

Securities

Deep Dive

Delaware Recusal Bids Look More Like Odd Blip Than New Normal

May 21, 2026, 2:00 AM PDT

Rumors of a judicial recusal crisis in Delaware's Chancery Court appear to have been greatly exaggerated.

After Elon Musk wielded bias allegations to get his final Delaware cases reassigned, it was only natural the aggressive maneuver by the state's most notorious litigant would spark concerns about judge shopping. Those fears were amplified when shareholder attorneys moved weeks later to disqualify a different judge from cases involving Apollo Global Management Inc. and KKR & Co.

The judge on the receiving end addressed those worries directly, reminding the lawyers of their obligation not to weaponize the process for a perceived edge. "I am hopeful that this motion is an outlier," she wrote. High-profile litigators, meanwhile, have been publicly debating whether a series of two constitutes a "trend" and whether the Musk case should count.

Both recusal bids connected the judge's past in private practice to an April ethics opinion from the American Bar Association discussing the duty of lawyers to raise conflicts of interest "reasonably likely" to result in recusal. The vague framing and the tightly knit nature of Delaware's corporate ecosystem, where a handful of firms steer most major transactions, pointed to a potential flood of copycats.

"There's all kind of gamesmanship that becomes possible under the language in this opinion, which does raise a concern that lawyers could use it tactically," said St. Thomas University law professor Keith Fisher. "If it's unethical to fail to bring up some remote fact that might in some distant universe cause the judge to recuse—that could lead to mischief down the road. Or right now."

The trend, however, is starting to look self-contained. A Bloomberg Law docket analysis suggests the Apollo and KKR disputes may represent the whole iceberg, or at least the bulk of it.

Those requests concern Vice Chancellor Bonnie W. David's career at Skadden, Arps, Slate, Meagher & Flom LLP, which did M&A work related to the two private equity restructurings. But the relatively brief filing window for most corporate cases, combined with the long service of Delaware's judicial roster, means it took unusual circumstances for the issue to come up even twice.

Skadden Ties

Judges aren't generally conflicted out of cases involving their former firm as litigation counsel unless they were there for the matter in question, according to Indiana University law professor Charles Geyh, who said recusal standards balance "the need for impartiality against the need for a steady supply of judges." He also pointed to another ethics rule stating judges who aren't actually disqualified have a "duty to sit."

The upshot is that of the court's seven judges, only David is a plausible candidate for recusal based on her law firm past, and only in increasingly marginal situations. David, who became a magistrate in 2023, received a large transfer of ongoing cases upon elevation to vice chancellor two years later, some of which predated her judicial service.

The universe of disputes capable of featuring a recusal replay is likely limited to those older cases. Barring some strange exception, any other deal negotiated during David's time at Skadden is too stale to litigate.

Bloomberg Law's analysis uncovered just 16 other matters assigned to her—excluding closed cases—that feature the word "Skadden" in the filings. All but two references consist of passing mentions in tangential documents such as supplemental exhibits.

Of the other two lawsuits, one concerns a restructuring at GoDaddy Inc. that resembles the Apollo and KKR transactions, while the other challenges the sale of a smart-appliance business. It's unclear if the deals involved Skadden while David was there. Recusal hasn't come up in either case.

'Pissed Off Judge'

The judge herself expressed skepticism about the latest recusal bid May 18. "I studied the nearly 200 cases on my docket and found no similar issues," she wrote, giving the shareholder attorneys until Friday to disclose if they've learned of other potential Skadden-related conflicts.

David's response to the disqualification motions underscores the traditional check on abuse of the recusal process—the peril of poking the bear and coming away with little more than "a pissed off judge," according to Geyh. Despite the new ABA guidance, that dynamic will probably hold, especially for repeat players in a closed system like Delaware's, he said.

"This opinion gives you a little bit of cover, but a judge is still going to look at it askance if it seems like a strategic motion that has nothing to do with bias and everything to do with trying to purge her from the case," Geyh said.

Dmitry Bam, a University of Maine law professor, echoed that sentiment. He referred to the old adage—found in Machiavelli, Ralph Waldo Emerson, and the HBO crime saga "The Wire"—that if you aim for the king, you'd better not miss.

Self-Created Circus

The Musk case, meanwhile—like so many controversies surrounding him—also makes for poor precedent.

It reflected idiosyncrasies unique to the world's richest person, whose fans are still attacking Chancellor Kathaleen St. J. McCormick, the judge responsible for voiding his record \$56 billion pay plan, even after he moved Tesla Inc. to Texas, got his money back on appeal, and succeeded in shoving her aside.

"Every client that gets an adverse ruling thinks the judge is biased," said Richard Flamm, author of several ethics treatises. "But the Supreme Court has said judicial rulings are not a basis for disqualification, even if they're erroneous and numerous. A judge can be wrong without being biased."

McCormick expressly declined to recuse herself when handing Musk's final Delaware cases off to David. She rejected the billionaire's bias claims, denied endorsing a LinkedIn post taunting him, and pointed instead to the problems caused by excessive media attention.

The danger there is that by capitulating to Musk's campaign against her, the judge may have given the next troublemaker an incentive to engineer another disruptive controversy, according to Bam.

"You don't want to reward a self-created media circus," he said.

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Judge names lead plaintiff in McDermott International securities fraud suit

2026 CORPGDBRF 2581 • By Taylor Kase

Westlaw Corporate Governance Daily Briefing • May 21, 2026

(May 21, 2026) - A Texas federal magistrate judge has appointed an individual investor as lead plaintiff of a subclass in a long-running securities fraud suit against energy contractor McDermott International Inc., rejecting two competing candidates.

Edwards v. McDermott International Inc. et al., No. 18-cv-4330, 2026 WL 1388950 (S.D. Tex. May 18, 2026).

The subclass is composed of investors who purchased or otherwise acquired McDermott stock between Dec. 18, 2017, and Jan. 23, 2020. This period spans the company's acquisition of Chicago Bridge & Iron Co. and its eventual collapse into bankruptcy.

The suit, filed in November 2018, alleges that McDermott, CEO David Dickson and Chief Financial Officer Stuart Spence made materially false or misleading statements about the company's business and its integration of CB&I.

McDermott's share price fell nearly 40% after the company disclosed disappointing third-quarter 2018 results and a \$744 million write-down on three acquired CB&I projects, the complaint says. Between the merger announcement in December 2017 and September 2019, the company lost 92.5% of its value, according to court filings.

McDermott filed for Chapter 11 bankruptcy on Jan. 21, 2020.

Three candidates competed for the lead plaintiff role under the Private Securities Litigation Reform Act, [15 U.S.C.A. § 78u-4\(a\)\(3\)\(B\)](#): the City of Pontiac Reestablished General Employees' Retirement System, Majid Alghaslan, and the Coligado Shareholder Group and its lead member, Christopher Coligado.

The PSLRA creates a rebuttable presumption that the most adequate lead plaintiff is the candidate with the largest financial interest in the relief sought who also satisfies the typicality and adequacy requirements of [Federal Rule of Civil Procedure 23](#).

Largest financial interest

The Coligado Group reported losses of approximately \$1.86 million, the largest of any candidate, and was presumptively entitled to lead plaintiff status, U.S. Magistrate Judge Andrew M. Edison of the Southern District of Texas said.

However, the group's 17 members were too many, Judge Edison said. The Securities and Exchange Commission has taken the position that a lead plaintiff group should ordinarily comprise no more than five people, which Judge Edison used in making his decision.

Alghaslan, who reported \$1.76 million in losses in his opening brief, was disqualified on separate grounds.

In an opposition brief filed 21 days after his opening brief, Alghaslan revised his loss calculations upward, the opinion said. According to the opinion, he claimed for the first time to have suffered greater losses than the Coligado Group while adopting a methodology that halved his fellow candidates' reported losses.

Judge Edison said Alghaslan's "newfound insistence on a loss-calculation method" that "greatly minimize[d] the losses of class members who purchased earlier than him in the class period" was a disqualifying conflict of interest.

Although he had rejected the Coligado Group to serve as lead plaintiff, Judge Edison considered Christopher Coligado individually, following the established practice of evaluating the largest shareholder of a rejected group as if he had moved alone.

Coligado individually reported losses of approximately \$586,833, more than the \$419,089 claimed by Pontiac, the remaining candidate, giving him the largest financial interest among eligible contenders, the opinion said.

Judge Edison determined that Coligado's claims were typical of the subclass because proving his injury would necessarily establish the conduct underlying all of the subclass's claims. No party had identified any conflict of interest or unique defense that would render Coligado an inadequate representative, the magistrate added.

Wolf Haldenstein Adler Freeman & Herz LLP will serve as lead counsel, with Reynolds Frizzell LLP as liaison counsel. Judge Edison said both firms have substantial experience in securities class-action litigation and the resources necessary to pursue the action.

By Taylor Kase

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Related Articles from Westlaw Securities Enforcement & Litigation Daily Briefing:

Article: 5th Circuit affirms subclasses in McDermott investor suit [2025 SECDBRF 3668](#)

Date: October 8, 2025

The 5th U.S. Circuit Court of Appeals has affirmed a district court's certification of two subclasses of shareholders in a securities fraud class action against McDermott International Inc., citing a "fundamental conflict" between them.

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The leaders steering Israel Bonds through a historic moment

 [jpost.com/business-and-innovation/article-896450](https://www.jpost.com/business-and-innovation/article-896450)

JERUSALEM POST STAFF, IN COLLABORATION WITH ISRAEL BONDS

May 20, 2026

Following a period of record investment, Israel Bonds welcomes Laura Stein as the next chair of its National Campaign Advisory Council.



Laura Stein, incoming chair of the Israel Bonds National Campaign Advisory Council.

(photo credit: Courtesy of Laura Stein)

At a special [Israel Bonds](https://www.jpost.com/business-and-innovation/article-896450) Council meeting in New York City on May 20, senior leaders gathered to mark the organization's 75th anniversary and to celebrate the appointment of Laura Stein, a Los Angeles-based attorney, as chair of the National Campaign Advisory Council.

Stein succeeds Larry Olschwanger, a longstanding Dallas-based advocate who was instrumental in the organization's response following the devastating October 7, 2023, Hamas attacks.



Larry Olschwanger, of Dallas, outgoing chair of Israel Bonds National Campaign Advisory Council, whose leadership helped strengthen Israel's economic foundation over his tenure. (credit: Courtesy of Larry Olschwanger)

Dani Naveh, president and CEO of Israel Bonds, said of the new chair, "Laura Stein is a role model of unconditional support for the State of Israel and its people. Our lay leaders play a decisive role in Israel Bonds campaigns—I am deeply grateful to Larry Olschwanger for his tireless dedication and the profound impact he made during one of the

most consequential periods in Israel Bonds' history. I look forward to seeing Laura inspire new investors, new leaders, and new expressions of solidarity with Israel."

Andrew M. Hutter, MD, National and International Chairman of the Board of Israel Bonds, added, "Laura Stein's election reflects both the strength and continuity of leadership within Israel Bonds at a pivotal moment in its 75-year history. Her deep commitment to the mission and proven record of service ensure that this next chapter will continue to strengthen the vital bond between the State of Israel and global investors. I have had the pleasure of working with Laura in her role as board member the past few years and I am excited about working with her in her new position."

Dr. Hutter went on to say: "I also want to express deep appreciation to Larry Olschwanger for his dedicated service and leadership as chair, particularly during a period marked by extraordinary challenges and significance for Israel Bonds and the State of Israel."

When Passion Turned Into Purpose



Larry Olschwanger addresses fellow leaders during the Israel Bonds Leadership Solidarity Mission to Israel (credit: SHAHAR AZRAN)

Olschwanger became involved with Israel Bonds after a formative first trip to Israel in 2010.

For someone who grew up in Dallas, where Jewish residents made up just one percent of the population, stepping off the plane in Tel Aviv and seeing the Star of David emblazoned across the many stationed aircraft and terminal flags was enough to move him to tears.

"When I came back to Dallas, the people I was close with saw my passion towards Israel and encouraged me to get involved," said Olschwanger. "I got started in a very small way on my local council, and the work just resonated with me."

Olschwanger continued, "Israel Bonds is a unique organization because people aren't donating. They are investing – and they get a good return. It's the most impactful way to support the State of Israel."

Leading Through Crisis

Olschwanger was elected the Council chair in March 2023. His tenure was shaped almost immediately by the events of October 7, which prompted Israel Bonds to launch a sweeping emergency investment campaign unlike any other in the organization's history.

Within 30 days of October 7, after a sprint of daily calls, Zooms, and lay leader outreach, the organization generated over \$1 billion globally for the State of Israel.



Larry Olschwanger speaks at the 2025 Israel Bonds Leadership Conference in Dallas. (credit: SHAHAR AZRAN)

"It was a galvanizing campaign," Olschwanger said. "The economic cost to the country was tremendous; Israel essentially shut down, so it was the most fulfilling period of leadership I've had in any organization. Hopefully, we never face it again, but it was a unique opportunity to contribute to our beloved Israel."

He was also among the first to travel to Israel on a solidarity delegation with Israel Bonds, visiting the grounds of Kibbutz Kfar Aza, the community whose residents were brutally attacked by militants, and the memorial site of the Nova music festival, where concert-goers were victims of terrorism.



Larry Olschwanger at the memorial site of the Nova music festival on a solidarity delegation with Israel Bonds. (credit: SHAHAR AZRAN)

Since October 7, 2023, Israel Bonds has raised more than \$7.7 billion globally, bringing its total to more than \$57 billion since its founding over 75 years ago.

A Lifetime of Pro-Israel Advocacy

Stein, a Los Angeles native, brings to the role a distinguished professional record and decades of deep institutional involvement with Israel Bonds. She is Of Counsel at Robbins Geller Rudman & Dowd LLP, where she has practiced securities class action litigation and asset recovery law for more than three decades.

Her relationship with Israel Bonds is as personal as it is professional. "When I was Bat Mitzvah-ed on Masada, my mother gave me my first Israel bond," she said. "When my daughter was Bat Mitzvah-ed on Masada, we did the same thing. Israel Bonds has always been the most direct path to show my Zionism and support my ancestral homeland."



Laura Stein's son makes his Bar Mitzvah at the Wall (credit: Courtesy of Laura Stein)

Her leadership within Israel Bonds spans many years, including her service as Chair of the Los Angeles Women's Division and Chair of the Los Angeles Leadership Council. She has also served with distinction on the National Campaign Advisory Council, and is a member of the US Board of Directors of the Development Corporation for Israel. Her broader communal footprint is equally expansive: she serves on the Boards of StandWithUs, WIZO (Women's International Zionist Organization), the Los Angeles Board of JNF and Beat the Streets Los Angeles, among other important efforts.

To Stein, those commitments are not competing priorities.

"I see what Israel Bonds does as complementary and supportive of the work of every other organization I'm involved with," she said. "It's about opportunity and education – once people understand the real impact of investing in Israel Bonds, they see that this is a very effective, efficient way to make a difference."

Cultivating New Champions for Israel

Central to Stein's work ahead will be reactivating a community that has given enormously over the past few years but feels the fatigue of supporting Israel during a difficult period.

"We've all been through a lot," Stein said. "But I want our lay leaders to understand we still need them more so than ever."



Laura Stein at Israel Bonds Challah Bake in LA. (credit: Courtesy of Laura Stein)

The current network of geographically diverse lay leaders is also part of Olschwanger's legacy as national chair. During his tenure, Israel Bonds expanded into cities with sizable Jewish populations, like Phoenix and Denver, that lacked local representation by the organization.

"I want to engage them, reset, and encourage them to reach out to their networks to have conversations and create opportunities to talk about the real impact that Israel Bonds has," Stein said.

The Significance of 75 Years

Since its founding in 1951, Israel Bonds has pursued a single mission: to raise capital for Israel's economic development. The 75th anniversary arrives at a moment that underscores the urgency and the enduring relevance of that mission.

For Stein, the role carries a weight that is historic and deeply personal. "I couldn't imagine a greater honor," she said. "I feel like I'm filling the big shoes of my mother, who played such an active role in so many important Jewish organizations. I welcome this chance to make a real difference."



Laura Stein with her mother, z"l, on an early trip to Israel. (credit: Courtesy of Laura Stein)

Development Corporation for Israel/Israel Bonds (DCI) is a broker-dealer that sells Israel bonds. The content in this article was prepared by DCI and The Jerusalem Post as part of a paid advertising campaign for DCI. This is not an offer that can be made only by prospectus. Read the prospectus carefully before investing to fully evaluate the risks associated with investing in Israel Bonds. Member FINRA. www.israelbonds.com

Written in collaboration with Israel Bonds

Securities

Pinterest Top Brass Downplayed Economic Pressures, Investor Says

May 20, 2026, 2:14 PM PDT

A Pinterest shareholder sued the company's executives and directors, arguing they misled investors about the social media platform's resilience to economic pressures and seeking damages for over \$462 million in stock buybacks at allegedly inflated prices.

Pinterest executives downplayed how tariffs and economic uncertainty would impact major retail advertisers that provide substantial revenue to the platform, according to the shareholder derivative complaint filed Tuesday in the US District Court for the Northern District of California.

The lawsuit targets 12 current and former Pinterest officials, including CEO William Ready and Chief Financial Officer Julia Brau Donnelly. It claims they made false statements from February 2025 to February 2026 about Pinterest's ability to weather macroeconomic headwinds.

Executives allegedly touted the platform's "resilience" and "secular growth story" while knowing that major retail partners were reducing advertising spending due to tariff-related margin pressures. When Pinterest finally disclosed disappointing revenue guidance in November 2025, its stock price fell nearly 22% in one day, according to the complaint. The stock dropped another 17% in February 2026 when executives attributed poor performance to tariff impacts on retail advertisers, the suit said.

Pinterest was hit with a proposed class action in March making similar claims that the company overhyped its resiliency in the face of Trump administration tariffs impacting its advertising partners.

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

Brown Law Firm PC represents the shareholder.

The case is Azima v. Ready , N.D. Cal., No. 4:26-cv-04771, complaint 5/19/26 .

