Amazon settlement lets customers pursue $200 million from social casino app developers

WASHINGTON, July 10 (Reuters) - Amazon.com (AMZN.O), opens new tab has agreed to a class action settlement that would allow U.S. consumers to pursue more than $200 million in damages from third-party software developers tied to alleged illegal gambling transactions on apps offered through the e-commerce giant's online marketplace.

The proposed settlement, opens new tab was filed on Thursday in the federal court in Seattle and requires a judge's approval. It would resolve a class action filed in 2023 alleging Amazon violated a Washington gambling law and the state's consumer protection act by brokering transactions in social casino apps available through the Amazon Appstore.

The deal does not require Amazon to pay into a settlement fund. Instead, the company would agree to a $201 million judgment being issued against it and to assign to the class its rights to seek reimbursement from casino app developers. Class members would agree not to collect the judgment from Amazon as part of the deal.

Amazon, in a statement welcomed, the settlement and said it will allow the company to "continue offering choice in our Appstore while requiring developers to make changes that improve the customer experience." Amazon said apps within its Appstore "must comply with applicable laws, and we retain the ability to remove any app at any time."

Lawyers for the plaintiff, a social casino app user, did not immediately respond to requests for comment. Amazon has denied any wrongdoing.

In court documents, attorneys for the plaintiff described the settlement as the latest chapter in their campaign against the social casino industry. They said earlier settlements with app developers have returned more than $650 million to consumers in Washington and across the country.

"The class is poised to recover a significant portion of their total losses that keeps pace with the settlements achieved against the social casino developers," the lawyers said.

The $201 million so-called covenant judgment against Amazon represents 30% of class members' spending on the apps, the plaintiff said.

Parallel cases are pending against technology companies Apple, Google and Meta, which have all denied any wrongdoing.

The case is Steven Horn v. Amazon.com Inc, U.S. District Court for the Western District of Washington, No. 2:23-cv-01727-RSL.

Apple sues OpenAI, two former employees for trade secrets theft

(AAPL.O), opens new tab on Friday filed a lawsuit against OpenAI and two former employees, alleging misappropriation of the iPhone maker's trade secrets to benefit the ChatGPT-owner's foray into consumer hardware.

The complaint, filed in the U.S. District Court for the Northern District of California, alleges a coordinated effort to steal Apple's confidential information, including product designs, manufacturing processes and supply chain strategies.

The lawsuit is against former senior system electrical engineer of Apple Chang Liu and former vice president of product design for iPhone and Apple Watch Tang Yew Tan, as well as OpenAI Foundation, OpenAI Group PBC and io Products.

It dramatically escalates tension between Apple and the ChatGPT maker that has been simmering for months. OpenAI did not immediately respond to a Reuters request for comment.

Apple alleged that Liu had failed to return a company-issued work laptop and later used an authentication bug to access Apple's internal network, downloading "dozens of Apple's confidential hardware-related files."

The company also claimed that Tan "has been methodically using Apple's confidential information to benefit OpenAI" by emailing himself information about Apple suppliers and internal industry summaries before his departure.

A person familiar with the matter told Reuters in May that OpenAI was exploring legal options against Apple, including notifying the technology giant of a breach of contract but potentially not filing a full lawsuit.

The tensions between the two tech companies have strained their relationship and shown how the race to develop AI products has intensified competition for talent and proprietary technology.

In 2024, Apple announced integration of its "Apple Intelligence" technology across its apps including Siri and brought OpenAI's chatbot ChatGPT to its devices.

Their partnership allows users to access ChatGPT results through Siri, while iPhone users can also sign up for ChatGPT memberships directly from the iOS settings menu.

OpenAI bought hardware startup io Products, founded by former Apple designer Jony Ive, last year in a $6.5 billion deal, underscoring its push to move beyond software into consumer hardware. Ive is not named in the lawsuit.

Commenting on the comment letters

The deadline has passed to comment on the SEC's proposal to permit semi-annual reporting (though the website seems to be still slowly updating with additional letters).

Professor Tzachi Zach at Ohio State has set up a useful, searchable tracker, and he clocks a total of over *80,000* submissions (of which 66,000 were form letters, identified by the SEC as templates A through K). All of the form letters oppose; of the non-form letters, 99% oppose.

Some rough takeaways and highlights (I didn't use LLMs or machine-reading or anything; I just used my actual web browser to click on actual links I thought were interesting and read the results, so this is a very rough overview; Professor Zach's searchable database is more granular.)

The comments overwhelmingly come from retail investors – not just the form letters, but even the individualized ones. Which isn't to say there isn't industry interest; just that retail interest is big. I'm sure we all saw the letter from r/wallstreetbets (still trying to figure out the governance structure that allows one person or persons to speak for WSB) but have you seen the one from Dave, the truck driver? Or Gilbert Rodriguez, the grocery store worker?

Also catching my attention: Many commenters highlighted that the proposal for semi-annual reporting is only one massive change on the SEC's docket. The SEC is also proposing to dramatically limit the number of companies subject to the full set of reporting requirements (which means, fewer companies that make compensation disclosures and risk disclosures, fewer with auditor attestation, say on pay, etc), and to make S-3 registration available to more issuers. Also, Chair Atkins has made clear he plans to reduce the number of disclosure items, not to mention opening private markets up to more retail investors (including through 401(k)s). Point being, this is a huge number of changes that will dramatically reshape (read: reduce) reporting obligations, and several commenters are concerned that the SEC has not adequately considered the effects individually, let alone collectively. Here's MFA, ICI, Ernst & Young, and also the "Shadow SEC," John Coates, John C. Coffee, Jr., James D. Cox, Merritt B. Fox and Joel Seligman.

Apart from that, several commenters have noted this is an *awful lot* for them to weigh in on in a very short time, and could the SEC please extend the comment period? (SIFMA AMG, MFA, AIMA and SIFMA, SIFMA AMG and Better Markets and Wharton professors).

Beyond that, broadly speaking, commenters that come from the corporate side – corporations, corporate counsel, inhouse accountants, etc – favor the proposal, although Eli Lilly is the only corporation that I have seen explicitly announce they plan to go semi-annual. (In another letter, a group of pharma companies, including Lilly, supported the proposal and said some of their number would switch). I point this out because these are blue chip names and I seem to recall some skepticism that anyone but the smallest issuers would opt-in to semi-annual. It seems pretty clear that if the choice is given, it will be a popular one.

Meanwhile, broadly speaking, investors are opposed: here's Vanguard, ICI, and SIFMA AMG, though there are outliers.

ICI's letter in particular is interesting; its opinion was formed via discussions with members, including an anonymous survey. Fourteen members responded to the survey (which isn't, um, a lot), but the results are still worth looking at. In particular, when it comes to 10-Qs, most respondents considered the earnings results and the MD&A to be most important, which matters because the SEC's expectation – semi-annual reporters would still release earnings voluntarily on a quarterly basis – wouldn't cover the loss of MD&A.

Sigma Two is especially angry at the proposal, pointing out, "Throughout the Proposal, the Commission refers to companies selecting the reporting cadence most appropriate for their investors, but leaves all the decision making with the management of publicly listed companies with no need to justify their decision."

Compare Sullivan & Cromwell, which says "We agree with the Commission's view that boards of directors and management are better positioned than a uniform federal rule to determine whether quarterly or annual reporting best serves a particular company and its investors." (though to be fair, a few sentences later, S&C makes reference to a "company and its investors" determining that there is little incremental value to quarterly reporting).

Some letters – SIFMA is a good example – have warnings about how deeply embedded quarterly reporting is throughout the securities disclosure system, so at minimum, any changes must also account for ripple effects.

E&Y also had warnings on this and was – I believe – the only major accounting firm to squarely oppose the proposal, rather than say something wishy-washy like "whatever you do investors need assurances of reliable information."

