surrounded the apps' design and not content. Gonzalez Rogers narrowed the scope of the claims, to exclude anything relying on content and plans to instruct the jury that the companies can't be found liable on the basis of content posted to their platforms.

The four companies face similar claims from over two dozen state attorneys general, which are scheduled for trial in early August following the conclusion of the Breathitt case.

In a state court case over similar allegations, Snap and TikTok settled ahead of trial while Meta and YouTube went to trial. Meta and YouTube were found liable by a Los Angeles jury in March -- \$3 million in compensatory damages and \$3 million in punitive damages. Meta was apportioned 70% of fault.

#391595

Daniel Schrager

Costco Tries To Get Tariff Refund Class Action Suit Dismissed

A abovethelaw.com/2026/05/costco-tries-to-get-tariff-refund-class-action-suit-dismissed

Chris Williams

May 19, 2026

Back in March, a class action suit was filed in an Illinois federal court [for Costco costumers to recoup costs](#) from Trump's [unconstitutional tariffs](#). And while it is understandable that Costco customers would go to great lengths to get their money back — you don't shop there without a certain obsession for hunting good deals — it also makes sense that Costco is doing their best to wipe the class action under the rug. [Reuters](#) covered the bulk seller's recent attempt to get the suit dismissed:

Costco Wholesale has asked a federal judge to dismiss a proposed class action claiming the retail giant owes customers refunds for higher prices it charged before the U.S. Supreme Court struck down import tariffs imposed by President Donald Trump.

In a filing on Monday in Chicago federal court, Costco called the lawsuit speculative and said the customer who lodged the case suffered no harm. "His own allegations establish that he freely chose to purchase valuable products for accurately posted prices," Costco said. It said the plaintiff "got what he paid for, and Costco never suggested that it would (or even might) later refund part of the purchase price."

It is admittedly hard to see \$1.50 hotdog combos and \$4.99 rotisserie chickens as sites of suffering. That said, if the company does receive a refund for the changes in price caused by IEEPA, the customers may have a stronger case. For the best chances of getting their money back, perhaps Costco customers should ingratiate themselves to Donald Trump a bit so he can raid and disperse the government's coffers like he did with [the recent Jan. 6th slush fund](#). I'd much rather see tax dollars bail out shoppers who bought a roll or eight of expensive toilet paper than [child predators](#) who rushed the Capitol and tried to call it freedom fighting.

[Costco Urges US Judge To Reject Consumer Class Action Over Tariff Refunds](#)

[Reuters]

Earlier: [Costco Member Starts Class Action To Make Sure Customers Get Their Share Of Tariff Refunds](#)

Critical Mass With Law.com's Amanda Bronstad: Judge Eviscerates Class Counsel's \$85M Fee Request in Google Case, Report Finds Non-Traditional Torts Skyrocketed in Seattle in 2025

This week: A federal judge in California called class counsel's fee request in a \$700 million Google settlement "patently unreasonable" and "shockingly huge." A report this month attributed a spike in 2025 tort cases in King County Superior Court to sexual abuse cases and a storage fire. Find out who represents startup Mercor.ai in data breach lawsuits.

May 20, 2026 at 09:59 AM By  **Amanda Bronstad**



District Judge James Donato, United States District Court for the Northern District of California. Credit: Jason Doiy / The Recorder

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

This week: A federal judge in California called class counsel's fee request in a \$700 million **Google** settlement "patently unreasonable" and "shockingly huge." A report this month attributed a spike

in 2025 tort cases in **King County Superior Court** to sexual abuse cases and a storage fire. Find out who represents startup **Mercor.ai** in data breach lawsuits.

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



Karma Giulianelli of Bartlit Beck. Courtesy photo

‘The Pyramids Were Built in Less Time’

A California federal judge who approved a \$700 million antitrust settlement with **Google** [didn't mince words](#) when addressing class counsel's request for \$85 million in fees, calling it “patently unreasonable” and “shockingly huge.”

U.S. District Judge James Donato, presiding in the **U.S. District Court** for the **Northern District of California**, was particularly incensed by the estimated 98,200 hours class counsel claimed to have billed during the three years prior to the case settling in 2023. For one thing, attorneys general from all 50 states, as well as three U.S. territories, worked with class counsel on the case, which never went to trial. Donato also de-certified the class.

“The pyramids were built in less time than it took to litigate this case,” he told co-lead class counsel [Karma Giulianelli](#) (**Bartlit Beck**), according to a transcript of the April 30 final approval hearing. “I have serious doubts that almost 100,000 hours of work in this case for the results that were obtained—not even close to being reasonable.”

What’s the case about? The multidistrict litigation alleged the apps and pricing on Google’s Play Store violated federal antitrust laws.

Who asked for fees? The fee request also included co-class counsel [Hae Sung Nam](#) (**Kaplan Fox**), liaison counsel [Elizabeth Pritzker](#) (**Pritzker Levine**) and members of the plaintiffs’ steering committee: [Nanci Nishimura](#) (**Cotchett, Pitre & McCarthy**); [Peggy Wedgworth](#) (**Milberg**); [George Zelcs](#) (**Korein Tillery**); and [Gregory Hansel](#) (**Preti, Flaherty, Beliveau & Pachios, Chartered**). In addition to the fees, class counsel sought \$8.5 million in expenses and a \$5,000 incentive award for six individual class representatives.

The fee request is 13.5% of the \$630 million common fund for consumers when subtracting civil penalties for the states. But Donato focused on the lodestar, which class counsel calculated as \$63,444,800.30, and the 34% multiplier they sought. According to the transcript, Donato said:

“I walked away from your papers with the firm conviction that was a grotesquely bloated amount that you are already being overcompensated for and now you want another third cut more.”



Darrell L. Cochran, partner with Pfau Cochran Vertetis Amala.

‘Hundreds of Claims that Swamp the System’

Tort lawsuits skyrocketed in 2025 in Seattle’s **King County Superior Court**—but it wasn’t due to traditional claims such as medical malpractice and motor vehicle accidents.

That’s according to a **Lex Machina** report this month that [found an 80% increase](#) in more non-traditional tort cases, topping out at 2,698 filings in 2025. Meanwhile, medical malpractice and motor vehicle accidents plummeted to 2,486 filings last year, the lowest number in a decade.

So, what’s driving the uptick? Suits by individuals exposed to hazardous smoke and chemicals when a cold storage facility caught fire in 2024 in Finley, Washington, and cases against Dr. Mark Mulholland, a gynecologist accused of abuse and making inappropriate sexual comments to patients, contributed to the increase. There also was a large number of sexual abuse lawsuits against the **Washington State Department of Children, Youth and Families**.

[Darrell Cochran](#) (**Pfau Cochran Vertetis Amala**), who successfully advocated for lifting the statute of limitations on abuse cases that are filed against the department after July 2025, brought hundreds of cases against the department. But he also attributed much of the increase to mass marketing for such claims, telling me:

"There were hundreds of children sexually abused in some of these facilities, and it's an abomination, and the state should be held responsible. But I'm protective of the justice system and don't want to see mass marketing firms and out-of-state venture capitalists doing the type of marketing that leads to hundreds of claims that swamp the system and include cases that aren't meritorious. We have to police some of that ourselves and be aware of that potential danger."



Aravind Swaminathan, Orrick, Herrington & Sutcliffe.

Who Got the Work?

Orrick, Herrington & Sutcliffe's [Aravind Swaminathan](#), [Marc Shapiro](#) and [Betty Kim](#) appeared for **Mercor.io** in more than half a dozen lawsuits filed over a recent data breach of the San Francisco-based startup company, which provides experts to train artificial intelligence models and chatbots. The class actions, filed on behalf of current and former contract employees and customers, were coordinated in the **U.S. District Court** for the **Northern District of California**.

Here's what else is happening:

Boeing Verdict: A federal jury in Chicago [awarded \\$49.5 million](#) to the family of a passenger in the 2019 crash of **Ethiopian Airlines** Flight 302, the second verdict against **Boeing** over its Max 8 aircraft. The jury, in the **U.S. District Court** for the **Northern District of Illinois**, deliberated for two

hours before coming back with the May 13 award, all compensatory damages, for the family of Samya Stumo, represented by [Shanin Specter](#) (**Kline & Specter**), who also won the first verdict of \$28.45 million last fall. [Dan Webb](#) (**Winston & Strawn**) represented Boeing, which did not contest liability.

Amazon Refunds: Hagens Berman Sobol Shapiro [filed a tariff refund class action](#) against **Amazon**, which it claims has refused to seek millions of dollars for its customers to “curry favor” with President Donald Trump. “Trump was quoted as saying that he would ‘remember’ the companies that didn’t seek refunds,” the complaint, filed in the **U.S. District Court** for the **Western District of Washington** on May 15, says. “The problem is that the funds Amazon is using to stay in the President’s good graces do not belong to Amazon.”

Class Petition: Lawyers for wildfire victims [petitioned](#) the **Oregon Supreme Court** to take up last month’s appellate court ruling that effectively wiped out more than \$1 billion in jury verdicts against **PacifiCorp**. An April 8 decision by the **Oregon Court of Appeals** reversed the first jury verdict against PacifiCorp over four wildfires that hit the state in 2020, concluding that **Multnomah County Circuit Court Judge Steffan Alexander** gave an improper jury instruction on class action trials. Plaintiffs’ lawyer [Cody Berne](#) (**Stoll Berne**) wrote that the petition addresses the state’s “novel and significant issue” regarding how to instruct juries on class action trials.

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

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News | **Antitrust**

Antitrust Suits Spread Through Fertilizer Industry

Farmers filing the cases allege that fertilizer-makers raised prices in lockstep to levels beyond what can be explained by increases in input costs.

May 19, 2026 at 11:52 AM By **Brendan Pierson**



Credit: Blazej Lyjak/Fotolia

Leading fertilizer companies are facing a wave of lawsuits accusing them of conspiring for years to fix prices of several kinds of fertilizers following reports that the U.S. Justice Department is investigating them.

Farmers and other plaintiffs filed more than a dozen proposed class actions in federal courts around the country against industry players, including Nutrien Ag Solutions, The Mosaic Co. and Koch Fertilizera, Law.com Radar [noted in a surge alert](#). The companies did not immediately respond to Law.com's requests for comment.

What Happened?

Among the law firms bringing the cases were Stueve Siegel Hanson and Cotchett, Pitre & McCarthy. Their suits and others allege that starting in 2021 prices for fertilizers began surging much more quickly than could be explained by rising input costs, bringing windfall profits to producers.

According to the complaints, the relatively small number of players in the fertilizer market made price coordination easy, causing farmers to vastly overpay. The lawsuits largely rely on the “lockstep” price changes among fertilizer-makers to back allegations of collusion.

The plaintiffs are bringing their claims under the federal Sherman Act and various state antitrust laws.

How We Got Here?

Rising fertilizer prices have had lawmakers’ and regulators’ attention for some time. Last year, the U.S. Department of Agriculture and the U.S. Department of Justice reached a memorandum of understanding to work together to investigate the rising cost of farm inputs.

Bloomberg in March [broke the news](#) that the DOJ had launched a formal probe.

It is not uncommon for private plaintiffs’ firms to begin filing lawsuits after a government investigation comes to light, Cooley partner Dee Bansal noted.

“In the current climate, a federal agency investigation can almost act as a lightning rod, before or even without a finding of liability,” Bansal said.

While not all investigations spark such lawsuits, those that do can fuel “ongoing, expensive multi-year litigation” even if the investigation never leads to charges, Bansal said.

What's Next?

Bansal said it's too soon to predict whether plaintiffs in the fertilizer cases would succeed, since they are still at the pleading stage. Plaintiffs will ultimately need to support their allegations with concrete facts.

Nonetheless, the lawsuits are a reminder for all companies about the importance of “having a robust antitrust compliance program that includes trainings and guidelines so that employees can be aware of what conduct may cross a line,” she said.

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GM Defect Class Action Powers Through Arbitration Roadblock

GM moved to compel arbitration under the dealership agreements that two of the three plaintiffs had entered into.

May 20, 2026 at 09:49 AM By  **Riley Brennan**



Credit: jetcityimage/Adobe Stock

A proposed class action accusing General Motors of brake defects in several of its vehicles is moving forward after a federal judge in Pennsylvania denied the company's attempts to compel arbitration and dismiss the suit.

To fend off the suit, which alleges GM knowingly sold defective vehicles at full price, the automaker had cited arbitration clauses in the customers' dealership agreements, but on [Monday](#), U.S. District Judge John F. Murphy determined GM wasn't a party to those agreements. Further, the judge declined to dismiss the suit after determining that the plaintiffs sufficiently alleged economic injury by claiming they overpaid and that the vehicles were diminished in value. The court also concluded that the plaintiffs sufficiently alleged fraud and consumer protection claims.

"Neither of GM's bids at dismissal is convincing. First, GM cannot compel arbitration because it did not sign the agreements. We start with the existence of an agreement to arbitrate and conclude that with respect to GM—not the dealerships—there is no agreement to arbitrate. We then conclude that the present dispute with GM is not within the scope of either arbitration agreement," Murphy said. "Second, we deny GM's motion to dismiss for failure to state a claim, determining that the plaintiffs have Article III standing and have plausibly alleged their claims."

In *Barron v. General Motors*, plaintiffs Eric Barron and Chelsey Thompson alleged they each bought new 2025 Chevrolet Traverse SUVs from different dealerships and were told the vehicles were covered by a warranty. However, within weeks, both experienced a "master brake defect" that caused sudden braking failure while driving, leaving their vehicles unusable for about a month. Plaintiff Simon Moeller allegedly had a similar experience after purchasing a 2025 GMC Acadia.

The group filed the punitive class action on behalf of purchasers of certain GM vehicles in Pennsylvania, New York and Missouri, asserting 13 claims including fraudulent concealment, unjust enrichment, warranty breaches and state consumer protection violations. The plaintiffs alleged broad defects across 2025 GM vehicles that caused unexpected brake failure after warning lights, with the defect present at sale but manifesting later. They further claimed GM knew of the issues yet failed to disclose it while continuing to market the vehicles as safe without issuing meaningful recalls or warnings.

GM moved to compel arbitration under the dealership agreements that two of the three plaintiffs had entered into, arguing that it could enforce them as a non-signatory under the doctrine of equitable estoppel.

In determining whether to send the case to arbitration, Murphy looked to the contracts.

"Simply put, neither plaintiff agreed to arbitrate with GM. So, GM cannot demand to have the question of arbitrability sent to the arbitrator, because it does not have the right to do so; there is nothing close to the requisite 'clear and unmistakable' intent," Murphy said.

Murphy further concluded that GM couldn't invoke equitable estoppel to enforce the agreements because it lacked the required close nexus to the contracts as a nonsignatory, concluding its dealer relationships alone are insufficient under the doctrine's narrow application to cases involving close corporate ties or claims intertwined with the contract.

Regarding the fraud and consumer protection claims, Murphy found the complaint adequately alleged deceptive conduct and pleaded fraud with particularity, including GM's concealment of a known brake defect, the timing, locations and resulting harm. The court also deemed the claims plausible, noting GM's alleged presale knowledge and duty to disclose.

Further, regarding the warranty claims, the court determined that their claims regarding their vehicles being out of service for a month were sufficient at the present stage to support a claim that repairs weren't made within a reasonable time. The court also upheld the unjust enrichment claim, finding the plaintiffs plausibly alleged they conferred a benefit, by overpaying for defective vehicles, that GM unfairly retained.

Sergei Lemberg of Lemberg Law, in Wilton, Connecticut, is representing the plaintiffs.

John Nadolenco of Mayer Brown, in Los Angeles, is representing General Motors.

Neither immediately responded to requests for comment.

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Skechers must face lawsuit alleging misleading spam emails, US judge rules

 [reuters.com/legal/government/skechers-must-face-lawsuit-alleging-misleading-spam-emails-us-judge-rules-2026-05-19](https://www.reuters.com/legal/government/skechers-must-face-lawsuit-alleging-misleading-spam-emails-us-judge-rules-2026-05-19)

Jonathan Stempel

May 19, 2026

The outside of a Skechers shoe store is seen at Times Square in New York May 2, 2014. REUTERS/Shannon Stapleton [Purchase Licensing Rights, opens new tab](#)

May 19 (Reuters) - A federal judge ruled on Tuesday that Skechers USA must face a proposed class action accusing the footwear and apparel company of illegally blasting consumers with emails that create a false sense of urgency to buy or risk missing out on discounts.

U.S. District Judge David Estudillo in Tacoma, Washington, said consumers sufficiently alleged that Skechers, acquired last year by Brazilian private equity firm 3G Capital, invaded their privacy by spamming them with "unsolicited and harassing emails" that contained false and misleading subject lines.

Skechers and its lawyers did not immediately respond to requests for comment.

- While many retailers send frequent emails to consumers, the lawsuit said Skechers had become "practiced" in sending emails to consumers in Washington state with such phrases as "the clock is ticking" and "Today Only!" to pressure them into making purchases in a hurry.
- In one example, they cited a May 26, 2025, email that said "Long Weekend Savings End Tonight," and was followed up with a May 27, 2025, email with the subject line: "Surprise! Long Weekend Savings Extended for Today."
- Estudillo also rejected Skechers' arguments that federal law preempted the consumers' state-based legal claims, and that retailers should not face potential strict liability for extending sales and thereby offering consumers "more time and more opportunities to save."
- The lawsuit began in September 2025 and seeks millions of dollars in damages.
- Lawyer for the named plaintiffs Stephen Liss and Boni Melchor, both Washington residents, did not immediately respond to requests for comment.
- Skechers sales totaled about \$9 billion in 2024, the last full year before the Manhattan Beach, California-based company was taken private.

Reporting by Jonathan Stempel in New York; Editing by Mark Porter

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Red- and blue-state AGs band together for antitrust and consumer protection

 [reuters.com/legal/transactional/red-blue-state-ags-band-together-antitrust-consumer-protection--pracin-2026-05-14](https://www.reuters.com/legal/transactional/red-blue-state-ags-band-together-antitrust-consumer-protection--pracin-2026-05-14)

Elyse D. Echtman

May 14, 2026

Commentary Attorney Analysis from Westlaw Today, a part of Thomson Reuters.