This story was produced by Bloomberg Law Automation.

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Guys I know it's not on everyone's mind but it's bizarre to me that FS Credit Opportunities v. Saba was argued in December and we still don't have an opinion.

It's a securities case, usually they toss those poorly-reasoned decisions out first thing

7:13 AM · May 21, 2026 Everybody can reply

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I'm sure SCOTUS's Trump enablers are twisting themselves inside out to support a ruling that takes care of Trump's Billionaire supporters.



Securities

DZS Former Executives to Settle Investors' Accounting Claims

May 20, 2026, 12:02 PM PDT

DZS Inc.'s former CEO and chief financial officer agreed to pay \$2.9 million to settle a proposed securities class action alleging the telecommunications software company misrepresented its accounting abilities.

Former CEO Charles D. Vogt and ex-CFO Misty Kawecki, who remain in the suit after DZS filed for Chapter 7 bankruptcy and was acquired by Zhone Technologies Inc. last year, asked the US District Court for the Eastern District of Texas on Tuesday to preliminarily approve the proposed settlement.

The consolidated suit alleged DZS misled investors before saying it needed restate a 2023 financial statement due to improper revenue recognition related to two customer projects

Estimated maximum damages are about \$45 million, making the accord's roughly 7% recovery a favorable result, particularly in light of the risk of depleting insurance proceeds through continued litigation, the investors told Judge Sean D. Jordan

The executives deny the allegations, according to the agreement

Levi & Korsinsky LLP is lead counsel for the investors. Baker Botts LLP represents Vogt and Kawecki.

The case is In re DZS Inc. Sec. Litig. , E.D. Tex., No. 4:23-cv-00549, motion 5/19/26 .

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Litigation

Manage Newsletters

Rivian's \$250 Million IPO Investor Settlement Gets Court Sendoff

May 21, 2026, 9:21 AM PDT

Rivian Automotive Inc.'s \$250 million investor accord garnered a federal judge's final blessing, resolving allegations the electric-vehicle maker hid inevitable price hikes surrounding its initial public offering.

The investors' class counsel will get \$60 million—24% of the settlement total—in attorneys' fees and \$6.46 million for litigation costs, Judge Josephine L. Staton said, approving the settlement Wednesday. The investors serving as class representatives will get almost \$96,000, the US District Court for the Central District of California judge said.

The class action—levying both securities fraud and non-fraud, IPO-related claims—alleged false and misleading statements in Rivian's IPO paperwork and a 2021 earnings call

The classes cover investors who purchased stock through March 10, 2022, with the IPO-related class period starting on Nov. 10, 2021

The securities-fraud claim class includes investors who acquired stock starting on Nov. 11, 2021, and excludes those who got it at the IPO price

Class counsel Kessler Topaz Meltzer & Check LLP didn't immediately respond to an email seeking comment.

Freshfields US LLP, which declined to comment, represents Rivian and leadership targeted by the suit. Rivian, which didn't admit wrongdoing in the deal, didn't immediately respond to an email seeking comment.

Orrick, Herrington & Sutcliffe LLP represents underwriters, among them units of Morgan Stanley, Goldman Sachs Group Inc., and JPMorgan Chase & Co.

The case is *Crews v. Rivian Auto., Inc.*, C.D. Cal., No. 2:22-cv-01524, final approval order 5/20/26 .

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Securities

Manage Newsletters

Goldman to Pay \$500 Million Investor Class Deal in 1MDB Suit

May 21, 2026, 7:32 AM PDT

Summary by Bloomberg AI

AI Generated



- Goldman Sachs Group Inc. agreed to pay half a billion dollars to resolve investor class allegations that the banking giant misled them about its involvement in the 1Malaysia Development Berhad scandal.
- The deal would end more than seven years of litigation against Goldman, former CEO Lloyd Blankfein, and former Chief Operating Officer Gary Cohn.
- Goldman and the former executives denied wrongdoing through the agreement.

Goldman Sachs Group Inc. agreed to pay half a billion dollars to resolve investor class allegations that the banking giant misled them about its involvement in the 1Malaysia Development Berhad scandal.

It'll be one of the top 20 largest settlements in the US Court of Appeals for the Second Circuit since a 1995 law was enacted aimed at curbing frivolous securities class actions, the Swedish pension fund leading the suit told the US District Court for the Southern District of New York in a filing Wednesday.

The deal would end more than seven years of litigation against Goldman, former CEO Lloyd Blankfein, and former Chief Operating Officer Gary Cohn.

1MDB was ostensibly created to stimulate economic development in Malaysia, but billions of its dollars were allegedly misappropriated for extravagant lifestyles, bribes, and business investments.

Goldman helped sell \$6.5 billion of bonds for 1MDB, facing legal repercussions for its involvement in the global corruption scandal. It agreed in 2020 to pay \$2.9 billion to settle with the US Department of Justice and parallel foreign authorities. Two Goldman bankers were convicted of helping to loot 1MDB.

Goldman and the former executives denied wrongdoing through the agreement.

The deal comes months after Goldman was denied permission to appeal Judge Vernon S. Broderick's certification of a class of investors who got its stock from Dec. 22, 2016, through Nov. 8, 2018. In adopting a magistrate judge's 2024 recommendation, Broderick disagreed with the bank's arguments against certification—including ones relying on a Second Circuit ruling to dismantle another Goldman investor class.

Unlike in that case, Goldman failed here to rebut a presumption afforded to shareholders that a class of them relied on alleged misrepresentations about the bank's involvement with the 1MDB scandal, the court said.

Kessler Topaz Meltzer & Check LLP is class counsel. Munger, Tolles & Olson LLP represents Goldman. Neither of these two law firms nor Goldman immediately responded to emails seeking comment.

Paul, Weiss, Rifkind, Wharton & Garrison LLP represents Blankfein. Milbank LLP represents Cohn.

The case is *Sjunde AP-Fonden v. The Goldman Sachs Grp., Inc.*, S.D.N.Y., No. 1:18-cv-12084, 5/20/26 .

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Class Action

Manage Newsletters

THL, Agiliti Agree to \$32 Million Settlement Ending Buyout Case

May 20, 2026, 12:06 PM PDT

Thomas H. Lee Partners LP and Agiliti Inc. plan to pay \$32 million to end litigation over the medical equipment maker's \$2.5 billion private equity sale, according to court filings.

The class action settlement, filed in Delaware's Chancery Court, would resolve claims that the buyout firm exploited an inside track to force through a transaction cashing out public investors for an unfair \$10 per share. The consolidated lawsuit, filed in 2024, said Agiliti's CEO hired conflicted advisers—with THL's backing — and directed them to prioritize side deals for senior management, including payouts, rollover equity, and continued employment.

Abuses of corporate control reflect a running theme for Delaware's chief business tribunal, particularly in the context of take-private acquisitions that get special legal scrutiny unless they include onerous minority investor protections or fit into one of the self-dealing safe harbors enacted by lawmakers last year.

The agreement doesn't constitute an admission of wrongdoing or liability by THL, Agiliti, or the former company leaders also named as defendants, according to the May 18 filing disclosing the legal accord. The settlement requires the approval of the presiding judge, Vice Chancellor Morgan T. Zurn, to ensure fairness to outside parties such as former Agiliti investors not directly involved in the case.

Block & Leviton LLP and Elsberg, Baker & Maruri PLLC are lead counsel for the ex-shareholders. THL and Agiliti's former board are represented by Ross Aronstam & Moritz LLP and Kellogg, Hansen, Todd, Figel & Frederick PLLC. The company's special litigation committee is represented by Richards, Layton & Finger PA and Weil, Gotshal & Manges LLP.

The case is In re Agiliti Inc. S'holder Litig. , Del. Ch., No. 2024-1247, settlement filed 5/18/26 .

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Class Action

Manage Newsletters

Long Island Hospital Settles Retirement Plan Fee, Fund Challenge

May 21, 2026, 5:42 AM PDT

Long Island Community Hospital agreed to a class-wide settlement with former hospital workers who said their retirement plan offered pricey investments and a poorly performing stable value fund.

The parties announced the deal Wednesday in the US District Court for the Eastern District of New York, telling Judge Gary R. Brown that they planned to file details of the agreement for court approval within 90 days.

The lawsuit claims the hospital's retirement plan offered mutual funds in high-cost share classes that could have been obtained for less money

It also allegedly offered a stable value fund that provided paltry returns

Hundreds of employers have been accused of retirement plan mismanagement over the past several years, and most class settlements negotiated between 2022 and 2025 were for less than \$2 million

Mayer Brown LLP represents the hospital. Pomerantz LLP represents the workers.

The case is *Jacobsen v. Long Island Cmty. Hosp.*, E.D.N.Y., No. 2:24-cv-00386, settlement notice 5/20/26 .

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Second Circuit Rejects Attempt Narrowly to Construe Settlement Agreement

In 2019, Visa and Mastercard settled a federal antitrust class action. Gasoline retailers who didn't opt out then filed their own state-law claims. The court ruled in 2026 that these retailers were bound by the original settlement's releases, dismissing their suit. The decision clarified that courts interpret settlement terms based on extrinsic evidence when ambiguous, and that indirect purchasers (like gasoline suppliers) are generally covered by such settlements if they "accepted" the payment cards. The ruling emphasizes the importance of understanding settlement scope and release language in complex antitrust cases.

May 20, 2026 at 10:45 AM By **Thomas E.L. Dewey**



Thomas E. L. Dewey of Dewey Pegno & Kramarsky. Courtesy photo

In 2019, Visa and Mastercard reached a class settlement with merchants who had brought claims alleging them federal antitrust violations. Rather than opt out of the settlement, and despite the

releases in the settlement agreement, a group of gasoline retail companies filed a separate class action, *Old Jericho Enterprise, Inc. et al. v. Visa, Inc. et al.*, alleging state antitrust violations.

On May 4, 2026, the Second Circuit affirmed the district court’s decision dismissing the suit on the ground that the gasoline companies were bound by the class settlement. The decision highlights how courts approach interpretation of class settlements.

Background

The matter stemmed from a 2019 settlement, which followed 15 years of litigation, that Visa, Inc. (Visa) and Mastercard, Inc. (Mastercard) entered into to resolve a federal antitrust class action. The action was brought by a class of merchants that had accepted Visa and Mastercard payment cards during the class period.

The settlement class included “all persons, businesses, and other entities that have accepted any Visa-Branded Cards and/or Mastercard-Branded Cards in the United States [during the class period],” and the claims related to the fees Visa and Mastercard charged these merchants to process transactions.

A key dispute in the initial suit was whether the class plaintiffs were direct or indirect purchasers; if they were indirect, as Visa and Mastercard argued, they lacked standing to bring federal antitrust claims under *Illinois Brick Co. v. Illinois*, 431 U.S. 720 (1977) (although, notably, certain states allow indirect purchaser antitrust claims). The issue was never resolved in the initial action, but the district court, in approving the class settlement, noted the litigation risk the indirect purchaser argument presented.

The parties that filed the new lawsuit were gasoline retailers that had accepted Visa and Mastercard payment cards and did business in states that did allow indirect purchasers to file antitrust claims (appellants). The appellants did not opt out of the class settlement in the initial action, but instead filed their own putative class action complaint asserting state-law claims seeking damages for the same alleged antitrust violations by defendants.

On Sept. 5, 2024, Chief Judge Margo K. Brodie of the Eastern District of New York concluded on summary judgment that Appellants were members of the settlement class and thus bound by its release, and entered judgment in favor of Visa and Mastercard. The appeal followed.

The Court’s Decision

Standard of Review

First, the Second Circuit considered what standard to use in reviewing the district court’s decision that appellants were parties to the settlement agreement. Generally, where the terms of a

settlement agreement are unambiguous, courts will review a district court's interpretation *de novo*.

Here, however, the district court had found that the language of the settlement agreement was ambiguous. The court had therefore considered extrinsic evidence, including the parties' intentions in drafting the settlement agreement, to determine the scope of the settlement class. Such findings are typically considered factual findings, which the Second Circuit reviews for "clear error."

Appellants nonetheless urged the Second Circuit to review *de novo* whether the district court had appropriately followed Second Circuit precedent in *Fikes Wholesale, Inc. v. HSBC Bank USA, N.A.*, 62 F.4th 704, 713-14 (2d Cir. 2023), which appellants argued required the District Court to independently determine who the "direct payor" of the challenged fee was for each relevant transaction.

Because appellants were arguably indirect purchasers, as banks typically pay the credit card processing fees, such an analysis might have yielded a conclusion that they were not a part of the settlement class.

The Second Circuit, however, rejected appellants' argument, holding that *Fikes* was cabined to ascertainability challenges. That is, the court held that *Fikes* stood only for the proposition that a district court *could* determine who the "direct payor" of the challenged fee was in each instance by analyzing each transaction, so a direct purchaser class was ascertainable as a matter of principle.

Scope of Settlement Class

The Second Circuit went on to review for clear error the district court's holding that appellants were members of the settlement class. The issue turned on whether Appellants, gasoline retailers, themselves "accepted" Visa and Mastercard usage, or whether their gasoline suppliers, who provided authorization for them to accept such payments, did so.

The district court had found that the term "accepted" was ambiguous as drafted in the settlement agreement, but that extrinsic evidence indicated that Appellants themselves accepted Visa and Mastercard payments, given that in a typical transaction, a customer hands a credit card to a retail gas station operator, who then "accepts" it for payment. The Second Circuit "discern[ed] no clear error" in the district court's determination.

Scope of Releases

The class settlement agreement in the initial action purported to release all claims stemming from the same factual predicate as the initial action. Appellants argued, though, that their claims had a

meaningfully distinct factual predicate, due to the presence of their gasoline suppliers, who in many cases had the authority to restrict which credit cards they were allowed to accept.

The district court, and the Second Circuit, rejected this argument, holding that the class plaintiffs in the initial actions all had intermediaries (although typically banks as opposed to gasoline suppliers), and the presence of a second intermediary here was insufficient to create a distinct factual predicate.

Adequacy

Finally, the Second Circuit rejected appellants' contention that class representation had been inadequate, finding that there was sufficient alignment of interest between the class members, and that the settlement agreement fairly provided each class plaintiff with their *pro rata* share of the monetary fund.

Conclusion

The court's decision in *Old Jericho* highlights the complexity involved in antitrust class settlements, and the counterintuitive options plaintiffs may have to maximize recovery. Appellants here had several paths before them: they could have accepted the settlement and received their *pro-rata* share, opted out of the settlement and individually litigated their claims (as many other putative settlement class members did), or brought a new case.

Ultimately, appellants' choice cost them only (possibly) attorneys' fees, as the Second Circuit's holding confirmed that Appellants were in fact members of the settlement class, and thus entitled to their *pro rata* share of the settlement. Thus, while the suit was unsuccessful, appellants' position remains the same as it was before the suit was brought, while purchasers who opted out of the class still face the risk of recovering nothing at all.

Thomas E.L. Dewey is a partner at Dewey Pegno & Kramarsky. **Leon Sunstein**, an associate at the firm, assisted in the preparation of this article.

Page printed from: <https://www.law.com/newyorklawjournal/2026/05/20/second-circuit-rejects-attempt-narrowly-to-construe-settlement-agreement/print/>

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California Brief

Meta Settles School Suit Over Social Media, Averting First Trial

May 21, 2026, 10:37 AM PDT

Meta Platforms Inc. reached an agreement to settle a landmark lawsuit alleging that addiction to Instagram and other top social media platforms upended learning across America and pushed US public schools to spend enormous resources fighting a mental health crisis, according to a court filing.

Meta was the sole remaining defendant in a trial scheduled for June after Snap Inc., Google's YouTube and TikTok settled a week earlier. The terms of Meta's settlement were not disclosed in Thursday's filing, but a spate of additional lawsuits brought by school districts could open the tech companies to a "collective theoretical liability of almost \$400 billion," according to an estimate from Bloomberg Intelligence.

In a statement, plaintiffs' attorneys Lexi Hazam, Previn Warren, Chris Seeger and Ronald Johnson confirmed they had resolved Breathitt County School District's claims against Meta, as well as its claims against Snap, TikTok and YouTube. "Our focus remains on pursuing justice for the remaining 1,200 school districts who have filed cases," the attorneys said in a joint statement.

A Meta spokesperson said, "we've resolved this case amicably and remain focused on our longstanding work to build protections like Teen Accounts that help teens stay safe online, while giving parents simple controls to support their families."

It's been a busy year for tech companies embroiled in child safety litigation. Meta and Google went to trial in a first-of-its-kind personal injury suit over youth social media addiction in January in Los Angeles. A jury found the companies liable for harming a 20-year-old woman with products designed to keep her hooked, awarding a total of \$6 million in damages. TikTok and Snap, also named in the suit, settled just ahead of that trial.

In March, Meta lost a separate case in New Mexico alleging the company failed to protect children from online predators; jurors assessed a penalty of \$375 million.

Thursday's settlement means that Meta Chief Executive Officer Mark Zuckerberg, head of Instagram **Adam Mosseri** and other top executives will no longer have to testify in the trial, which was set to begin June 12 in federal court in Oakland, California. But another case against Meta brought by dozens of state attorneys general is slated to begin in August, and a defeat for the company could force it to change how its products operate.

Meta and its rivals have downplayed the financial impact of the lawsuits and cultural backlash over child safety on their platforms. On Meta's most recent earnings call with investors, Zuckerberg didn't address the topic; Chief Financial Officer Susan Li, in prepared remarks, said only that "we continue to see scrutiny on youth-related issues and have additional trials scheduled for this year in the U.S., which may ultimately result in a material loss."

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Meta Appeals to Dutch Supreme Court Over Ruling on Facebook and Instagram Feeds

Meta, advised by independent Dutch firm De Brauw Blackstone Westbroek, is involved in a landmark case that could spur more private enforcement actions across Europe—and potentially fines of €10 million (\$11.6 million) per day if Meta is unsuccessful.