So, do with this what you will, but I will say one really important aspect to this is how much you think each company stands alone, versus the spillover effects – positive externalities – of having a uniform disclosure system with a rich pool of information available to everyone. If you think of the benefits of that collective system of disclosure, which allows investors (and others) to monitor trends overall, that's a very different calculus than if you think it's every company (and its investors) for itself.

StubHub's 'marketplace for fans' is run by a mass scalper, SEC filings reveal

cbc.ca/news/investigates/stubhub-marketplace-mass-scalper-sec-filings-9.7265230

Investigates·CBC Investigates

CEO Eric Baker runs a side company that resells millions in tickets on StubHub

When Mark Gallagher of Vancouver logged on to StubHub in February to buy tickets for the World Cup, he assumed he was buying from another fan who couldn't make the match.

"It's portrayed as a reliable, credible source of buying resale tickets off individuals who want to sell their tickets," he told CBC News.

But a CBC investigation has found that while StubHub claims it is a "marketplace for fans to buy and sell tickets," the online ticket company is run by a mass scalper and helps bankroll other large-scale resellers who use the platform.

"I literally had no idea," said Gallagher. "That doesn't seem right to me."

StubHub is reportedly the largest player in a resale industry where professional scalpers scoop up billions of dollars worth of tickets to mark up to resell at a profit.

StubHub's business model — which is legal — moved $9.2 billion US in tickets in 2025 and has been under intense scrutiny as the company cancelled thousands of World Cup orders, prompting investigations by Consumer Protection BC and the Texas attorney general, as well as two proposed class-action lawsuits in the U.S.

The company recently told CBC "StubHub does not own, possess, or sell tickets. We are a technology platform that connects independent buyers and sellers. (Think: eBay)."

However, in recent filings with the U.S. Securities and Exchange Commission, StubHub CEO Eric Baker disclosed he not only runs the giant resale platform, but is also part owner and managing director of Andro Capital, a fund that sells millions of dollars worth of tickets on StubHub.

CBC asked Baker for an interview to discuss his companies — and the contradiction between mass scalping activities on StubHub and its marketing as a "marketplace for fans."

Baker and StubHub declined repeated requests to speak to CBC.

"This information has been fully disclosed in StubHub's public SEC filings, and we don't have anything to add beyond what is in those filings," a spokesperson wrote in an email earlier this week.

StubHub bankrolling scalpers 'a revelation'

Those SEC filings also show that StubHub has struck a deal with an affiliate of Baker's fund to bankroll other mass scalpers, to help them buy and post large quantities of tickets for resale on StubHub.

This all flies in the face of the company's marketing image, says Randy Nichols.

"It's just very deceiving. StubHub's told the public they're a marketplace, they want to be treated as a marketplace," said Nichols, a band manager based in New York who has done extensive research into the ticketing industry on behalf of the National Independent Talent Organization.

"What they leave out is that their CEO is a large ticket seller."

Jeff Ripley of Spokane, Wash., who got stiffed on game day after buying World Cup tickets on StubHub, told CBC News "that sounds like a conflict of interest."

"I think most of us know that, yeah, there are mass scalpers out there," said Ripley, who has since filed a dispute over his refund.

"But now to find out that StubHub is providing short-term financing for those mass scalpers to purchase tickets — that's a revelation."

Mass scalpers dominate resale tickets

Fans have witnessed a radical transformation in the online ticketing industry over the last two decades with the rise of websites like StubHub, Vivid Seats and SeatGeek.

Average concertgoers often find themselves beaten by tech-savvy resellers who harvest e-tickets from primary box offices to re-sell them on these sites.

Brokers and professional resellers prefer to characterize themselves as a "secondary ticket industry,'' but extract billions of dollars in profit from fans, artists and venues each year by marking up prices, based on market finance research by Mordor Intelligence.

It’s a small number of corporations who are selling all the tickets on StubHub, driving up prices for everyday fans, Nichols said.

"I care about this because I've just watched artists that I work with for years have their fans screwed."

An estimated 70 to 80 per cent of all tickets on global resale sites are controlled by mass scalpers, according to numerous industry reports, including a U.K. inquiry into StubHub in 2021.

Ticket resale sites for World Cup, concerts face surge of complaints, demands for refunds

That’s a statistical reality Dan Wall, executive vice-president for Live Nation, which owns Ticketmaster, acknowledged in a recent interview with CBC.

Ticketmaster, the world’s largest primary box office company, allows professional scalpers and fans to post tickets for resale on its website as part of its business model, though Wall acknowledges the practice is ultimately "exploitive."

But having to buy from large-scale scalpers is harming the fan experience, says business professor Christopher MacDonald.

"There seems to be a pretty wide consensus that it's a problematic practice," said MacDonald, a teacher of ethics and critical thinking in the Ted Rogers School of Management at Toronto’s Metropolitan University.

"It's not so much just that you have some guy who got a hold of a cheap pair of Bruce Springsteen tickets and is going to sell them at a profit. I doubt very many people are going to feel too, too worried about that. But when it's happening on an industrial scale, it really does seem to be — in important ways — interfering with the relationship between the artist on one hand and their audience on the other."

Securities

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Exxon Supports SEC Proposal to End Mandatory Quarterly Reports

July 10, 2026, 12:04 PM PDT

ExxonMobil Holdings Corp. supports a US Securities and Exchange Commission proposal to replace quarterly financial reporting with semiannual disclosures, bucking the trend among most respondents the regulator's request for comments.

Companies regularly provide financial information to investors through a "wide range of channels" such as webcasts and presentations, rendering mandatory quarterly reporting outdated, Chief Financial Officer **Neil Hansen** wrote in a letter to the SEC dated June 24.

Instead, the semi-annual proposal "reflects modern market practices and investor behavior, rather than legacy reporting conventions," Hansen wrote. "This broader, more dynamic disclosure ecosystem currently provides investors with continuous access to material developments."

ExxonMobil's stance is in stark contrast to the vast majority of respondents to the SEC's request for public comment, most of whom are retail investors who want to preserve quarterly reports. A survey by the CFA Institute also found strong investor support for the current disclosure schedule, a position shared by the SEC's Investor Advisory Committee.

Hansen argued that any new reporting requirements should be optional to provide flexibility to the needs of different companies. If ExxonMobil opts for semiannual reporting, the company will continue to provide quarterly disclosures to allow investors to compare periods, he said.

Semiannual reporting would reduce costs and eliminate unnecessary or repetitive information, Hansen said.

"As disclosure requirements have increased over the past several years, it has become more difficult for investors to focus on what is truly important," he added.

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Federal Charges in Alleged Class Action Scam Shows Evolving Vulnerabilities in Settlement Security

The federal prosecution of a Rochester-area man revealed an international digital scheme, fueling calls for automated audit overhauls and tighter scrutiny over unclaimed funds.

A recent federal criminal complaint filed in the Western District of New York is turning what initially looked like a bizarre local fraud case into a talking point for corporate defense counsel and settlement administrators.

Federal prosecutors in the U.S. attorney's office have charged Phillip DiGennaro, of Monroe County, with a heavy slate of felonies, including conspiracy to defraud the United States, wire fraud, identity fraud and money laundering.

Details in the complaint are eye-opening: the government alleges DiGennaro ran a multi-year operation that used more than 480 bank accounts to siphon roughly $1.3 million out of 107 different class-action settlements.

According to court dockets, DiGennaro is being represented by veteran Rochester defense attorney Brian C. DeCarolis, who did not immediately return a call for comment on the allegations.

Following a brief initial appearance before U.S. Magistrate Judge Mark W. Pedersen, DiGennaro was released on conditions and is scheduled back in court on Aug. 18.

While the feds aren’t accusing class counsel or the third-party claims administrators of any wrongdoing, the case exposes just how easy it's become for tech-savvy bad actors to game automated, low-friction settlement approval processes.

According to the filings, DiGennaro told investigators he got the idea himself back in 2021 after losing money in cryptocurrency and facing pandemic-related unemployment.

To scale the fraud, he allegedly hunted for live settlements on public aggregators like TopClassActions.com and swapped notes with others in open Facebook groups like "TCA Settlements & Payouts."