May 14, 2026 - State Attorneys General possess broad *parens patriae* power to protect their constituents. Some of that power is exercised in areas traditionally within the states' domain, but much of it overlaps with authority held by the federal government. In 2026, we have seen remarkable clashes between state and federal regulators, where state Attorneys General have stepped in to pursue more rigorous consumer safeguards.

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Attorneys General are banding together to flex their muscle through multistate coalitions. They're also filing follow-on lawsuits in their own state courts that capitalize on actions brought by other states.

Here, we examine some recent enforcement efforts in antitrust, social media and prediction markets, where state Attorneys General in red and blue states are seeking significantly more stringent consumer protection standards than the federal government.

Antitrust. In March 2026, the federal government approved a combination of the two largest local broadcast television station owners in the U.S, allowing Nexstar to acquire TEGNA. The transaction passed a Department of Justice (DOJ) antitrust review and the Federal Communications Commission's Media Bureau approved the necessary broadcast license transfers.

Nexstar and TEGNA consummated their transaction on March 19, 2026, immediately after receiving the green light from the federal government.

One day prior, on March 18, 2026, the States of California, Colorado, Connecticut, Illinois, New York, North Carolina, Oregon and Virginia sued Nexstar and TEGNA in a California federal district court to block the deal as violative of federal antitrust law. DIRECTV brought the same claims in the same court on the same day.

The lawsuits allege that this combination will drive up the cost of television service to tens of millions of Americans, shutter local newsrooms around the country, substantially reduce competition in dozens of local markets and harm consumers. The states and DTV moved for injunctive relief on March 20, 2026. The district court granted a Temporary Restraining Order to DTV on March 27, 2026, requiring that the entities be held separate, notwithstanding that the deal had closed. The

court found a likelihood of success on the merits for a violation of Section 7 of the Clayton Act.

After consolidating the two actions, on April 17, 2026, the Court issued a preliminary injunction continuing the hold-separate requirements. Nexstar and TEGNA appealed the preliminary injunction order to the 9th U.S. Circuit Court of Appeals, filing a notice of appeal on April 21, 2026.

With the lawsuit gaining traction, additional Attorneys General, including some from the other side of the aisle, joined the case. An amended complaint filed on April 30, 2026, includes Indiana, Kansas, Massachusetts, Pennsylvania and Vermont as plaintiffs.

The Live Nation case represents another instance where Attorneys General sought greater antitrust protections than the federal government. In May 2024, the United States, along with a broad coalition of state Attorneys General, commenced an antitrust action against Live Nation and Ticketmaster in the Southern District of New York.

The case went to trial before a jury on March 2, 2026, with the Department of Justice in the lead. On Sunday, March 8, 2026, the U.S. informed the district court that it had reached a settlement. The states reported that they were not invited to the settlement discussions.

According to a mistrial motion filed in the case, DOJ informed the states of the settlement terms on March 5, giving them one day to decide whether to participate. A handful of states elected to join the deal. The remaining 33 states and the District of Columbia continued with the trial, bringing in Winston & Strawn to take the lead in the courtroom. On April 15, 2026, the jury entered a verdict in the states' favor.

Online games. A number of state Attorneys General have taken enforcement action against Roblox, an interactive virtual playground, arising out of alleged failures to protect young children from online predators, and sexual and violent content. The Federal Trade Commission, which similarly holds broad consumer protection powers, has not pursued litigation against the company.

Instead of joining together in these enforcement proceedings against Roblox, the states are pursuing parallel paths for redress in their respective jurisdictions.

Attorneys General in various states have state court actions pending against Roblox asserting similar consumer protection claims. The gravamen of these complaints is that Roblox advertises its platform as safe for young children, while it allegedly knows that the site attracts child predators and hosts online "experiences" featuring shockingly offensive content from third-party developers. The states claim that Roblox willingly failed to implement basic child-protection measures. Roblox denies any wrongdoing and asserts that it has advanced

safeguards that monitor its platform for harmful content and communications. In April 2026, Alabama, Nevada and West Virginia entered into nearly identical pre-litigation settlements with Roblox. In addition to Roblox paying millions of dollars to each state (\$12.2 million for Alabama, \$12.5 million for Nevada and \$11.5 million for West Virginia), Roblox agreed to implement additional child-protection measures.

Prediction markets. The sharpest clash between state Attorneys General and the federal government may be taking place in the context of prediction markets. A number of state Attorneys General are seeking to shut down what they characterize as unlicensed sports gambling operations by Kalshi and other companies trading sports event contracts.

The Commodity Futures Trading Commission (CFTC) is fighting back to enjoin state enforcement actions, claiming exclusive jurisdiction over these contracts under the Commodity Exchange Act (CEA).

The CFTC filed separate federal court suits against a number of states to halt their enforcement actions against Kalshi and others. In Arizona, the CFTC obtained an injunction from a federal district court judge blocking the Arizona Attorney General's effort to arraign Kalshi on criminal gambling charges.

The CFTC's litigation duplicates actions that Kalshi commenced on its own behalf. Kalshi has been responding to state enforcement efforts with federal complaints seeking injunctive relief. In an unusual move, the CFTC effectively joined forces with Kalshi in civil litigation to emphasize its support on preemption. In Tennessee, Kalshi obtained its own preliminary injunction against state regulators on preemption grounds, which Tennessee appealed to the 6th U.S. Circuit Court of Appeals.

The 3rd Circuit is the first Circuit Court of Appeals to address preemption for sports event contracts. In April 2026, it squashed New Jersey's enforcement efforts, in *KalshiEX, LLC v. Flaherty*, finding exclusive CFTC jurisdiction.

But, the courts are divided on the CFTC's authority. In 2025, a Nevada district court judge ruled against preemption in cases involving Kalshi and other similar operators. In that court's opinion, sports event contracts do not qualify as "swaps" under the CEA, and do not fall within the CFTC's exclusive jurisdiction.

A Nevada state court judge subsequently enjoined Kalshi's sports offerings in Nevada. In Ohio, a federal court refused to shield Kalshi from that state's enforcement efforts, as did a Maryland federal court.

In January 2026, a Massachusetts state court judge granted the Massachusetts Attorney General a preliminary injunction against Kalshi. That court found, in *Massachusetts v. KalshiEX LLC*, that gambling regulation falls within the state's historic police powers, and outside of the scope of the CEA.

Kalshi appealed the Massachusetts injunction. In a broad show of support for Massachusetts, the Attorneys General for 37 states and the District of Columbia submitted an amicus brief supporting states' rights to regulate gambling.

According to the states, "Kalshi's aggressive theory of preemption threatens the States' longstanding ability to protect their citizens in this area."

The Supreme Judicial Court of Massachusetts held oral argument on the appeal on May 4, 2026. Kalshi's attorney argued that these event contracts are derivatives within the CFTC's jurisdiction and that they are "fundamentally different" from a bet.

This preemption issue is teed up at the 9th Circuit, which held oral argument on April 16, 2026. The 4th Circuit held oral argument on the same issue on May 7, 2026. If the 9th or 4th Circuit splits with the 3rd Circuit, it's likely that the question will land at the U.S. Supreme Court for resolution.

Conclusion

The federal government and the states oftentimes differ on their antitrust and consumer protection enforcement priorities and standards. State Attorneys General are proactively shaping policy in the areas that matter for their states, regardless of whether they have the federal government on their side.

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U.S. • LAW

America's Toxic Divide Reaches the Jury Room

Trial lawyers and jury consultants say an erosion of trust in the justice system, more rigid viewpoints and starker political divides have made pitched juror battles more common

By Corinne Ramey [Follow](#)

May 19, 2026 9:00 pm ET

Quick Summary



- Trial lawyers and consultants observe increasing jury dissension, attributing it to post-pandemic trust erosion and political divides.

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The first sign of divisions came on Halloween.

A Florida jury hearing an opioid-related case planned a group costume inspired by a pair of Dr. Seuss characters, Thing One and Thing Two. Juror No. 2, a graphic designer, made each panelist a “Thing” sign that matched that person’s juror number, and the group agreed to wear black or red shirts.

When Juror No. 5 showed up in a navy blazer, Laurey Trailer, who later became forewoman, got annoyed. The juror, Gerson Puig, begrudgingly put on his “Thing 5” sign —then took it off right after the picture. “I left it where it belonged, in the jury room,” said Puig, 54 years old, a self-employed restaurant consultant.

“I knew at that moment we would have a problem,” said Trailer, 70, an inspector for the Federal Aviation Administration.



On Halloween, jurors posed for a group photo inspired by a pair of Dr. Seuss characters, Thing One and Thing Two.

Dissension in jury rooms is as old as the U.S. jury system. Trial lawyers and consultants who size up potential jurors, though, say the kinds of pitched battles that eventually erupted in that Florida jury room are becoming more common. They blame a postpandemic erosion of trust in the justice system, more rigid viewpoints and starker political divides, which they say have made it harder for 12 strangers to even get along, much less agree on whether to send someone to prison or order companies to pay millions of dollars in damages.

“Whatever you see in society at large you see in the jury deliberation room,” said jury consultant Laurie Kuslansky. “The isolation of Covid and the political divide are making us more and more disabled as a society to disagree and then reach consensus and compromise.”

Trial consultant J. Lee Meihls, who has helped select juries for hundreds of trials over several decades, said: “From inside the courtroom, we hear jurors screaming at each other, and people call each other names. It’s becoming more and more common.”

The Florida jury spent 14 days late last year feuding over a lawsuit that alleged three big pharmacy chains had improperly flooded the state with prescription opioids, thereby saddling hospitals with the costs of treating uninsured and underinsured patients.

One juror accused another of possibly meeting secretly with lawyers in the bathroom. Another ripped up a poster a juror made to persuade others. Some jurors accused colleagues of letting their sympathy for children harmed by opioids cloud their ability to make decisions based on the law.

After the jury got the case, Trailer, the forewoman, went home and watched “12 Angry Men,” a legal drama about conflict between jurors. “By the end, we had become that movie,” she said.

Studying what happens in jury rooms is notoriously difficult. There are no transcripts of deliberations, and jurors are under no obligation to explain their decisions. Notes they send to judges provide mere tea leaves.



YSANYA PEREZ FOR WSJ

Laurey Trailer

Jury forewoman

‘I was in the middle and trying so hard to facilitate the group.’

In the absence of such information, researchers and consultants study how people they view as potential jurors make decisions. “This is a crazy chemistry experiment in every

instance,” said David McGill, a lawyer at Orrick. “You have to make snap judgments about people, so you want to come armed with background knowledge.”

McGill’s firm, working with Meihls, surveyed thousands of potential jurors and analyzed historical data. They noticed significant changes.

In 2025, 47% said they were biased against large corporations, nearly double that from 2018. Fifty-seven percent said they distrusted the U.S. justice system, up from 48% in 2022, and 65% of people were willing to take the law into their own hands as opposed to following the judge’s instructions, up from 52%.

In the criminal justice system, jurors are entitled to acquit defendants by deliberately rejecting evidence or refusing to apply the law, often by substituting their own sense of fairness—a concept known as jury nullification.

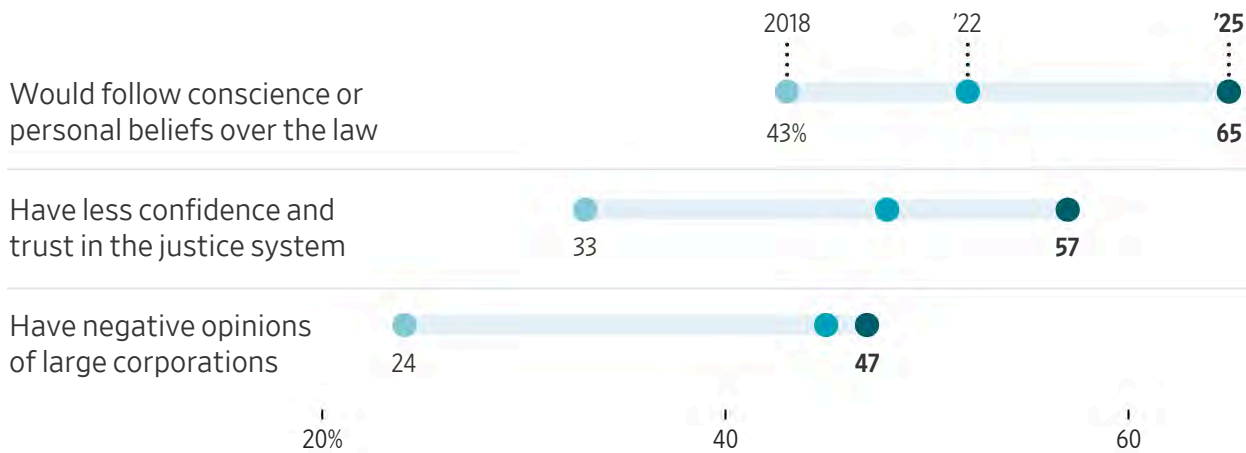
For lawyers, making assumptions about potential jurors is an important part of trial strategy. “In a world where juror nullification is increasingly more the rule rather than the exception, feeling good about the facts might not be enough,” said McGill.

A 2025 survey of potential jurors in white-collar crime cases, conducted by litigation consulting firm DOAR, found that juror perspectives increasingly align with political affiliation. Trump voters were more trusting of both the Justice Department and corporate executives than people who voted for Kamala Harris, the study found. The finding was puzzling, said Ellen Brickman, a director at the firm.

“We tend to think of jurors in a binary way: either they come in proprosecution or prodefense,” she said. “Each side tries to weed out the other. The distinction we were seeing more of was either general trust or general skepticism.”

The implication is that lawyers need to evaluate how either trusting or skeptical jurors might view the issues in their case, Brickman added.

Changing views of prospective U.S. jurors



Sources: Orrick and Trial Partners online poll of 1,282 jury-eligible adults conducted February 2025 and 1,011 adults conducted in 2022; Trial Partners (2018)

In civil cases, average damages awarded by juries in federal courts have climbed sharply since 2020, while those awarded by judges have fluctuated without a pattern, according to an analysis by legal-analytics company Lex Machina.

Defense lawyer Marc Agnifilo, who has represented Sean “Diddy” Combs, Luigi Mangione and Harvey Weinstein, said that he usually seeks cohesive juries that might be receptive to his narrative. A strategy some other lawyers might use, he said, would be to shoot for discord that might lead to a mistrial. “You can try to create chaos in the jury room,” he said.

Florida deliberations

The Florida opioid case dates to 2019, when more than two dozen hospitals sued pharmacies, opioid manufacturers and others, alleging a racketeering conspiracy that left the hospitals shouldering billions of dollars in costs for treating opioid patients. The case, eventually narrowed to three pharmacy defendants—CVS, Walmart and Walgreens—went to trial last year.

“Hundreds of millions of dollars will be at stake,” hospital lawyer Warren Burns told the jurors during opening statements.

Walmart lawyer David Markus countered, “It’s a money grab, ladies and gentlemen.”

The nine jurors included an introverted Gen Z graphic designer, an engineering consultant, two nurses, a retired sheriff’s officer, a supermarket distribution worker,

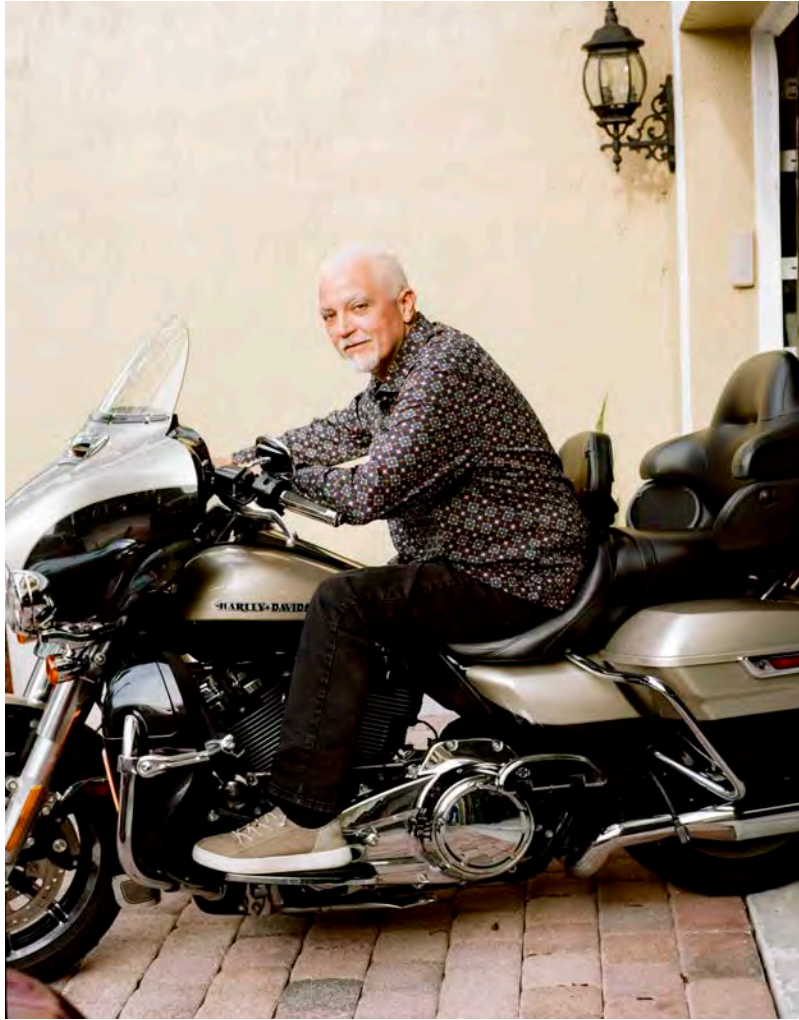
Trailer, a former flight attendant who some other jurors said acted like a group mom, and an outspoken, 66-year-old math teacher who sometimes didn't want to be mothered.

Over the weeks that followed, they got to know one another over shared lunches funded by the lawyers. "I found a hack to get free food every day, but the catch is you have to do jury duty for three months," the graphic designer joked on TikTok, showing off Chipotle, Chick-fil-A and Panera boxed lunches.