May 21, 2026 at 11:59 AM By  **Linda A. Thompson**



Social media mobile apps including Facebook and Instagram; Courtesy Photo

After losing before two lower courts, Meta has turned to the Dutch Supreme Court in a bid to fend off a court order instructing the social media giant to allow Instagram and Facebook users in the Netherlands to view their timelines chronologically rather than via algorithmically personalized feeds.

Meta will now contest the decision on procedural grounds before the Dutch Supreme Court, represented by De Brauw Blackstone Westbroek, the independent Dutch firm that has emerged as

Big Tech's go-to firm in the Netherlands.

The challenge comes after the first successful private enforcement case of the EU's safer internet law brought by the NGO Bits of Freedom, represented by boutique firm Bureau Brandeis.

Meta is challenging a March ruling by the Amsterdam Court of Appeals that ordered it to let Facebook and Instagram users choose chronological feeds as their default setting.

Following a lower district court order, the appeal court judges also set a daily penalty of €10 million (\$11.6 million) per day if the social media giant doesn't comply with the judgement. No fines have been issued so far.

A spokesperson for De Brauw declined to comment on its role in the Supreme Court appeal. Meta has been contacted for comment.

Digital Services Act

De Brauw is expected to argue before the Supreme Court that the case should have been handled under the standard full-scale proceedings route, rather than the expedited summary proceedings. In a previous statement, the company told Law.com that there was "no urgent interest and that these proceedings are not the appropriate way for a complex case like this to be heard."

A policy adviser at Bits of Freedom, the NGO that brought the case against Meta, said they are still in talks with Meta to assess its level of compliance.

The Netherlands, the only EU country with an opt-out class action regime, has rapidly emerged as the prime destination for private enforcement of a recently adopted EU safer Internet law known as the Digital Services Act.

This week alone, a class action was filed against the U.S. marketing platform AppLovin; while Bits of Freedom, along with a number of other NGOs, sent a summons letter to Meta over its deletion of Instagram accounts of LGBTQ users and organisations, the first step to any legal procedure.

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Analysis | **Litigation Strategy**

Public vs. Private Nuisance: Emerging Litigation Deploys Time-Tested Tactics Against Data Centers

"It's well established that you can't have an unreasonable interference with someone's ability to use and enjoy their property, and that's exactly what these centers present," plaintiffs' counsel Emma Deitz of Weitz & Luxenburg told Law.com.

May 21, 2026 at 09:54 AM By  **Alex Anteau** and **Nicholas Malfitano**



Credit: shock/Adobe Stock

As large data centers spread across the country at an exponential rate, disgruntled residents in their orbit are starting to explore the ways they can push back in civil court.

One community that has recently decided to take on big tech is the upstate New York town of North Tonawanda. For decades, the plaintiff-residents said their town was a quiet, peaceful hamlet known for its scenic charm and proximity to the Erie Barge Canal and Niagara Falls. However, they allege that all that changed when tech company Digi Power X bought and transformed a nearby power plant into a bitcoin mining data center.

The effect was immediate, as a "powerful, unrelenting noise and low frequency vibrations" settled over the town, causing sleep disturbances and persistent anxiety and fatigue among the residents. One resident called it "an inescapable noise nightmare." Even local animals began showing signs of distress.

While the city hit the data center with multiple \$250 fines for violating noise ordinances, officials expressed concerns that the current, 30-year-old rules don't meaningfully curb the side-effects of crypto mining. As a result, the concerned residents of North Tonawanda sued under a different cause of action: nuisance law.

"These aren't novel theories," plaintiffs' counsel Robin Greenwald of Weitz Luxenburg told Law.com in a video call. "What's new is data centers, because they're proliferating at a ridiculous rate. But these causes of action are not new at all."

The North Tonawandans argue that the incessant sound emanating from the plant has led to increased health concerns, interfered with the private right of use of their properties, and diminished property value, among other issues—all of which are violations of public and private nuisance laws. Per the complaint, "The nuisance is continuing in nature and causes new and ongoing injury each day that the facility operates."

"It's well established that you can't have an unreasonable interference with someone's ability to use and enjoy their property, and that's exactly what these centers present," plaintiffs counsel Emma Deitz of Weitz & Luxenburg told Law.com.

According to University at Buffalo School of Law tort professor Clayton Masterman, some of these nuisance claims have a higher likelihood of success than others.

"If you're a plaintiffs' attorney trying to sue defendants who are creating data centers, you'll have a harder time if you're trying to bring a public nuisance claim than if you can figure out a way to say, 'This is an interference with my use and enjoyment of my land,'" Masterman said.

Masterman added that there's a lot of debate currently going on in the legal system over what type of things can be litigated as a public nuisance. For instance, opioid lawsuits were litigated as a public nuisance and settled on that basis, but before the settlement, state courts were "going in all different directions" on the subject and a clear resolution on that question was not found. This lack of uniformity also persists in ongoing claims involving microplastics, greenhouse gases and social media.

Masterman also noted that it's easier to obtain compensatory damages in a private nuisance case, as compared to a public nuisance case, where a potential remedy would be something like an abatement order. According to their complaint, the North Tonawandans want both; demanding

financial compensation for any medical damages, emotional distress, loss of property value, plus an "Immediate temporary injunction against [the] defendant to prevent further harm to [the] plaintiffs."

While experts say it's still too soon to forecast exactly how the bulk of these claims will play out, some early lawsuits are starting to give litigators an idea of what types of results their clients might expect.

According to Mandy DeRoche, deputy managing attorney at Earthjustice, so far these complaints have tended to lead to negotiations on how to mitigate disturbances, usually by adjusting a facility's hours of operation to allow for quiet hours at night.

"Is that great? No. Is it better? Yes." DeRoche said.

However, other plaintiffs have seen success in fully shutting down defendant data centers. For example, in March, a bitcoin mine owner CleanSpark closed a facility in rural Tennessee after settling with a group of residents who sued in Washington County Chancery Court, according to [WCYB News](#).

Regardless how these claims get resolved, though, plaintiffs' attorneys say they will likely keep coming.

"This is the only case that we have filed right now, but there are 4,000 data centers across the United States that are currently operating," Deitz said. "Our understanding is that in every single place that there is one of these massive data centers ... they are generating 24/7 noise and harming the community in that way."

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FT PROFESSIONAL

Mergers & Acquisitions**Project Astra: the \$420bn merger powering the US AI revolution**

Proposed deal between NextEra and Dominion would cement control of US 'data centre alley'



Virginia's 'data centre alley' is at the epicentre of America's AI infrastructure build-out © Andrew Caballero-Reynolds/AFP/Getty Images

Oliver Barnes, James Fontanella-Khan, Martha Muir and Jamie Smyth in New York

Published MAY 18 2026



In the northern Virginia town of Ashburn, the suburban quiet for its 40,000 residents is punctured by the constant hum of more than 150 data centres that power the AI revolution rewiring the US economy.

Dozens more are planned for this 40 sq km patch of land, known as “data centre alley”, which has become one of the most strategic infrastructure locations in America and the logic behind NextEra Energy’s [\\$420bn tie-up](#) with Dominion Energy unveiled on Monday. One of the largest mergers in US history would hand a single company enormous influence over the electricity network across the eastern seaboard underpinning the AI boom.

The [merger](#) captures a defining feature of President Donald Trump's second term: the return of politically explosive megadeals once deemed unthinkable because of their size and impact on Americans. As Washington races to secure US dominance in AI, power generation has become both a strategic priority and a source of mounting political anger over surging energy prices.

NextEra and Dominion will need to convince the Trump administration and multiple regulators that powering America's AI ambitions will not come at the expense of consumers already squeezed by inflation and rising electricity bills. It promises to be a bruising fight, though Trump's aggressively pro-dealmaking administration may offer the industry its best opening in years for a transaction of this scale.

NextEra agreed to pay an equivalent of \$76 a share in stock for Dominion, giving the group an enterprise value of almost \$124bn, including \$56.7bn in debt. The completion of the deal, the largest this year, is in league with Paramount Skydance's \$111bn deal for Warner Bros Discovery in terms of size and political sensitivity. The FT [reported on Friday](#) that the companies were nearing a deal.

For decades, utilities were seen as among the dullest corners of corporate America — stable, heavily regulated and less focused on big deals than simply keeping the lights on and paying shareholder dividends. The AI revolution has transformed them into something more consequential: gatekeepers to the infrastructure underpinning economic and geopolitical power.

The battle for NextEra-Dominion will ultimately become a broader argument about who benefits from the AI boom and who pays for it.

Talks first kicked off between NextEra's chief executive John Ketchum and Dominion's boss Robert Blue late last year under the code name project Astra, the Latin word for stars, according to people familiar with the matter. NextEra was nicknamed Neptune, fitting for a Florida utility serving 6mn customers in a coastal state, and Dominion was referred to as Eagle, they said.

By early spring, talks were accelerating, the people said. The companies had practically agreed on price, the people added, confident there were few things that could derail an agreement.

Even as negotiations were confined to a small circle of insiders, NextEra had already positioned itself with the Trump administration, emerging as one of the corporate donors backing Trump's controversial \$300mn White House ballroom project. Katharine MacGregor, deputy secretary of the Department of the Interior, previously worked as an executive at NextEra.

NextEra had been here before — and been burned. The company, then known as Florida Power & Light, agreed to merge with Entergy in 2000 only for the deal to collapse a year later. Maryland regulators derailed its 2005 takeover of Constellation Energy. Hawaiian regulators blocked its takeover of Hawaiian Electric Industries in 2014. In 2020, Duke Energy rebuffed another approach.

Now might be different given the favourable M&A environment. But while megadeals have become easier under Trump, they have also become far more politically charged.

NextEra must persuade utility commissions in Dominion's homeland of South Carolina, North Carolina and most crucially Virginia that the merger will not further burden the 3.6mn customers across the three states already facing higher power costs. The company has said it expects approvals within 18 months, though some analysts believe the process could take longer.

"The regulatory critical path is longer, more uncertain and more structurally novel — particularly at the Virginia [State Corporation Commission] — than probably at first glance," said David O'Hara, managing director at MKI Global Partners.

If the deal is blocked by regulators, NextEra will owe Dominion a \$4.8bn break fee, according to regulatory filings.

Across Virginia, residents and politicians have increasingly rebelled against the spread of data centres, warning households could end up subsidising the enormous energy demands of tech companies. Protest movements have emerged in several counties over rising power costs, land use and the industrialisation of suburban communities.

The deal would “add fuel to the fire” of those tensions, said Cale Jaffe, head of environmental law and community engagement at the University of Virginia. “Three things are really crashing together, exploding data centre demand, state policy that calls for urgent reduction in greenhouse gas pollution and growing calls to address rising electricity rates.”

A similar deal, BlackRock-owned Global Infrastructure Partners and EQT’s \$33.3bn take-private deal for [renewable power](#) provider AES, has provoked political and regulatory backlash from politicians on both sides of the aisle.

NextEra’s boss Ketchum is clearly aware of the battle ahead. Hours after the deal was announced he said it was all about delivering “more reliable and affordable electricity to our customers”.

Affordability — a crucial issue in the upcoming midterm elections for Trump — was mentioned 10 times by Ketchum during a call with analysts. Power costs are up 12 per cent in Virginia since February 2025 and 7 per cent nationally. He also stressed it would create good jobs, another buzz term for the administration.

NextEra also pledged \$2.2bn in bill credits for customers in Dominion’s home states of the Carolinas and Virginia, an effective ballast against rising prices aimed at reassuring state utilities commissions.

The term data centre was not used in Monday’s deal announcement, instead referred to euphemistically as “large-load opportunities”.

After Biden-era renewable tax credits were gutted in Trump's "One Big Beautiful" tax bill, NextEra, which is the largest US renewable energy producer, pivoted towards the soaring power demands of tech giants and AI groups building vast data centre campuses.

By combining with Dominion, the company would gain control over the grid system powering ground zero of America's AI infrastructure build-out, which already handles roughly two-thirds of global internet traffic.

"NextEra was wildly successful in their renewables strategy over the past few decades," said Julien Dumoulin-Smith, power, utilities and clean energy analyst at Jefferies. "But they were becoming overly dependent and knew they needed to diversify; this is what you could call a rebalancing of the business."

The combined group said it had a further 130 gigawatts of prospective data-centre-related demand in its pipeline, enough electricity to power as many as 130mn homes. That scale reflects the extraordinary appetite for power from companies such as Microsoft, Amazon, Google and Meta as they pour hundreds of billions of dollars into AI infrastructure.

Despite its stronghold in the heart of the US data centre build-out, Dominion is a "fixer-upper", according to James West, head of energy and power at Melius Research.

The merger gives Dominion the opportunity to shake the rust off the past decade, in which its stock badly trailed the wider utilities sector — forcing it to freeze its dividend in 2022 and shed a series of assets. For NextEra, Dominion gave it "access to their scale and to operate in the bigger data centre world", West added.

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Class Action

Manage Newsletters

Insight

Trump IRS 'Slush Fund' Will Expose DOJ Lawyers to Fraud Charges

May 19, 2026, 10:56 AM PDT

Summary by Bloomberg AI

AI Generated



- The Justice Department has arranged to create a \$1.8 billion settlement fund to benefit President Donald Trump's allies with taxpayers' money, prompting widespread outrage.
- The settlement is considered a sham and a classic example of a "collusive settlement" that has as its purpose to bilk the American taxpayer to generate a slush fund for the president to ladle out money to his supporters.
- Participants in the scheme, including DOJ officials, may have to confront the general federal fraud statute and other laws, and could face disciplinary action for engaging in conduct involving dishonesty, fraud, deceit or misrepresentation.

News that the Justice Department has arranged to create a \$1.8 billion settlement fund to benefit President Donald Trump's allies with taxpayers' money has understandably provoked widespread outrage, prompting the Treasury Department's general counsel to quit immediately after the deal was announced. But this plan may prove "too clever by half" for the officials who contrived it.

While Trump may merely be setting the stage for another impeachment, should Democrats retake the House of Representatives in November, he cannot face any criminal consequences for the scheme, thanks to the US Supreme Court's decision to grant him absolute immunity for his acts in office. But DOJ lawyers should not be sanguine about escaping responsibility. In due course, there are several ways in which they may be called to account.

Start with the proposition that the settlement of Trump's original claim for \$10 billion is a sham. The demand is related to the stealing and leak of his and other wealthy Americans' tax records by an IRS contractor during Trump's first term. The suit itself was almost certainly barred by the statute of limitations. The judge in Florida hearing the case had expressed strong doubt that there was any legal basis for the claim, much less for the fantastic size of the damages demanded.

As the judge also noted, the Trump Justice Department faced a palpable "conflict of interest" in purporting to represent the people of the US in a claim by the president. In addition, she expressed grave doubt that this lawsuit constituted a real "case or controversy" within the jurisdiction of the federal courts, because Trump was essentially suing himself. The recent settlement confirmed that Trump's unprecedented control over DOJ, which nominally was obliged to defend the American taxpayers against such a mind-boggling claim, meant that he could control the adjudication of the claim.

Indeed, the Trump DOJ agreed with the president's personal lawyers to create the settlement just days before they were to report to the court whether there were any legitimate grounds to proceed with the lawsuit.

It is reasonable to infer that this is a classic example of a "collusive settlement" that has as its purpose to bilk the American taxpayer in order to generate a slush fund for the president (acting through agents to be appointed by his Acting Attorney General) to ladle out money to his supporters, including convicted and pardoned Jan. 6 rioters, who supposedly were the victims of "weaponization" by the Biden administration.

Collusive settlements are a species of fraud. Most typically, they involve self-interested deals in which a person with insurance agrees to settle a bogus claim or commits to an unreasonable payment in the hope of foisting the costs on an insurance company.

Courts find settlements to be fraudulently collusive when, for example, there is no real effort to defend against liability or to contest the exaggerated claim for damages. Fraud is found when, for example, the person presented with a claim was "willing to lie down and accept a judgment of any amount against it so long as it would not be on the hook to satisfy the judgment" and a "reasonable party would not be indifferent to the amount of a judgment entered against it were its own money on the line." A key ingredient in finding collusive fraud is an agreement to pay an amount not "in any way tethered to reality"

A purported settlement where the agreed payment is "unreasonable" and both sides "had a joint interest in maximizing the amount recovered—evinces collusion between the parties."

The DOJ IRS settlement precisely parallels those hallmarks of collusive fraud, leaving the taxpayers to pay an exorbitant amount in the face of a highly dubious claim.

Any participants in the scheme, including the DOJ officials who designed it or who will actually implement it, may have to confront—in due course—the general federal fraud statute, which makes it a felony to conspire to defraud the US. In addition, the federal criminal law exposes to punishment anyone, including federal officials, who "embezzles, steals, purloins, or knowingly converts to his use or the use of another" any federal funds.

Moreover, anyone who receives the bounty from this settlement scheme should not rest easy. Receipt of stolen federal property is a crime where, as here, a reasonable observer would know that the funds are being illegally siphoned from the federal treasury. In any event, recipients of stolen property are deemed to hold it in trust for the real owner—the American taxpayers—even if they are ignorant of the illegality of the scheme. In addition, the federal False Claims Act allows private citizens to sue anyone who collects money based on a false claim – such as having been the “victim” of “weaponization”—and to recover penalty damages from the recipient of ill-gotten federal money.

Of course, there is no chance that the current administration would allow investigation or prosecution of this unseemly cash-grab. But the five-year statute of limitations will continue to run into 2031, well within the term of the next president.

Perhaps Trump will try to forestall such accountability by issuing broad preemptive pardons. He already has shown a willingness to issue pardons to numerous fraudsters who were, or became, his supporters, and he already has spared over a thousand Jan. 6 rioters from responsibility for their crimes.

One consequence for DOJ officials, however, lies beyond the president’s ability to control—despite the department’s desperate effort to insulate its lawyers from professional responsibility for unethical conduct. The codes of professional responsibility in force in one form or another in every jurisdiction make it a disciplinary offense for a lawyer to engage “in conduct involving dishonesty, fraud, deceit or misrepresentation” or to facilitate such conduct. These principles apply to government lawyers, including those at DOJ. Several lawyers who promoted Trump’s causes either in private practice or in DOJ already have faced professional sanction, including suspension or cancellation of their right to practice law.