From there, he used fake name generators, dark web IDs, and hired a proxy operator in Colombia for $600 a month to bypass security filters and flood the system with 27,052 bogus claims.

The mechanics of the scam are already reigniting a long-standing policy debate over what happens to unclaimed settlement money.

In one specific example highlighted by prosecutors—a biometric privacy suit against Vimeo litigated in Illinois—the court had ordered that any leftover settlement funds be donated to the ACLU of Illinois as a cy pres award.

Because the vast majority of consumers in massive class actions never actually file claims, these pools of leftover cash are frequently quite large.

DiGennaro, who never lived in Illinois, making him ineligible for settlement proceeds, managed to intercept 437 separate checks from the Vimeo fund alone.

The defendant routed $43,086 into his own pockets.

For tort reform groups, the Vimeo example is proof that the civil litigation engine has drifted far from its original purpose.

“This fraud is another clear indicator that the civil litigation system, the tort system, has strayed far from its original mission,” Tom Stebbins, executive director of the Lawsuit Reform Alliance of New York, told Law.com.

“While an extreme example, this is part of a growing trend in which the courts are treated as a tool for accessing a pool of money rather than justice,” Stebbins said, while noting that this exact operational gap often leads to cy pres-heavy resolutions that enrich outside advocacy groups rather than the actual injured consumers.

Stebbins pointed to a report from the New York Civil Justice Institute, which concluded that these deep financial setups can inadvertently fuel a self-sustaining cycle of litigation.

The New York State Trial Lawyers Association declined to comment on the case, noting that the criminal scheme was entirely independent of civil trial counsel.

However, federal authorities explicitly warned in the complaint that the case represents a sophisticated, evolving threat to digital fund administration.

Data from defense firms like Jones Day shows a staggering 19,000% spike in fraudulent bot claims hitting settlement funds since 2021.

To keep pace, major administration firms like Kroll and Angeion are increasingly advising defense counsel that multi-factor identity verification and programmatic fraud filters are no longer optional. They are required to stop settlement money from walking out the door.

Hedge Funds Fight to Lead Suit on Skechers $9 Billion Buyout (1)

July 10, 2026, 8:04 AM PDT

Summary by Bloomberg AI

AI Generated

- Several fund managers are competing to helm a proposed class action lawsuit challenging 3G Capital's buyout of Skechers USA Inc.
- Multiple investment firms have opposed the takeover, arguing Skechers founder Robert Greenberg and his son reached an unfair agreement with 3G that undervalued the company.
- Hedge funds Verition Fund Management and Empyrean Capital Partners are among those vying to lead the proposed class action, but other shareholders have argued against them due to potential conflicts of interest.

Several fund managers are competing with each other to helm a proposed class action lawsuit challenging 3G Capital 's $9.4 billion buyout of Skechers USA Inc.

Multiple investment firms have opposed the takeover, arguing Skechers founder **Robert Greenberg** and his son reached an unfair agreement with 3G in May 2025 that undervalued the company during the turmoil of US tariffs announced a month earlier. Hedge funds snapped up shares in a so-called arbitrage play hoping a judge might award a higher price.

That's led to two separate Delaware Chancery Court disputes. In one, multiple investment firms are challenging the price of the deal, which Skechers said at the time was a 30% premium to the 15-day average for the stock. The other is a possible class action by investors accusing Skechers management of breaching their fiduciary duties. Some hedge funds are involved in both.

The legal challenges are different but related. After a corporate law overhaul in Delaware last year, it got more difficult to obtain internal company documents in breach-of-fiduciary-duty cases. As a result, attorneys for hedge funds are filing appraisal lawsuits first to gather those records.

The Skechers appraisal fight – where a judge is being asked to decide on a fair value for the company – is in the middle of discovery with some funds taking early settlements.

Among those vying to lead the proposed class action are hedge funds Verition Fund Management and Empyrean Capital Partners , which acquired most of their Skechers holdings after the deal was announced.

However, other shareholders argued against that at a hearing Thursday, citing potential conflicts of interest because Empyrean and its law firm are also involved in the appraisal case.

“A lawyer can’t faithfully serve two masters,” said **Alexandra Sadinsky**, who is fighting for hedge fund ODS Capital and a pension plan to take lead of the case, noting that the conflict could hurt any recovery by class members.

Whoever gets selected as lead plaintiff will be able to chose attorneys and exercise control over legal strategy, including possible settlements. Chancery Court Judge **Lori Will** said she would decide the winner of the leadership contest as soon as possible.

Read More: AQR, Elliott Among Hedge Funds Reviving Appraisal Arbitrage Play

Attorneys for Verition and Empyrean argued their involvement in both legal fights is a selling point to take lead in the class action, citing massive amounts of internal records obtained in the parallel appraisal action. They also claim to be properly incentivized because their two clients hold the biggest combined economic stake valued at almost $625 million, representing about 31% of the class.

Ed Timlin, an attorney for the hedge funds, called the conflict claims “theoretical.”

Ned Weinberger, an attorney for FMI Common Stock Fund, argued his firm was the only one solely representing a long-time shareholder that bought into Skechers years before the deal announcement. The deal closed in September.

“Every group is led by a merger or litigation arbitrager who bought all if not nearly all of their stake specifically for buying in and litigating claims,” Weinberger said. “We’re not taking risks with the class.”

Hedge fund Pentwater Capital Management and a different pension plan that purchased shares before the deal announcement are also seeking to be lead plaintiffs. Their attorney told the judge that Pentwater has the largest economic stake of any litigant and devoted its resources to pursuing a class lawsuit rather than make an appraisal challenge.

“As a group, we dwarf everyone except Verition and Empyrean, which everyone believes is deeply conflicted,” attorney **Christine Mackintosh** said.

(Update with status of appraisal case, premium paid at time of deal.)

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Meta poised to defeat class certification in copyright suit

U.S. District Judge Araceli Martinez Olguin indicated Thursday that she is tentatively inclined to deny class certification in a lawsuit accusing Meta Platforms Inc. of hosting advertisements for products that infringed the plaintiffs' copyrights.

"My tentative view of this is to deny plaintiffs' motion," Martinez Olguin said at a hearing Thursday. "That said, I have a number of questions." *Cook v. Meta Platforms Inc*., 4:22-cv-02485 (N.D. Cal., filed April 22, 2022).

The plaintiffs, represented at the hearing by Michael J. Laird of Zimmerman Reed LLP, argued that each class member's claims turn on the same legal question: whether Meta can be held liable for the content of ads posted on its platforms. Meta, he said, contends it is protected by the "safe harbor" provision of the Digital Millennium Copyright Act, which shields online platforms from certain copyright infringement claims arising from user-generated content if they comply with statutory requirements.

Because the same defense could resolve each class member's claims, Laird argued, the case is well suited for class treatment.

"That is a class-enabling fact," Laird said.

Meta, represented by Randi W. Singer of Sidley Austin LLP, countered that the plaintiffs' secondary copyright infringement claims depend on the facts underlying each alleged infringement. The court cannot simply assume an advertisement is infringing because a plaintiff submitted a complaint to Meta, Singer argued.

"Filing a form is not a basis of a class," Singer said.

Laird responded that infringement is disputed in relatively few cases and that challenges to copyright ownership typically come from the party accused of directly infringing the work.

"Where's Meta going to get the evidence to start challenging ownership in these cases?" Laird asked.

Even if that occurs in a handful of cases, he argued, those issues can be resolved individually without defeating class certification.

Laird also contended that, at this stage of the case, the plaintiffs need only show that Meta could "control the infringement at large" and profited from the alleged infringement to support their vicarious infringement claim.

"They don't want to give up all this infringing content because they profit from it," Laird said.

Singer argued that Meta lacks the ability to control the underlying infringement because the companies and individuals behind the allegedly infringing ads would continue selling the products whether or not Meta removed the advertisements from its platforms.