"We were like family," recalled juror Ernest Desravines, 63, the sheriff's officer.

Last November, the jury was handed a verdict sheet and instructed to begin deliberations. It listed two alleged violations of Florida's civil racketeering statute, the names of the defendants, and options to check "yes" or "no." The decision needed to be unanimous.

Tension mounted swiftly. The group struggled to pick a foreperson before settling on Trailer after a coin-flip by an undecided juror. Puig made it clear his mind was made up in favor of the pharmaceutical companies, which he attributed in a later interview to paying attention and diligently taking notes. Some jurors interpreted that as a refusal to deliberate, recalling that he spent time reading "The Power of Now," a book about living in the present.



YSANYA PEREZ FOR WSJ

Gerson Puig

Juror

‘It was just relentless arguing, pointing out the facts. When they would say something, I would point to my diligent notes.’

Sifting through the evidence, jurors put together a timeline on a whiteboard and plastered the walls with sheets of paper covered in notes.

Puig later described being frustrated by what he saw as other jurors’ refusal to follow the law. Using a marker, he wrote two headings on a poster: “What We’re Here For” and “What We’re Not Here For.” Under the first, he wrote RICO, a reference to the racketeering law. Under the second, he wrote a list that included dead babies and addiction.

After a few days, Andre Calixte, the math teacher, tore it down and ripped it up. “Like a human shredder,” Puig recalled.

“He didn’t have the right to tell us what we’re here for,” said Calixte.

Juror 9, a nurse, argued in favor of the hospitals. Six of her fellow jurors said she brought in a thumb drive containing a slideshow presentation she created at home using AI, which they said appeared to violate the judge’s instructions against outside research.

She argued that the opioid epidemic had killed a lot of people, and it was time to bring those responsible to justice. In an interview, she denied having brought in the thumb drive and said she used evidence from the courthouse computer.

Widespread challenges

Michael Freedman, a California defense lawyer, said he has noticed an uptick in incidents of jurors tattling on one another to judges rather than working out their differences in jury rooms.

“It’s not all Norman Rockwell anymore where people are coming into this shared civic experience from the same perspective,” said Freedman, a former federal prosecutor. “People have a hard time relating to each other.”

During the high profile sex-trafficking trial of two luxury-real-estate agents and their brother earlier this year, one juror emailed the court midtrial to complain that a fellow juror had already made up his mind. That juror was dismissed.

In New York state court, deliberations in the 2025 criminal trial of Harvey Weinstein devolved into a slew of juror complaints. Juror No. 7 told the judge that jurors were saying improper things about each other behind their backs. Days later, another juror said he was afraid for his safety because a fellow juror had threatened to “see you outside.”

The judge found there was no real threat. The jury convicted Weinstein on one count, acquitted him on another, and reached no agreement on a rape charge. The judge declared a mistrial on that count. After a retrial, another jury said last week it was deadlocked.



The retrial of Harvey Weinstein, center, ended with a deadlocked jury last week. TIMOTHY A. CLARY/
PRESS POOL

In a crypto fraud case late last year against two MIT-educated brothers, deliberations veered into a subject the judge had instructed the jury not to even consider: sentencing.

Some jurors recalled that during the trial, a defense lawyer said that criminal counts the brothers faced each carried a penalty of up to 20 years in prison. “It was spoken and we couldn’t unhear it,” recalled one juror. Some jurors teared up over the possibility of the young men spending decades behind bars.

Some jurors said the difficulty of determining criminal intent—not the potential sentence—led to the deadlock. Still, they said, the emotional toll was too much for some. “Yesterday half of the jury spontaneously broke down in tears and several members of the jury have reported multiple nights of sleeplessness,” they wrote in a note to the judge. A retrial is scheduled for next year.

Florida impasse

Toward the end of the Florida opioid deliberations, Juror No. 9, the nurse, wrote the judge a note titled “Confidential Formal Statement of Juror Misconduct.” She accused Puig of bullying, sexual harassment, not following the judge’s legal instructions and “making analogies and comments about banging a 14-year-old girl.” Furthermore, she wrote, Puig went into the bathroom with defense lawyers and possibly conferred about the case.

The judge, after questioning Juror No. 9, said she produced the note using AI and dismissed her, saying the note wasn’t credible. Puig stayed on the jury.

Most of the remaining jurors were unaware of the note's contents, and mistakenly believed that Juror No. 9 had been removed for the slideshow presentation.

Eight jurors remained. Only two of them—Calixte and Dwayne Blake, the supermarket distribution worker—wanted to find in favor of the hospitals. “I became the villain,” said Calixte, the teacher. He recalled other jurors yelling at him: “Why are you being so difficult? I want to go home.” Calixte held his ground.



YSANYA PEREZ FOR WSJ

Andre Calixte

Juror

‘I knew, deep down inside, I was right. I felt it.’

When Calixte, who is from Haiti, argued loudly, some viewed him as angry and aggressive. “He’s island,” recalled Blake, 42, who was born in Jamaica. “We are loud

people. It's not that we are angry or mad or upset."

"It was insane," Blake added. "You realize, man, I would not want my life to be in the hands of 12 strangers."

John Karras, the consultant, said of the strife: "We were like a microcosm of the big picture of the U.S."

A vote over whether to work during lunch devolved into a shouting match. The bailiff stationed outside came in. "You guys are going to kill each other in here," jurors recalled her saying.

Even writing a note about their deadlock was contentious, with two jurors wanting to include language about how the judge didn't provide a glossary of legal terms. Others felt this made the panel look dumb.

The forewoman, Trailer, wrote the final version. "Your Honor," it said. "We regret to inform the court that, we, the jurors in this case, cannot render a unanimous verdict that is agreed to by each of us."

Case Number: **CACE19-18882**

JURY QUESTIONS

FOR SWORN WITNESS:

Dec 8, 2025

Your Honor,

We have, to the best efforts
of the collective

a) Followed your honor's
instructions

b) We have considered each
question separately,

c) We have reviewed and
considered the evidence with
other members of the jury.

However, we regret to inform the
court that, we, the jurors in this
case, cannot render a unanimous
verdict that is agreed to by each
of us.

Laurey Traylor

A note from forewoman Laurey Traylor informing the judge the jury couldn't reach a verdict.

After six years of legal proceedings, nearly three months of trial and 14 days of deliberations, the judge declared a mistrial.

The parties plan to retry the case.

Corinne Ramey is a reporter covering federal law enforcement and white-collar crime for The Wall Street Journal. She frequently writes about investigations and criminal cases brought by federal prosecutors in Manhattan and Brooklyn, including those related to public corruption and financial crime. She also covers New York investigations into Donald...

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Lawyer barred from Harvard morgue scandal case over fake AI citations

 [reuters.com/legal/litigation/lawyer-barred-harvard-morgue-scandal-case-over-fake-ai-citations-2026-05-19](https://www.reuters.com/legal/litigation/lawyer-barred-harvard-morgue-scandal-case-over-fake-ai-citations-2026-05-19)

Nate Raymond

May 19, 2026

A general view of the Harvard Medical School in the Longwood Medical Area in Boston, Massachusetts, U.S., May 15, 2022. Picture taken with a drone. Picture taken May 15, 2022. REUTERS/Brian Snyder [Purchase Licensing Rights, opens new tab](#)

BOSTON, May 19 (Reuters) - A Massachusetts judge has barred a lawyer from Morgan & Morgan from appearing before him in litigation against Harvard Medical School over the theft of body parts from donated cadavers after another judge sanctioned the attorney for citing fake cases generated by artificial intelligence in court filings.

Suffolk County Superior Court Judge Kenneth Salinger in Boston on Monday [denied a request, opens new tab](#) by Florida-based T. Michael Morgan to appear in the case, saying the AI-related incident constituted a "failure to comply with basic ethical requirements."

Salinger said Morgan, a son of Morgan & Morgan founder John Morgan, in seeking permission to appear in the case made no attempt to show he has changed his practices to comply with his obligation to review any papers filed in court and to ensure his law firm does not submit AI-generated fake citations again. "This omission is surprising," Salinger said. "And troubling."

The decision adds to a [mounting body of rulings](#) sanctioning or admonishing attorneys over the misuse of AI in court submissions. Lawyers are generally permitted to use AI tools but are bound by professional rules to verify the accuracy of court filings.

A spokesperson for Morgan & Morgan, the largest personal injury law firm in the United States, in a statement said it hoped Salinger would reconsider his decision, saying Morgan at the time of the earlier incident in a case in Wyoming took responsibility for the error and steps to remedy the situation.

"Mr. Morgan also instituted additional safeguards within the firm regarding use of A.I.," the firm spokesperson said.

Morgan disclosed the AI-related sanction when he applied for permission to appear as an out-of-state lawyer in the Harvard case, which lawyers at his firm have been pursuing since 2023 following the arrest of Harvard's former morgue manager.

The proposed class action is [one of a dozen cases](#) by families alleging Harvard mishandled the bodies of loved ones donated to its medical school and whose parts were then sold on the black market by the morgue manager, Cedric Lodge, who was [sentenced in December](#) to eight years in prison.

Harvard has called Lodge's actions "abhorrent," but it has denied wrongdoing in the civil lawsuits.

In February 2025, U.S. District Judge Kelly Rankin in Wyoming [fined Morgan](#) \$1,000 after finding that he and two other lawyers filed motions in a personal injury lawsuit against Walmart that cited eight non-existent cases that had been hallucinated by an AI platform used by Morgan & Morgan.

The motions had been drafted by another Morgan & Morgan lawyer, but Rankin found that Michael Morgan did not review them before signing a filing and submitting it to court, a failure Salinger on Monday called a serious "ethical transgression."

"Trial lawyers cannot file legal papers supported by fake case citations," he wrote. "More senior attorneys have just as much responsibility as any lawyers whom they supervise to review motions and legal memoranda and ensure that they are accurate and do not contain made up case law or evidence."

Salinger also said Morgan in applying to appear in the case failed to follow Massachusetts law governing such applications by not having a local attorney submit it for him and paying the wrong amount as an application fee.

"In sum, these further transgressions suggest that Morgan has not learned from the mistakes that he made in the Federal case in Wyoming," Salinger wrote.

The case is Wilder v. President & Fellows of Harvard College, Suffolk County Superior Court, Massachusetts, No. 2384CV01461-BLS2.

For the plaintiffs: Ryan Lang, Garrett Lee and Kathryn Barnett of Morgan & Morgan

For Harvard: Martin Murphy of Manatt, Phelps & Phillips

[Ex-Harvard morgue manager who sold stolen body parts receives eight-year sentence](#)

[Harvard must face lawsuits over theft of body parts by ex-morgue manager, court rules](#)

[Judge fines lawyers in Walmart lawsuit over fake, AI-generated cases](#)

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

Judge sanctions law firm Quinn Emanuel, citing ethical lapses

 [reuters.com/legal/litigation/judge-sanctions-law-firm-quinn-emanuel-citing-ethical-lapses-2026-05-19](https://www.reuters.com/legal/litigation/judge-sanctions-law-firm-quinn-emanuel-citing-ethical-lapses-2026-05-19)

Mike Scarcella

May 19, 2026

A gavel and a block is pictured on the judge's bench in this illustration picture taken on June 9, 2021. REUTERS/Andrew Kelly/File Photo [Purchase Licensing Rights, opens new tab](#)

- Quinn Emanuel says lawyers, firm apologize to court
- Member of firm leadership to address conduct in visits to offices

May 19 (Reuters) - U.S. law firm Quinn Emanuel was ordered on Tuesday to fund ethics training and pay sanctions after a federal judge said a group of its lawyers misled the court about evidence it used to defend cancer test company Natera in a false advertising lawsuit by rival Guardant Health.

U.S. District Judge Edward Chen in San Francisco [said the law firm, opens new tab](#) must design an eight-hour internal ethics training program for the attorneys involved and pay a nearly \$3 million sanction that a court-appointed official recommended in January. Five lawyers at the firm will individually pay a portion of the sanction totaling tens of thousands of dollars.

The lawyers' conduct highlighted "disturbing" broader concerns about litigation culture and ethics, Chen said.

"It is a culture that takes refuge in lawyering finesse and prioritizes winning motions over acting ethically," the judge wrote. "This kind of lawyering multiplies proceedings, balloons costs, and erodes trust in counsel."

Guardant filed the underlying lawsuit in 2021, claiming Natera made misleading claims about the companies' competing colorectal cancer blood tests. A jury in November awarded Guardant more than \$292 million in damages after a trial. The sanctions stem from how Quinn Emanuel, which employs more than 1,300 attorneys, handled late-breaking evidence related to a medical expert on the eve of trial.

"No less than four partners were involved in propagating misleading statements to the court," Chen wrote. "At virtually every juncture in this misadventure, these attorneys turned a blind eye to the truth, deliberately failed to exercise diligence, violated their duties of candor to the court, and then attempted to justify it — without basis."

Quinn Emanuel in a statement on Tuesday said it was "deeply disappointed by the conduct described in the judge's order." It said the firm and the lawyers involved

have apologized to Chen.

"While winning for clients is important, we know that our lawyers must always, first and foremost, abide by their ethical duties," the firm said. It said a member of Quinn Emanuel's executive committee will visit each of the firm's U.S. offices to address the court's concerns about lawyer conduct.

Guardant and Natera did not immediately respond to requests for comment.

Natera denied Guardant's claims in the lawsuit, arguing its statements about its blood screening tests qualified as protected speech under the U.S. Constitution's First Amendment.

Chen said Quinn Emanuel, and not Natera, is responsible for the \$2.98 million in compensatory sanctions imposed in an earlier sanctions order. Chen's ruling on Tuesday also said the law firm must pay an additional \$100,000 as a punitive sanction.

[Law firm Keller Postman appeals sanctions in Tylenol injury cases](#)

[US prosecutor who lost job over AI-generated errors is rebuked by judge](#)

[Judge refers law firm Hagens Berman to DOJ over conduct in drug cases](#)

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Litigation

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Quinn Emanuel Gets \$3 Million Sanction in Drug Advertising Case

May 20, 2026, 6:59 AM PDT

Summary by Bloomberg AI

AI Generated



- Quinn Emanuel Urquhart & Sullivan LLP has been ordered to pay nearly \$3 million in sanctions for the actions of several of its attorneys in a pharmaceutical advertising case.
- Two Quinn Emanuel partners and an associate must receive an eight-hour legal ethics course that the firm must develop, according to Judge Edward M. Chen.
- The conduct of the firm and several of its lawyers "implicates a culture of lawyering that is deeply disturbing," Chen said, citing a pattern of conduct that included propagating misleading statements.

Quinn Emanuel Urquhart & Sullivan LLP has been ordered to pay nearly \$3 million in sanctions for the actions of several of its attorneys in a long-running pharmaceutical advertising case, a federal judge said.

Two Quinn Emanuel partners and an associate must also receive an eight-hour legal ethics course that the firm must develop, Judge Edward M. Chen of the US District Court for the Northern District of California said Tuesday.

The conduct of the firm and several of its lawyers during its representation of Natera Inc. "implicates a culture of lawyering that is deeply disturbing," Chen said in adopting a special master's recommendation. "At virtually every juncture in this misadventure, these attorneys turned a blind eye to the truth, deliberately failed to exercise diligence, violated their duties of candor to the Court, and then attempted to justify it—without basis."

The underlying case concerns Guardant Health's liquid biopsy cancer assay for early-stage colorectal cancer patients, and its allegations that Natera engaged in a campaign of "false and misleading advertising" directed at the product.

The firm and its "entire litigation team" allegedly engaged in a pattern of conduct that included propagating misleading statements from an expert witness, Chen said.

Besides nearly \$3 million in compensatory damages to Guardant, the firm must also pay a punitive fine of \$100,000, and partners Andrew Bramhall and Brian Cannon—both located in the firm’s Silicon Valley office—must pay additional sanctions of up to \$58,000. Associate Elle Wang, of the San Francisco office, was ordered to pay \$28,000. Each of the three also must take the ethics course.

Two other Quinn Emanuel lawyers in Silicon Valley, managing partner Victoria Maroulis and partner Margaret Shyr, may also be on the hook for sanctions, but Chen deferred making a recommendation in their cases.

The punitive sanction against the firm is warranted in part because punitive damages can be awarded by a jury “upon a clear and convincing finding. It is difficult to see why this standard would not apply here,” the judge said.

The actions in the case are “particularly damaging to younger associates, who take their cues and learn their practice from partners who fail to model ethical behavior, creating a vicious cycle,” Chen said.

“We are deeply disappointed by the conduct described in the judge’s Order. The lawyers involved have apologized to Judge Chen, and the Firm has joined in that apology,” a Quinn Emanuel spokesperson said.

The firm “is instituting concrete measures to confirm and reiterate our ethical imperatives,” the spokesperson said. Among these measures are having a firm executive committee member visit each office in person “to emphasize the Firm’s rejection of the conduct that Judge Chen described,” and hire an additional lawyer to the general counsel’s staff “with the specific and sole charter to advise lawyers who face questions about disclosures to the Court.”

Neither Bramhall, Cannon, nor Wang immediately responded to a request for comment.

Keller Anderle Scolnick LLP, Allen Overy Shearman Sterling US LLP, and Jones Day represent Guardant Health. Quinn Emanuel represents itself. Natera is also represented by Winston & Strawn, Wilmer Cutler Pickering Hale & Dorr LLP, and King & Spalding LLP.

The case is *Guardant Health Inc. v. Natera Inc.*, N.D. Cal., No. 3:21-cv-04062, order 5/19/26 .

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Legend has it that when the SEC promulgated Rule 10b-5, a Commissioner explained the reasoning, "Well, gentlemen, we are all against fraud, aren't we?"

Now I'm thinking the answer is actually, "No."

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SEC Proposes Scaling Back Auditor Testing of Fraud Safeguards

Most US-listed companies would be exempt from requirements they hire an outside auditor to field test safeguards meant to ensure investors can rely on corporate ...

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I sometimes wonder if these people think the only issue with Madoff's scheme was that the government shut it down before they all got rich....

That, or they all sympathize with Madoff more than any of his victims.