Not surprisingly, a Justice Department that seems intent on violating the traditional norms has sought to insulate its agents from accountability, first proposing a rule—directly contrary to a congressional statute—that would attempt to displace state bar oversight, and more recently suing District of Columbia court and bar officials to block them from investigating miscreant DOJ lawyers who are members of the local bar. There is little chance that these aggressive efforts to license unethical conduct will survive.

As every lawyer should understand, a lawyer may not use professional skill and talent to create a scheme to defraud. The Justice Department lawyers involved in constructing the bogus “settlement” may have to learn this lesson the hard way.

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Trump's \$1.776 billion 'weaponization' fund sparks outrage, but court challenges will be tough

 [reuters.com/legal/government/trumps-1776-billion-weaponization-fund-sparks-outrage-court-challenges-will-be-2026-05-20](https://www.reuters.com/legal/government/trumps-1776-billion-weaponization-fund-sparks-outrage-court-challenges-will-be-2026-05-20)

Tom Hals, Jonathan Stempel

May 20, 2026

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Trump drops IRS lawsuit for DOJ \$1.8 billion 'weaponization' fund

- Legal challenges already begin against Trump's fund
- Experts see multiple hurdles to such lawsuits
- Challengers will need to establish legal standing
- Fund could benefit Trump allies like January 6 rioters
- Challenge from Congress unlikely with Republicans in power

May 20 (Reuters) - Opponents of President [Donald Trump's](#) sweeping legal settlement with the U.S. Internal Revenue Service will face high hurdles in challenging its [\\$1.776 billion fund](#) for victims of alleged political "weaponization" and its provision barring audits of his taxes, according to legal experts. Congressional Democrats derided the so-called Anti-Weaponization Fund as a slush fund to steer taxpayer dollars to Trump's political allies, while watchdog groups called the tax immunity agreement illegal. Even some Republicans expressed qualms. Senate Majority Leader John Thune, for instance, said he was "not a big fan" of the plan.

Two police officers who defended the U.S. Capitol on January 6, 2021, against a failed bid by Trump supporters to stop Congress from certifying Democrat Joe Biden's 2020 election victory, have [already sued](#). The officers allege that the fund will reward and empower rioters who have harassed them and made death threats.

Legal experts said it is unclear whether challengers will be able to block payouts or undo Trump's shield against audits of past taxes if Congress, controlled by Trump's fellow Republicans, stays silent.

'NO LONGER A VENUE'

In part, that is because Trump dismissed his [\\$10 billion](#) lawsuit against the IRS before the settlement was announced, preventing the judge in that case from doing anything.

"There's no longer a venue to challenge the legality of this settlement," said Danny Werfel, who served as IRS commissioner during the Biden administration.

The Justice Department announced the fund on Monday, shortly after Trump voluntarily withdrew his lawsuit accusing the IRS of wrongdoing in media leaks of his tax returns during his first term as president.

Trump also dropped claims over the government's investigations of contacts between his 2016 presidential campaign and Russians, and the FBI's 2022 search of his Mar-a-Lago home in Florida for classified documents he retained after his first term ended. Trump will also get an apology under the plan.

On Tuesday, the Justice Department quietly released an [addendum](#) signed that day by acting U.S. Attorney General Todd Blanche, which "FOREVER BARRED and PRECLUDED" the government from prosecuting or pursuing pending tax claims against Trump, his family and his businesses. Blanche is a former personal lawyer for Trump.

'WEAPONIZATION OR LAWFARE'

The \$1.776 billion fund, an apparent nod to the year of the country's founding, will be controlled by Trump allies.

It will be used to compensate people who claim to have been damaged by U.S. government "weaponization or lawfare." Trump has accused the Biden administration and other political opponents of improperly using law enforcement, intelligence and regulatory agencies to target him and his allies.

The fund will be financed from the Judgment Fund, which Congress established in 1956 to pay legal claims made against the government.

Blanche [told U.S. senators](#) on Tuesday there was precedent for the creation of the anti-weaponization fund. He cited a \$680 million fund created in 2010 for Native American farmers during Democratic President Barack Obama's administration to resolve years-long litigation known as the Keepseagle case.

While that settlement was deemed fair, reasonable and adequate by a federal judge, Blanche said the IRS settlement will not undergo court review. Blanche also said January 6 defendants, who already have received clemency from Trump, could get payments.

LEGAL STANDING

A general view of the White House as U.S. President Donald Trump's motorcade returns following a trip to Trump National Golf Club, in Washington, D.C., U.S., July 20, 2025. REUTERS/Ai Drago [Purchase Licensing Rights, opens new tab](#)

Legal experts said opponents of the \$1.776 billion fund will have a difficult time establishing a legal right to sue, known as standing, because it may be tough to

demonstrate they have been harmed in some way.

The two police officers [who sued in federal court](#) in Washington claimed they faced injury because the fund would encourage January 6 defendants to keep threatening them and potentially commit violence.

"The increased risk of threats, harassment and violence our plaintiffs are suffering as a result confers standing," said Public Integrity Project CEO Brendan Ballou, who filed the lawsuit.

THE HUNTER BIDEN QUESTION

Some experts said the best chance to challenge the fund may come later, when claimants - even Trump opponents - might allege they were harmed because their payouts were too low.

Josh Gardner, a lawyer who led the Justice Department's handling of the Keepseagle case, pointed to Hunter Biden, the former president's son.

Hunter Biden was convicted of tax and gun crimes during his father's presidency in a case pursued by a Trump-appointed federal prosecutor who later was elevated to the position of special counsel. President Biden pardoned his son seven weeks before Trump returned to office.

"If Hunter Biden were to submit a claim and his claim were rejected, he would have standing to challenge not just his denial, but I think the entire structure of this settlement," Gardner said.

'REMARKABLY LOOSE'

If litigants establish standing, they could argue that the IRS settlement violates several laws, according to legal experts.

One issue is whether the fund violates the U.S. Constitution's Appropriations Clause, which gives Congress power of the purse, because U.S. lawmakers did not authorize it. Ninety-three Democratic lawmakers filed a legal brief making that very point shortly after Trump dismissed his lawsuit but before the judge formally closed the case.

Another issue is whether the fund may violate a U.S. law governing the Judgment Fund if payments are made to people with no pending or imminent claims against the federal government.

"The real problem is, Congress has been remarkably loose in controlling these kinds of payments," said Paul Figley, an emeritus law professor at American University. "It's wrong, but not illegal."

There also is the question of whether Trump's tax immunity provision violates a U.S. law that protects against political interference in taxpayer audits.

Werfel, the former IRS commissioner, added that future administrations often unwind non-legislative actions of prior administrations.

Some experts said one or both chambers of Congress, though not individual lawmakers, could challenge the fund. That is unlikely for now, with Republicans controlling the House of Representatives and Senate.

"There's a ferment of outrage that is justifiable against this deal, and that will bring off the sidelines many people who are hurt by it," said Norm Eisen, co-founder of Democracy Defenders Action, a Democratic-leaning legal advocacy group representing the 93 lawmakers in the IRS case.

Reporting by Tom Hals in Wilmington, Delaware and Jonathan Stempel in New York; Editing by Amy Stevens and Will Dunham

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California Brief Column

Big Law's Innovation Leaders Have Never Been More Overwhelmed

May 21, 2026, 2:30 AM PDT

Welcome back to the Big Law Business column . I'm Roy Strom, and today we look at the hardest job in Big Law: innovation leader. Sign up for Business & Practice , a free morning newsletter from Bloomberg Law.

It's never been *easy* to do "innovation" in Big Law firms. But historically, the stakes were never that high. The business model wasn't broken, and it was never entirely obvious that marginal changes could drastically alter a firm's trajectory.

Even projects that whipped up sound and fury ended up signifying nothing. Remember what happened after Clifford Chance in 2019 experimented with removing the billable hour from associate reviews in the Middle East? Me neither.

Big Law's innovation leaders have much harder jobs today, for the exact opposite reasons.

A legal tech company is valued at \$11 billion. The world's buzziest artificial intelligence companies are aiming squarely at the legal industry. Big Law managing partners are leaving their prestigious partnerships to join AI-enabled law firms. But, maybe somebody already vibe-coded their way to disrupting all of this.

These storylines make the stakes feel enormous. The business model is on the brink of exploding. And everybody seems certain that the results of the AI adoption race will be closely linked to Big Law's financial and reputational competition.

To see what this pressure-cooker has done to the legal tech establishment, look no further than their LinkedIn feeds. They are constantly arguing with each other. Harvey is better than Legora. Claude for Legal will render both products useless. And it devolves from there.

"I am amazed at what's happening as much as the next soul. I'm also exhausted," Conan Hines, global head of innovation and knowledge at Fried Frank, wrote last month on LinkedIn. He was teasing a post he wrote, titled, "Everyone should chill a minute."

It's hard to avoid the conclusion: Big Law's innovation leaders have never been more overwhelmed. They're being asked big questions, and they don't have all the answers.

"Certainly, nobody wants to say we don't know what we're doing," Ryan McClead, chief executive officer of legal tech consultancy Sente Advisors told me. "But the reality is, if we're honest about it, they don't know what's going to happen and they're desperate to keep up with what's happening."

McClead recently partnered with Claude to write a book on how AI will impact law firms. The AI wrote 79,000 words in a single session. McClead spent time with the tool over the next month paring it into a final draft. The book argues the firms that get the best results from AI will have innovation leaders who do the painstaking work to "make every user more capable" rather than buying the flashiest tools.

Part of his inspiration for the book was to help innovation leaders cope with how much their jobs have changed.

The job used to be about garnering support for projects the innovation team believed in. Getting firm leaders to buy in was the hard part, and it often required proving that some other firm had already done what you wanted to do. Failing felt personal; the boss didn't buy what you were selling.

Now, firm leaders are demanding AI adoption. The innovators must provide a roadmap—even if they aren't exactly sure what the next best move is. But one bright side is that failing isn't as personal. The organizations are more committed to change that risks costly errors (or, maybe worse, catching heat on LinkedIn).

"What has changed is there is beginning to be some appreciation for doing things first or being ahead of the market," McClead said. "Firms are willing to at least say that."

Alma Asay, chief innovation and value officer at Crowell & Moring, said her job used to be defined by solving discrete problems.

Before AI hit the scene, her marquee accomplishment was building a firmwide warehouse that pulled in data from disparate areas such as human resources and billing. She argued for the benefits of the project, built consensus to get it approved, and is thankful it has helped modernize the firm.

"It felt very personal," she said. "You're talking with a lot of people about changing the way they do things."

But that custom solution approach doesn't work with AI, she said. The technology touches almost everybody's work, and the innovation team can't build everybody a special tool. So, her team's focus is to help drive adoption of the technology among firm lawyers. Firm leaders are engaged in every step of the decision-making process, she said.

The job is much more frenetic, she said, but it also feels more collective.

"We are all out on the limb together," she said. "We've all decided there are certain risks that are just a way of doing business now."

Linklaters this month launched a team of data scientists and lawyers who will work together to build bespoke AI workflows for specific clients and matters.

The team, dubbed Applied Intelligence, was co-founded by Thomas Quoroll, a former structured finance partner who took over the firm's AI program last year.

Quoroll's job has involved helping lawyers engage with the tools. He said a "transformational moment" occurred at a partner retreat in September when he realized Legora was a tool that partners, and not just associates, would use.

The job will be a "constant evolution," and requires a mix of persuasion and storytelling at the executive committee level, he said.

"Because it's changing so rapidly, we need to be showing people the new things that are coming through," he said, noting that "agentic" tools, AI that acts autonomously, are the next big thing.

I asked if those conversations ever elicit fear.

"There is anxiety across the industry about some of the implications of the technology," he said. "But there is an incredible amount of optimism."

Quoroll has his own reason for optimism: He passed the LinkedIn test. Oz Benamram, an influential legal tech commentator, called Linklaters' product "a working prototype of the post-billable-hour law firm."

Worth Your Time

On AI Lawsuits: A custody battle that rose all the way to the US Supreme Court shows how AI tools are giving pro se plaintiffs more access to courts, which are struggling with the workload, Bloomberg's Steven Church reports.

On Latham & Watkins: The law firm hired its fifth partner from Wachtell, Lipton, Rosen & Katz, bringing on executive compensation partner Erica Aho, Mahira Dayal reports.

On Restructuring Work: Musical chairs in Big Law's restructuring and liability management practices continued this week with hires announced by Gibson Dunn and Willkie Farr & Gallagher.

That's it for this week! Thanks for reading and please send me your thoughts, critiques, and tips.

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Quinn Emanuel Just Got a \$3 Million Ethics Lesson. A Judge Made Them Write It Themselves.

A abovethelaw.com/2026/05/quinn-emanuel-just-got-a-3-million-ethics-lesson-a-judge-made-them-write-it-themselves

Kathryn Rubino

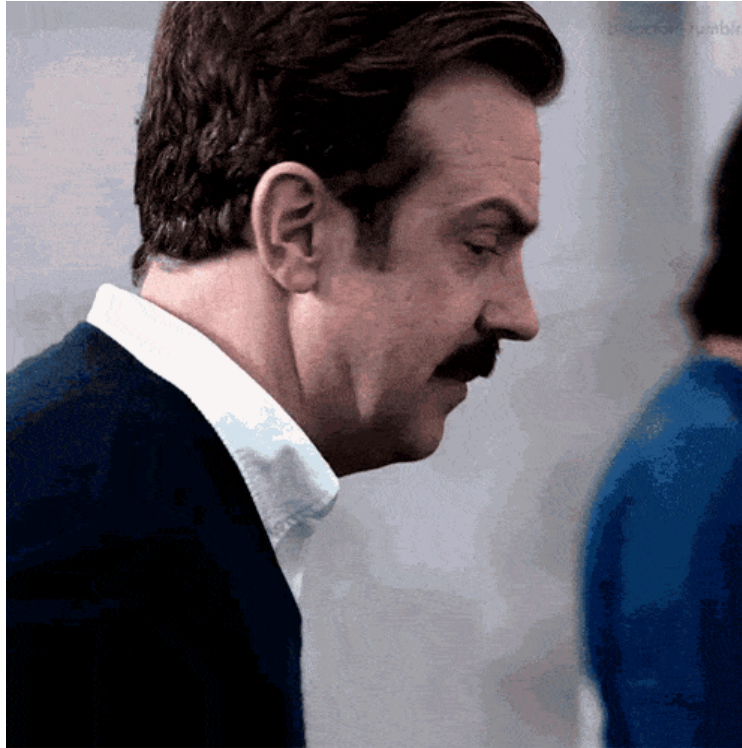
May 20, 2026



Buckle up — this is the kind of sanctions order that make you wonder how any of this happened at a firm that charges what Quinn Emanuel charges.

[On Tuesday](#), Judge Edward M. Chen of the US District Court for the Northern District of California dropped a \$3 million [sanctions order](#) on Quinn Emanuel stemming from the firm’s representation of Natera Inc. in a pharma advertising case, and the opinion is the kind of reading that should make every partner at that firm put down their coffee and stare at the wall for a while.

The conduct of the firm and its litigation team, Chen wrote in adopting a special master’s recommendation, “implicates a culture of lawyering that is deeply disturbing.” Not a rogue associate. Not an isolated lapse in judgment. A *culture*. “At virtually every juncture in this misadventure,” Chen wrote, “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.”



via Tenor

The firm and its “entire litigation team” allegedly engaged in a pattern of conduct that included propagating misleading statements from an expert witness. This wasn’t a one-time mistake that spiraled. According to Chen, it was a sustained failure at every turn.

Here’s the damage:

Quinn Emanuel must pay nearly \$3 million in compensatory damages to plaintiff, plus a \$100,000 punitive fine. Silicon Valley partners Andrew Bramhall and Brian Cannon are on the hook for additional sanctions of up to \$58,000 each. San Francisco associate Elle Wang faces a \$28,000 sanction. And two other Quinn Emanuel Silicon Valley lawyers, managing partner Victoria Maroulis and partner Margaret Shyr, may face additional sanctions, with Judge Chen deferring on their cases for now.

But the most striking part of the order isn’t the dollar figures. It’s that Bramhall, Cannon, and Wang must each complete an eight-hour legal ethics course. And the firm must develop that course itself.

Quinn Emanuel — a firm that has never been accused of lacking confidence in its own abilities — has been ordered by a federal judge to sit down, think hard about what it did, and write its own ethics curriculum. It’s the legal profession’s version of

being made to write “I will not lie to the court” on the blackboard. Except the blackboard costs \$3 million.

So what exactly happened at Quinn? Judge Chen opens his sanctions order not with dry legal findings, but with a narrative — a detailed, almost novelistic account of a mid-level associate at “a well-recognized law firm” navigating a cascade of ethical failures over the course of a year. It reads like a Professional Responsibility exam hypothetical. At the end of four pages, he pulls back the curtain: “This is not a Professional Ethics issue spotter. These are the facts of Quinn Emanuel’s conduct in the instant litigation.”

You should absolutely read [Judge Chen's full description](#) of the facts, but it involves an expert witness with access to embargoed study results, a late-breaking supplemental expert report (six weeks before trial), “thin distinctions” about how and when the new data was obtained that are “not apparent to the Court or opposing counsel,” and troubling phrases like “Maybe I don’t want to know [how the expert got the study results early].”

Chen’s conclusion: the associate and her firm “deliberately and knowingly misled the Court.” When asked about it afterward, “the associate doesn’t believe that she did anything wrong.”

Chen didn’t pull any punches on what’s really at stake here beyond this one case. The actions, he wrote, 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.” That’s the line that should haunt the firm’s leadership. This isn’t just about the parties in the instant case. It’s about what junior lawyers learn when they watch senior ones behave this way and face no consequences — until now.

Quinn Emanuel issued a statement that was, in fairness, more contrite than the typical Biglaw non-apology apology. “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.” The firm says it is “instituting concrete measures,” including 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 hiring 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.”