"We're talking about the right and ability to supervise the infringing conduct," Singer said. "That's not going to stop these third parties from selling these infringing goods."

Martinez Olguin said she would consider the parties' arguments before issuing a ruling.

New York Times Seeks Sanctions for OpenAI in Copyright Case (1)

July 9, 2026, 7:07 AM PDT; Updated: July 9, 2026, 9:38 AM PDT

Summary by Bloomberg AI AI Generated

- The New York Times Co. and other publishers accused OpenAI of a “deliberate and systemic effort to obstruct discovery” in a copyright case over scraping their works to train ChatGPT.
- The plaintiffs said OpenAI hid its ability to search ChatGPT training data and output logs for copyrighted works, preventing them from establishing the extent to which OpenAI scrapes, trains, and copies their content.
- The Times is seeking sanctions against OpenAI, including prohibiting OpenAI from relying on provided output logs and instructing the jury on findings that OpenAI's output logs include copyrighted material.

OpenAI Inc. was accused of a “deliberate and systemic effort to obstruct discovery” in the sprawling copyright case by the New York Times Co. and other publishers over scraping their works to train ChatGPT, the plaintiffs said in a motion filed Thursday seeking sanctions against the AI giant.

The motion comes after an alleged two-year effort to hide OpenAI’s ability to search ChatGPT training data and output logs for copyrighted works by the Times and other news outlets, the Times said in a motion filed in the US District Court for the Southern District of New York that was obtained by Bloomberg Law.

This willful deception has prevented the Times from establishing the extent to which OpenAI scrapes, trains, and copies its content in response to ChatGPT users’ prompts, which is the foundation of the case, the motion said.

The lawsuit is one of dozens of complaints consolidated in New York that accuse OpenAI of violating creators’ copyrights by downloading pirated works, using protected content to train large language models, and producing ChatGPT outputs similar to their works.

The Times recently amended its complaint in the wake of a recent US Supreme Court holding that the Copyright Act allows contributory infringement only if a company affirmatively induces piracy or designs its service in a way that makes infringement the only commercially significant use.

Though OpenAI did provide 20 million de-identified “sample” consumer ChatGPT output logs, the number of logs was materially lower than first requested by the Times, and the logs contained so many redactions the court called them “unusable,” according to the motion. A 20-million log sample with fewer redactions disclosed a week prior to the end of discovery still hampered the plaintiffs’ searches over the data, it said.

OpenAI didn’t immediately respond to a request for comment.

Failure to Preserve

The Times also accused OpenAI of violating a court order to preserve materials related to ChatGPT’s output of the copyrighted materials.

The revelation follows an April deposition of an OpenAI expert witness that upended previous claims the tech giant made to the court and plaintiffs, the motion said. Those assertions included that OpenAI couldn’t conduct searches of its data to respond to the news outlets’ discovery request, it said. Specific admissions by the expert were redacted.

OpenAI’s acts prolonged discovery, inflated expenses, and burdened the court, the Times said.

To help remedy the situation, the Times says OpenAI should be prohibited from relying on the output logs it provided “for any purpose,” a finding that the output logs “include (or would have shown if properly produced in discovery) substantial and systematic grounding on and regurgitation of News Plaintiffs’ copyrighted material in outputs,” and that OpenAI should be prohibited from arguing against that assertion.

“For over two years, OpenAI lied to The Times, The Daily News Plaintiffs, the public, and the court,” Ian B. Crosby, a partner at Susman Godfrey and the lead counsel for the Times, said in an emailed statement. “It claimed searching ChatGPT outputs for copies of The Times’ and the Daily News Plaintiffs’ content was infeasible, burdensome, and invasive of users’ privacy — while at the same time concealing that it had already done such searches.”

“If OpenAI genuinely believed that copying our clients’ journalism was fair and legal, it wouldn’t have hid the truth about having done it,” Crosby added.

The Times also requested that the court instruct the jury on the findings “and their binding effects,” and that OpenAI cover the plaintiffs’ attorneys’ fees, expert fees, and costs “associated with their efforts to secure the improperly withheld discovery.”

Steven Lieberman, counsel for the Daily News and seven of its sister papers, said in an emailed statement that the motion “asks the court to punish OpenAI for hiding and destroying evidence showing how ChatGPT was trained on stolen journalism.”

Susman Godfrey, Rothwell Figg Ernst & Manbeck, Loevy & Loevy, Klaris Law, and Ruttenberg IP Law represent the news plaintiffs.

Latham & Watkins, Morrison & Foerster, and Keker Van Nest & Peters represent OpenAI.
The case is In re OpenAI, Inc. Copyright Infringement Litig. , S.D.N.Y., No. 1:25-md-03143, motion filed 7/9/26.

OpenAI Unveils ChatGPT Work Agent to Field Tasks for Hours

July 9, 2026, 10:00 AM PDT

OpenAI is introducing a new artificial intelligence agent that's meant to field a wider range of complex tasks for hours at a time, bolstering its push to appeal to more business professionals.

The tool, called ChatGPT Work, is designed to help create documents, spreadsheets, presentations and web applications. ChatGPT Work is powered by GPT-5.6, the company's latest AI model which is being released Thursday after initially being delayed by the Trump administration.

OpenAI and rival Anthropic PBC have been racing to build more sophisticated agents to streamline a broader mix of work, building on their success with tools to automate the process of writing and debugging code. Earlier this year, Anthropic unveiled a similar product called Claude Cowork , with the goal of appealing to a bigger audience.

OpenAI and Anthropic have both filed confidentially to go public. Anthropic is expected to make its Wall Street debut as soon as this fall , Bloomberg News has reported. OpenAI is considering going public next year.

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AT&T reaches $184.1 million settlement with employees over pension plan

reuters.com/legal/litigation/att-reaches-1841-million-settlement-with-employees-over-pension-plan-2026-07-10

The AT&T is displayed on the facade of one of its branches in Mexico City, Mexico September 10, 2025. REUTERS/Henry Romero Purchase Licensing Rights, opens new tab

(T.N), opens new tab agreed to pay $184.1 million to settle a lawsuit accusing the telecommunications company of shortchanging about 300,000 current and former employees out of pension payments, court papers show.

- A preliminary settlement of the proposed class action was filed on Thursday in San Francisco federal court, and requires a judge's approval.
- AT&T was accused of violating the federal Employee Retirement Income Security Act of 1974, or ERISA, by failing to provide pension payments to married workers that were the "actuarial equivalent" of payments to single workers.
- Employees said the Dallas-based company used mortality data that were decades out of date to calculate payments, causing married workers to receive less.
- According to settlement papers, employees would receive $149.1 million of additional pension benefits, including $113.5 million for retired employees and $35.6 million for current employees. Their lawyers may seek up to $35 million to cover legal fees and costs.
- The lawsuit began in October 2020.
- AT&T denied wrongdoing in agreeing to settle. In a statement, AT&T said it settled to avoid the expense and distraction of prolonged litigation, and is committed to following the law in administering its pension benefit plan.

Supreme Court bars implied private right of action under Investment Company Act

In a significant win for the registered investment industry, the United States Supreme Court held that the principal law that governs mutual funds and other investment companies does not permit activist shareholders to sue to void anti-takeover voting measures. In *FS Credit Opportunities Corp. v. Saba Capital Master Fund, Ltd.,* the Supreme Court held in a 6-3 decision that Section 47(b) of the Investment Company Act of 1940 (ICA) did not create an implied private right of action to shareholders to seek recission of contracts that violate that statute. This holding severely blunts activist shareholder campaigns against closed-end mutual funds and extends the Court's skepticism of "implied" rights of action in general.

Activist shareholders have increasingly sought to take over closed-end mutual funds to convert them into open-end funds. Most mutual funds are "open-ended," meaning they continuously issue shares and their value is determined by the net asset value (NAV) of the fund's assets divided by the shares outstanding. Closed-end funds, on the other hand, issue a finite number of shares that trade on the open market. Often, the market price of these shares trade at a discount to NAV, creating an arbitrage opportunity for activists if the funds are converted into open-end funds.