Probably the second one 😞



Securities

SEC Proposes Scaling Back Auditor Testing of Fraud Safeguards

May 20, 2026, 1:45 AM PDT

Most US-listed companies would be exempt from requirements they hire an outside auditor to field test safeguards meant to ensure investors can rely on corporate revenue and asset value disclosures, under an SEC proposal unveiled on Tuesday.

The draft rule targets an Enron-era mandate long reviled by corporate managers, who see it as a costly and burdensome hurdle to taking a company public and staying listed in the US.

Companies still would have to implement internal controls over financial reporting and inform investors how well those guardrails are working. Gaps in those safeguards serve as red flags to investors and often accompany accounting restatements.

The proposed change was included in a pair of rule packages the Securities and Exchange Commission released Tuesday.

"These proposals build upon the legislative and regulatory concepts that have proven successful in the past and aim to extend that success to more companies—particularly small and mid-sized companies—and incentivize them to go and stay public," SEC Chairman Paul Atkins said in a statement.

Atkins has pursued an agenda focused on encouraging more companies to go public amid a decades-long slump in the number of publicly traded businesses. The agency is separately proposing allowing public companies to file semiannual financial reports instead of quarterly ones.

Supporters of that extra layer of review over internal controls argue auditors are needed to hold corporate managers accountable, ensuring they keep investors informed about the state of their reporting governance.

Auditors and strong controls are like a seat belt, designed to prevent misconduct that could lead to fraud, said Kelly Richmond Pope, a fraud researcher and a professor at DePaul University.

"It is an added protection and a value-add that investors and smaller to mid-sized public companies actually need," Richmond Pope said.

Post-Enron Safeguards

About four-fifths of US-listed companies would be exempt from auditor testing of those controls. This figure would include 1,596 “newly exempt” companies that would be spared from the audit testing requirements under the SEC’s proposal.

Companies that would be exempt under the SEC’s plan would collectively represent less than 7% of the total public float today, according to the SEC. Public float represents shares available to trade that aren’t tied up by controlling investors or corporate officers.

More than 90% of shares available to the public to trade—about 19% of all listed stocks—would be in companies still subject to auditor testing of those financial controls, the SEC said.

The audit requirement was a key provision of corporate governance reforms enacted through the 2002 Sarbanes-Oxley Act, which Congress passed in the wake of corporate accounting scandals that toppled Enron Corp. and WorldCom Inc.

The SEC said its proposal aims to give companies more certainty over which rules apply to them in hopes of encouraging more companies to list and stay public. The plan would also allow more time for growing companies to prepare for eventual auditor scrutiny of their controls, the Wall Street regulator said.

“This mandate has done little to prevent fraud,” said John Berlau, director of finance policy at the Competitive Enterprise Institute, in an email. Instead requiring a “full blown external audit of internal controls” kept auditors employed while diverting “company resources away from creating new jobs and beneficial products.”

Compliance Costs

SEC advisers broadly have underscored the need for scaled requirements based on business size at a recent meeting late last month, saying a proportional approach to rules like disclosure obligations could offer better incentives for smaller businesses to enter the public market.

The agency said Tuesday its proposed rule packages are designed to “increase efficiency, flexibility, and cost savings for public companies.”

“The SEC is gambling on the fact that reducing the cost to compliance is going to really help drive the access to the public sector for some of the smaller-cap companies,” said Jennifer Newton, founder and managing attorney of StartSmart Counsel PLLC, which provides legal and compliance support for businesses including startups.

If the changes are adopted, investors will likely scrutinize companies’ controls more closely as they assess the quality of corporate governance practices, Newton said.

Accounting firms have pushed back on past efforts to relax testing mandates, arguing that the reduced scrutiny would be offset by extra audit work.

Historically, companies subject only to management reporting on those financial reporting safeguards have a higher rate of ineffective controls, according to Ideagen Audit Analytics, which tracks compliance with the Sarbanes-Oxley Act provisions.

About 40% of companies currently not required to hire an auditor to test those safeguards disclosed problems with their controls in 2024. In comparison, less than 8% of companies required to hire an outside auditor reported such weaknesses, according to a 2025 Audit Analytics review.

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Analysis | **Capital Markets**

SEC Moves to Loosen Disclosure and Offering Rules to Boost IPOs

Critics of the SEC's approach say the decline in public companies has far less to do with SEC rules and disclosure requirements than the strength and attraction of private markets.

May 19, 2026 at 04:20 PM By  **Dan Novak**



SEC Chairman Paul Atkins appeared before the Senate Banking in March 2025. Photo: Diego M. Radzinski/Law.com

The U.S. Securities and Exchange Commission introduced sweeping reforms Tuesday meant to incentivize more initial public offerings, lowering the costs for companies to go public and making it easier to raise capital once they do.

The two rules proposed by the commission will reverse a long-running trend of companies staying private by reducing burdensome compliance and regulatory requirements that have discouraged IPOs, the SEC said.

On the reporting side, the SEC is raising the “large accelerated filer” threshold from \$700 million to \$2 billion, which means far more companies would qualify for lighter disclosure requirements and a five-year onramp before facing the most stringent obligations. About 35% of companies are currently considered large accelerated filers, which would drop to 19% under the proposal.

On the capital-raising side, the SEC is eliminating the \$75 million public float requirement and the one-year waiting period for using Form S-3, which allows greater access to shelf offerings, streamlined filings and other benefits that allow companies to raise money quickly.

SEC Chairman Paul Atkins said in a statement that the rulemakings serve as the foundation for his “Make IPOs Great Again” agenda.

The “current public company regulatory framework is in dire need of a comprehensive overhaul,” he said. “Over the past 25 years, layers upon layers of legislative changes and SEC rules have created many different categories of public companies with complex, overlapping requirements and benefits.”

Critics of the SEC’s approach [say](#) the decline in public companies has far less to do with SEC rules and disclosure requirements than the strength and attraction of private markets.

“It is the expansion of the private markets that has led to companies shunning public offerings, and it is this expansion that the SEC does not address in today’s proposals,” said Ben Schiffrin, policy director for the SEC watchdog group Better Markets, in a statement.

The SEC itself has made it easier to raise private capital without disclosures required of public companies, most significantly through the 1982 Regulation D, which created safe harbors for accredited investors from registration for private offerings.

The commission will be unable to push more companies public without removing exemptions to private offerings that allow companies to raise massive sums in privacy, Schiffrin said.

“All today’s proposals will do is allow public companies to provide less information to the public, thus endangering investors,” he added.

But it is very costly for smaller reporting companies to go public, which are often unable to continually raise enough money to survive in public markets, said Clark Hill member Tori Bantz.

For companies that are already public and listed on an exchange, “the ability to register securities using an S-3 form ... is pretty huge,” she said.

While there’s many good reasons for companies to stay private, Bantz said, relaxing both reporting and capital-raising rules “will go a long way” to creating more IPOs.

“It would have been nice to have this a while ago, but we have it now,” she said.

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Securities

SEC Floats Reducing Issuer Disclosures in Push for More IPOs

May 19, 2026, 10:56 AM PDT

The Securities and Exchange Commission is seeking to boost initial public offerings with an overhaul to let new big issuers temporarily avoid many of the agency's strongest disclosure rules.

The move could benefit major companies planning to go public, including Elon Musk's SpaceX. SEC Chairman **Paul Atkins** framed the plan as part of the agency's "Make IPOs Great Again" push.

Under the plan released on Tuesday, new public companies could avoid more robust disclosures that come with the "large accelerated filers" tag for as long as five years. The agency's proposal would also raise the public float threshold for that category to \$2 billion from \$700 million, letting more companies take advantage of simplified disclosures.

"Today's proposed rulemakings are among the first important steps toward transforming the SEC's regulatory framework for public companies," Atkins said in a statement.



Paul Atkins, chairman of the US Securities and Exchange Commission, center, wears a "Make IPOs Great Again" hat on the floor of the New York Stock Exchange

Photographer: Michael Nagle/Bloomberg

The five-year grace period would also include exemptions for needing to get an auditor's attestation on a company's internal controls over financial reporting. After that, only "large accelerated filers" would need to obtain it.

Meanwhile, under the plan, firms with less than a \$2 billion float would be able to take advantage of scaled-down disclosures currently only allowed for very small companies. The changes could let firms avoid having to put matters related to executive compensation to shareholder votes and potentially make fewer disclosures about that compensation, including larger companies during the five-year grace period.

Additionally, the agency also released a proposal Tuesday to "modernize" the shelf registration process, which would let more companies issue securities faster when market conditions are favorable. The SEC anticipates an increase of more than 60% in the number of issuers eligible to offer an unlimited amount of securities under the proposed changes, according to a fact sheet.

The public will have 60 days to comment on the proposals. After that, the agency will incorporate the feedback into final versions of the rules, which must be approved by a majority of the currently three-member commission before they can be finalized.

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News from Bloomberg Terminal
Prediction Markets Are the New Public Markets
May 19, 2026, 2:10 PM PDT

By Matt Levine

(Bloomberg Opinion) --

Private predictions

In the 1930s, the problem with US stock markets was that investors didn't get enough information. The solution was new rules that created the US Securities and Exchange Commission and required companies to disclose various information – audited financial statements, updates on material events, etc. – if they wanted to sell stock to the general public. Companies that didn't want to raise money from the general public didn't really have to disclose anything, but the general public had most of the money, so most companies that wanted to get big had to go public and disclose the required information.

In the 2020s, the problem with US stock markets is apparently that not enough companies want to do that disclosure. "Private markets are the new public markets," I often say: It is relatively easy for hot tech startups to raise lots of money from institutional investors, without ever selling to the general public, and so many of them do. They don't go public, they don't file disclosures, and they just raise money in private markets.

This arguably creates two problems:

1. Hot tech startups create a lot of value, and if they don't sell shares to the general public, then the general public doesn't get any of that value. SpaceX and OpenAI and Anthropic all have gigantic valuations; all of their growth so far has been captured by employees and founders and venture capitalists and other big investors, not by the general public.¹
2. There are good social externalities in having companies be public and disclose their information. Society – journalists and politicians and activists and ordinary people – can learn important stuff by reading public-company disclosures; those disclosures are not of interest *only* to shareholders.

A lot of people worry about the first problem (not so much the second) and try to think of solutions. One set of solutions involves making it harder for companies to stay private (so they have to go public earlier and sell stock to the general public); another set of solutions involves making it easier for companies to go public. "Making it easier for companies to go public" often means *reducing* the standard disclosure requirements: It's easier for a company to be public if it doesn't have to disclose as much about its finances. We talked yesterday about an SEC proposal to make quarterly financial reporting optional: If companies could report results only every six months, that would be easier, and more of them might go public. Today the SEC proposed some more changes to reporting rules to make being public easier and "Make IPOs Great Again"

But there is another, more radical, solution, which is to get rid of the whole disclosure regime and let the general public buy shares of private companies *without* any disclosure. Companies wouldn't have to "go public"; they wouldn't have to file financial statements or disclose material events; they could just remain private. But ordinary investors could buy their shares anyway, *without* the disclosure requirements that have become standard over the last century.

Nobody ever quite says this, because it sounds bad. They just try to *do* it, by creating new ways for ordinary investors to trade private company shares freely without any disclosure. Generally the way to do it involves letting ordinary investors trade some instrument that is economically equivalent to private company stock, or at least pretty close, rather than actually trading the private stock.

In recent years the standard name for this approach has been "tokenization." There was a big boom in crypto, and a lot of people had a vague sense that calling something a "token" made it immune from securities laws, so people went around saying "if we issue *tokens* on private companies, that will let people buy exposure to their stock without requiring any securities-law disclosure." I wrote about this theory last year. It has some quite prominent proponents – Vlad Tenev of Robinhood, Larry Fink of BlackRock – who quite explicitly argue that tokenizing private-company stocks would allow ordinary investors to buy shares of private companies. "Democratizing" finance, this is called. But I wrote:

This solution doesn't *work*, yet, in the US. You *can't* just sell "tokens" of private-company stocks (or private credit loans, or private equity funds, etc.) to the general public, in the US, without disclosure, yet. But a lot of big players in finance are advocating for it, the regulatory environment seems pretty receptive, and you can understand why. The general public wants to buy private investments, intermediaries want to sell them, and the disclosure rules stand in the way. Saying "we should get rid of the disclosure rules" sounds bad, retrograde, greedy. Saying "tokenization" sounds good, modern, cool.

That was last year, when "tokenization" sounded good and modern and cool. (Though "the Securities and Exchange Commission is expected to release its so-called innovation exemption for tokenized stocks as soon as this week.") Now it is 2026, and "prediction markets" is the new cool modern term. Here's a press release from Polymarket:

Polymarket, the world's largest prediction market, today announced the launch of the first prediction markets tied to private company performance and milestones. These new offerings give individuals exposure to some of the most sought-after private companies for the first time, while providing a new real-time signal for institutional investors on how private markets are unfolding. Through an exclusive agreement, Nasdaq Private Market, a leading provider of liquidity and investment infrastructure for the private market, will serve as the resolution data provider for private company markets on Polymarket.

More value is being created in private companies today than at any point in modern history. Nearly 1,600 unicorns globally now hold more than \$5 trillion in cumulative value, yet access has been largely reserved for institutions and high-net-worth investors – leaving the vast majority of individuals on the sidelines of the value creation that happens before a company goes public.

"Prediction markets are one of the most powerful tools we have for democratizing access to financial information and opportunity," said Shayne Coplan, Founder and CEO of Polymarket. "Today's launch brings that power to one of the last frontiers of financial markets that retail participants have never been able to access. For the first time, anyone can engage with the outcomes driving value at the world's most consequential private companies."

Individual investors can't buy shares of OpenAI or Anthropic or SpaceX, because those companies are not public. But now they can bet on "Will OpenAI's valuation hit ___ by December 31," for various numbers that might go in that blank, or similar markets for Anthropic and SpaceX and other private companies. (These binary bets are not quite as good as actually buying stock, but give them time.) "Democratizing access to financial information," here, means betting on stocks of companies without public disclosure. You get to trade more stocks, but you get less information about them.

Again, *technically*, this solution doesn't work in the US, because technically US investors are not allowed to use Polymarket's main site. Nobody has ever seemed to care much about this, and Polymarket did launch its US app last week. These markets are probably "security-based swaps," which should in theory make it difficult for a regulated US prediction market to list them, but again nobody cares very much. "Anyone can engage" with these markets, says Coplan. "We should make it easy for ordinary retail investors to bet on private company stocks" seems, at this point, pretty uncontroversial.

We seem to be reaching the end of securities regulation. For almost 100 years, the bargain in US securities law was that companies could sell stock to ordinary individual investors only if they publicly disclosed material information. The public could trade public stocks, which made public disclosures, but not private stocks, which didn't. Everyone seems tired of that bargain and now it is breaking down.

Anthropic crackdown

Here are some shareholders of Anthropic PBC: Microsoft Corp., Nvidia Corp., Amazon.com Inc. and Google (part of Alphabet Inc.). Anthropic is a private company, and you cannot buy its shares on the stock exchange, though now I guess you can bet on them on Polymarket. Microsoft, Nvidia, Amazon and Alphabet, however, are public companies, and you can buy their shares on the stock exchange. You can get some *indirect* exposure to Anthropic: You can buy shares of Microsoft or Nvidia or Amazon or Google, and then you will own shares in a company that owns shares in Anthropic.

One problem with this is that all of those companies also own *other* stuff, besides their Anthropic shares. Some of that stuff is unrelated to Anthropic; some of it is negatively correlated with Anthropic. (Google and Anthropic are rivals in building AI models, etc.) Buying Nvidia stock is not a clean bet on the future of Anthropic; it is muddled by Nvidia's actual business.

It would be tidier to buy shares of a company that *only* owned Anthropic shares. Then, if you wanted some exposure to Anthropic, you could just buy shares of that company.

Of course Anthropic might not like that. Anthropic's stock is subject to transfer restrictions: If you own Anthropic stock, you can't generally sell it without Anthropic's permission. We talked last week about Anthropic's attempt to enforce those restrictions more strictly. One traditional way around transfer restrictions is the forward contract, where instead of selling you Anthropic stock today, I promise to deliver it to you when Anthropic goes public (and the transfer restrictions are removed). Private companies' transfer restrictions generally prohibit forward contracts, but people don't always take that seriously: After all, once the company goes public and the transfer restrictions are removed, what does the company care about people who sold forwards years ago? How will it even find out? But Anthropic updated its website to say, in effect, "no, if you buy a forward, you might not get the stock," which got a lot of people worried.

Yesterday Bloomberg's Yazhou Sun and Katia Porzecanski reported on the other threat in Anthropic's restrictions:

Anthropic PBC issued a stern warning on its website last week about unauthorized sales, taking the unusual step of naming eight firms whose offerings would be considered void. It also expressly prohibited investors from buying shares through special purpose vehicles, a common tool to raise financing. ...

As secondary sales grew, so did SPVs, now a standard part of financing for many pre-IPO companies and a way for smaller investors to buy in. An early Anthropic backer, Menlo Ventures, pooled its own \$500 million check into an earlier funding round using an SPV, according to an SEC filing first reported by Business Insider.

But as funding rounds have grown, SPVs have become complicated and murky, with little end clarity for the buyer and reduced transparency for the startup.

"Anthropic does and should have the right to control its cap table and shareholder base," said Matt Murphy, the Menlo partner who led the firm's investment. He said his firm didn't use the kind of SPVs banned by Anthropic.

"Unauthorized SPVs are not in the company's best interest and can often be downright shady," he said. "Buyer beware."

An SPV is the tidy solution I described above: It's a company that owns shares of Anthropic. You can't necessarily buy shares of Anthropic, but you can buy shares of the SPV.

Again, Anthropic doesn't like it, and says that its transfer restrictions prohibit it. "Anthropic does and should have the right to control its cap table and shareholder base." But, sort of. Anthropic doesn't get to control *Alphabet's* shareholder base. Anthropic can put transfer restrictions on its stock; it can say "you can't sell this Anthropic stock to anyone else." But it is harder for Anthropic to put transfer restrictions on its shareholders' stock: If a company invests in Anthropic, Anthropic can't tell that company who can own its stock. (Anthropic can try to prevent SPVs from buying its stock; it can limit its investors only to people who promise not to do SPVs. But there might be gray areas.) You can see why people would think that SPVs could be a workaround to transfer restrictions.