The punitive sanction, Chen noted, is warranted in part because punitive damages can be awarded “upon a clear and convincing finding. It is difficult to see why this standard would not apply here.” Judges don’t write sentences like that when they’re mildly annoyed. They write them when they want the opinion to be read, cited, and remembered.

Quinn Emanuel will soldier on — \$3 million is a painful but survivable number for a shop of its size and profitability. But “culture of lawyering that is deeply disturbing” is going to follow this firm for a long time.

Kathryn Rubino is a Senior Editor at Above the Law, host of [The Jabot podcast](#), and co-host of [Thinking Like A Lawyer](#). AtL tipsters are the best, so please connect with her. Feel free to email [her](#) with any tips, questions, or comments and follow her on Twitter [@Kathryn1](#) or Bluesky [@Kathryn1](#)

Securities

Opinion

Matt Levine's Money Stuff: Don't Free Little Joe

May 20, 2026, 11:31 AM PDT

Escape

Apparently there's a gorilla named Little Joe. In 2003, he escaped from a zoo in Boston and had a brief spree of terror, but they got him back. Last week, it was announced that he's moving to a zoo in Pittsburgh "to begin his own family," mazel tov. On Polymarket, there is a betting market on "Will Little Joe escape again," because that's how financial markets work now. There's about a 3% market-implied probability that he will escape before the end of July. "His scheduled transfer to another zoo or removal from the enclosure for vet visits or maintenance will not qualify," says the contract specification, reasonably.

The Polymarket rules go on:

Damaging or disrupting animal enterprises is a federal crime under the The Animal Enterprise Terrorism Act (AETA) of 2006 (18 U.S.C. § 43). Penalties include fines in excess of \$1,000,000 and life imprisonment. Polymarket will cooperate fully with law enforcement in any investigation of interference. Polymarket reserves the right to void any market if there is credible evidence of coordinated manipulation or external interference with the gorilla or its enclosure.

This is, one assumes, a response to last month's scandal in which Polymarket traders apparently tampered with a temperature sensor at a Paris airport to win a bet on the weather. In the optimistic early days, people thought that prediction markets would be "truth machines," and you could go to a prediction market's website to learn the future. Who will be the next president, will there be a recession, who will win the Super Bowl, will Little Joe the gorilla escape again, all these crucial questions about the future could be answered — probabilistically — by the wisdom of the crowd and the invisible hand of the market.

This only works if prediction markets are big enough to attract real betting interest: If you can't make real money on prediction markets, there's no incentive to invest time and effort in making prediction-market prices accurate. Not too long ago this all felt pretty hypothetical — back in 2024 I was approvingly quoting a paper arguing that "there is little natural demand for prediction market contracts, as we observe in practice" — but now it feels quite real. You can make lots of money betting on elections and sports and economic indicators and the weather and maybe even gorilla escapes, and people do.

But now that prediction markets are big, they are not purely “truth machines,” not pure observers and predictors of the future. They are truth *modification* machines: If you can make lots of money predicting some relatively trivial thing, you should just make the thing happen. Reality responds to incentives: If the market pays out money for an event happening, someone is going to try to make the event happen. If you can make tens of thousands of dollars for warming up one little sensor, someone's going to warm up that sensor.

And then a plane might crash? I mean, probably not, but that temperature sensor is “important for the safe operation of the airport.” If people are constantly going around tampering with reality to win bets, they will create glitches in reality, some of which will have bad consequences for ordinary people going about their day out in regular reality.

For instance! If you could make some money betting on a gorilla zoo escape, you might be tempted to spring the gorilla from the zoo. Ideally you'd spring him from the zoo, take him to a diner, get some coffee, wait until the escape was confirmed and the contract resolved, and then bring him back to the zoo. But he's a gorilla. He has a large and tangible reality, and also a history of attacking a child the last time he escaped. A gorilla walking around a Pittsburgh residential neighborhood, attacking children, so that you can win a Polymarket bet, would definitely be a glitch in reality.

And so Polymarket is like “Stop. Don't.” This is the first Polymarket contract that I have seen that cites the felony you'd be committing if you tried to manipulate reality to make the contract pay out, but I have not done a comprehensive survey and I doubt it'll be the last. The most classic worry in this vein is about event contracts on some public figure's *death*: “Assassination markets” could fund assassinations, etc. Those worries are why Kalshi doesn't list those contracts, though Polymarket is less squeamish. “Causing the death of a person is a crime under most jurisdictions' murder statutes,” I suppose it could say, in the contract specifications.

Everyone knows that murder is illegal, though. Most people probably understand at some level that you should not free gorillas from zoos, but “penalties include fines in excess of \$1,000,000 and life imprisonment” probably *is* surprising news, so you can see why Polymarket would highlight it. I'm sure that France has some law against manipulating the temperature sensor in the airport. I suppose the future of prediction markets is every contract listing every law that you might be violating by trying to make the event occur. A good exercise for Polymarket's legal department would be brainstorming ways that someone could commit a felony that reduces the probability of the Knicks winning their next playoff game. Do you have to list them all in the contract?

Home equity investments

Companies can raise money with debt, or with equity. If you use debt, you have to pay back the amount you borrowed, with interest. This is expensive for you if things go poorly: If you borrow \$1 million to invest in your business, and your business doesn't make any money, you still have to pay back like \$1.1 million, and how will you do that? You might have to default, file for bankruptcy, etc.

If you use equity, you don't have to pay back any fixed amount, but you give up a share of your business. This is expensive for you if things go well: If you raise \$1 million by selling 10% of your company, and your business goes amazingly well and makes \$20 million per year in profits, the person who bought 10% of your company gets \$2 million a year, even though she only gave you \$1 million to begin with.

In practice, founders of companies tend not to complain *that* much about this, because:

1. It's the *good* scenario: The company is doing well, and the founder is also getting rich.
2. Everyone knows this. The deal is quite clear to everyone up front. If you are the founder of a company, and you sell 10% of your company, you understand that you're selling 10% of your company. If you go back to your investor and say "I didn't realize that selling you stock would mean that you share in all the upside," your investor will say "what are you even talking about?"

Companies can raise money with debt, or with equity, but most other things can only be financed with debt. You can put a sandwich on a credit card, but you can't get a venture capitalist to give you \$1 for a 5% stake in your sandwich.

This is quite untidy, and people who work in the financial industry — where everything can be financed with debt or equity — are often bothered by it. "Shouldn't people be able to finance ____ with equity," they constantly muse, and then launch companies to fill the niche. We talk about this a lot. The two main versions are:

1. "Shouldn't people be able to sell stock in themselves," and
2. "Shouldn't people be able to sell stock in their houses?"

I sometimes refer to the first question as "the great late-night dorm-room question of financial capitalism," in part because it comes up most often as a replacement for student loans: Instead of financing college with hundreds of thousands of dollars of loans, what if you could finance college by selling 5% of your future income? It's not strictly college-linked, though, and there are versions for sports too: Lots of aspiring professional athletes make peanuts in the minor leagues, some of them will eventually become stars and make millions, and they could sell equity stakes in their future earnings in exchange for some much-needed cash today.

The people who start these companies always immediately think of all of the important *economic* issues — moral hazard, adverse selection, etc. — because those are the obvious things that would occur to you in your late-night dorm-room conversations. And they figure out ways to mitigate those problems.

But they sometimes have trouble with a weird definitional problem, which is that people *can't* sell stock in themselves. "Stock" is an attribute of corporations; it is defined by statute. You can't sell stock in yourself unless you are a corporation. What you can do is write a *contract*. The contract says something like "I pay you \$X today and you will pay me Y% of your future income each year." That is roughly economically equivalent to stock, sure. But what is it *legally*? It's a contract, in which I give you money now and you agree to pay me back money later. Which ... sounds like ... debt?

"No no no no no," I say, "it's not *debt*, it's *equity*. The whole point of this is not to be debt. You have no fixed repayment obligation: If your future income is zero, you pay me back zero. We have solved the big problem of debt, which is that it carries a fixed repayment obligation and is expensive in downside scenarios. This is free or cheap in downside scenarios, and expensive only in upside scenarios, when everything is going great for you and you're making tons of money. This is a much better product. It's equity!"

And then you start making tens of millions of dollars a year, and you owe me millions of dollars each year to repay me for the hundreds of thousands of dollars I fronted you when you were broke, and you start reconsidering. *Isn't* it debt, really? Aren't you paying me back way more than you borrowed? Isn't your effective interest rate hundreds of percent? Isn't that illegal under usury laws? Shouldn't you be able to get out of the contract?

Again, this doesn't happen much in the startup company case because (1) norms are much more settled and (2) *companies have actual equity*. A company can't say "our stock went up 10,000%, so the people who bought our stock were really making a usurious loan, so we shouldn't have to give them anything." The people who bought the stock of a company weren't making a loan, because stock isn't a loan. But the people who bought the quasi-stock of a person *were*, arguably, technically, making a loan.

We have talked about occasional lawsuits along these lines. There was one in 2024 against BloomTech. Last year baseball player Fernando Tatis Jr. sued Big League Advance, which gave him some money in 2017, when he was a minor leaguer, in exchange for a share of his future earnings. When he signed a \$340 million Major League deal he reconsidered. "BLA has for years run an unlicensed lending business," he said, but were they? They thought they were buying equity.

Same with houses! Today Bloomberg's Patrick Clark and Prashant Gopal report on home equity investments:

It's a rapidly growing segment that's attracted Fortress Investment Group, Carlyle Group Inc. and Bain Capital as backers in various forms. Private credit giant Blue Owl Capital Inc. said in December it plans to deploy \$2.5 billion into the contracts in the coming years, one of the largest commitments yet.

For investors, the agreements are a lucrative way to tap into the \$34 trillion that Americans have tied up in their homes, turning future price gains into a new stream of returns. For homeowners, they can mean giving up a large share of the appreciation that would otherwise build long-term wealth — and in some cases, owing far more than they initially borrowed.

Yes, right, the defining feature of financing something with equity is that sometimes you “owe more than you initially borrowed.” Everyone understands that when a company issues stock. But when a person sells equity in her house for money, (1) she doesn’t necessarily understand that and (2) it’s not *exactly* equity:

In February 2025, the Massachusetts Attorney General’s office sued Boston-based Hometap, saying that its contracts amounted to predatory loans designed “to strip that home equity away from vulnerable consumers.” Hometap Chief Executive Officer Jeffrey Glass declined to comment on the specifics of the lawsuit, but said that he’s aligned with regulators on some key points, including the need for consumer education and government oversight.

Unlike a credit card with a clear interest rate, the true cost of an HEI is opaque, like a financial time bomb that only detonates years later when the homeowner realizes exactly how much of their future they sold off, said Ken Johnson, a real estate professor at the University of Mississippi. ...

As HEIs proliferate, even basic questions about the products can be difficult to answer. The industry argues that they are investments, not loans, emphasizing the lack of monthly payments. But when it comes time to pay, the maturity date, lien on the home and threat of a forced sale make the distinction harder to draw.

The National Consumer Law Center calls them “subprime mortgages” with predatory rates, disguised to bypass laws designed to protect consumers. In a 2024 consumer alert, the group called the terms of the contracts confusing, and said the true cost of an HEI requires making difficult calculations about rates of real estate appreciation and inflation a decade into the future.

Two points here. First, while it is genuinely impossible to sell stock in a person, it’s not *actually* that hard to sell stock in a house? You know: Form a shell company, buy the house in the company’s name, give the homeowner 80% of the stock of the company and the HEI investor 20%, give the homeowner management rights (she can sell the house, etc.) and the investor some governance rights, etc. I gather that HEIs mostly don’t work this way in part because it is administratively annoying (you have to form a company, it might be harder to get a mortgage on a house owned by the shell company, etc.) and in part because actual HEIs do have some rather credit-like features to make them easier to securitize. Clark and Gopal note:

It’s not hard to see why the contracts would have investor appeal. Point, as one example, calculates the amount that its borrowers pay back as a percentage of the change in home value over the life of the contract. But it discounts the starting value of the home by about 15% to 30%, securitization documents show.

That feature virtually ensures that investors make money. A DBRS Morningstar analysis of 2,700 Point contracts showed that more than 98% generated positive returns for investors. The Urban Institute, meanwhile, found that an underlying home could decline in value by 3% annually for six consecutive years and a Point contract would still be in the money. Hometap offers investors even more protection, Urban Institute found.

Point cofounder Eoin Matthews said the investor protections built into the contracts are a prerequisite for lining up the capital that funds homeowner advances. That's especially true for money flowing into HEIs through securitizations that have been vetted by ratings companies, where memories of the subprime mortgage crisis are still fresh.

Right, if you are getting money from investors in an investment-grade-rated securitization, it's not *exactly* equity, is it?

Second, I do think that people here are genuinely talking past each other. I am convinced that everyone who has ever started a "sell stock in your house" company (or a "sell stock in yourself" company) was motivated by a genuine, possibly slightly naive belief that people should be able to sell stock in their houses. And then life intervened and they ended up building a product with a preferred return and a maturity date that they could sell into a rated securitization, fine fine fine, but in their hearts they all believe that they're buying equity in people's houses. And then when the homeowners are like "we have to pay you far more than you initially gave us," they are like "right yes that is how equity works, what is the problem?"

Reconstructing pensions

My basic theory is that defined benefit pension plans were good for the financial industry, the modern US has moved away from pension plans into defined-contribution retirement accounts like 401(k) plans, those defined-contribution accounts have some advantages for Wall Street but also a lot of problems (lower fees, tougher liquidity requirements, less ability to invest in spicy stuff), and now the financial industry is trying to recreate pension plans from first principles. I wrote in March:

What you want, in other words, is a *pension fund* for a client. What you want is one big client who pools the funds of a bunch of retirement savers, locks up their money, tells them "don't you worry about this but in 20 years, when you retire, you'll have income," and then is able to make its own investment decisions, take long-term risk and earn a liquidity premium. ...

It would be interesting if the story of the next decade in retirement investing is a move *back* to something like pensions, an increasing emphasis on pooled guaranteed-income vehicles rather than atomistic individual self-managed lump-sum investment accounts, because those vehicles are better for private-market investing, and everyone is solving for private-market investing.

Today Bloomberg's Layan Odeh and Allison McNeely report:

AllianceBernstein Holding LP is teaming up with Brookfield Asset Management and Carlyle Group Inc. to offer private-markets investments to everyday retirement savers.

The firms will collaborate on a single, standalone product that will invest in private equity, private credit and real assets for 401(k) and other workplace defined-contribution plans, according to a joint statement Wednesday.

The product, called ABC [ONE], is designed to be implemented alongside existing target-date funds or managed accounts, and investors' exposures to the underlying asset classes will be adjusted depending on when they're expected to retire, according to the statement.

A target-date fund — “just tell us when you're going to retire and we'll do all of the investing for you until then” — is broadly speaking a way to make a 401(k) feel a bit more like a pension, in that the manager takes care of the investing mix and the timing, rather than leaving that to the investor. But actual defined-benefit pensions tend to invest not just in stocks and bonds but in all sorts of less-liquid private assets, real estate, etc. And now everyone is trying to recreate that in a 401(k) too.

Bitcoin leverage

The story of banking is that it is a magic trick for transmuting risky assets into safe liabilities. A bank lends money to companies and homeowners, which is risky (they might not pay back the money). The bank gets the money by issuing deposits, which are safe. A \$1 deposit at a bank should always be worth \$1. There are various problems with this magic trick; those problems are the main theme of this column, and of financial history generally. But the magic trick exists for a reason: This transmutation increases society's capacity to take productive risks. There are only so many people who *want* to make risky investments. Lots of people would rather keep their money safe in the bank. If the bank uses that money to make risky investments, then everyone is happy: The people who want their money safe in the bank feel safe, but the risky investments that create economic growth still get made. Again, there are problems!

Bitcoin is, let's assume, a risky asset. Some people want to buy Bitcoin, because they want that risk: They think Bitcoin will go up, they want to own it when it goes up, and in exchange they are willing to take the risk that it might go down. Other people do not want to buy Bitcoin, because they do not want that risk. They want to keep their money safe in the bank.

In general, when people want to own Bitcoin, it goes up, and when people don't want to own Bitcoin — they just want to keep their money safe in the bank or whatever — it goes down. But the story of banking is perhaps instructive here. You might think: “If people put their money somewhere safe, like a bank deposit, and then the *bank* invested the money in Bitcoin, that would make everyone happy. The people with money would feel safe, but also Bitcoin would go up. The magic transmutation of banking increases society's capacity to take risk *on Bitcoin*. There will be more productive investment in Bitcoin, because of this magic.”

Is that stupid? I mean. For the most part, banks do not actually do this; banks are more or less not allowed to fund Bitcoin investments with deposits. But crypto has, over the years, created all sorts of “shadow banks” to do some form of this trade: They take money from depositors, promise the depositors their money back whenever they want it with interest, and then use the money to make speculative crypto investments. Do these shadow banks prop up the price of Bitcoin and other cryptocurrencies? Some people think so. When the shadow banks collapse — as they sometimes do! — does that drive down the price of Bitcoin and other crypto? Yes, absolutely.

Here is a fascinating article from Bloomberg's Olga Kharif:

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. ...

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. ...

"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."

Strategy's most recent update says that it sold about \$1.95 billion of Stretch in a week to buy Bitcoin. We talked about Stretch last year, and it is an odd instrument. It is a perpetual preferred stock of Strategy, but it has a floating coupon rate (currently about 11.5%) that is designed to keep it at par: The rate is reset each month to try to keep Stretch's trading price at \$100 per share. "For the issuer," I wrote, that "is essentially very short-term financing": Strategy's interest cost on Stretch resets every month to reflect its current financing cost. Not exactly — it's preferred stock, and Strategy has flexibility to pay less than the market-required interest rate — but that's the idea.

Essentially Strategy is issuing dollar-denominated one-month financing (at 11.5%!) designed to always pay back par, and using that financing to buy a big chunk of all the Bitcoins that are for sale. So that's neat!