Closed-end funds often resisted these activists by opting into anti-takeover provisions under state laws. Here, the fund was incorporated in Maryland, which enacted the Maryland Control Share Acquisition Act (MCSAA). The MCSAA permits limiting voting rights for shareholders holding a disproportionate number of shares (here, 10% or more) unless other shareholders approve. The fund chose to opt into the MCSAA in the face of a contest with Saba, an activist shareholder. Saba sued, claiming that the MCSAA violated the ICA's mandate that "every share of stock ... shall be a voting stock and have equal voting rights with every other outstanding stock." 15 U. S. C. §80a-18(i). Section 47(b) provides that "a court may not deny rescission at the instance of any party" of contracts that violate the ICA. Saba argued that this provision impliedly authorized a private right of action for it to seek to void the fund's adoption of the MCSAA. The district court and the 2nd Circuit both agreed, following 2nd Circuit precedent that Section 47(b) implied a private right of action. But this precedent was in conflict with the 3rd, 4th, and 9th Circuits, which all found no private right of action was implied under the Court's decision in *Alexander v. Sandoval*, 532 U. S. 275 (2001).

On June 11, 2026, the Supreme Court resolved that split in favor of the funds and overturned the 2nd Circuit's decision. Justice Barrett, writing for the Court, emphasized that courts are hesitant to find private rights of action unless they are expressly authorized by Congress.

Specifically, the Court looks to determine whether there is "rights-creating language" in the relevant statute. In reviewing Section 47(b)'s statement that "a court may not deny recission at the instance of any party," the Court held that this language evinced a "mandate directed to ... courts, rather than a provision that confer[s] a right on a specified class of persons." The Court continued that recission is not a freestanding cause of action, but a remedy that courts can provide if there is some other legal cause to justify it. Thus, Section 47(b) was found to direct the remedial powers that courts may employ but did not create a cause of action in the first instance.

The Court also found that the ICA's structure confirmed its holding. First, the Court observed that the ICA "created a comprehensive enforcement scheme" that empowered the SEC to regulate investment companies. Citing *Sandoval*, the Court found that "[t]he express provision of one method of enforc[ement] ... suggests that Congress intended to preclude others." Second, the Court observed that the ICA includes two provisions that expressly authorize private rights of action in specific instances. The inclusion of these express rights of action suggested that when Congress wanted to authorize a cause of action, it "knew how to do so and did so explicitly."

The dissent, authored by Justice Jackson-Brown and joined by Justices Sotomayor and Kagan, argued that the majority ignored the fact that the Court in *Transamerica Mortgage Advisors, Inc. v. Lewis*, 444 U. S. 11 (1979) (*TAMA*), held that a similar provision of the Investment Advisers Act ("IAA") created an implied right of action. The majority, however, held that Congress's decision to modify Section 47(b)'s language in 1980 after *TAMA* to focus on what remedy courts can provide changed the original meaning. The dissent countered that this holding was contradicted by the Congressional committee reports accompanying those amendments, which stated the committees' view "that private rights of action under [the amendments] should be implied [.]" The majority, however, held that Congress's intent is expressed through the words of the statutes it passes, not legislative history. "[The dissent's] theory depends on the fictional premise that hundreds of legislators (not to mention the President) shared a unified private view of how the statute should apply in a contested circumstance" and "violates the fundamental precept that we are governed by laws, not by the intentions of legislators."

The Court's holding will likely sharply reduce the ability of activist shareholders to wage effective proxy contests against funds that can utilize control share provisions. It also confirms the Court's continued disfavor with implied causes of action in general.

Sycamore’s $24 Billion Walgreens Deal Looks to Draw Challenge

July 9, 2026, 2:01 PM PDT

Summary by Bloomberg AI

AI Generated

- A lawsuit was filed Thursday by two Canadian pension funds against former members of Walgreens Boots Alliance Inc.'s board regarding the $24 billion sale to Sycamore Partners.
- The lawsuit, filed under seal in Delaware's Chancery Court, concerns the transaction with Sycamore, which included an equity component worth up to $13 billion, along with roughly $11 billion in debt and liabilities.
- The court complaint will likely be unsealed next week under court rules that provide five days to redact confidential information.

The $24 billion sale of Walgreens Boots Alliance Inc. to Sycamore Partners is the apparent target of a lawsuit filed Thursday by two Canadian pension funds against former members of the pharmacy chain’s board.

Details of the lawsuit – filed under seal in Delaware’s Chancery Court – weren’t immediately available. But a related public filing indicates the case concerns the transaction with Sycamore, which included an equity component worth up to $13 billion, along with roughly $11 billion in debt and liabilities.

The $11.45-per-share buyout drew mixed reviews from analysts surprised to see it come together, given the retail giant’s complex moving parts and a market value that had fallen to just $8 billion before the deal from nearly $100 billion a decade earlier. That swift decline meant the price premium of 29% to 63% was seen as modest in light where the stock had traded just months earlier.

Since the debt-fueled acquisition closed last August, Walgreens has restructured the business while cutting pay and jobs – all standard private equity moves aimed at fulfilling Sycamore’s plan to double profits. The health chain has also resumed selling vape products after stopping in 2019.

Walgreens and Sycamore, a New York private equity firm, didn’t immediately respond to emails seeking comment Thursday. Sycamore doesn’t appear to be named as a defendant.

Delaware's chief business tribunal, the leading US forum for merger battles and other corporate cases, regularly presides over shareholder lawsuits targeting take-private transactions that cash out public investors. The court's seven specialist judges sit without juries.

The court complaint will likely be unsealed next week under court rules that provide five days to redact confidential information.

The Nova Scotia Public Service Superannuation Fund and Nova Scotia Teachers' Pension Fund, which brought the case through a jointly held investment vehicle, are represented by Labaton Keller Sucharow LLP.

The case is NT Comb. Inv. Inc. v. Pessina , Del. Ch., No. 2026-0895, complaint filed under seal 7/9/26 .

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Week in review: What lawyers are reading on Westlaw Today (7/10/26) | Secondary Sources | National

today.westlaw.com/Document/I8198caca7c7811f18de1bd297af5431e/View/FullText.html

Week in review: What lawyers are reading on Westlaw Today (7/10/26)

U.S. Supreme Court to hear gun, LGBTQ+, voting rights cases in next term

The U.S. Supreme Court, fresh off a momentous term, already has a slate of important cases set up for its next term that begins in October on issues including guns, voting restrictions, LGBTQ+ rights and a disputed detention policy used by Trump's administration for certain convicted immigrants.

Read more: https://bit.ly/4aJP1VH

Courts address employers' use of artificial intelligence

Westlaw Today explores how federal and state courts have addressed employee challenges to the use of artificial intelligence in the workplace, ranging from AI-powered biometric systems to AI screening for job applicants.

Columbia students sue Kasowitz law firm over $6.4 million legal fee in antisemitism case

A group of Jewish Columbia University students has sued prominent litigator Marc Kasowitz and his law firm for allegedly securing an improper $6.4 million legal fee in a settlement that resolved the students' antisemitism claims against the New York City school.

Read more: https://bit.ly/4pgXaHc

U.S. law firm Blank Rome faces class action over data breach

Blank Rome is the latest U.S. law firm to face a proposed class action for allegedly failing to protect clients' sensitive personal information — including Social Security numbers — after hackers targeted the firm in a May data breach.

Read more: https://bit.ly/4y6d1wa

Anthropic's 'AI' trademark infringed by cybersecurity company, suit says

AI giant Anthropic PBC is suing cybersecurity company Abnormal AI Inc. in California federal court, alleging its recent rebrand uses a logo and animated sequences that are "confusingly similar" to Anthropic's trademarks.