Incidentally. If you are an investor who owns \$90 million of Anthropic stock, and you want to sell now while the selling is good, what should you do? The traditional approaches are all transfer-restricted:

- You could just sell your shares to someone else, but you need Anthropic's permission.
- You could sell your shares under a forward contract, but Anthropic says that's not allowed.
- You could package your shares into an SPV and sell shares of the SPV, but Anthropic says that's not allowed either.

But now there's a new approach. You can sell 100 million shares of "Will Anthropic's valuation hit \$1 trillion by December 31?" on Polymarket for about \$91 million. If the valuation hits \$1 trillion by Dec. 31, you have to pay out \$100 million – but your shares will be worth at least \$100 million in that scenario, so you'll be hedged.

² If it doesn't, you keep the \$91 million (and the shares!), so it's even better than selling your stock now.

Obviously this doesn't work yet, because that market is brand new and the volume is measured in the low thousands of dollars. But give it time.

HPS/Citi

An important job of a banker is to offer clients loans. If an investment banker or commercial banker from Citigroup Inc. shows up at your office to chat about merger ideas or your new factory, and the chat goes well, you will probably ask her: "Well, how are we going to pay for this?" And you will expect her to have an answer. At some point back in the sands of time perhaps the answer was "we will lend you the money," but in modern finance the more standard answer is "we will be happy to arrange a package of loans for you" or "we will be happy to arrange a bond offering for you." The bank will facilitate the deal, but the bank – even a giant bank like Citi – won't lend you all of the money itself. It doesn't have that kind of money.

These days, an important competitor to those two types of financing – syndicated loans, bonds – is private credit. And so, to provide good customer service, the banker really has to answer your question by saying "we will be happy to arrange a package of loans, or a bond offering, or a private credit direct loan." (I have written before that the banks will have to add another column to their pitchbook pages.) But whereas arranging a broadly syndicated loan or a bond offering takes time, the advantage of private credit is that it can be done quickly: The private credit firm already has the money and can just give it to you. There is not a long marketing and syndication process. For really good customer service, the banker has to say, like, "we can give you a private credit loan, here are firm terms, we can sign right now."

But the bank doesn't have that kind of money! Private credit funds have that kind of money. And so what you want is for the bank to be sort of a conduit for a private credit fund, a customer-service front-end for the private credit fund. The bank has bankers and clients and a marketing apparatus; the private credit fund has fewer employees and less customer surface area, but it has the money. There is something obviously weird about this – don't banks have money? – but it's the world we live in. One approach is for the bank to raise its own private credit funds – many big investment banks would like to be alternative asset managers themselves – but the other approach is to team up. We talked in 2024 about Citi's arrangement with Apollo Global Management, in which Citi pitches some loans and Apollo makes them. Because Apollo has the money. And Citi doesn't. You know.

Yesterday Bloomberg's Claire Ruckin and Silas Brown reported:

Citigroup Inc. and BlackRock Inc.'s private credit unit HPS Investment Partners have struck an agreement to collaborate on direct-lending deals across Europe, targeting as much as €15 billion (\$17.5 billion) of financings over the next five years.

The initiative – Citi/HPS Private Capital Program – will focus on sub-investment grade debt for corporate and private equity clients in continental Europe and the UK, according to a statement seen by Bloomberg News. The Wall Street firms will work together on both senior and junior credit options and eventually expand the collaboration to deals in the Middle East.

"It's HPS' capital, credit decision and ultimately their loan, but it's an origination and structuring that we bring to them, and then jointly figure out whether there's a deal to be done," Citigroup's co-head of global debt capital markets John McAuley said in an interview.

The tie-up builds on a strategy that Citigroup first unveiled in the US two years ago, and highlights the growing convergence between traditional banks and private credit managers. Long considered competitors in corporate and sponsor-backed lending, the two are now forging ties as banks try to preserve fee income without using additional balance sheet capacity in the face of higher capital requirements.

It remains so weird to me. HPS has \$193 billion of assets; Citi has \$2.8 trillion. Citi has higher capital requirements than it used to, but its ratio of equity to assets is something like 7%, while most private credit funds have something like 50% equity to assets. Private credit funds have much less money and much higher capital ratios than banks do, but they're the ones making the loans.

Musk vs. OpenAI

OpenAI was founded in 2015 as a nonprofit organization with a mission "to ensure that artificial general intelligence benefits all of humanity." It remained a nonprofit until 2019. In 2025, it became a for-profit company, although the old nonprofit retains a significant stake in the company.

What happened between 2019 and 2025? Ehh. For those six years, OpenAI was still technically a nonprofit, but it had a for-profit subsidiary that raised money from investors and did all of the business. This was a *weird* structure: The subsidiary was actually a "capped-profit" company, it went around telling investors that "it would be wise to view any investment in OpenAI Global, LLC in the spirit of a donation," and for like 48 hours the nonprofit's board fired Sam Altman, OpenAI's co-founder and CEO. "OpenAI Is a Strange Nonprofit," I wrote in 2023, one with an \$86 billion valuation. Was it? During those six years, was OpenAI mostly a nonprofit, or mostly a for-profit company?

This strikes me as a boring question – it was a little of both – but it turned out to matter a lot. In 2024, Elon Musk – who co-founded the OpenAI nonprofit but left in around 2018 – sued OpenAI, Altman and other co-founders, arguing that, as he put it, they "stole a charity": OpenAI was a nonprofit, Altman converted it into a for-profit, and now its employees have billions of dollars of stock in a valuable private startup, a startup that they built on charitable donations from Musk and others.

And the critical question in that lawsuit was: *When* did they steal the charity? Musk's legal theories have two- and three-year statutes of limitations: If you want to sue for fraud, breach of contract, etc., you have to do so within two or three years after you become aware of the fraud, breach, etc. OpenAI argued that it became more or less a for-profit company in 2019, so whatever problems Musk had with the transition, he should have raised them then. From its court filings:

Musk was aware of the conduct purportedly constituting these alleged breaches no later than 2019, well outside the limitations period. OpenAI, Inc. publicly announced the incorporation of the capped-profit subsidiary, OpenAI L.P.—which Musk alleges amounted to a “mov[e] to recast the [OpenAI] non-profit as a moneymaking endeavor to bring in shareholders, sell equity, and raise capital,” and an effort to “convert to a for-profit structure” — in a blog post in March 2019; Altman notified Musk of OpenAI, L.P.'s incorporation around that time; Musk was offered, and declined, equity in the new entity; and Musk raised no objection to the new entity's formation.

Musk argued, no, it took longer than that:

Musk testified that he did not discover the truth about OpenAI's full-blown commercial status until after Microsoft made its \$10 billion investment in 2023. There was nothing unreasonable about that timing. OpenAI transformed into a commercial venture gradually, by degrees. Defendants sharply limited the information they disclosed and actively downplayed their commercial objectives in communications with Musk.

Musk argued that this was a question for the jury to decide, and yesterday it decided. Bloomberg News reports:

A jury rejected Elon Musk's claims that OpenAI under Sam Altman's leadership betrayed its mission to benefit the public by morphing into a for-profit business, finding that he waited too long to sue the company. ...

“I think there is a substantial amount of evidence to support the jury's findings,” US District Judge Yvonne Gonzalez Rogers said when she accepted the nine-member jury's unanimous conclusion after about two hours of deliberations. ...

Musk and his lawyers vowed an appeal, but didn't get into specifics about what they will argue.

“This reminds me of key moments in this country's history, the Siege of Charleston, the Battle of Bunker Hill,” attorney Marc Toberoff said. “These were major losses for Americans, but who won the war? This one is not over.”

Sure okay. I suppose that the basic conclusion here is that OpenAI has not been a charity for many years, so it's too late to complain that somebody stole it.

UpsideOnly

Hedge fund employees are very expensive. If you want to hire a very good portfolio manager, you might have to guarantee her like \$50 million, and wait a year while she serves out her gardening leave. If you run a giant multistrategy hedge fund, you can afford that, but you need scale: You have to amortize the huge cost of employees over a lot of investor capital. If you run a smaller fund, you can't really afford to hire the best portfolio managers, so your performance will suffer, so you will have a harder time raising money, so you will have an even harder time hiring, etc., in a vicious spiral.

If you do not run one of the giant multistrategy funds, it might occur to you to get around this problem with some sort of "Moneyball" approach.³ Obviously the people who have established themselves as top portfolio managers cost \$50 million and you can't afford them. But they all came from somewhere; they weren't making \$50 million out of the womb. The trick, for you, is to try to find people who (1) are currently cheap but (2) can generate alpha. How do you do that?

Oh I mean there are lots of approaches involving, like, networking and interviewing and training promising candidates. But "giant internet open call for traders" might work too. Bloomberg's Emily Nicolle reports:

Perpetuals.com Ltd. on Tuesday launched UpsideOnly, a platform that turns crowdsourced paper-trading strategies into shared real-money profits by executing bets with only the company's capital. Investors place fake trades that predict the future price of assets like oil, gold and equities, after which an artificial intelligence model chooses the ones that are most likely to result in profit. The company then trades on those forecasts using its own money, and where it succeeds, shares half of the earnings with traders who created the winning signals.

In short, instead of parting with their cash, traders give up their time and expertise in training Perpetuals' AI for a slice of the profits. And while the company itself takes on the risk of potential losses, it gains valuable data that AI could never generate on its own. ...

Crowdsourcing amateur trading signals to beat high-priced hedge fund strategies is a tried-and-tested model that hasn't always worked out. Even with recent advances in the technology, AI has also proved to be poor at stock-picking or crypto trading when left to its own devices.

[Perpetuals CEO Patrick] Gruhn's hope is that mixing the two might be a recipe for success. Perpetuals' AI model, BayesShield AI, was developed in-house with the sole goal of scoring and identifying the strongest trading strategies, the company said.

Basically a sort of distributed alpha capture approach. The trick here is that if you are recruiting professional portfolio managers, "we have some money and will give you half the upside of our trades with no downside" is *not very appealing*: Millennium is offering them half the upside of their trades on a much larger capital base and with a \$50 million minimum. For amateurs, though, "half the upside with no downside" is a considerably better deal than getting the upside, and the downside, on their personal account.

Things happen

US 30-Year Yield Hits Highest Since 2007 on Inflation Angst. The American Rebellion Against AI Is Gaining Steam. StanChart CEO Says AI to Replace 'Lower-Value Human Capital.' KPMG Taps Anthropic to Revamp Global Tax, Advisory Platforms. Distressed-Debt Deals Often End in 'Hard Default,' Moody's Warns. SpaceX IPO set to hand \$20bn stake to one hedge fund. The Little-Known Hedge Fund That Stands to Make Over \$10 Billion on SpaceX. Deutsche Bank fined by UK for breaching Russia sanctions. Treasury Lawyer Quits as Government Settles Trump IRS Suit. Judge Blocks Alex Jones's Bid to Shield Infowars From Liquidation. Morgan Stanley-Led Group to Sell Chicago Parking Meters. The French mastermind behind a €1bn Ponzi scheme. (Earlier.) Crypto Crime Escalates With Kidnappings, Cons and Human Coercion. Musk's xAI Fails to Pay Staff \$420 for Giving Their Tax Returns to Grok.

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(A previous version said that Polymarket teamed up with Nasdaq, the stock exchange. Nasdaq Private Market is an independent private company.)

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1. With exceptions – Alphabet shareholders, etc. – discussed below.
2. Anthropic's current valuation seems to be \$900 billion, so when I say you "own \$90 million of Anthropic stock" I mean that you own 0.01%, which would be worth \$100 million at a \$1 trillion valuation.
3. In fact there is a delightful book by Joe Peta titled "Moneyball for the Money Set," about hedge fund performance analysis, though it is less about finding *cheap* hedge fund talent and more about evaluating that talent.

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Securities

Cash Flow's Link to Financials Targeted by Global Rulemakers

May 19, 2026, 8:22 AM PDT

Links between the corporate cash flow statement and the financial accounts should be made more explicit, global standard-setters said Tuesday, after complaints from investors that there could be confusion over things like lease payments.

All 13 members of the International Accounting Standards Board voted to include a series of changes in proposals due to be published next year. These included linking information in the cash flow statement more clearly to financial statements to avoid confusion over non-cash transactions such as leases and debt-to-equity deals.

Currently, there are basic differences between the figures reported in each area. The statement only includes the cash paid in lease rentals over the year, for example, whereas the financial accounts would record the value of assets acquired.

"I'd like to be a bit more aggressive over what we'd like to do and give people the chance to push back," IASB vice chair Linda Mezon-Hutter said at the meeting.

The IASB started to research changing the cash flow statement in June 2024. The board plans to publish proposals for public comment in 2027.

The cash flow statement is one of the three main ways that companies report financial results, alongside the income statement and balance sheet.

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Securities

Column

Big Law Insider Trading Might Be Less Irrational Than It Seems

May 20, 2026, 1:30 AM PDT

When I first read about allegations of a massive insider-trading ring that involved lawyers who worked at multiple leading law firms, I was stunned. To put it bluntly: What the heck were they thinking?

According to the federal indictments in *United States v. Nourafchan* and *United States v. Fejal*, the 30-plus participants in the scheme included impressively pedigreed attorneys. They graduated from Columbia and Yale Law Schools, then went on to work at firms such as Latham & Watkins, Sidley Austin, and Wachtell Lipton.

Based on their careers up to this point, I'd guess that these lawyers are intelligent, hardworking, and capable of both self-control and long-term thinking. And given their credentials, they were well-positioned to enjoy long—and lucrative—legal careers.

So how could they allegedly engage in such short-sighted and ultimately self-destructive behavior? Why would they put their promising careers on the line—and risk going to prison—for what appear to be (relatively) modest paydays?

For now, we're dealing only with allegations, and the defendants are presumed innocent. But to better understand why lawyers in Big Law might engage in insider trading, I reached out to some experts.

Todd Haugh, a professor of business law and ethics at Indiana University, and a former Big Law associate himself, discussed the “fraud triangle.” This theory identifies three factors driving the actions of fraudsters: incentive or pressure, often financial; opportunity, in terms of being in a position of trust with the ability to engage in wrongdoing; and rationalization, which Haugh described as “the story you tell yourself about why it’s okay to violate a trust.” In his view, the third element is the most interesting aspect of the triangle.

Rationalization can take other forms. In some white-collar cases, individuals take steps that aren't illegal but come close to the line—or perhaps they do cross the line into illegality, but in a relatively minor way. If nothing happens and they don't get caught, that can be used to rationalize more serious behavior, Haugh said.

"Sometimes there's a sense in popular culture of the white-collar offender as a greedy lone wolf," Haugh told me. "But in organizational settings, and especially in insider-trading schemes, that's fairly rare. It's more common for there to be involvement by multiple people."

Eugene Soltes, a professor at Harvard Business School and the author of “Why They Do It: Inside the Mind of the White-Collar Criminal,” similarly emphasized the social aspects. Some of the lawyers involved in the scheme were longtime friends, dating back to college or law school, and they might have influenced each other’s thinking about the nature of their actions.

“Lawyers may know the law exceptionally well, but knowledge of the rule is not the same as living within a culture that reinforces it,” he said. “The key question is how alleged conduct that would look obviously impermissible from the outside came to feel acceptable, justified, or routine inside the group.”

<https://news.bloomberglaw.com/product/blaw/bloomberglawnews/exp/eyJpZCI6IjAwMDAwMTIILTQwYmYtZGJiMS1hZmRILTZmZmZiMjVjVkMDAwMSIsI...> 2/3

For starters, he disputed my premise that insider trading is frequently detected and prosecuted. Instead, he said, “There are a lot of indications in the scholarly literature that insider trading is a very widespread, not uncommon crime, and a relatively small percentage of those who commit it get caught.”

In fact, smart lawyers might see themselves as clever enough to escape detection. In the *Fejal* indictment, authorities allege that the defendants took numerous steps to conceal their conduct, including communicating through burner phones and encrypted applications. By all appearances, they succeeded for years.

David Lat, a lawyer turned writer, publishes Original Jurisdiction. He founded Above the Law and Underneath Their Robes, and is author of the novel "Supreme Ambitions."

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News from Bloomberg Terminal

Apollo Urged by Teachers to Probe CEO's Political Work

May 20, 2026, 10:07 AM PDT

Summary by Bloomberg AI

AI Generated



- Two teacher organizations are asking Apollo Global Management Inc. to investigate Chief Executive Officer Marc Rowan's apparent use of the firm's resources to support his work with President Donald Trump's administration in violation of company policy.
- The organizations obtained documents that suggest Rowan used Apollo staff to schedule meetings with and prepare documents for university leaders related to a White House compact on university funding and policy changes.
- The teacher organizations question whether limited partners, including pension funds and university endowments, are being billed for Rowan's time spent on political business, which he conducted through his work email and during business hours.

By Rachel Graf

(Bloomberg) --

Two teacher organizations are asking Apollo Global Management Inc. to investigate Chief Executive Officer Marc Rowan's apparent use of the firm's resources to support his work with President Donald Trump's administration in violation of company policy.

The American Federation of Teachers and American Association of University Professors made the request over Rowan's work on a White House compact designed to grant preferential federal funding to universities in return for commitments to specific policy changes such as bans on diversity, equity and inclusion programs. The organizations obtained documents that suggest Rowan used Apollo staff to schedule meetings with and prepare documents for university leaders, the groups wrote in a letter to the chair of Apollo's audit committee.

"Limited partners in Apollo rightly may question whether they are being billed for the time Rowan has spent seeking to influence higher-education policy and the day-to-day operation of America's institutions of higher education," AFT President Randi Weingarten and AAUP President Todd Wolfson wrote in the letter. They said that Rowan conducted political business through his work email and took meetings during business hours.

Limited-partner clients include pension funds that manage the retirement savings for AFT members as well as endowments intended to protect the financial security of universities, "the very institutions at the center of Rowan's campaign," according to the letter.