Things happen

Goldman Sachs to Lead SpaceX's Mega-IPO Bank Lineup. SpaceX Is Planning to Buy Startup Cursor 30 Days After IPO. Bankers Ready Paramount's \$49 Billion Warner Bros. Debt Sale. SoftBank Founder's Starstruck Bet on OpenAI Raises Concern. Flurry of Suspicious Oil Trades Worth \$800 Million Triggers Regulatory Probe. The Biggest Challenge of a Utility Megadeal: Regulators. Emails Show How Lululemon's Peace Treaty With Its Founder Fell Apart. Morgan Stanley issues China-only iPhones to its Hong Kong bankers. Marc Rowan accused of misusing Apollo resources for political work. Donald Trump and sons granted 'forever' immunity from existing tax audits. College Kids Don't Want Your AI. These Companies Say AI Is Reviving Entry-Level Jobs, Not Killing Them. StanChart CEO Reassures Staff After 'Lower-Value Human' Backlash.

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1. No, come on. As of this morning, the top "Yes" holder had 230 contracts, for a possible profit of \$220 or whatever.
2. Of course there's money on the event *not* happening, too, creating incentives for people to stop it from happening. But (1) on a dumb long-shot event, you can make 25x your money on "Yes" and like 3% on "No," so the incentives to bet and do mischief are perhaps stronger for "Yes," and (2) "Yes" only has to be lucky once; "No" has to be lucky always.
3. Bribing a player to fix the game. Bribing a ref to fix the game. Kidnapping a player so he can't play, or putting drugs in his food so he plays badly. Committing murder and framing him for it so he can't play. Committing securities fraud and framing him for it. Stealing all of a player's cryptocurrency so he's sad and distracted during the game. Covering the floor of the arena with glue. Tampering with a weather sensor at the airport so the team plane doesn't take off. Freeing a gorilla to terrorize the Knicks. Don't actually email me to suggest your own; the possibilities are infinite.
4. That is only approximately true, and normal corporate equity does not actually require the paying out of profits every year. But, you know, it's her share of the profits.
5. Often it's more like you pay me back Y% of your income above \$Z for W years, etc.
6. "Holding dollars in a bank account is not safe because the dollar is constantly being debased and only Bitcoin is safe!," fine.

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Securities

Insight

Prediction Markets Insider Trading a Wakeup Call for Companies

May 21, 2026, 1:30 AM PDT

Although the question of who has jurisdiction over prediction markets is unsettled, both the Commodity Futures Trading Commission and the Justice Department have said they intend to pursue incidents of insider trading and manipulation on these platforms. While public companies and financial industry entities have dealt with the risk of insider trading for decades, this threat from prediction markets is new.

As these platforms continue to grow and come under scrutiny, employers across all industries face mounting risk of distracting investigations, potential liability, and bad PR. Implementing a strong compliance framework will demonstrate good faith in the event of imputed liability and will proactively shield the company from exposure altogether.

Platforms such as Kalshi and Polymarket allow users to trade based on the outcome of real-world events. Users buy and sell binary “event contracts” tied to users’ assessment of the probability of whether something will happen in the future. Enormous payouts to users have caught the attention of regulators, members of Congress, and prosecutors who rightly believe that prediction markets users are making windfalls trading on insider or confidential information.

In June 2025, for example, a Polymarket user with the handle ricosuave666 profited roughly \$155,000 after accurately predicting events during Israel’s 12-day war with Iran. A few months later, the user AlphaRaccoon profited \$1.1 million after placing bets on how certain terms would rank in Google’s Year in Search. Other users have made hundreds of thousands of dollars successfully predicting events and outcomes.

Misappropriation of material nonpublic information, or MNPI, is a fundamental element of federal liability for insider trading. But employees and employers may not realize that when it comes to betting on prediction market platforms, MNPI can come in nearly limitless forms.

Misappropriated MNPI is no longer limited to information used to purchase or sell shares in a publicly traded company. Now, nearly all confidential information available to an employee that they then use to inform their bets on a prediction market could constitute misappropriation. In years past, a leak about the Oscar winner for best supporting actress could be a public embarrassment, but now it could be a federal crime, if the leak came from a firm tasked with maintaining secrecy over Oscar winners.

Litigation regarding the scope of “material” and “nonpublic” information as it relates to prediction markets is likely, but the government has taken a broad view on the issue. The DOJ last month unsealed the indictment of a US Army master sergeant accused of profiting off a US military operation to apprehend former Venezuelan President Nicolás Maduro, charging the sergeant with wire fraud and alleging that his bets on prediction markets were enabled by criminal misappropriation of MNPI.

In the financial industry, broker-dealers and other Securities and Exchange Commission-regulated firms can face civil liability for their employees’ insider trading under “failure to supervise” provisions. While there is no general “failure to supervise” law outside of the securities context, it doesn’t require unbounded imagination to envision an aggressive federal or state regulator crafting a theory of liability for employers.

Insider trading by a company’s employees can lead to significant legal costs, distracting investigations, and a public relations nightmare. This is why financial institutions have spent years carefully crafting frameworks for employee compliance to prevent insider trading and market manipulation. With prediction markets’ skyrocketing popularity, all companies should be just as concerned about compliance.

Nonfinancial institutions now have a novel source of risk that they may not be equipped to handle. Each touchpoint an employee has with confidential information now creates the risk of the employee trading on it. This concern goes hand in hand with the broadening scope of MNPI and will affect companies that may not have had to worry about misappropriation before.

Because the CFTC and DOJ have indicated that this kind of misappropriation is a federal crime, employers will need to enact robust confidentiality compliance frameworks to protect themselves from distracting and costly investigations.

Companies should consider implementing specific policies to help prevent insider trading in prediction markets.

Monitoring, or even prohibiting, employees’ use of prediction markets. An employer could block access to prediction markets. It could also make employees sign certifications that they won’t use the platforms.

Revising internal policies and codes of conduct to set clear guidelines regarding permitted—and prohibited—use of prediction markets, including what constitutes MNPI. Codes of conduct could broadly define confidential information and prohibit any nonauthorized use of confidential information.

Minimizing widespread employee access to confidential information. Businesses could use information technology to segregate critical (and potentially profitable) information and make certain files password protected.

Implementing market monitoring tools to identify whether MNPI from your company is being used on prediction markets. Businesses could track prediction markets that are particularly germane to them, monitor for any signs that the market is being influenced by inside information, and investigate further as needed.

The movie “Wall Street” and the TV show “Billions” may have brought securities insider trading into the cultural zeitgeist, but the rise of Kalshi and Polymarket will lead to a broader view of insider trading that has the potential to harm any employer that possesses prediction-market-moving information. Companies that don’t implement protective measures quickly enough risk falling short on compliance—and could end up paying the price down the road.

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<https://www.wsj.com/business/energy-oil/exxon-blasts-proxy-advisers-for-conflict-of-interest-in-fight-over-texas-move-445db9db>

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Exxon Blasts Proxy Advisers for Conflict of Interest in Fight Over Texas Move

Company claims Glass Lewis and ISS have little incentive to support proposals tied to Texas because of a continuing legal battle with state Attorney General Ken Paxton

By Collin Eaton

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May 21, 2026 11:00 am ET



Exxon has proposed a plan to redomicile in Texas. MARK FELIX/BLOOMBERG NEWS

Quick Summary

- Exxon Mobil is clashing with proxy advisory firms Glass Lewis and ISS over its plan to move its legal home to Texas.

View more

Exxon XOM **0.32%** ▲ Mobil is striking back at two proxy advisory firms opposed to the company's plan to move its legal home to Texas from New Jersey, its latest clash over shareholder governance issues.

The U.S. oil giant says Glass Lewis and Institutional Shareholder Services have a conflict of interest in recommending that investors vote against Exxon's proposed plan to redomicile in Texas, given their ongoing legal battle with state Attorney General Ken Paxton. They are fighting over a Texas law that requires proxy advisers to disclose their motivations for their recommendations.

Exxon said it intends to run full-page ads in major newspapers, including The Wall Street Journal, to make its case. The company, which has been incorporated in New Jersey since 1882, relocated its headquarters to Texas from New York City in 1989.

"We're not surprised the two dominant proxy advisory firms ISS and Glass Lewis are against our redomiciliation to Texas," the ads read. "But we are surprised both firms didn't disclose their ongoing litigation with the Texas Attorney General under their conflict-of-interest policies."

Glass Lewis and ISS are arguing the move would eliminate investor protections established under New Jersey law. Exxon has said it isn't adopting any elective provisions of the Texas corporate statute that weaken shareholder rights. Investors will vote on the relocation plans at Wednesday's annual meeting.

"There is no conflict of interest," a Glass Lewis spokeswoman said. "Glass Lewis' proxy research, including our approach to assessing the governance implications of reincorporation proposals, is entirely separate from our lawsuit challenging Texas Senate Bill 2337, which is a matter of public record and has been disclosed on our website."



Texas Attorney General Ken Paxton is running for the U.S. Senate. LM OTERO/AP

In July, Glass Lewis and ISS sued Paxton's office over its enforcement of a 2025 Texas law requiring proxy advisers to disclose when their recommendations are based on nonfinancial factors, such as environmental considerations. They argued the law violated their First Amendment rights and won preliminary injunctions against its enforcement last summer.

The fight continues to heat up. Paxton, who is in the middle of a contentious GOP primary race for Senate, on Wednesday filed a lawsuit against ISS for allegedly misleading investors. He claims the firm is giving priority to "its own environmental, social, and governance agenda over the fiscal well-being of its clients."

In his statement announcing the suit, Paxton said ISS is trying to "obstruct" Exxon's planned move to Texas. A spokesman for ISS said it would defend itself in court against Paxton's allegations, which ISS says lack merit.

Texas Republicans have promised a pro-business ecosystem to companies looking to relocate from Democratic-led states. Tesla is among those that have made such a move, while Dell Technologies' board voted earlier this month to relocate its legal home to the Lone Star State. Exxon's chief rival, Chevron, moved its corporate headquarters to Houston from San Ramon, Calif., two years ago but is still incorporated in Delaware.

In a March interview with The Journal, Exxon Chief Executive Darren Woods said the move to Texas is about protecting the company from shareholder "abuse," a reference to what companies see as a proliferation of

frivolous shareholder lawsuits in certain venues. He also said Texas better understands the oil-and-gas industry and is more invested in its success.

New York City Comptroller Mark Levine is joining the proxy advisory firms in urging Exxon investors to vote against the relocation, warning it would “ultimately disenfranchise shareholders,” who he said would have fewer protections in Texas. Levine advises the New York City Police Pension Fund, a longtime Exxon investor.

Levine’s office also submitted a shareholder proposal to alter Exxon’s new retail shareholder voting system. The company last year unveiled a program through which its thousands of individual investors could sign up to cast their votes on shareholder proposals in lockstep with the company.

The other proposal up for a vote at next week’s meeting calls for naming an independent board chairman. Exxon noted in its proxy filing that the same shareholder resolution has failed 16 times in recent years.

Exxon has faced bitter fights over shareholder resolutions in the past. In 2024, the company sued sustainability investment firms Arjuna Capital and Follow This to try to stop them from putting forth a climate-related proposal. That lawsuit, filed in a Texas federal court, was thrown out later that year after Arjuna vowed not to file similar proposals in the future.

Earlier this week, President Trump endorsed Paxton, who is trying to unseat longtime incumbent Sen. John Cornyn in next week’s primary runoff. Paxton, who has served as attorney general since 2015, has faced a series of scandals but survived an impeachment battle after being acquitted by the Texas Senate.

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

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BUSINESS

Tobacco Giant Donated \$5 Million to MAGA Inc. Shortly Before Vaping Decision

Reynolds American was lobbying White House to ease limits on flavored vaping products

By Laura Cooper [Follow](#) and Meridith McGraw [Follow](#)

Updated May 21, 2026 10:19 am ET



Reynolds is one of the biggest sellers of vaping products under its Vuse brand. JOSE SARMENTO MATOS/
BLOOMBERG NEWS

Reynolds American, one of the biggest tobacco companies, made a \$5 million donation to a political group aligned with President Trump shortly before his administration decided to lift restrictions on certain flavored vaping products.

The donation to MAGA Inc., the super political-action committee aligned with the president, was recently disclosed in federal fundraising records. It arrived on April 30 and was earlier reported by the New York Times.

Reynolds, the maker of Camel and Newport cigarettes in the U.S., declined to comment.

White House spokesman Kush Desai said, “The only guiding factor behind the Trump administration’s health policymaking is Gold Standard Science. FDA’s regulatory treatment of nicotine pouches and vapes is rooted in recent evidence that has found they can help adults quit smoking.”

Alex Pfeiffer, a spokesman for MAGA Inc., said the group “is pleased to accept legal contributions from those who agree with President Trump’s America First Agenda and his goal to Make America Great Again.”

Republicans widely expect a difficult time in November’s midterm elections, and many think they will lose control of the House. The Senate remains more competitive. The GOP plans to leverage its deep pockets to finance a barrage of ads, as well as far-reaching voter-contact and turnout operations, The Wall Street Journal previously reported. As of last week, MAGA Inc. had about \$347 million.

One recent battle inside the administration emerged over former FDA Commissioner Marty Makary’s handling of flavored vapes, which advisers told Trump was essential to retaining young MAGA voters.

On May 5, the FDA authorized menthol, mango and blueberry vape flavors from Los Angeles-based manufacturer Glas. Makary resigned the following week after had Trump signed off on a plan to fire him.

The Journal reported that, before the vape decision, Trump upbraided Makary for not moving quickly enough on the matter.

Reynolds is one of the biggest sellers of vaping products under its Vuse brand. Since 2020, the FDA had restricted sales to tobacco-flavored and menthol-flavored vapes amid concerns that fruity flavors appeal to underage users.

Laura Cooper is a reporter covering beverage and tobacco companies for The Wall Street Journal in New York. Her coverage includes beverage makers, including Coca-Cola and PepsiCo, as well as tobacco companies, beer and spirits makers. Before joining the corporate team, she covered deals and private...

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Pinterest Hit With Derivative Suit Over Tariff Impacts

By **Sydney Price**

Law360 (May 20, 2026, 9:49 PM EDT) -- Executives and directors of social media platform Pinterest Inc. have been hit with an investor's derivative suit in California federal court accusing them of damaging the company by concealing the impact the U.S. tariffs were having on Pinterest's advertising partners.

Pinterest brings in "substantially all of its revenue" from its advertising services, but for over a year, the company did not disclose the impact unfavorable economic conditions had on its advertising partners, shareholder Maheleh Azima **alleged in the complaint** filed Tuesday.

The slowed spending from Pinterest's advertising partners decreased the company's revenues and led to its restructuring, the suit claims.

Azima alleged that between February 2025 and February 2026, Pinterest and its leaders, including CEO William Ready and Chief Financial Officer Julia Brau Donnelly, made misleading statements about the company's ability to manage economic pressure.

For example, on Feb. 6, 2025, the day the relevant period begins, Ready told investors that Pinterest's strategy "is paying off," allowing it to create long-term value for advertising partners, Azima alleged. Over the next several months, Pinterest and its executives continued making similar positive statements, according to the suit.

The truth began to emerge, Azima said, on Nov. 4, 2025, when Pinterest announced its latest financial results and revealed fourth-quarter revenue guidance below expectations.

"Defendant Donnelly revealed that the Company 'face[d] pockets of moderating ad spend ... as larger U.S. retailers navigate tariff-related margin pressure in the current environment,'" Azima said.

Following the announcement, Pinterest's shares fell \$7.16 each, or about 22%, to close at \$25.75 per share on Nov. 5, 2025, according to the complaint.

A few months later, on Feb. 12, Pinterest announced its financial results for the fiscal quarter and full year that fell short of estimates, according to the suit.

"Defendant Ready revealed that Pinterest had been affected by 'an exogenous shock this year related to tariffs, which are disproportionately affecting ad spend from our top retail advertisers,'" Azima said.

Following that announcement, Pinterest's shares fell \$3.12 each, or about 17%, to close at \$15.42 per share on Feb. 13.

Azima also alleged the individual defendants allowed Pinterest to repurchase its shares at artificially inflated prices, overpaying by more than \$462.7 million during the relevant period.

The suit accuses the defendants of violating the Exchange Act, breaching their fiduciary duties, being unjustly enriched, gross mismanagement and wasting corporate assets.

The complaint also notes the company is facing a **securities class action** for related claims in the Northern District of California.

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

Azima is represented by Robert C. Moest and Timothy Brown of The Brown Law Firm PC.

Counsel information for Pinterest and the individual defendants was not available Wednesday.

The case is Azima v. Ready et al., case number 3:26-cv-04771, in the U.S. District Court for the Northern District of California.

--Additional reporting by Katryna Perera. Editing by Lakshna Mehta.

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Ex-DZS Telecom Execs Settle Investor Suit For \$2.9M

By **Emilie Ruscoe**

Law360 (May 20, 2026, 8:33 PM EDT) -- Two former executives of bankrupt telecommunications company DZS Inc. have reached a \$2.9 million deal to resolve proposed class action claims the company concealed "egregious accounting misconduct," hurting investors after revelations about its accounting practices tanked its share price.

In Tuesday filings in Texas federal court, a DZS investor asked U.S. District Judge Sean D. Jordan to grant preliminary approval to agreement, telling the court that the deal is a "favorable" result for the proposed class.

"Plaintiff respectfully submits that the settlement warrants preliminary approval given that it is the result of arm's-length negotiations by experienced counsel overseen by a well-respected mediator, represents a favorable recovery that falls well within the range of possible approval, and is very likely to meet" approval requirements, lead plaintiff Jason Hawke said Tuesday.

The investor said the settlement sum represents about 6.5% of the maximum damages the investors could recover at trial. But he noted that DZS filed for bankruptcy in 2025, which "significantly limits the practical ability to obtain any meaningful recovery from the Company itself."

"Continuing to litigate would increase the risk that any available insurance proceeds are depleted through continued defense costs and potential competing claims, thereby reducing the pool of funds potentially available for settlement or recovery," the filing states.