Chicago Mercantile Exchange replaces law firm in lawsuit against CFTC

Law firm Jenner & Block has moved to withdraw from representing CME Group's Chicago Mercantile Exchange in a closely watched lawsuit challenging the U.S. Commodity Futures Trading Commission's decision to allow prediction markets platform Kalshi and cryptocurrency exchange Coinbase to list perpetual futures.
Read more: https://bit.ly/4vWk3Ca

Government contracts DEI restrictions under EO 14398 — What contractors need to know

Daniel Ramish, Adam Sencenbaugh, Taryn McDonald and Mia Nieto of Haynes Boone explain the restrictions on contractor DEI programs under Executive Order 14398 and provide practical considerations for companies evaluating compliance and response strategies.

Banks, vendor sued over data breach affecting 400,000 customers

Two proposed class-action lawsuits have been filed against accounting firm Mercadien PC and banks with which they do business, alleging they failed to secure the personal information of more than 400,000 people in a 2025 data breach.

It reads your email, files your claims, and never asks permission — The privacy law of AI agents

Sara H. Jodka of Dickinson Wright PLLC discusses the flow of information through AI agents often without human sign-off and the privacy risks and compliance issues raised.

Why immigration is the new front line of M&A due diligence

Attorneys at Herbert Smith Freehills Kramer LLP discuss the critical, but often underestimated, immigration integration challenges that arise for companies undergoing merger and acquisition activity.

CVS Caremark defeats challenge to prescription drug policy under Arkansas law

An employee health plan participant cannot proceed with a proposed class action alleging CVS Caremark unjustly enriched itself by violating two Arkansas prescription drug laws, a federal appeals court has ruled, affirming a lower court decision.

When two privileges collide — The intersection of attorney-client and spousal privileges

Justin J. Gunnell and Krista Staropoli of Sher Tremonte LLP discuss restrictive and flexible approaches to whether attorney-client and spousal privileges are waived when a spouse is present during attorney-client communications with the other spouse.

US appeals court rebukes lawyer over ‘fake and hallucinated’ case citations

WASHINGTON, July 10 (Reuters) - A U.S. appeals court on Friday rebuked a Florida lawyer and county official for filing briefs riddled with what it called “fake and hallucinated” material generated by artificial intelligence and issued a broad warning against outsourcing legal work carelessly to AI.

In its order, opens new tab, the Atlanta-based 11th U.S. Circuit Court of Appeals said attorney Anthony Sabatini of Mount Dora, Florida, submitted multiple briefs in a commercial aviation employment case that included citations to cases that do not exist.

“By outsourcing his legal work to an AI algorithm, Sabatini violated his ethical duties to both his clients and this Court,” the three-judge panel wrote. The court also said: “Whatever the merits of artificial intelligence, it is no substitute for actual intelligence.”

Sabatini, a former member of the Florida House of Representatives who serves on the board of commissioners for Florida’s Lake County, did not immediately respond to requests for comment.

Atlas Air, the commercial airline that was a defendant in the lawsuit, and a lawyer for the company at Jones Day did not immediately respond to requests for comment.

The appeals court’s order on Friday upheld the dismissal of a lawsuit by Sabatini's clients, who are current or former employees of Atlas and one of its contractors. The employees challenged the two companies' pandemic-era policies for masks and vaccination. Atlas denied any wrongdoing.

Artificial intelligence tools can make up case citations, misquote the law or generate non-existent legal sources. Lawyers are not barred from using AI for legal research and drafting but must follow court and professional rules requiring them to verify court submissions.

State and federal courts across the country have disciplined attorneys for using generative AI tools without vetting the results.

Sabatini apologized to the appeals court last year for submitting legal filings that included what he described as “erroneous or unverifiable” case citations. He said the errors “stemmed from research oversights."

The court panel said that lawyers who rely on AI have an obligation to ensure their work is accurate. The panel said the 11th Circuit's chief judge will refer Sabatini to the court's Committee on Lawyer Qualifications and Conduct.

The case is Patrick Akerlund et al v. Atlas Air Inc et al, 11th U.S. Circuit Court of Appeals, No. 24-11033.

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Zuckerberg Sets ‘Aggressive’ Price With Meta’s Pay-to-Use AI
July 9, 2026, 7:00 AM PDT

Summary by Bloomberg AI AI Generated

- Meta Platforms Inc. unveiled a version of its AI model, Muse Spark 1.1, that includes a new paid tier for developers, marking the first time Meta has charged businesses for access to its models.

- The new model's standout improvement is in its agentic capabilities, with "state-of-the-art or very close to it" agentic reasoning and tool use, and is also greatly improved when it comes to coding.

- Meta will introduce a new Meta Model API system with pricing that is roughly 25% of the cost advertised by other top models, allowing developers to use Meta's model for free up to a certain token threshold, after which they'll be required to pay for access.

In a crowded market for AI tools, Mark Zuckerberg wants to win on price.

Meta Platforms Inc. unveiled a version of its most advanced artificial intelligence model, Muse Spark 1.1, that includes a new paid tier for developers, marking the first time Meta has charged businesses for access to its models and providing a new revenue stream. It’ll be among the most affordable options on the market, Zuckerberg said in an interview ahead of the release.

“Since this is not an open source model, this is I think the first time that we’re doing a real serious API,” Zuckerberg said, referring to the application programming interface used to access Meta’s AI. “And the pricing is going to be very aggressive and attractive.”

The new model’s standout improvement is in its agentic capabilities, the Meta chief executive officer said. Agents are the big theme of AI this year, with the label applied to systems that can complete multistep tasks on behalf of a user. Zuckerberg described Muse Spark 1.1 as having “state-of-the-art or very close to it” agentic reasoning and tool use. The model is also greatly improved when it comes to coding and Meta employees are using it internally to build products and features for various apps, he added.

Meta will also introduce a new Meta Model API system, which will be used to collect fees from developers. Its API pricing is roughly 25% of the cost advertised by other top models from OpenAI and Anthropic PBC . Developers will be able to use Meta's model for free, but only up to a point; they'll be required to pay for access after reaching a certain token threshold, Zuckerberg said.

Mark Zuckerberg
Photographer: David Paul Morris/Bloomberg

"The pricing from some of the other labs is very extreme and has very high margins," Zuckerberg said, underscoring that his strategy is to get Meta's technology in front of as many people as possible. "We think that there's a real ability to be able to offer frontier or very high-level intelligence at a much more affordable cost."

Zuckerberg, 42, is spending aggressively to keep pace with rivals like OpenAI and Alphabet Inc. in a race to achieve what he calls superintelligence, or AI that can perform tasks better than humans. Meta has committed hundreds of billions of dollars to building the infrastructure necessary to develop superintelligence, including data centers and expensive AI chips. The company announced a new $10 billion data center investment in Canada as well as a new image-generation model just this week.

Despite that investment, Meta's models have not historically tested at the same level as those from Anthropic, OpenAI or Google. But Muse Spark 1.1 is more competitive, Zuckerberg said, and tested better than Google's Gemini model in several categories related to agents, coding and multimodal capabilities.

"That is a pretty interesting milestone because I think this may be the first time, at least that I can remember, that Meta's models are better than all of the Google models," he said.

'Better than we expected'

Zuckerberg's commitment to the AI race has led to a series of extreme shifts in strategy and resources over the past year. Following a disappointing model launch in the spring of 2025, Zuckerberg became personally involved in rebuilding Meta's AI lab, which included hiring Scale AI's **Alexandr Wang** to lead the new unit, and eventually, significant layoffs and several internal reorganizations.

Once fully committed to building open source AI models that are available for free to outside developers, Meta has also pivoted toward prioritizing closed models that it can charge for – like Muse Spark 1.1 – which required essentially rebuilding the technologies from scratch.

Zuckerberg said he's pleased with how the lab is progressing.

"We're generally doing better than we expected," Zuckerberg said. He acknowledged that Meta is still trailing some of the larger AI labs, including Anthropic and OpenAI, but said that the company has another new model coming, codenamed Watermelon, that he believes can help Meta "push this maximum frontier of intelligence." He declined to share details on Watermelon's release timeline, saying that the focus is on quality.