"I stood up against an onslaught of hate and antisemitism, as did thousands of others," Rowan said in an emailed statement. "I find it troubling that people lose focus on what happened, what is still happening, and instead try to silence those of us speaking out. We will keep fighting hate in every form."

Rowan has been outspoken in decrying pro-Palestinian campus protests after the Oct. 7, 2023, terrorist attacks on Israel, saying they put Jewish students' safety at risk. The letter was reported earlier by the Financial Times.

(Corrects year of Oct. 7 terrorist attacks in last paragraph.)

--With assistance from Carmen Arroyo and Laura Benitez.

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Securities

Manage Newsletters

Bitcoin Grows More Dependent on Michael Saylor's Buying Machine

May 20, 2026, 8:54 AM PDT

Summary by Bloomberg AI

AI Generated



- Bitcoin's price is being driven by a single company, Strategy Inc., which has acquired 171,238 Bitcoin year-to-date, according to its public filings.
- Strategy funds its Bitcoin purchases through a perpetual preferred stock called STRC, which pays investors an 11.5% annual cash dividend, and the company's buying activity is concentrated around the monthly record date.
- The concentration of demand in Strategy raises questions about what happens to the \$1.5 trillion asset if the company's buying falters, as the market's other traditional demand sources, such as retail and ETF inflows, have dried up.

For most of its history, Bitcoin's price was driven by a sprawling cast of buyers: idealists, speculators, early adopters, and, more recently, institutional investors looking for a new portfolio hedge. Demand was fragmented and hard to predict. In 2026, it is neither.

Bitcoin is trading just over \$77,000, down almost 30% from a year ago. What appears to be largely preventing a steeper fall – and what has been doing so for much of this year – is a single company operating on a scale that has no precedent in the asset's history. Strategy Inc., the company run by **Michael Saylor**, has acquired 171,238 Bitcoin year-to-date, according to its public filings. That exceeds the roughly 62,000 Bitcoin produced by the entire global mining network over the same period – and appears to represent the majority of net corporate and ETF-related accumulation in 2026, according to **Mark Palmer**, an analyst at Benchmark-StoneX, who covers the company.

"If you have been trading Bitcoin around macro catalysts, Fed speakers, or ETF headlines," wrote 10x Research, which recently released a report estimating Strategy has accounted for around 70% of buying across a universe that includes stablecoins, ETFs and futures, "you have been watching the wrong clock."

The clock runs like this: Strategy funds its Bitcoin purchases through a perpetual preferred stock called STRC, which pays investors an 11.5% annual cash dividend. In the weeks before each month's record date – set around the 15th – investors accumulate the shares, driving the price back up toward its \$100 face value. That recovery allows Strategy to sell new shares into the market and direct the proceeds straight into spot Bitcoin. When the cutoff passes and the shares drift lower, the buying slows. It picks up again the following month. STRC traded at around \$99.28 on Wednesday.

Bitcoin Is Trading Below \$80,000

The coin is down about 28% from a year ago

XBT-USD Cross Rate



Source: Bloomberg

Bloomberg

In the last three weeks alone, Strategy represented about 12% of all trading activity in Bitcoin, according to **Lance Vitanza**, managing director of equity research at TD Cowen. Some weeks, the company is a bigger presence than others, sometimes accounting for more than 20% of total volume, according to his recent report. Strategy didn't respond to a request for comment.

"Although traditional Bitcoin demand indicators, including spot BTC ETF inflows, Bitcoin futures open interest and even stablecoin inflows have yet to meaningfully accelerate into 2026, Strategy continues to accumulate Bitcoin at roughly the same pace as a year ago, when it purchases nearly \$12 billion," said **Markus Thielen**, chief executive officer of 10x Research. "This suggests that the current wave of demand is being driven less by organic market participation and more by financial engineering, as Strategy increasingly relies on yield-generating capital market products to fund its Bitcoin acquisition strategy."

The picture could change. Regulatory clarity, fresh ETF demand and Bitcoin's dwindling supply may yet draw new buyers in. For now, those remain arguments about the future. The present increasingly belongs to Saylor.

What makes the concentration striking is not Saylor's conviction, which has never been in doubt, but the quiet collapse of everything around him. The flows into US Bitcoin exchange-traded funds that defined the 2024 bull run have dried up of late. Hedge funds poured into ETFs as an arbitrage trade – that premium has now vanished. The arbitrage is gone, and so are the funds.

Retail has also largely disappeared. Daily trading volumes in South Korea – a reliable barometer of speculative appetite in Asia and beyond – have fallen. The explanation is not complicated: the South Korean stock market has returned more than 150% over the past 12 months, driven by semiconductor companies. Against that backdrop, Bitcoin's decline looks like the wrong trade, and ordinary investors have acted accordingly.

Miners, once a natural source of accumulation, [have pivoted](#). Having learned the hard way from ill-timed moves into Bitcoin-treasury strategies last cycle, most are now selling every coin they produce to fund shifts into AI hosting infrastructure. The natural long-term holding they once provided has been replaced by a steady stream of supply.

All that raises a big question: What happens to a \$1.5 trillion asset when the one mechanism sustaining it falters? Strategy's average purchase price across its roughly 843,700 Bitcoin holdings sits at roughly \$75,700, slightly below where Bitcoin trades today. That thin cushion matters. Any fall in the token wouldn't just hurt Strategy's balance sheet – it would erode confidence in STRC, which closes the At-The-Market share selling program, which removes the bid, which puts further pressure on Bitcoin. The loop that has driven prices higher runs just as efficiently in reverse.

Also giving investors pause: The growing sense that Strategy may at some point sell Bitcoin. After years of championing a maximalist philosophy around Bitcoin, executives at the firm [said](#) earlier this month they would consider selling the token if doing so improved the company's capital structure or increased "Bitcoin per share," a metric used to market the stock to investors. Saylor likened Strategy to a real-estate developer, and outlined a scenario in which it might sell Bitcoin in the future.

"Strategy has made it clear that marginal sales of Bitcoins aren't off the table for dividend coverage or tax purposes, but any disposals would be dwarfed by ongoing accumulation," Palmer said. "The upshot is that the company's net Bitcoin per share is poised to keep going up."

For now, Strategy is holding. But the market that once had dozens of demand sources – retail waves, ETF arbitrage, corporate treasury diversification, ideological conviction – has been distilled, according to skeptics, down to a single buying machine, dependent on one man's continued ability to raise capital against an asset he is simultaneously the largest buyer of.

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Securities

Former FTX Executive Launches a 'No Loss' AI Trading Platform

May 19, 2026, 6:00 AM PDT

At the European arm of failed crypto exchange FTX, **Patrick Gruhn** watched as traders repeatedly lost money on risky bets. Now, he's launching a product where the savviest investors can turn a profit — even while putting zero capital at stake.

Perpetuals.com Ltd. on Tuesday launched UpsideOnly, a platform that turns crowdsourced paper-trading strategies into shared real-money profits by executing bets with only the company's capital. Investors place fake trades that predict the future price of assets like oil, gold and equities, after which an artificial intelligence model chooses the ones that are most likely to result in profit. The company then trades on those forecasts using its own money, and where it succeeds, shares half of the earnings with traders who created the winning signals.

In short, instead of parting with their cash, traders give up their time and expertise in training Perpetuals' AI for a slice of the profits. And while the company itself takes on the risk of potential losses, it gains valuable data that AI could never generate on its own.

"That's the entire idea in using human intelligence, crowd intelligence — because they are good at generally analyzing the financial instruments, no matter what it is, but they're very bad at execution," said **Gruhn**, who became chief executive officer of Perpetuals in 2023.

Crowdsourcing amateur trading signals to beat high-priced hedge fund strategies is a tried-and-tested model that hasn't always worked out. Even with recent advances in the technology, AI has also proved to be poor at stock-picking or crypto trading when left to its own devices.

Read More: [AI Bots Auditioning for Wall Street Trading Are Mostly Losing](#)

Gruhn's hope is that mixing the two might be a recipe for success. Perpetuals' AI model, BayesShield AI, was developed in-house with the sole goal of scoring and identifying the strongest trading strategies, the company said. It's already been trained on a dataset of 22 billion trades.

"You cannot use AI to predict the market. I'm pretty sure it's impossible," said Gruhn. "Many are trying this because the markets themselves are basically, more or less chaos theory or random work. But predicting what the outcome of a human trade will be? That on the other hand is possible, because you have a track record from the past."

Perpetuals is in talks to raise hundreds of millions of dollars in funding to support its trading activity, Gruhn added. He's also put \$100 million of his own capital toward its proprietary trading.

FTX collapsed in 2022 when users rushed to withdraw from the exchange, after founder Sam Bankman-Fried had invested much of its customers' assets in illiquid bets. Gruhn, who was head of FTX Europe AG at the time, said that experience incentivized him to build a platform where users didn't have to give up control of their capital in order to win.

"We could have designed it differently," Gruhn said. "But I said no. I don't want to do anything like that ever again."

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Del. Judge Pushes Firms To Back Up 2nd Bid To DQ Her

By **Rose Krebs**

Law360 (May 19, 2026, 3:41 PM EDT) -- A Delaware vice chancellor has told Friedlander & Gorris PA and two other firms to provide more information in their second bid to disqualify her from presiding over Chancery Court litigation because she previously was an attorney at Skadden Arps Slate Meagher & Flom LLP.

In **a letter** on Monday, Vice Chancellor Bonnie W. David asked Friedlander & Gorris, Robbins Geller Rudman & Dowd LLP and Shobe & Shobe LLP to provide additional details after they filed a motion on May 11 seeking to disqualify her from presiding over a case, citing a rule of the Delaware Judges' Code of Judicial Conduct. The firms filed their letter late Tuesday afternoon.

The motion was initially filed under seal, but a letter sent to the judge by Joel Friedlander of Friedlander & Gorris on May 12 cited Rule 2.11(A)(4)(a) of the judicial conduct code, which relates to instances in which a judge should disqualify themselves if the judge's "impartiality might reasonably be questioned," including in connection with prior association with a law firm or the firm's attorneys.

The motion was made public late Tuesday afternoon, and in it, the firms cited a provision dealing with when "a lawyer with whom the judge previously practiced law served during such association as a lawyer concerning the matter."

In her letter, Vice Chancellor David cautioned counsel that the code's preamble "explains that 'the purpose of the code would be subverted if the code were invoked by lawyers for mere tactical advantage in a proceeding.'"

She also cited case law finding that "In the absence of genuine bias, a litigant should not be permitted to 'judge shop' through the disqualification process."

The three firms' latest disqualification bid was filed in shareholder litigation accusing Apollo Global Management Inc.'s former chairman and CEO, Leon Black, and two others of dominating the business in the run-up to a \$570 million payout to the three insiders in 2021.

Investor plaintiff Anguilla Social Security Board **brought the suit** in 2023, alleging key Apollo board members and founders violated their fiduciary duty to investors with the \$570 million transaction by wrongly claiming the deal covered costs of dismantling a previous tax structure benefiting pre-initial public offering shareholders.

The litigation has been stayed pending an investigation of claims by a special litigation committee of Apollo's board, according to a court document.

According to the vice chancellor, the motion to disqualify said that a deal team at Skadden had represented Apollo in its January 2022 merger with Athene Holding Ltd.

"The motion, filed more than a year after this action was reassigned to me, seeks my disqualification on the basis that I was employed by Skadden in 2021," the vice chancellor wrote. "Although plaintiff does not challenge the merger, plaintiff's counsel now believes that defendants or the special litigation committee will make the merger 'a centerpiece of their defense.'"

The vice chancellor was an attorney in Skadden's litigation department before joining the Chancery

Court bench in 2023 as a magistrate in chancery and then **as a vice chancellor** starting last year. She joined Skadden as an associate in September 2014 and was promoted to counsel in June 2021.

Last month, the same three firms filed a disqualification motion on behalf of a union pension fund plaintiff **in litigation** accusing KKR & Co. Inc.'s co-founders and others of breaches of fiduciary duty in connection with share conversions worth more than \$500 million.

In a **May 4 order**, Vice Chancellor David granted the motion in the KKR case, but said she only did so "in what is likely an overabundance of caution."

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

In Monday's letter, the vice chancellor referenced the order, reminding counsel that in the other case she "explained that the ethics rule on which the plaintiff relied (and on which plaintiff here again relies) does not require recusal."

The vice chancellor also said that after counsel filed the motion in the other case, she "studied the nearly 200 cases on my docket and found no similar issues." She questioned why Skadden's "tangential role" has not previously been raised in filings in the Apollo case.

"I admit that it is not evident to me how a representation never before mentioned in any pleading, briefing, or hearing has now become the centerpiece of the case," the vice chancellor wrote.

She directed the three firms to file a letter by Friday "disclosing (1) when they first became aware of Skadden's role in the underlying facts of this case, (2) whether they are aware of any additional matter pending before me that they believe raises an appearance of bias based on a Skadden representation, and (3) if so, when they first learned of the representation."

She also told plaintiffs' counsel that the letter should "not include additional argument."

Friedlander **filed a letter in reply** late Tuesday afternoon, saying, in part, that counsel "have an informed basis for asserting" the "defendants or the SLC 'may' or are 'likely' to make the Skadden-advised Apollo-Athene merger a 'centerpiece of their defense.'"

He referred to merger-related discussions with the SLC amid its investigation of claims and ongoing talks aimed at potentially resolving the action, but said details of those communications are confidential.

In his letter, Friedlander also said that "plaintiff's counsel is not currently aware of any other action implicated" by the rule cited in its disqualification motion, but that they have inquired about Skadden's representation of GoDaddy Inc. in a case that challenged a 2020 transaction to determine whether the firm had any involvement related to that matter during the vice chancellor's employment there.

Counsel for the parties didn't immediately respond Tuesday to requests for comment.

Anguilla Social Security Board is represented by Joel Friedlander, Jeffrey M. Gorris and Christopher M. Foulds of Friedlander & Gorris PA, Randall J. Baron, Andrew W. Hutton and Christopher H. Lyons of Robbins Geller Rudman & Dowd LLP, and Gladriel Shobe and Jarrod Shobe of Shobe & Shobe LLP.

Apollo Global Management Inc. is represented by Kevin R. Shannon, Matthew F. Davis and Daniel M. Rusk IV of Potter Anderson & Corroon LLP, and Scott B. Luftglass and Michael P. Sternheim of Fried Frank Harris Shriver & Jacobson LLP.

Leon Black is represented by Michael A. Barlow, Michael B. Carlinsky and Charles H. Sangree of Quinn Emanuel Urquhart & Sullivan LLP.

Apollo's special litigation committee is represented by David E. Ross, Bradley Aronstam and Holly E. Newell of Ross Aronstam & Moritz LLP, and Tariq Mundiya, Jeffrey B. Korn, Vanessa Richardson and Richard Li of Willkie Farr & Gallagher LLP.

The case is Anguilla Social Security Board v. Black et al., case number 2023-0846, in the Court of Chancery of the State of Delaware.

--Additional reporting by Jeff Montgomery and Parker Quinlan. Editing by Robert Rudinger.

Update: This story has been updated with information from the motion made public Tuesday and details from a letter sent to the Chancery Court late Tuesday from plaintiffs' counsel.

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Investor Who Lost \$586K To Lead McDermott Stock Suit Subclass

By José Luis Martínez

Law360 (May 19, 2026, 5:54 PM EDT) -- A Texas federal judge has appointed a man who claims some \$586,833 in losses to lead a subclass of stock purchasers in a suit accusing energy industry engineering giant McDermott International Inc. of misleading investors during its \$6 billion merger with Chicago Bridge & Iron Co. NV in 2018.

U.S. Magistrate Judge Andrew M. Edison said in **an opinion Monday** that Christopher Coligado, with Wolf Haldenstein Adler Freeman & Herz LLP as lead counsel and Reynolds Frizzell LLP as liaison counsel, will be lead plaintiff for the subclass of investors who directly purchased McDermott stock. Coligado was originally part of a 17-member group of investors who claimed \$1.86 million in losses in their bid to be lead plaintiff, which was noted by the judge **last month** to be too large of a group.

Coligado's loss of \$586,833 is larger than the roughly \$419,000 in losses suffered by the City of Pontiac Reestablished General Employees' Retirement System and lower than the \$1.76 million in losses by investor Majid Alghaslan, who was deemed Monday to be an inadequate lead plaintiff. The judge said Pontiac and Alghaslan had ample opportunity to attack Coligado.

"That they did not advance any arguments against Christopher Coligado individually — despite attacking other members of the Coligado Group individually — further supports that Christopher Coligado is the best choice to be lead plaintiff," Judge Edison said.

Judge Edison expressed concerns last month that the 17-member group Coligado was originally a part of was too large and asked the group's counsel if they would consider moving forward with Coligado individually as an alternative, which they did last week.

The jurist clarified that he doesn't think the Coligado Group was assembled by counsel to aggregate enough losses to be lead plaintiff, noting that it was formed on its own before choosing counsel. Rather, the jurist said, the group is just too big and he "will not set a record in the modern securities era for the most lead plaintiffs to be appointed to a subclass."

The Fifth Circuit has found it notable that the U.S. Securities and Exchange Commission thinks a group should be no larger than three to five persons, the judge said.

Although Coligado's individual loss was larger than Pontiac's, it didn't match the \$1.76 million in losses claimed by Alghaslan. However, Judge Edison said in his opinion, Alghaslan was inadequate because of his "willingness to greatly minimize the losses of class members who purchased earlier than him in the class period."

Judge Edison said Alghaslan claimed the same losses in September 2020 as in January 2026, but in February 2026, he claimed for the first time in years to suffer greater losses than the Coligado Group and his new calculations halved the losses of other investors seeking to be lead plaintiff.

Although Alghaslan claimed the new calculations differ because there is a longer class period than in the prior nonconsolidated suit along with corrective disclosures, Judge Edison said in a footnote that it does not explain why the new calculations differ from those in a brief filed only 21 days earlier in the current litigation.

"Alghaslan's new loss calculations appear 'to be a transparent attempt to manipulate the size of [his]

losses based on information available to [him] at the time of [his] original lead plaintiff motion,'" Judge Edison said, citing prior federal court rulings.