Settling with investors are former DZS CEO Charles Daniel Vogt and former Chief Financial Officer Misty Kaweck, who face securities fraud and control person liability claims. DZS was voluntarily dismissed from the action following its bankruptcy filing, though the parties agreed the action could proceed. Bankruptcy proceedings are ongoing, with a June 10 deadline for filing claims.

If granted final approval, the settlement would end claims brought on behalf of those who invested in DZS between May 4, 2022, when the company issued a quarterly report it would eventually amend, and Nov. 9, 2023, when the company disclosed it would need to restate all of its 2022 fiscal year financial statements.

During that time, the company hid from investors that "improper revenue recognition practices were prevalent" in its global operations, the complaint said. Among other things, employees were encouraged to prematurely recognize revenue and inflate the company's financial results, in many instances as the company neared the ends of its quarterly reporting periods, the suit said.

On Wednesday, Adam Apton, an attorney for lead plaintiff Jason Hawke, told Law360 via email that "we look forward to resolving the case with a favorable outcome in what was otherwise a very unfavorable situation. Returning money for shareholders is our top priority."

Representatives for the defendants didn't immediately respond to a request for comment.

Jason Hawke is represented by Adam M. Apton of Levi & Korsinsky LLP and Thane Tyler Sponsel III of Sponsel Miller PLLC.

The defendants are represented by John Lawrence and Charles Strecker of Baker Botts LLP.

The case is In re DZS Inc. Securities Litigation, case number 4:23-cv-00549, in the U.S. District

Court for the Eastern District of Texas.

--Editing by Emily Kokoll.

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Veon Investors Get Final OK For \$20M Deal, Atty Fees

By **Sydney Price**

Law360 (May 20, 2026, 9:06 PM EDT) -- Telecommunications firm Veon Ltd. and its investors have received final approval of a nearly \$20 million settlement to end claims the company defrauded shareholders by not disclosing it had paid bribes in Uzbekistan.

According to the order U.S. District Judge Andrew L. Carter Jr. signed Tuesday, the deal is "fair, reasonable and adequate."

Lead counsel for the investors will receive one-third of the settlement fund, roughly \$6.7 million, in fees, and \$130,000 in expenses, according to the order.

"Plaintiffs' counsel have devoted 5,408.91 hours, with a lodestar value of \$4,335,151.31, to achieve the settlement," Judge Carter **said in the order**.

The settlement, which was **preliminarily approved** in January, ends 10 years of litigation related to the shareholders' claims. In 2015 and 2016, the U.S. Department of Justice and other authorities announced investigations into Veon, formerly known as VimpelCom, alleging the company bribed the daughter of Uzbekistan's then-leader so it could do business in the Central Asian country.

In March 2023, the shareholders filed the latest version of the complaint after a previous version was dismissed several months prior. The operative complaint alleged that despite VimpelCom's claims during the class period that it had effective internal controls and succeeded in Uzbekistan "because of its business savvy," it conceded it had paid more than \$100 million in bribes so it could conduct business in Uzbekistan.

The investors are represented by Michael A. Cohen, Jonathan R. Horne, Phillip C. Kim and Brent LaPointe of The Rosen Law Firm PA.

Veon is represented by Kerri A. Law and Jonathan M. Wagner of Herbert Smith Freehills Kramer LLP.

The case is In re Veon Ltd. Securities Litigation, case number 1:15-cv-08672, in U.S. District Court for the Southern District of New York.

--Editing by Lakshna Mehta.

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Amazon Rebuffs Lost Doc Allegations In COVID Pricing Case

By **Rachel Riley**

Law360 (May 20, 2026, 10:31 PM EDT) -- Amazon called on a Washington federal judge Tuesday to deny two consumers' bid for sanctions against it in a proposed class action over alleged price-gouging on the e-commerce platform during the COVID-19 pandemic, saying the plaintiffs are trying to dodge major legal hurdles by leveling baseless claims of failure to preserve evidence.

Amazon.com Inc. said in a **court filing** that it has provided the plaintiffs roughly 125,000 documents and over 178,400 gigabytes of data related to its pandemic-era pricing practices, illustrating that the company "took extensive and proactive steps to curb excessive pricing in its store and protect consumers."

"Plaintiffs may dispute whether these efforts were sufficient, but they understand they lose on that record," Amazon said. "Instead, plaintiffs attempt to manufacture a shortcut. They ask the court to disregard the evidence before the parties can fully present it. They demand a sweeping adverse inference without making the required showings."

At issue is the consumers' Dec. 8 **sanctions motion**, which says the company "failed to retain untold numbers of documents" critical to the case after it was filed.

Among other things, the plaintiffs have asked the court to punish Amazon by barring it from calling witnesses to discuss certain matters if the company deleted documents that could be used to cross-examine them and prohibiting the company's argument that it made good-faith efforts to prevent price-gouging from April 2020 to October 2020.

Amazon initially responded to the sanctions bid in January, saying it never intentionally destroyed any relevant documents or neglected to keep them. The company said the sanctions motion relies on the false premise that it was obligated, once learning of the case, to issue a case-specific litigation hold to every potentially relevant employee instructing them to preserve records.

In the Tuesday **supplemental filing**, Amazon detailed the efforts it has taken since its January response to address the plaintiffs' concerns of "gaps" in recordkeeping. The company collected over 1.6 million new, unique documents from an expanded group of records custodians, producing almost 8,600 documents that were responsive to the plaintiffs' requests.

According to the filing, Amazon also combed through databases that were created for other litigation involving the Federal Trade Commission, yielding an additional 26,200 documents for the plaintiffs.

"Yet none of the documents collected or produced from databases compiled wholly apart from this litigation suggests or implies any 'gap' in the substantive evidence available to plaintiffs," Amazon said. "In fact, the recently produced documents show that any alleged lost evidence can and has been replaced through additional discovery — negating the prerequisite to plaintiffs' requested sanctions."

Last September, U.S. District Judge Robert S. Lasnik ordered Amazon to produce records from certain employees who were central to the company's effort to handle price issues during the pandemic.

The judge knocked the e-commerce giant for waiting nearly six months to notify any employees of the need to preserve pricing records related to the case, writing in his order that the company

"simply failed to notify anyone of this litigation and the preservation duties it triggered for six months after the complaint was filed."

Steve W. Berman of Hagens Berman Sobol Shapiro LLP, representing the consumers, echoed Judge Lasnik's September ruling in a Wednesday email to Law360.

"As the court thoughtfully called out in its September order, Amazon chose to wait nearly six months to notify just a handful of employees about the need to preserve pricing records related to the case, and it did not expand its preservation notice to cover other relevant personnel for another two years," Berman said. "We believe the documents in question are central to uncovering how Amazon handled pricing issues during the pandemic, and central to arriving at the truth for consumers."

Amazon media representatives did not immediately respond to a request for comment on Wednesday.

The proposed class action was first filed in July 2021, accusing the Seattle-based online marketplace operator of illegally driving up the prices of basic items by more than 1,000% when consumers sought to stock up on essentials as the pandemic intensified.

After Amazon initially moved to dismiss the suit, Judge Lasnik asked the Washington Supreme Court to determine if the plaintiffs' price-gouging claims were covered by the state's Consumer Protection Act. A majority of Washington's justices **ruled** in August 2024 that the consumers can bring CPA claims against Amazon for the alleged price-gouging but stopped short of agreeing with customers that the law bars specific markup percentages.

Once the case returned to federal court, Amazon **contended** in a November 2024 dismissal motion that the ruling was overbroad and does not permit online shoppers to "parlay" their specific claims into a class of every single consumer who bought any product at any price on its platform.

Judge Lasnik **refused** to toss the suit in January, saying this case is not just about pricing, but hinges on claims that Amazon took advantage of a global emergency to increase prices.

In March, Judge Lasnik partly granted a **motion to compel** from Amazon, ordering the plaintiffs to provide the company with information on goods they purchased from other online retailers during the timeframe at issue if they also bought the same or similar items from Amazon.

The plaintiff consumers are California resident Michael Steinberg and Arizona resident Christina King, according to court records. The case previously named three other plaintiffs, but those consumers voluntarily dropped their claims this year.

The consumers are represented by Steve W. Berman, Dana Abelson, Ben Harrington, Benjamin J. Siegel and John Michael Grant of Hagens Berman Sobol Shapiro LLP.

Amazon.com Inc. is represented by John A. Goldmark, MaryAnn T. Almeida, Nick Valera, Caitlyn C. Courtney and Jake Freed of Davis Wright Tremaine LLP and Jennifer Kennedy Park, Matthew M. Yelovich, Ryan Shores, Nowell D. Bamberger and Charity E. Lee of Cleary Gottlieb Steen & Hamilton LLP.

The case is Michael Steinberg et al. v. Amazon.com Inc., case number 2:21-cv-00898, in the U.S. District Court for the Western District of Washington.

--Additional reporting by Ben Adlin. Editing by Linda Voorhis.



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Hagens Berman Says Apple Smear Job Can't Stop Withdrawal

By **Bonnie Eslinger**

Law360 (May 20, 2026, 6:15 PM EDT) -- Hagens Berman Sobol Shapiro LLP urged a California federal judge to allow one of its named plaintiffs to withdraw from an Apple iCloud antitrust case, saying Apple Inc.'s filed opposition is rife with "misdirection and ad hominem" attacks and not about the merits of the dispute but "smearing opposing counsel."

In a reply brief filed Tuesday, Hagens Berman argues its client is entitled to voluntarily dismiss her claims without responding to Apple's additional discovery requests, which include a demand for information on the law firm's instructions to the plaintiff about preserving documents relevant to the case.

Plaintiff Julianna Felix Gamboa sought to drop out in April, citing what she described as the inadvertent deletion last year of most of her email inbox upon prompting by Google that she was running out of storage. Gamboa also cited health concerns, the exact nature of which are redacted in the motion.

"With no answers on the legal merit of this dispute, Apple's opposition is geared more toward smearing opposing counsel," Hagens Berman states in its Tuesday reply.

While Apple claims the plaintiffs misrepresented the parties' meet-and-confer history and the events preceding the motion to withdraw Gamboa from the case, Hagens Berman says that's not true.

"Apple never stated during the parties' March 5 meet-and-confer that it was taking the objectionable step of propounding additional discovery on Gamboa," the filing says.

Apple only argues Gamboa had an "outstanding obligation" to provide documents responsive to the discovery requests the company had previously issued, Hagens Berman says.

Apple also wrongly claims the plaintiffs have misrepresented the reasons for Gamboa's withdrawal, the reply says.

"As the motion clearly states, plaintiffs notified Apple of Gamboa's preservation issues and requested Apple's consent to her voluntary dismissal on that basis," Hagens Berman says, adding that when it later learned of Gamboa's health concerns, it advised Apple accordingly.

Apple then turned to attacking Hagens Berman's credibility, the reply says.

"Apple devotes its opposition to misdirection and ad hominem," the law firm states.

In its opposition, Apple tries to distract from the merits of the withdrawal by suggesting Hagens Berman has a history of "gamesmanship" regarding named plaintiff discovery, the firm argues.

The other cases and decisions Apple cites in support of its accusation have no bearing on the motion before the court, Hagens Berman contends before taking a swipe at Apple.

"They are no more relevant than the alarming number of instances in which Apple or its counsel here have been sanctioned for misconduct," the reply brief states.

The plaintiffs then list instances in which Apple was sanctioned and in one matter referred for criminal investigation.

The latter refers to a **May 2025** decision by U.S. District Judge Yvonne Gonzalez Rogers in which she agreed with video-game developer Epic Games Inc. that Apple violated her order blocking App Store rules that prevent developers from steering users to alternative payment options, and referred the matter to federal prosecutors for possible criminal contempt proceedings.

Hagens Berman also points out that in June 2024, U.S. Magistrate Judge Sallie Kim **sanctioned** Apple in a privacy lawsuit finding the tech giant spoiled evidence by deleting key data. And in another case, U.S. District Judge Dolly M. Gee held Apple's law firm, Latham & Watkins LLP, in **civil contempt** for "flagrant violations" of a protective order covering discovery produced by investment firm Muddy Waters Capital in a securities fraud class action.

Apple should not be allowed to characterize Gamboa's withdrawal as some scheme to evade discovery, Hagens Berman argues in its Tuesday reply brief.

"Gamboa has agreed to provide responses to the requests Apple had outstanding when she noticed her intent to withdraw," the brief adds.

What Gamboa is contesting are the discovery requests Apple later made. Those requests are improper and can be pursued from the remaining named plaintiff in the case, Thomas Dorobiala, the reply brief argues.

The lawsuit first filed in March 2024, which U.S. District Judge Eumi K. Lee **refused** to dismiss last year, targets limitations on the ability of third-party cloud storage apps to remotely back up certain core data.

Apple says the limits were implemented for security reasons, not to give iCloud an advantage. But Judge Lee concluded the consumers have adequately alleged Apple has monopoly power in the contested market, that it has anticompetitively conditioned the purchase of its devices on also subscribing to iCloud, and that restrictions placed on third-party cloud access can be targeted as attempted monopolization.

Gamboa asked the court for permission to drop out, citing concerns about representing the class without her emails, in addition to her health concerns, and accusing Apple of improperly serving new discovery after she had informed the company about her health issues.

In an **opposition brief** filed earlier this month, Apple lashes out at Hagens Berman for trying to withdraw Gamboa without discovery into any directions she received to preserve now-deleted emails, raising concerns the withdrawal is meant to "paper over lost evidence."

In opposing unconditional withdrawal, Apple says that, according to Hagens Berman, Gamboa didn't disclose her health issues to her lawyers until mid-March, underscoring Apple's justification in insisting on discovery into exactly what Gamboa knew as a consumer when buying an iPhone with its cloud storage restrictions.

"Apple does not intend to impose any undue burden on Ms. Gamboa. But Hagens should not be permitted to make an opportunistic escape from the consequences of failing to preserve Ms. Gamboa's documents," the company says. "Indeed, Hagens has a history of gamesmanship regarding named plaintiff discovery, and Apple is thus concerned that Hagens seeks to paper over lost evidence with this dismissal request."

That history, according to the brief, includes antitrust cases against Apple itself, such as a lawsuit against Apple and Amazon.com Inc. in which the court **sanctioned** Hagens Berman for failing to accurately disclose that a named plaintiff had wanted to drop out. In **another case** over Apple's mobile wallet technology, Apple points out, five of eight employees from the plaintiffs "could not recall ever receiving instructions to preserve documents from counsel."

In Gamboa's case, Apple wants to know what kind of instructions she received to preserve discovery, "especially because this is yet another instance of suspect dismissal-related maneuvers by Hagens in

litigation against Apple."

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

The consumers are represented by Ben M. Harrington, Benjamin J. Siegel, Eli R. Freedman and Mark Vazquez of Hagens Berman Sobol Shapiro LLP.

Apple is represented by Belinda S. Lee, Sarah M. Ray, Alicia R. Jovais and Aaron T. Chiu of Latham & Watkins LLP.

The case is Gamboa et al. v. Apple Inc., case number 5:24-cv-01270, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bryan Koenig, Matthew Perlman, Lauren Berg and Nadia Dreid. Editing by Kristen Becker.

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Prof. Hired By J&J In 1970s Found Asbestos In Talc, Jury Told

By **Craig Clough**

Law360 (May 20, 2026, 11:39 PM EDT) -- A former Johnson & Johnson toxicologist could not find evidence his employer turned over a report to the U.S. Food and Drug Administration that "unmistakably" found asbestos in the company's talc, according to a video deposition shown Wednesday to a California jury considering bellwether claims over three women's deadly ovarian cancer.

John Hopkins worked at J&J from 1976 to 2000, and the jury was shown more of his 2018 deposition after **previously** viewing portions where he denied internal documents prove the company manipulated and controlled a study conducted on Italian talc miners, and also denied that internal documents from the 1970s and other time periods show the company knew its talc contained asbestos.

Hopkins was confronted by an unidentified plaintiffs' attorney who was off camera with a report from University of Minnesota professor Thomas E. Hutchinson, who was hired by the company to test its talc in the 1970s after an FDA-commissioned professor, Seymour Lewin of New York University, reported finding asbestos in J&J's talc products.

The report said it "unmistakably" found chrysotile asbestos and even included pictures of the fibers, the attorney said.

"You haven't found anything to show that this was given to the FDA, right?" the attorney asked.

"I haven't found any evidence that it was," Hopkins said.

The testimony was the latest deep-dive the jury has taken into internal J&J documents from the 1960s and 70s that have fueled thousands of lawsuits against the company from plaintiffs claiming the company's baby powder and other talc products cause ovarian cancer and mesothelioma. The plaintiffs in the trial, who are relatives of three women who died of ovarian cancer, argue the documents prove the company knew its talc contained asbestos.

The Hutchinson study was **previously discussed** when Dr. David A. Kessler, who was FDA commissioner from 1990 through 1997, testified as the trial's first witness.

Lewin was hired by the FDA in the early 1970s to test J&J talc products and found asbestos, and the results caused "alarm bells to go off" in the company's upper ranks, Kessler previously testified. In response, the company hired some experts to retest Lewin's samples. The experts included Hutchinson, who reported finding asbestos in the samples, Kessler said.

The day after receiving Hutchinson's report, J&J execs told FDA representatives they found no asbestos in Lewin's samples, according to meeting minutes shown to the jury.

During his testimony shown Wednesday and previously, Hopkins refuted in various ways that the decades-old documents show the company knew asbestos was in its talc. Certain references to chrysotile and tremolite, which are minerals that can come in asbestos form, were simply reference to the non-asbestos form of the mineral, he often said.

A reason talc and asbestos are carcinogenic is because they are sharp and needle-like, which allowed

them to become embedded and stuck in ovaries and cause inflammation, according to the plaintiffs.

At one point in the testimony shown Wednesday, the plaintiffs' attorney showed Hopkins a report from the Colorado School of Mines that found tremolite needles, but Hopkins responded that the report does not say "tremolite asbestos" was found.