Investing in a frontier model – or AI technology that moves the industry forward with new capabilities and features – is an expensive endeavor. But Zuckerberg believes it's worth the investment from Meta given his mission: To build personal agents that everyone in the world can use.

Zuckerberg said that if Meta relies on other models to deliver this goal, there is no guarantee they will be built with the personal assistant use case in mind.

Read more: Inside Meta's Pivot From Open Source to Money-Making AI Model

“If you really want to build the best experiences for people, you have to be able to shape the underlying technology,” the Meta CEO said. Controlling the technology is going to let Meta “deliver exactly what we think is going to be the best experience.”

Zuckerberg is not convinced that the technology will ultimately become a commodity — that is, that all of the various AI models will essentially do the same thing and be more or less indiscernible from one another. He pointed to Mythos, the latest model from Anthropic, which raised national security concerns in the US, as an example of how companies are already gatekeeping aspects of the technology instead of sharing it widely.

“The capabilities are not actually getting diffused or made broadly available to everyone,” Zuckerberg said. “Anthropic is sort of keeping a model for themselves and releasing a kind of simpler version of a model. And there are all these reasons for why they may or may not be doing it. But that at least does not suggest to me that the world is either heading in, or is guaranteed to head in, a direction where this ends up being something that is widely available.”

AI business

Meta has projected record capital expenditures for 2026, is spending billions on AI talent to build out its Meta Superintelligence Labs, and has pledged hundreds of billions more to infrastructure projects. Critics have questioned whether the pivot has paid off.

After Meta reported earnings in April , shares fell nearly 9%, despite strong revenue and profit, due to concerns that the company didn’t have a business plan in place to recoup its aggressive investment in artificial intelligence.

Meta has taken steps to alleviate those concerns in recent months. It announced plans for a consumer chatbot subscription and is also planning to sell an AI agent to businesses . It’s now also selling access to its top-line AI model, and the company is making plans for a cloud business that may involve selling its computing power and AI infrastructure, Bloomberg reported .

Read more: Meta Is Planning a Cloud Business to Sell AI Computing Power

Zuckerberg said Meta is trying to be thoughtful with pricing for its new developer API to maximize the technology’s reach and ensure that AI tools are widely distributed.

“Someone needs to go build the models and make sure that you’re going to have very high-quality intelligence that is accessible to everyone,” Zuckerberg said. Muse Spark 1.1 will power the Meta AI chatbot, which is free, he pointed out.

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Wash. Judge Grants Amazon Win In Audible Auto-Enroll Suit

law360.com/articles/2499404/wash-judge-grants-amazon-win-in-audible-auto-enroll-suit

(July 9, 2026, 11:13 PM EDT)-- A Washington federal judge handed a win to Amazon.com Inc. on Thursday, dismissing a shopper's proposed class action accusing the e-commerce giant and its subsidiary Audible Inc. of deceptively enrolling customers in audiobook service subscriptions.

Plaintiff Julia Heck had claimed Amazon.com Inc. auto-enrolled her in an Audible membership after she redeemed digital credits accrued from Amazon's no-rush shipping option to obtain an audiobook for free on the platform. But in siding with the two companies, U.S. District Judge John H. Chun concluded that the alleged transaction was impossible.

"The evidence shows there is no capacity to redeem Audible titles or begin an Audible subscription using the digital rewards resulting from No-Rush Shipping," he wrote in an order granting the companies' motion for summary judgment. As such, he continued, "defendants could not have omitted or misrepresented any information about using those digital rewards to acquire Audible titles."

There's also "no evidence" that Heck ever used Amazon's no-rush shipping, the court found.

"Plaintiff testified at her deposition that she was not familiar with No-Rush Shipping and could not recall ever having used it," the judge noted. Records from Amazon, meanwhile, indicate Heck "never selected that option when placing her Amazon orders."

While Heck had argued that a reasonable consumer would have been misled by Amazon's offer to try an audiobook "for $0.00," Judge Chun said that argument failed for two reasons.

"First, the reasonable consumer standard does not relieve the plaintiff from bringing forward evidence about a misrepresentation that she relied on," the court ruled. The standard "governs how a court evaluates the alleged misrepresentation; but here, there is no misrepresentation that could mislead a reasonable consumer."

Second, wrote the judge, Heck's reliance on the reasonable consumer standard "appears to amount to an attempt to alter the theory of liability" that she pled in her third amended complaint.

While the shopper claimed in briefing over the summary judgment motion that she was misled by the "Try for $0.00" button on an Amazon product page, Judge Chun pointed out that "this is not the theory that she pleaded" in the third amended complaint.

Further, at her deposition, Heck "testified that she could not recall having used" the offer button, the court said.

The judge also dismissed as a "red herring" Heck's claim that large numbers of Audible users were enrolled without their knowledge.

"These statistics are not a substitute for coming forward with evidence about a misrepresentation made to plaintiff, plaintiff's reliance on that misinterpretation, a causal relationship between the two, and plaintiff's damages," he said.

Judge Chun dismissed the case with prejudice, barring Heck from renewing her claims.

Heck initially sued Amazon and Audible in California state court in 2022, though the litigation eventually moved to the Western District of Washington, where Amazon is headquartered. She claimed that after using digital credits to obtain the Audible title, Audible enrolled her in a "free trial membership without her knowledge or permission."

She claimed the companies were able to charge her for renewing the membership because they had access to credit card information saved in her Amazon Prime account.

Thursday's ruling rejected Heck's claims that the companies violated California's Consumer Legal Remedies Act, which forbids unfair and deceptive business practices. It also denied her claims under California's Unfair Competition Law.

Judge Chun additionally found that "uncontroverted evidence" established that the companies' disclaimer about the auto-renewing Audible trials complied with California's Automatic Renewal Law, which is meant to protect consumers from unexpected charges.

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

Heck is represented by Kim D. Stephens and Rebecca L. Solomon of Tousley Brain Stephens PLLC and Sue J. Nam, Kate J. Stoia and Charles D. Moore of Reese LLP.

Amazon is represented by Melanie L. Mayer, Jedediah Wakefield, Molly Melcher, Charles E. Moulins, Kara Grandin and Justine Vandermel of Fenwick & West LLP.

The case is Julia Heck v. Amazon.com Inc. et al., case number 2:23-cv-01219, in the U.S. District Court for the Western District of Washington.

AI Governance Tips For Avoiding Securities Suits

Dunn v. Upstart Holdings Inc., a securities class action against an artificial intelligence-powered lending platform **filed** in the U.S. District Court for the Northern District of California on April 7, highlights a growing reality for public companies: Statements about AI are increasingly being scrutinized not only by regulators, but also by shareholders.

The class action alleges that Upstart overstated the accuracy of Model 22, its proprietary AI underwriting model, while that model was overreacting to macroeconomic signals, suppressing loan approvals and weighing on revenue. It is one of the latest signs that AI-related claims, once largely confined to regulatory enforcement, are now generating real litigation exposure.

For public companies, AI is no longer just a technology topic. It is a disclosure and governance issue that touches securities filings, earnings calls, investor presentations and now consumer-facing representations.

The challenge is not simply whether to talk about AI, but how to do so in a way that is accurate, consistent and aligned with how the business actually operates. As with many emerging areas, the rules have not changed, but the expectations around how companies apply them have.

The Regulatory Baseline: Same Rules, New Lens

While the U.S. Securities and Exchange Commission has not adopted AI-specific disclosure rules, it appears, at least for now, comfortable relying on the existing disclosure framework. That framework, grounded in materiality and anti-fraud principles, is well understood. What is changing is how those principles are being applied.

From a practical standpoint, this means companies should disclose AI where it meaningfully affects the business; statements about AI capabilities or strategy must be accurate and supportable; and known risks, limitations or dependencies should not be omitted. In practice, most companies address AI within existing disclosure categories, including risk factors, management's discussion and analysis, and business descriptions, rather than creating stand-alone sections.