Coligado is the second and final lead plaintiff to be named in the securities suit against McDermott. Coligado will represent a subclass of investors who directly purchased McDermott stock and institutional investor the Nova Scotia Health Employees' Pension Plan will represent investors whose Chicago Bridge & Iron stock converted to McDermott after the 2018 merger.

The initial proposed class was split into two subclasses **in 2024** after Judge Edison said there would be fundamental conflict in the Nova Scotia Health Employees' Pension Plan representing investors who had directly purchased stock.

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

The City of Pontiac Reestablished General Employees' Retirement System is represented by Christopher M. Wood and Joseph J. Tull of Robbins Geller Rudman & Dowd LLP.

Alghaslan is represented by Ivy T. Ngo and Velvel Devin Freedman of Freedman Normand Friedland LLP and Brian J. Schall of The Schall Law Firm.

The Coligado Shareholder Group is represented by Malcolm T. Brown and Thomas H. Burt of Wolf Haldenstein Adler Freeman & Herz LLP and Michael K. Oldham and Jean C. Frizzell of Reynolds Frizzell LLP.

The Nova Scotia Health Employees' Pension Plan is represented by Matthew L. Tuccillo, Jeremy A. Lieberman and Zachary Denver of Pomerantz LLP.

McDermott International is represented by David D. Sterling, Amy Pharr Hefley, J. Mark Little, Anthony J. Lucisano and Frank Mace of Baker Botts LLP.

The case is Edwards et al. v. McDermott International Inc. et al., case number 4:18-cv-04330, in the U.S. District Court for the Southern District of Texas.

--Editing by Stephen Berg.



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KBR Argues CEO Said Nothing False Before DOD Program Ax

By **Madeline Lyskawa**

Law360 (May 19, 2026, 7:44 PM EDT) -- Engineering firm KBR Inc. has urged a Texas federal judge to toss a proposed class action alleging the company misled investors about a government partnership to help relocate military personnel, saying its CEO made no false statements before the deal's termination.

CEO Stuart Bradie's statements made several weeks before the U.S. Department of Defense axed a military member moving program called HomeSafe due to performance issues included "qualitative assessments of progress, generalized expressions of confidence in a commercial relationship, and forward-looking expectations about a multi-year rollout," KBR said in a motion on Monday.

"Nearly all are non-actionable opinions, expressions of corporate optimism, and/or forward-looking statements protected by the [Private Securities Litigation Reform Act of 1995's] safe harbor to the extent they concern expectations, plans, or future performance," KBR said.

The first amended complaint, which was filed by shareholder Johan Norrman in late March, further fails to show that KBR and its chief executives held contrary information at the time Bradie insisted the program "showed significant operational improvement" or knowingly misled investors, the company said.

According to **the complaint**, KBR holds a controlling economic interest in a joint venture called HomeSafe Alliance LLC, which operated the military member moving program under an up to 9.5-year contract secured with the DOD in 2021. The program, however, experienced severe operational deficiencies, "including lacking sufficient subcontractor capacity to handle the moves, persistent failures to meet required performance metrics, and escalating governmental scrutiny — that placed the contract at serious risk of termination," Norrman said.

Those performance issues were documented by the DOD, and in January 2025, the DOD asked HomeSafe to explain hundreds of instances in which movers failed to begin moves on the scheduled dates and delivered belongings late, Norrman said.

While those issues continued, KBR and Bradie told investors on a May 2025 earnings call that HomeSafe had overcome previous challenges, including rollout delays and staffing concerns, Norrman said. But the investors learned the truth one month later when HomeSafe announced that the government had chosen to end the contract, Norrman said. KBR Chief Financial Officer Mark W. Sopp is also named as a defendant in the suit.

But during the call referenced by Norrman in his complaint, KBR said Monday that a company representative explicitly stated that the discussion would include "forward-looking statements reflecting KBR's views about future events and their potential impact on performance," adding that these matters "involve risks and uncertainties that could cause actual results to differ significantly from these forward-looking statements."

Those risk factors were previously disclosed in the company's most recent Form 10-K available on KBR's website, which cautioned that a significant portion of the company's revenues come from business with the federal government, and that a loss of that work could have a material adverse effect on KBR's business, the company said.

As for Bradie's comments during the call, KBR said Norrman failed to plausibly allege that the CEO didn't genuinely believe what he was saying, that he mentioned an untrue supporting fact or that he withheld facts that rendered his opinion misleading.

Norrman also cited a September 2025 report by the Government Accountability Office in his complaint, which evaluated the DOD's management and oversight of the program. In the report, the GAO explained that HomeSafe's performance issues largely stemmed from a lack of a sufficient subcontract network, KBR said. But that analysis does nothing to suggest that KBR possessed contrary information at the time of the May earnings call or misled investors, the company said.

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

Norrman is represented by Phillip Kim, Laurence M. Rosen and Jonathan Stern of The Rosen Law Firm PA.

KBR, Bradie and Sopp are represented by Michael G. Bongiorno, Timothy J. Perla and Jessica L. Lewis of WilmerHale.

The case is Norrman v. KBR Inc. et al., case number 4:25-cv-04464, in the U.S. District Court for the Southern District of Texas.

--Additional reporting by Sydney Price. Editing by Emily Kokoll.

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Novo Nordisk Says Investor Suit Pleadings Are Impermissible

By **George Woolston**

Law360 (May 19, 2026, 5:09 PM EDT) -- Novo Nordisk AS urged a New Jersey federal court to toss a proposed securities class action accusing it of misleading investors about its 2025 revenue outlook, arguing that the plaintiffs failed to plead any materially false or misleading statements.

The Danish drugmaker said Monday that **a suit from investors** alleging it committed securities fraud because it failed to predict that the compounding of its semaglutide drugs Ozempic and Wegovy would continue after the U.S. Food and Drug Administration ended its temporary pause in enforcement "makes no sense," and is a "kind of fraud-by-hindsight pleading" that is "impermissible."

Novo Nordisk argued that the shareholders failed to show, as required by the heightened pleading standard under the Private Securities Litigation Reform Act, that the company didn't sincerely believe that compounding should be illegal except for rare circumstances when it projected a full-year sales growth of 13% to 21% in 2025 during the 90-day grace period after the FDA removed Ozempic and Wegovy from its shortage list.

"To the contrary, the [amended complaint] is replete with examples of Novo suing compounders and engaging regulators to prevent unlawful compounding under a pretextual 'personalization exemption,'" the company's brief said. "It is illogical to suggest, as plaintiffs do, that the hidden truth is contained in public lawsuits and letters to Novo's own regulators."

Under the federal Food, Drug, and Cosmetic Act, the compounding of commercially available drugs is illegal unless the compounded product includes a change that makes a significant difference for an individual patient, according to the company's brief.

The company further argued that even if the shareholders were able to allege that its opinions and projections were false, the proposed class action lacks any facts that show it acted with fraudulent intent and fails to identify any motive to defraud.

"Plaintiffs also offer no explanation for why defendants would knowingly issue false sales guidance in May 2025 only to correct it two months later, in July 2025. The far more compelling inference is that defendants genuinely believed that compounding would decline after the grace periods ended, and then promptly updated their guidance when they realized that compounders would continue to violate the law. That is not fraud," the company said.

According to Novo Nordisk's brief, in order to state a claim for a violation of Section 10(b) and Rule 10b-5 of the Securities Act, a plaintiff must adequately plead a material misrepresentation and scienter.

The lack of motive cuts against scienter, the company said.

"They speculate that defendants deliberately concealed information from investors about the threat of compounding, but there are no factual allegations describing 'who, what, when, where, and how' this information was communicated to any individual defendant," the company said.

Investor Eric Barta alleged last August that Novo Nordisk, President and CEO Maziar Mike Doustdar, former President and CEO Lars Fruergaard Jørgensen, Chief Financial Officer Karsten Munk Knudsen and Executive Vice President of U.S. Operations David S. Moore artificially inflated its stock prices by

downplaying the expected impact of compounding on Novo Nordisk's sales.

According to the complaint, in earnings calls held in May and June last year, Novo Nordisk said it had confidence in its ability to grow GLP-1 sales, the class of medications Ozempic and Wegovy belong to that mainly help manage glucose levels in people with Type 2 diabetes but are also used for weight loss, by capitalizing on patients who would purportedly be no longer able to utilize their preferred compounded GLP-1 alternatives.

As a result of Novo Nordisk's alleged misrepresentations and misleading statements, its price per share fell 21.83%, from \$69 per share on July 28, 2025, to \$53.94 per share on July 29, 2025, after it announced it was lowering its sales and profit outlook ahead of reporting its results for the second quarter, the complaint alleged.

The company attributed its lowering of expectations to the continued use of compounded alternatives and slower-than-expected market expansion and competition, according to the complaint.

In February, U.S. Magistrate Judge J. Brendan Day **named** Ahmed Hashim as lead plaintiff after he and two other investors, IAM Motor City Pension Fund and Roman Ivanov, jockeyed for the title. Hashim filed an amended complaint following the ruling in April and voluntarily dismissed claims against Doustdar, according to court filings.

A company spokesperson said in a statement Tuesday that it believes the suit's allegations are meritless.

"As detailed in our motion to dismiss the case, Novo Nordisk believes that the allegations against it are meritless and we will continue to vigorously defend against these claims," the spokesperson said.

Representatives for the plaintiffs did not immediately respond to requests for comment Tuesday.

Barta and Hashim are represented by Adam M. Apton, Gregory M. Potrepka and Shannon L. Hopkins of Levi & Korsinsky LLP.

IAM Motor City Pension Fund is represented by Esther Eva Berezofsky of Motley Rice LLC.

Ivanov is represented by Thomas Henry Przybylowki of Pomerantz LLP.

Novo Nordisk AS, Lars Fruergaard Jørgensen, Karsten Munk Knudsen and David S. Moore are represented by Audra Jan Soloway, Andrew G. Gordon and Daniel S. Sinnreich of Paul Weiss Rifkind Wharton & Garrison LLP and Samuel Isaac Portnoy of FBT Gibbons LLP.

The case is Barta v. Novo Nordisk AS et al., case number 3:25-cv-14045, in the U.S. District Court for the District of New Jersey.

--Editing by Jay Jackson Jr.



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THL Partners' Agiliti Buyout Suit To Settle For \$32M

By Jarek Rutz

Law360 (May 19, 2026, 2:03 PM EDT) -- A proposed \$32 million settlement would end consolidated Delaware Chancery Court litigation challenging private equity firm Thomas H. Lee Partners LP's \$2.5 billion take-private acquisition of medical equipment company Agiliti Inc., resolving claims that minority stockholders were squeezed out at an unfair price.

The settlement proposal, filed Monday, would create a cash fund for former Agiliti stockholders whose shares were exchanged for \$10 apiece when the merger closed May 7, 2024. Lead plaintiff Eric M. Maglione brought the case against THL, Agiliti, company directors and special committee members, alleging that fiduciary duty breaches and aiding-and-abetting claims tied to the transaction.

"The amounts paid and the other terms of the settlement were negotiated at arm's length and in good faith by the settling parties, including through a mediation process supervised and conducted by [arbitrator] David M. Murphy of Phillips ADR Enterprises," the stipulation says.

Agiliti announced Feb. 26, 2024, that THL affiliates would buy the remaining shares of the company that THL did not already own for \$10 per share in cash. The deal took Agiliti private and resulted in its stock being delisted from the New York Stock Exchange. According to the earlier litigation background, the transaction was recommended by a special committee of Agiliti's board, but was not conditioned on approval by a majority of unaffiliated stockholders. THL, as Agiliti's majority stockholder, approved the merger by written consent.

Maglione served a books-and-records demand on Agiliti on March 20, 2024, and later filed a class action complaint in December 2024. Other stockholders filed similar suits, and Vice Chancellor Morgan T. Zurn **consolidated the related actions in March 2025**, appointing Maglione as lead plaintiff and Block & Leviton LLP and Elsberg Baker & Maruri PLLC as lead counsel.

The proposed settlement would certify, for settlement purposes only, a non-opt-out class made up of all record holders and beneficial owners of Agiliti stock whose shares were exchanged for, or who had the right to receive, the \$10-per-share merger consideration. Excluded from the class are the defendants, Agiliti, officers and directors of Agiliti at the time of closing, certain family members and related entities.

The settlement fund would be used to pay administrative costs, notice costs, taxes, any court-approved attorney fees and expenses, and any incentive award to Maglione. The remaining net settlement fund would be distributed to eligible class members under a plan of allocation approved by the court. Plaintiff's counsel said they would seek fees and expenses of up to 25% of the fund, with any incentive award to Maglione paid only from that fee award.

The deal came after months of discovery. From April 2025 to August 2025, Maglione served 102 document requests, 86 interrogatories and subpoenas on more than a dozen third parties, according to the stipulation. Defendants and third parties produced more than 200,000 documents, and plaintiff's counsel took three depositions before the parties attended a full-day, in-person mediation Feb. 17.

The parties did not resolve the case at that session, but reached an agreement in principle Feb. 27 after receiving a mediator's recommendation. They executed a term sheet March 27 and told the court April 2 that they had reached a proposed settlement.

The defendants continue to deny wrongdoing. The stipulation says they "believe that they acted

properly, in good faith, and in a manner consistent with their legal duties" and agreed to settle to avoid the cost, burden and distraction of further litigation.

If approved, the settlement would dismiss the action and released claims with prejudice. The releases would not cover claims brought by petitioners in a separate appraisal proceeding over the Agiliti deal, though Agiliti would be entitled to any offsets permitted by law.

"We are pleased with the result we were able to obtain for shareholders," said Silpa Maruri of Elsberg Baker & Maruri PLLC, representing the plaintiffs.

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

Lead plaintiff Eric M. Maglione and shareholders are represented by Jason Leviton, Nathan Abelman, Kimberly A. Evans, Lindsay K. Faccenda, Daniel M. Baker and Robert Erikson of Block & Leviton LLP, and by Silpa Maruri, Vivek Tata, Brian Campbell, Chase Shelton, Kateryna Shokalo, Molly O'Keefe and Silas La Borde of Elsberg Baker & Maruri PLLC.

Defendants Thomas H. Lee Partners LP, THL Agiliti LLC, Thomas J. Leonard, Scott M. Sperling, Michael A. Bell, Joshua M. Nelson, Megan M. Preiner and James B. Pekarek are represented by Mark C. Hansen, Bradley E. Oppenheimer, Minsuk Han, Dennis D. Howe and Jonathan I. Liebman of Kellogg Hansen Todd Figel & Frederick PLLC, and by David E. Ross, Roger S. Stronach, A. Gage Whirley and Dylan T. Mockensturm of Ross Aronstam & Moritz LLP.

Defendants John L. Workman, Diane B. Patrick, Gary L. Gottlieb and C. Martin Harris are represented by John A. Neuwirth and Stefania D. Venezia of Weil Gotshal & Manges LLP, and by Raymond J. DiCamillo, Kevin M. Gallagher and Kevin M. Kidwell of Richards Layton & Finger PA.

The consolidated case is In Re: Agiliti Inc. Stockholder Litigation, case number 2024-1247, in the Delaware Court of Chancery.

--Editing by Karin Roberts.



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Alphabet Investors Win Class Cert. In Ad Auction Suit

By **Sydney Price**

Law360 (May 19, 2026, 5:59 PM EDT) -- A California federal judge certified a class of Alphabet investors accusing Google and CEO Sundar Pichai of misleading the market about whether its digital ad auctions favored Facebook's advertising network, finding common questions outweigh individualized issues.

U.S. District Judge Rita F. Lin on Monday certified the class after making a "minor tweak" to the class definition agreed to by the parties during **a hearing** last month in which she addressed questions regarding class certification the court was still grappling with.

The order certified a class of all individuals and entities who purchased or acquired Alphabet's Class A or Class C shares between Sept. 15, 2020, and Jan. 23, 2023. The class period's start date was pushed up one day after the plaintiffs acknowledged the alleged misrepresentation by Pichai to the House Judiciary Committee was not released until after the close of trading on Sept. 14, 2020, according to the order.

"This case will involve several common questions of fact and law, including whether defendants' statement was false or misleading, made with scienter, and artificially maintained Alphabet's stock price," the order states.

The suit alleges Pichai falsely represented to Congress the fairness of Google's ad auction platform. According to the investors, the auctions favored bids submitted through Google-owned platforms or the Facebook advertising network, which had an agreement with Google.

The investors claim those "connected" bidders received extra time, nonpublic information and other advantages during the bidding process. In addition, the suit claims Pichai made the statement with scienter, since he was deeply involved in the negotiations regarding the Facebook Advertising Network.

The suit followed an antitrust lawsuit filed by the U.S. Department of Justice and eight states against the tech company in January 2023, accusing Google of pursuing a "systematic campaign to seize control of the wide swath of high-tech tools used by publishers, advertisers, and brokers, to facilitate digital advertising."

According to the investors' complaint, following news of the DOJ's suit, Alphabet's Class A shares fell from \$149.84 per share on Nov. 18, 2021, to \$95.22 on Jan. 25, 2023. They claim its Class C shares fell from \$150.71 to \$96.73 in the same period. Alphabet then "lost hundreds of billions of dollars in market capitalization," the suit says.

In early 2025, the court largely dismissed the investors' second amended complaint, including claims tying Google President and Chief Investment Officer Ruth M. Porat, Chief Business Officer Philipp Schindler and Chief Legal Officer Kent Walker to the litigation.

The only claim allowed to proceed was Pichai's statement to Congress, finding the investors adequately alleged its falsity. The response at issue was to former Democratic Rep. David Cicilline's question regarding what percentage of the time Google won bids on its own ad exchange, AdX, which serves as an intermediary between publishers and advertisers.

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

The investors are represented by Jeremy A. Lieberman, Emma Gilmore, Jennifer Pafiti, Villi Shteyn, Orly Guy and Eitan Lavie of Pomerantz LLP and Robert D. Klausner of Klausner Kaufman Jensen & Levinson.

Alphabet, Google and the executives are represented by Boris Feldman, Doru Gavril, Elena Hadjimichael and Mia Tsui of Freshfields LLP.