The attorney then pivoted to a report written by Hopkins himself, in which he said "the needle-like structure of asbestos ... is the quality that gives it the ability to embed in pulmonary tissue and potentially lead to mesothelioma." The attorney asked if he wrote those words, and Hopkins agreed he did but did not elaborate further. The attorney moved to another subject.

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 the company's 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 Kristen Becker.



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Refusing Sandoz Parent Dismissal 'Clear Error,' Court Told

By **Bryan Koenig**

Law360 (May 20, 2026, 8:21 PM EDT) -- Sandoz's Swiss parent company wants a Pennsylvania federal judge to rethink her decision forcing it to face generic drug price-fixing claims from major employers like General Motors, arguing the court "conflates" Novartis AG with Sandoz AG, which was spun off in 2023.

In a motion for reconsideration — or alternatively a request to tee up the matter for appeal to the Third Circuit — Sandoz AG took issue only with the part of U.S. District Judge Cynthia M. Rufe's **early May decision** refusing to dismiss the claims against it. It is not challenging Judge Rufe's decision preserving claims against Novartis or other drugmakers battling sprawling **multidistrict litigation**.

According to the May 18 brief, Judge Rufe was wrong to exercise personal jurisdiction over Sandoz AG, which requires specific ties to Pennsylvania.

"In drafting the amended complaint, plaintiffs used legal sleight of hand to improperly justify personal jurisdiction over Sandoz AG. Plaintiffs erroneously and repeatedly combined Sandoz Inc., Novartis AG, and Sandoz AG, to effectively create the appearance of facts about Sandoz AG justifying personal jurisdiction that are not actually supported by the cited evidence," Sandoz AG said. "This group pleading infected the opinion, leading to an incorrect and dispositive conflation of Novartis AG and Sandoz AG, and ultimately an incorrect conclusion about Sandoz AG."

Judge Rufe's May 4 ruling addressed a series of overlapping motions to dismiss filed jointly and by individual generic-drug makers battling the breakaway lawsuit from American Airlines Inc., Aramark Services Inc., General Motors LLC, Lowe's Cos. Inc., Lumen Technologies Inc., Lumen Technologies Service Group LLC, RTX Corp., Target Corp. and US Foods Inc. targeting 55 defendants in all.

Styled as direct action plaintiffs who fund their own employee drug benefits, their claim joins the MDL, as well as since-separated litigation from state attorneys general and a series of U.S. Department of Justice settlements that netted hundreds of millions of dollars in payments for the scheme that allegedly fixed prices and divvied up the market for generic drugs.

While she dismissed claims against some defendants, Judge Rufe rejected the dismissal bid from Novartis and its former Sandoz unit.

Judge Rufe said the defendants cannot separate the two companies, instead crediting assertions that Novartis maintained tight control over its subsidiary, including its prices, thus allowing the plaintiffs to sweep in Novartis and claim court jurisdiction. She said Sandoz's parent company, Sandoz AG, as well as Novartis AG, cannot create enough jurisdictional separation from the U.S. or Pennsylvania, concluding both entities "continually inserted themselves into Sandoz's business."

Among other things, Judge Rufe rejected Sandoz AG and Novartis' bid to duck fraud allegations under New Jersey's Uniform Voidable Transfer Act, which is meant to block debtors from putting property outside the reach of a creditor. She credited allegations that Novartis tried to set up Sandoz as a buffer against liability, transferring away its value and profits while saddling the spun-off company with responsibility not just for the price-fixing claims but also for opioid litigation and tax liabilities arising from the spin-off.

In seeking reconsideration on Monday, Sandoz AG argued that the judge mistakenly credited

allegations "almost exclusively directed at Novartis" as being against Sandoz AG. It pointed to an affidavit supporting its motion to dismiss that showed that since 2009, Sandoz AG had not "sold or distributed pharmaceuticals in the United States and did not direct Sandoz Inc.'s day-to-day operations including the advertising or sale of pharmaceuticals in the United States." Judge Rufe "sweeps this aside," it said, by crediting hundreds of pages of exhibits the plaintiffs submitted "that have little to do with Sandoz AG."

"The opinion, relying on the amended complaint's impermissible group pleading, repeatedly and erroneously conflates Novartis AG and Sandoz AG, resulting in a clear error of fact meriting reconsideration," Sandoz AG said.

At times, Judge Rufe went "beyond plaintiffs' allegations to directly attribute Novartis' actions to Sandoz AG," according to the brief.

In alternatively seeking certification of the issue for interlocutory, or mid-case, appeal to the Third Circuit, Sandoz AG argued that the judge effectively adopts "a new standard for assessing personal jurisdiction involving a corporate affiliate," one based on whether there's "enmeshment" between the entities.

"The standard for specific jurisdiction on a co-conspirator theory requires allegations, specifically pled, of actual involvement in the underlying wrongs, and not just an affiliation with a company alleged to have committed the underlying wrongs," it said. "The discrepancy between the standards commonly used in the Third Circuit and the court's corporate affiliate enmeshment standard represents a dispute over a controlling issue of law."

Counsel for the employers and Sandoz did not immediately respond on Wednesday to requests for comment.

The employers are represented by Karma M. Giulianelli, Sundeep K. Addy, Lester C. Houtz, Matthew R. Ford and Bryan W. Gray of Bartlit Beck LLP.

Sandoz is represented by David L. Axelrod, Jason A. Leckerman, Emilia L. McKee Vassallo and Elizabeth P. Weissert of Ballard Spahr LLP.

The pharmaceutical companies are represented by Wilson Sonsini Goodrich & Rosati, Wiggin and Dana LLP, Kasowitz Benson Torres LLP, Curtis Mallet-Prevost Colt & Mosle LLP, Greenberg Traurig LLP, Morgan Lewis & Bockius LLP, Bailey Duquette PC, Dechert LLP, K&L Gates LLP, Kelley Drye & Warren LLP, and others.

The individual case is American Airlines Inc. et al. v. Actavis Holdco U.S. Inc. et al., case number 2:24-cv-01430, in the U.S. District Court for the Eastern District of Pennsylvania. The MDL is In re: Generic Pharmaceuticals Pricing Antitrust Litigation, case number 2:16-md-02724, in the U.S. District Court for the Eastern District of Pennsylvania.

--Editing by Vaqas Asghar.



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Social Media Not Proven To Harm Mental Health, Judge Told

By **Cara Salvatore**

Law360 (May 20, 2026, 10:29 PM EDT) -- A statistics expert for Meta sought Wednesday to undermine the claim that social media has driven a rise in mental health conditions among teens, saying the New Mexico attorney general's key witness on the topic didn't consider alternative factors like widening access to mental health care.

Michael Baiocchi, a statistician in the epidemiology department at Stanford University, took the stand as part of Meta's defense case-in-chief in a phase two bench trial that began May 4. In the second phase, New Mexico Attorney General Raúl Torrez is seeking a 15-year, \$3.71 billion abatement plan and a suite of changes to Meta's social network designs.

The bench trial follows a jury's March verdict finding that the parent company of Instagram, Facebook and WhatsApp hid the full scope of sexual predation and bullying on the apps and painted a rosier picture for the public than it discussed internally. The jury also imposed a \$375 million penalty.

Baiocchi was intended as a rebuttal witness to psychologist Jean Twenge, who testified earlier in this bench trial that copious research supports the claim that social media causes mental health harms to adolescents. But Baiocchi said that is not what he sees in the research.

"I am really concerned that there's a lot of reliance on correlational studies," Baiocchi said of Twenge's choice of what he viewed as less-than-gold-standard research. That's in part because of her reliance on "time series" studies looking at data over time, he said.

"It's a fact of time series that correlations like this just happen," he said, showing a graph in which his local NBA team's usage of 3-point shots increased along a similar slope to that of mental health diagnoses over the same time period.

Baiocchi also said that Twenge's critique of social media doesn't differentiate between the medium and the message, which Section 230 of the Communications Decency Act says must be done. Meta cannot be held liable for content posted on its platforms, judges around the country have ruled, but they have sent forward claims related to the platforms' design. Observers still expect appeals to focus heavily on Section 230.

"When she's doing her analyses, there's no attempt to separate content from the medium that's being delivered," Baiocchi said. "Back in the '70s, '80s, people were worried or thinking about, How does TV impact kids? And some of the early research was like, 'Eh, we're not sure it's helpful.'" But, he said, positive findings related to "Sesame Street" changed that impression, so "we know from other sources the content can have a differential impact from the medium," he said.

On cross, a lawyer for the state tried to get Baiocchi to agree that there would be no way to carry out research formats which he suggested would be better.

"You've testified that the best proof of causation comes from random[ized] controlled trials, right?" the lawyer asked. Baiocchi said they are "the best way to find causal inference."

The lawyer then posited that exposing one group "to something potentially addictive and harmful" is not an experiment design that would pass muster.

"There are studies like deactivation studies where we can look at a causal impact by reduction," the witness replied.

The lawyer said that there aren't, however, studies that give one group of 14-year-olds an hour's worth of social media exposure per day and another group of 14-year-olds seven hours' worth.

"I'm not personally convinced that there are negative harms" in such a study design, the witness said, "but we go to, like, [institutional review boards] and ask those questions ... but there are study designs that one could deploy."

The jury in the first trial heard about examples of sextortion, peer bullying, suicide, teen fight accounts, sharing of sexual abuse material and more taking place on social media, as well as the routine removal of huge numbers of users younger than Meta's stated account age minimum, 13.

New Mexico is represented by Raúl Torrez of the New Mexico Department of Justice and Donald Migliori, Linda Singer, Michael Pendell and David Ackerman of Motley Rice LLC.

Meta is represented by Kevin Huff, Alex Parkinson, Ana Paul, Cassie Redlingshafer and Kevin Miller of Kellogg Hansen Todd Figel & Frederick PLLC.

The case is New Mexico v. Meta Platforms Inc. et al., case number D-101-CV-2023-02838, in the First Judicial District Court of New Mexico.

--Editing by Linda Voorhis.

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Target Says Tuna Label Suit Rests On Generalized Grievances

By **Gina Kim**

Law360 (May 20, 2026, 4:59 PM EDT) -- Target urged a California federal judge to nix a proposed class action alleging its Good & Gather tuna products are deceptively labeled as "sustainably caught," arguing Tuesday the plaintiff takes issue with the global commercial tuna fishing industry, which "may reflect some bad actors, but none by Target's suppliers."

In a 30-page brief, Target moved to dismiss plaintiff Sue Kim's consumer protection suit accusing it of taking advantage of environmentally conscious shoppers who value sustainability when it comes to buying products through the labeling of its Good & Gather brand of tuna pouches.

"While she describes broad-sweeping alleged shortcomings of some players in the global tuna industry, she fails to link a specific act to Target," the motion says. "Critically, the complaint is silent as to any violation of the comprehensive federal and international regulatory framework governing tuna sustainability that mandates granular, vessel-level reporting for every Good & Gather tuna product Target sells."

The suit lacks particularized facts showing the retail giant itself specifically circumvented a host of mandatory requirements or that the specific Good & Gather tuna Kim bought weren't compliant, the motion states. Rather, the suit contains generalized grievances that don't state a plausible claim, the motion says.

The allegations in her complaint are about things that might be taking place in a global commercial fishing industry with many participants, but those aren't about Target, the motion says. Nor does Kim say the tuna in the specific products she bought were harvested through any of the fishing practices she takes issue with, the company argues.

"She simply assumes — without factual support — that because harmful practices exist somewhere in the global fishing industry, the tuna she bought must have been tainted by them," Target argues.

According to the suit, **filed in March**, Kim took issue with Target touting the adoption of the Marine Stewardship Council's sustainability standards to reinforce its commitment to shoppers, arguing that Target sources its fish from suppliers that indiscriminately endanger marine life.

Those methods include suffocating and crushing dolphins ensnared in fishing nets, killing endangered sea turtles caught on large hooks, and entangling critically endangered whales in fishing gear that causes intense suffering and deep wounds, Kim had complained.

"Rather than pleading specific facts, plaintiff offers a collection of boilerplate allegations against the entire worldwide tuna industry, which may reflect some bad actors but none by Target's suppliers," Target's motion says. "The few allegations specific to Target are merely derivative and rely on information culled from Target's corporate website."

Kim's alleged injury is entirely speculative, according to Target.

Target's dismissal motion references a slew of other similar consumer protection lawsuits that have been dismissed in the past, including [Safar v. Whole Foods Market Services Inc.](#) , where a California district court in 2023 trimmed some of the plaintiff's claims due to lack of standing.

In that case, U.S. District Judge John W. Holcomb allowed the plaintiff to proceed with her claims of fraud, warranty breach and unjust enrichment, but said the plaintiff did not show that the beef she bought from a Tustin, California-based Whole Foods store came from the same meat supply chains whose beef tested positive for antibiotics.

Target also cited to **Pels v. Keurig Dr. Pepper** . In that case, a California district judge found **in November 2019** that the plaintiff lacked standing because he failed to plead a particularized injury that affected him in a "personal and individual way." The judge said he had not shown that the Penafiel brand of bottled water he bought contained levels of arsenic that violated federal standards.

"Anticipating this problem, plaintiff points to isolated examples of allegedly harmful fishing practices and speculates that these could be connected to the supply chain from which the tuna she purchased was harvested," Target says. "But she cannot make that connection stick. She does not allege — because she cannot — that any of the practices she describes involved the specific vessel, fishing operation, or fishery that supplied the tuna in the products she purchased."

Nor does Kim have standing to sue for the Good & Gather tuna that she didn't buy, the company says. Kim only says she bought two of the six Good & Gather products at issue in her case, Target says.

Kim's contract-based claims also fail as a matter of law, the motion states. For instance, her unjust enrichment and quasi contract claim must be dismissed, as unjust enrichment is not a standalone cause of action in California.

Her warranty breach claims also must be dismissed, Target says. Kim doesn't say the tuna she bought was in any way inedible or unfit for consumption, and the challenged label statements are true and accurately describe the products, the company says.

And finally, the court should not permit Kim to amend her pleading, Target says.

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

Kim is represented by Michael H. Pearson, Melissa S. Weiner and Ryan T. Gott of Pearson Warshaw LLP.

Target is represented by David T. Biderman, Elissa Ronquillo, Kristine E. Kruger and Torryn T. Rodgers of Perkins Coie LLP.

The case is Sue Kim v. Target Corp., case number 2:26-cv-02910, in the U.S. District Court for the Central District of California.

--Editing by Jay Jackson Jr.



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Texas AG Sues ISS Over ESG Considerations

By **Sarah Jarvis**

Law360 (May 20, 2026, 10:14 PM EDT) -- Texas Attorney General Ken Paxton sued Institutional Shareholder Services Inc. on Wednesday for allegedly advising shareholders based on environmental, social and governance considerations rather than the objective advice it advertises, in violation of a Texas consumer law.

Paxton's **suit** accuses the Maryland-based proxy advisory firm of violating the Texas Deceptive Trade Practices Act for purported misrepresentations to its shareholder clients. The firm incorporates "financially imprudent" ESG ideologies into its analyses without providing empirical support for its preferences or emphasizing the opportunity costs to investors' bottom line, per the suit.

Paxton said in a statement that ISS has abused its influence over how billions of dollars are invested and managed "in order to push woke ideology."

"I am suing ISS to restore integrity to America's proxy voting system and put an end to the financial damage caused by putting liberal ideology above sound investment principles," Paxton said.

An ISS spokesman said in a statement that the firm is reviewing the complaint and will respond "in court in due course."

"We believe the allegations lack merit and will vigorously defend against them," the spokesman said. "ISS' job is to provide sophisticated institutional investor clients with independent, timely, and expert research and vote recommendations based on the proxy voting policies the clients have selected or customized based on their determination of the best interests of the beneficiaries they serve."

Paxton's suit takes issue with, among other things, what it said is a "climate accountability" policy ISS adopted, in which it recommends investors vote against corporate directors that, in the firm's view, have not taken the minimum steps to understand and mitigate climate change-related risks.

Paxton also accused ISS of not disclosing that it is "wholly owned by ESG activists." One owner, Deutsche Börse Group, is part of an alliance aiming to achieve net-zero greenhouse gas emissions by 2050, known as the Net Zero Financial Service Providers Alliance. Another owner, General Atlantic, manages ESG-related investment funds.

"ISS's failure to disclose that the two companies comprising its ownership are ESG activists constitutes a further violation of the DTPA," Paxton alleged.

The suit seeks up to \$10,000 for each violation of the DTPA.

ISS and another major proxy advisory firm, Glass Lewis & Co. LLC, are engaged with Paxton in other litigation related to ESG, which has been a target of President Donald Trump and Republican state and federal politicians. Last year, a Texas federal judge **blocked** Paxton from enforcing a state law that requires proxy advisory firms to disclose when their advice stems from factors such as ESG considerations. That litigation is **ongoing**.

A Missouri federal judge **blocked** a similar anti-ESG law for proxy advisers statewide in 2024, finding the rules were preempted by the federal National Securities Markets Improvement Act of 1996 and the Employment Retirement Income Security Act of 1974.

More recently, ISS and Glass Lewis **have sued** the state attorneys general of Indiana and Kansas

over laws the firms say are unconstitutional and impose burdensome requirements for issuing recommendations that go against corporate managers' wishes. Glass Lewis **has asserted** it evaluates all shareholder proposals on a case-by-case basis, and ISS **said** late last year that it would opt to endorse diversity and climate change-related proposals on a case-by-case basis.

Texas is represented by Scott Froman and Lauren McGee of the Office of the Attorney General of Texas and William P. Barr, Jason S. Miyares, David M. Levine, Timothy J. Shea and Ryan G. Ferguson of Torridon Law PLLC.

Counsel information for Institutional Shareholder Services Inc. wasn't immediately available Wednesday.

The case is The State of Texas v. Institutional Shareholder Services Inc., case number 471-03459-2026, in the District Court of Collin County, Texas.

--Additional reporting by Spencer Brewer. Editing by Dave Trumbore.

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