Recent SEC commentary and enforcement activity reinforce that AI-related disclosure is not a niche issue. It is being evaluated in the same way as any other statement that could influence an investor's decision-making.

While there are no AI-specific SEC disclosure rules currently in effect, there are early signs of where expectations may continue to evolve. In December 2025, the SEC's Investor Advisory Committee **recommended** that companies consider more structured approaches to AI-related disclosure, including defining how AI is used, describing board-level oversight and addressing the impact of AI on operations where such is material.[1]

Although these recommendations are not binding, several commissioners have expressed skepticism about AI-specific mandates, signaling that formal rulemaking in this area is unlikely in the near term. Nonetheless, the recommendations reflect a growing expectation that companies approach AI disclosure with greater clarity and consistency within the existing framework.

The Core Risk: When Messaging Doesn't Match Reality

For many public companies, the real challenge is ensuring that what is being said about AI holds up across all channels.

In practice, scrutiny often arises where there is a disconnect between narrative and execution. Examples include situations where AI is highlighted as a key differentiator while underlying capabilities are still developing, where investor-facing materials emphasize AI-driven growth without addressing dependencies or limitations, or where SEC filings lag behind how prominently AI features in earnings calls or strategy discussions.

These situations are rarely intentional. They are often the result of fast-moving internal developments outpacing disclosure processes. This dynamic is often described as AI washing, in which companies overstate or mischaracterize the role or capabilities of AI in their business.

The SEC has already brought enforcement actions in this area, underscoring that statements about AI are subject to the same anti-fraud standards as any other disclosure. Some companies may take the opposite approach, sometimes referred to as AI hushing, by underemphasizing or omitting AI-related risks or dependencies.

Both dynamics highlight the same underlying principle: Disclosure should present a balanced and accurate picture of how AI is actually used in the business.

Companies should be mindful that AI-related statements are increasingly expected to be verifiable and grounded in current capabilities, rather than forward-looking or aspirational in nature. A helpful discipline is to periodically align internal stakeholders around a simple question: Does our external messaging accurately reflect how AI is actually being used today?

Framing Disclosure Around Business Impact

AI disclosure does not always need to be technical to be effective. Investors are focused on understanding how AI affects the business, not necessarily how it is engineered. As a result, effective disclosure would typically address where AI is being used across the organization; how it contributes to strategy, efficiency or revenue generation; what risks accompany that use; and how those risks are being managed.

This approach keeps disclosure grounded in what matters most, while avoiding both overly generic statements and unnecessary technical detail. As is the case with other disclosures, generic or boilerplate references to AI are unlikely to be sufficient, so disclosures should be tailored to reflect how the AI is actually used and where the real exposure lies.

Third-Party AI: An Increasingly Important Consideration

As companies adopt AI, many are doing so through third-party tools and infrastructure rather than fully proprietary systems.

This is often the right business decision. However, it introduces considerations that are becoming more relevant from both a disclosure and a governance perspective, including reliance on external providers for critical functionality, limited visibility into how models operate or evolve, data usage and confidentiality considerations, and potential differences between vendor representations and actual performance.

Where third-party AI plays a meaningful role in operations or in how the company is presented to investors, it is worth evaluating whether that reliance is appropriately reflected in disclosure.

Governance: Integrating AI Into Existing Oversight Frameworks

AI does not necessarily require a separate governance framework, but it does require a thoughtful approach.

Boards are increasingly expected to understand how AI fits within the company's broader risk profile and to oversee management's approach to those risks. In practice, that means management should be able to clearly map where AI is being used; that key risks, including operational, data and vendor-related risks, should be identified; that oversight responsibilities should be clearly defined; and that boards should receive updates as use cases evolve or expand.

For most public companies, the focus should be on integration, not reinvention. AI should be incorporated into existing risk oversight structures in a way that is proportionate to its significance.

A March report from Institutional Shareholder Services suggests that governance practices in this area are still catching up in adoption.[2]

While AI is now widely embedded across operations, only about 8% of U.S. public companies analyzed currently disclose formal board oversight of AI, and even fewer have paired that oversight with a defined AI policy. At the same time, investor expectations are moving in the opposite direction, with increasing focus on board-level accountability for AI use and risk.

Proxy advisory firms and institutional investors are increasingly evaluating whether boards have directors with AI-relevant expertise and whether proxy statements address AI oversight. The result is a growing gap between adoption and governance that companies should be mindful of as they evaluate both oversight and disclosure.

Internal Use: Practical Guardrails Over Restrictions

AI is increasingly being used internally by employees, officers and directors as part of day-to-day workflows. This creates a different — but equally important — set of considerations, including ensuring that confidential or sensitive information is not shared inappropriately, validating outputs before relying on them in decision-making, understanding that AI-generated content may become part of the company's record, and evaluating whether certain uses raise privilege or confidentiality concerns.

Rather than limiting use, many companies are finding it more effective to implement clear and practical guidelines that enable responsible adoption while managing risk.

Enforcement and Litigation: Established Standards, New Context

Regulators and plaintiffs are focusing more closely on AI-related disclosures, but the underlying legal theories remain familiar. Recent enforcement actions have addressed statements that overstate AI capabilities or readiness, omissions relating to reliance on third-party tools or known limitations, and inconsistencies between public messaging and internal reality.

The SEC's enforcement focus on AI washing began in March 2024 with **settled charges** against investment advisers Delphia (USA) Inc. and Global Predictions Inc. for false claims about their use of AI, resulting in penalties of $225,000 and $175,000, respectively. And in January 2025, the SEC **filed** charges against Presto Automation Inc., widely regarded as the first AI-washing case against a public company, for misleading statements about its AI-powered drive-through technology.

Enforcement has continued under the current administration, with the SEC's Cyber and Emerging Technologies Unit identifying AI washing as an immediate enforcement priority. In

April 2025, the SEC and the U.S. Department of Justice**filed parallel actions** against the founder of Nate Inc., a privately held startup, for raising over $40 million through false claims that his company's app used proprietary AI when transactions were actually processed manually.

These cases signal that enforcement will continue to target both outright misrepresentations and more nuanced overstatements about AI capabilities, and that enforcement risk extends to private companies as well as public issuers.

Beyond SEC enforcement, companies should also be aware of emerging private securities litigation risk. Shareholder plaintiffs are beginning to bring claims alleging AI-related misstatements, and the combination of regulatory scrutiny and class action exposure underscores the importance of ensuring AI disclosures are accurate and defensible.

For example, while the allegations in the Upstart class action remain unproven, the case illustrates how an AI-centered growth narrative can become the basis for securities fraud claims when the gap between what a company says about its AI and what that AI actually delivers becomes a material issue for investors.

The lesson is straightforward: If AI is central to how you present your business to the market, the accuracy and consistency of those representations carry real legal risk.

A Practical Path Forward

For public companies, the path forward does not require a complete overhaul. More often, it requires alignment.

A practical approach may include taking inventory of how AI is used across the business; comparing that usage to how AI is described in public communications; refining disclosures to better reflect actual practices and risks; ensuring consistency across SEC filings, earnings calls and investor materials; revisiting insurance coverage, including director and officer, technology errors and omissions, and cyberinsurance, and contractual allocation with AI vendors and channels; confirming that governance structures are keeping pace with adoption; and reviewing how peer companies describe their use of AI to benchmark against evolving disclosure practices.

The companies that navigate this landscape most effectively will be those that maintain a narrative that is clear, credible and sustainable over time. As recent SEC settlements and enforcement actions make clear, the cost of getting AI messaging wrong is no longer theoretical, and public companies would be well served to pressure test their AI disclosures, align internal practices with external messaging and ensure their oversight frameworks keep pace with the technology itself.

[1] https://www.sec.gov/files/approved-artificial-intelligence-disclosure-recommendation-120425.pdf.

[2] https://insights.issgovernance.com/posts/mind-the-governance-gap-the-state-of-board-oversight-and-ai-policy-in-u-s-companies/.