The case is AMI - Government Employees Provident Fund Management Co. Ltd. et al. v. Alphabet Inc. et al., case number 3:23-cv-01186, in the U.S. District Court for the Northern District of California.

--Editing by Jay Jackson Jr.

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Operational AI Washing: The Section 220 Information Strategy

By **Donnie King, Eric Coleman and Cherly Lucien** (May 19, 2026, 2:17 PM EDT)

Identifying a legal theory is only half the battle. For a plaintiffs attorney, the real hurdle is proving it.

In the **first installment of this five-part series**, we defined operational AI washing as the theory that a company used artificial intelligence claims to obscure the true operational or financial drivers behind material corporate decisions, including workforce reductions.

Operational AI washing is a compelling basis for a U.S. Securities and Exchange Commission Rule 10b-5 claim, but the Private Securities Litigation Reform Act — which imposes heightened pleading requirements and stays discovery pending any motion to dismiss — makes such claims exceptionally difficult to plead because plaintiffs are denied access to the very evidence needed to allege their claims with the requisite particularity.

To make it past a motion to dismiss, the plaintiff will be required to plead specific facts showing an intent to deceive. To bypass this roadblock, the plaintiffs bar will rely on the tools at hand provided by state law.

Specifically, they will most likely use Section 220 of the Delaware General Corporation Law to attempt to get to the internal board records. But the March 2025 amendments to Section 220 have fundamentally changed the landscape of presuit shareholder document demands in ways that create both risk and opportunity for companies that understand the changes.

The New Map: Navigating the March 2025 Amendments

For years, Section 220 was a nightmare for many companies, often devolving into expansive discovery. Plaintiffs routinely demanded every executive email sent over a three-year period.

That changed on March 25, 2025. With the **enactment** of S.B. 21, Delaware handed defense counsel a much-needed shield.

The amended statute narrows the presumptive definition of "books and records" to an enumerated list of formal documents, shifting the burden for anything outside that list to plaintiffs. Plaintiffs are now only obtaining, as a matter of course, a company's certificate of incorporation, current bylaws, board and committee minutes, and materials actually provided to the board. Plaintiffs may also receive the company's annual financial statements for the last three years and director independence questionnaires.

However, if a plaintiff wants informal records, like internal drafts or executive emails, they must show a "compelling need" and prove by "clear and convincing evidence" that those specific records are "necessary and essential." It is a high bar, and it means the fight has moved. Plaintiffs seeking to bring operational AI washing claims will now be forced to hunt for evidence of pretext almost exclusively within the formal board record.



Donnie King



Eric Coleman



Cherly Lucien

Notably, on Feb. 27, 2026, the Delaware Supreme Court **issued** a unanimous decision in *Rutledge v. Clearway Energy Group LLC*, upholding the constitutionality of S.B. 21's Section 144 safe harbor provisions and their retroactive application. The Section 220 amendments were not before the court in *Rutledge*, but the decision confirms that S.B. 21's amended framework rests on solid constitutional ground and practitioners may rely on it with confidence.

The "Credible Basis" Bar

Section 220 is not a generic right to fish through corporate files. It grants stockholders the right to inspect books and records for a proper purpose, like investigating suspected mismanagement. The problem for the defense is that the evidentiary bar is famously low.

In its 2020 decision in *AmerisourceBergen Corp. v. Lebanon County Employees' Retirement Fund*, the Delaware Supreme Court **reaffirmed** that a stockholder only needs to show a "credible basis" from which a court can infer that something went wrong.

They do not have to prove the mismanagement actually happened. They do not even have to prove the wrongdoing would stand up in court. They just need enough smoke to warrant looking for the fire.

In an operational AI washing context, the plaintiffs do not need a whistleblower. If a skeptical report or critical media analysis documents a concrete gap between a company's public AI-automation claims and its reported operational results, that evidence can be sufficient to establish the credible basis required for a Section 220 inspection.

Plaintiffs routinely anchor demands to that kind of documented divergence, and Delaware courts have repeatedly held that such third-party evidence can justify inspection without proof of actual wrongdoing.

Where the Scrutiny Lands

This is not just theory. We have seen this playbook before.

Look at the securities litigation in *E. Ohman J:or Fonder AB v. Nvidia Corp.* In that case, in August 2023, the U.S. Court of Appeals for the Ninth Circuit **allowed** claims to proceed past the pleading stage based on allegations of a fundamental disconnect between Nvidia's public narrative — that its GPU revenue growth was driven by gaming demand — and its internal reality, where crypto-mining demand was allegedly the dominant driver.

While the U.S. District Court for the Northern District of California initially **dismissed** the complaint in 2021, and the case's procedural history reflects unsettled law across circuits following a 2024 U.S. Supreme Court **dismissal** as improvidently granted, the Ninth Circuit's reasoning remains deeply instructive. It shows exactly how a structural disconnect between a public narrative and internal data can keep a lawsuit alive.

An AI washing claim fits the same template: The disconnect between "our AI-driven transformation has fundamentally changed how we operate" in a public filing and "full deployment is expected in Q3 2026" in the board deck is precisely the kind of direct contradiction that survives a motion to dismiss. That gap is what plaintiffs come to the formal board record to prove.

When a plaintiff picks up your formal board record after a restructuring, they are likely looking for three specific points of friction.

1. The Capital Expenditure Gap

If your Form 8-K attributes a 15% headcount reduction to "generative AI integration," the plaintiffs will go straight to the audit committee decks. They want to see the checkbook. If the financial models presented to the board show no significant investments in computing infrastructure or enterprise software licenses, plaintiffs will argue the AI pivot was pretextual.

This is a classic litigation move. Using internal financial records to contradict a public claim about technological readiness is a standard opening gambit.

2. The Executive Incentive Structure

Compensation committee minutes are now part of the formal record. Plaintiffs will look at how your executive bonuses were actually earned during the reduction in force. If the board was telling the public about a "technological transformation" while internally incentivizing executives solely on overhead reduction or cash preservation, that discrepancy will be the centerpiece of their complaint.

Because these minutes are now presumptively subject to production in response to a demand under Section 220 following the March 2025 amendments, the plaintiffs bar is becoming increasingly sophisticated at scrutinizing them to compare public restructuring narratives against internal executive incentive structures.

3. The CTO's Reality Check

Board presentations from the chief technology officer are high-value targets. Every CTO has a so-called cautionary slide, where they admit that a new tool is still in beta or requires heavy human oversight.

Plaintiffs will take those internal, risk-adjusted assessments and hold them up against the confident, definitive claims you made in your public disclosures.

A Tactical Counterweight: Incorporation by Reference

The 2025 amendments did not just limit what plaintiffs can take. They also codified a powerful procedural maneuver: the "incorporation by reference" doctrine.

Under amended Section 220(b)(3), a corporation may condition production on the stockholder's acceptance that all produced records will be deemed incorporated by reference into any complaint the stockholder files related to the subject matter of the demand and may withhold production entirely if the stockholder refuses.

This is a massive tactical advantage. Normally, a federal judge can only look at the plaintiff's version of the facts during a motion to dismiss. With this agreement, the defense can put its own exonerating board documents directly in front of the judge.

It allows you to use the plaintiff's own Section 220 victory to defeat the resulting Rule 10b-5 claim before it ever gets to discovery. But incorporation by reference only works when the internal record is clean and the board deck corroborates the public narrative or documents a good-faith acknowledgment of the deployment gap.

However, it could backfire if the CTO deck describes a program as a multiquarter pilot while the Form 8-K describes it as operational, or if the audit committee's capital expenditure records show no meaningful technology investment in the period when the company was publicly attributing headcount reductions to AI-driven transformation. In that scenario, the Section 220(b)(3) condition does not protect you; it arms the plaintiff.

Start the documentation work now, before any demand is filed, and remember that rigorous documentation is more than just taking notes. Tell your corporate secretaries that board minutes on AI initiatives need to reflect actual deliberation, not a sanitized summary of conclusions.

That may mean formally referencing or attaching high-level CTO assessments that describe deployment status, constraints and risks — without embedding proprietary technical detail — so those assessments are clearly part of the formal record. If the board materials reflect a legitimate technological strategy and a good faith debate about the risks, that record becomes the company's best defense.

Looking Ahead

The Section 220 battlefield is won or lost in the boardroom. If you wait until the demand letter arrives to worry about your documentary record, you have already lost the initiative. You have to treat every internal board deck as if a federal judge will eventually read it.

A clean board record is necessary, but it is not sufficient. Once a company's internal AI narrative is memorialized in formal board materials, the litigation risk turns on how that record is translated into public disclosures. A single sentence in a Form 8-K, earnings call or investor presentation can sever the alignment between internal deliberation and external justification, and convert exculpatory board materials into alleged evidence of pretext.

In Part 3 next week, we will turn to the disclosure record itself. We examine how mixed statements, those that blend present operational claims with forward-looking projections, can defeat the PSLRA safe harbor and pull technical AI disputes into federal court. We then show how disciplined drafting across every public channel can preserve safe harbor protection, reinforce the Section 220(b)(3) incorporation doctrine and position the company to win at the motion to dismiss stage before discovery begins.

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Shoppers Seek Fees At 9th Circ. For Kroger, Albertsons Fight

By **Dorothy Atkins**

Law360 (May 19, 2026, 10:46 PM EDT) -- Counsel for grocery store consumers urged the Ninth Circuit on Tuesday to find they substantially prevailed in their proposed class action challenging Kroger's since-abandoned \$24.6 billion bid for Albertsons and are entitled to attorney fees, arguing that the lower court wrongly concluded the case was mooted by other federal actions blocking the merger.

Consumers' counsel, Joseph M. Alioto of Alioto Law Firm, made the arguments during a hearing before a three-judge panel on the shoppers' appeal of U.S. District Judge Vince Chhabria's February 2025 order in California federal court throwing out the antitrust case as moot.

Alioto argued that the lower court erred and the consumers' case is not made moot by other federal litigation blocking the deal, or by the fact the parties withdrew their merger proposals.

Alioto told the panel that the consumers are entitled to fees under Section 16 of the Clayton Antitrust Act, because they were the first to sue to block the deal, and they substantially prevailed since the case survived a motion to dismiss, despite being denied discovery.

He also argued that they're entitled to fees because the merger was ultimately blocked by three other courts in Washington, Oregon and Colorado. As support, Alioto repeatedly cited the 1990 U.S. Supreme Court decision in *California v. American Stores Co.*, which construed Section 16 as being enacted "not merely to provide private relief, but ... to serve as well the high purpose of enforcing the antitrust laws."

Alioto added that the case is still a live dispute because the parties could "resurrect" the proposed merger at any moment in light of the change in the presidential administration and the Federal Trade Commission's suggestion that it could authorize the merger.

"In this case, there's a real danger in the change of the administration," he said.

The trip to the appellate court is the latest chapter in a proposed class action that the consumers initially filed in February 2023 challenging the merger and accusing Cerberus Capital Management LP and major Albertsons and Kroger stockholders of conspiring to shut down Albertsons.

In addition to blocking the merger, the litigation sought the disgorgement of the \$4 billion in payments allegedly coerced from Albertsons and paid to Cerberus Capital Management in violation of Section 1 of the Sherman Act.

The lawsuit was **revised twice**, and ultimately stayed in **March 2024** as the FTC and Washington state's attorney general pursued similar claims in Oregon and Washington court, respectively.

Eventually, the parties abandoned the tie-up after the FTC **secured a block of the deal**, followed by similar rulings in Washington and **Colorado**.

In seeking their own summary judgment win, the shoppers argued that injunctions won by the FTC and the states back up their allegations that the proposed merger was anticompetitive and that the grocers have "completely capitulated by disavowing the merger."

But in his short February 2025 ruling, Judge Chhabria tossed the case and questioned whether the shoppers' request for fees and its summary judgment arguments **were a joke**, and the consumers quickly appealed.

During the hearing Tuesday, Kroger's counsel, Sonia Kuester Pfaffenroth of Arnold & Porter Kaye Scholer LLP, argued that the lower court got the law right, and the consumers "won nothing in this case." She noted the consumers lost three motions to dismiss, a motion for preliminary injunction and a motion for summary judgment.

"They never even established at the court below that they had standing to bring this suit," Pfaffenroth argued. "Appellants came nowhere close to substantially prevailing or prevailing in any sense of the word in this case. Instead, they are asking this court for a win and attorneys fees based on orders in separate government cases."

But U.S. Circuit Court Judge Carlos T. Bea asked why another merger is unlikely to occur.

The attorney replied that the injunctions were entered in Oregon and Washington, the parties "unequivocally abandoned" the merger, and any new merger would be subject to new terms and a potentially new antitrust market.

Pfaffenroth also noted that another merger proposal is unlikely because Albertsons **sued** Kroger after the transaction collapsed, accusing the buyer of having "willfully squandered" opportunities to get the tie-up past antitrust scrutiny.

She added that there is no basis to either disturb the ruling below that the case is moot or the finding that the consumers are not the prevailing party.

Cerberus Capital Management LP's counsel, Brian Kulp of Dechert LLP, argued briefly that the consumers had abandoned their claims against his client early in litigation and cannot now keep them alive on appeal.

At the end of the hearing, the panel took the arguments under consideration.

U.S. Circuit Judges Kim McLane Wardlaw, Carlos T. Bea and Gabriel P. Sanchez sat on the panel for the Ninth Circuit.

The consumers were represented during the hearing by Joseph M. Alioto of Alioto Law Firm.

The Kroger Co. was represented during the hearing by Sonia Kuester Pfaffenroth of Arnold & Porter Kaye Scholer LLP.

Cerberus Capital Management LP was represented during the hearing by Brian Kulp of Dechert LLP.

The case is Christine M. Whalen et al. v. Albertsons Companies Inc. et al., case number 25-1324, in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Bryan Koenig. Editing by Michael Watanabe.



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Toxicologist Denies J&J Wanted To 'Control' Talc Study

By **Craig Clough**

Law360 (May 19, 2026, 10:06 PM EDT) -- A former Johnson & Johnson toxicologist denied the company controlled a 1970s study of talc miners by insisting "you do not control" people like the professor behind the study, in a video deposition shown Tuesday to a California jury considering bellwether claims the company's talc products caused deadly ovarian cancer in three women.

John Hopkins worked at J&J from 1976 to 2000, and denied in the video that internal documents show the company manipulated and controlled a study conducted on Italian miners from a site that supplied talc for some of J&J's baby powder and Shower to Shower products.

Much of Hopkins' testimony focused on decades-old documents the plaintiffs argue are proof the company knew its talc contained asbestos and hid it from the public. The old documents have fueled thousands of talc-related lawsuits against J&J, and Hopkins' deposition itself is also years old now, as it was filmed in 2018.

The 1976 study was published in the Journal of Occupational Medicine by Dr. Giovanni F. Rubino and some of his colleagues and found no excessive deaths due to lung cancer or mesothelioma among the miners and millers but an increased risk of a lung disease called pneumoconiosis due to silica exposure but not from talc.

Questioned by a plaintiffs' attorney who was off camera and not identified in the video, Hopkins first agreed that scientific research should be unbiased, and that J&J funded Rubino's study.

"They initiated it and funded it specifically so they could control it, correct?" the attorney asked.

"That's speculative, you don't control people like Dr. Rubino," Hopkins said.

"Did you know him?" the attorney asked.

"I did not know him, but I knew figures who did know him and they had a view that he was a very forthright upright citizen," Hopkins said.

The jury had already seen some of Hopkins' testimony in which he denied that internal documents show J&J knew its talc contained asbestos. He has **also testified** in other litigation on behalf of J&J.

In the video shown Tuesday, the plaintiffs' attorney challenged Hopkins with an internal company memo where a J&J executive wrote, "I think it's important that we originate this study and therefore control the work." After some back and forth, Hopkins agreed "that is what is written."

The attorney then said the executive wrote that the study should exclude people who were acutely ill.

"So anyone who was acutely ill was not included in a study that was designed to look for people who are ill, correct?" the attorney asked.

When Hopkins said that if someone had a brain tumor they would be acutely ill, the attorney interrupted and asked, "Does cancer make you acutely ill?" Hopkins agreed that it did.

Throughout his deposition, Hopkins pushed back on suggestions the company tolerated asbestos in

its talc or hid information from the public. When the attorney pointed to three different memos where J&J executives discussed the need to "compromise" research linking talc to asbestos, Hopkins insisted they only meant to "challenge" it.

In another 1970s document, J&J wrote to the U.S. Food and Drug Administration that the company concluded that a "substantial" amount of asbestos would be safe to allow in its talc products. Hopkins said the company wrote that only in response to a request from the FDA.

"Nowhere does it say that they advocated for it," Hopkins said, adding that the company's policy has always been that there is no asbestos in its talc, and it has never been the company's position to allow it.

Under questions from an attorney for Johnson & Johnson, Hopkins said he uses the company's talc products on himself and used them on his children because he has no concerns about its safety.

"We still use it," he said.

The trial is the second ovarian cancer bellwether out of hundreds of consolidated cases in Los Angeles County Superior Court to go before a jury since J&J last year abandoned its effort to use Chapter 11 to resolve the thousands of talc cases it is facing nationwide.

In the first bellwether trial, the jury hit J&J with a **\$40 million verdict**, finding its talc products were a substantial factor in two women developing ovarian cancer but declined to award punitive damages.

The Los Angeles cases are among tens of thousands pending nationwide.

Accusations 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 the bankruptcy court rejected **three times**.

Johnson & Johnson developed baby powder using talc and started selling it in the United States in 1894. The products were reformulated in 2020 in the United States and in 2023 for international markets, with cornstarch powder replacing talc as the main ingredient.

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. However, the judge overturned the verdict.

In October 2025, 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 the judge cut the award to **\$16 million**, saying the estate's counsel failed to sufficiently show that J&J had acted maliciously.

Plaintiff 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 of Kirkland & Ellis LLP.

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. v. Johnson & Johnson et al., case number CIVDS1807370, and the coordinated proceeding is Johnson & Johnson Talcum Powder Cases, case number JCCP4872, all in the Superior Court of the State of California, County of Los Angeles.

--Editing by Brian Baresch.