BP Retirees' Pension Communication Win Undone by Fifth Circuit

July 14, 2026, 11:02 AM PDT

BP Corp. NA successfully appealed a decision holding it liable for inadequate pension communications, when the Fifth Circuit on Tuesday said it wasn't clear that the company's alleged missteps led to reduced benefits for workers.

The judge who sided with BP workers after a 14-day trial failed to identify the "correct injury" and thus didn't properly examine whether BP's conduct could have caused that alleged injury, the US Court of Appeals for the Fifth Circuit said in an unpublished opinion.

The workers' only credible theory of injury is decreased retirement benefits, not a "mistaken understanding" or a "broken contractual promise," the appeals court said, sending the dispute back to trial court for more analysis.

The decade-old class action accuses BP of failing to explain to Standard Oil of Ohio employees how they would be negatively affected by switching from a traditional pension plan to a cash balance plan after BP acquired their company in 1987. Some claims were dismissed in 2017 and again in 2019.

US District Judge George C. Hanks in Houston ruled after the 2023 trial that BP had breached its fiduciary duties under the Employee Retirement Income Security Act by failing to properly communicate how workers would be harmed by the restructuring of their pension benefits.

BP "promoted only the positive aspects of the plan change" and didn't explain that it was eliminating certain early retirement benefits, Hanks said then.

BP appealed, arguing the workers lacked standing because their claimed injury—reduced benefits—didn't stem from the purportedly inadequate plan communications.

The Fifth Circuit's decision was issued by Judges Catharina Haynes, Patrick E. Higginbotham, and James C. Ho.

Higginbotham wrote a separate concurring opinion suggesting that the retirees would be poised to succeed when their case returned to district court. While it's true the district judge didn't make the necessary findings, the retirees "alleged at least four tangible consequences and harm from BP's unlawful conduct," he wrote.

Seyfarth Shaw LLP and Kirkland & Ellis LLP represented BP. James, Vernon & Weeks PA and Merrick, Hofstedt & Lindsey PS represented the retirees.

The case is Guenther v. BP Ret. Accumulation Plan , 5th Cir., No. 24-20551, unpublished 7/14/26 .

Column-Meta presses new defense tactic in cases over scam ads promoting stocks | Business Information & News | FE

Column-Meta presses new defense tactic in cases over scam ads promoting stocks

July 13 (Reuters) - The Facebook ad featured a "Shark Tank" host and promised extraordinary investment returns.

Wisconsin retiree Maurie Daigneau clicked.

The ad led him to what appeared to be a legitimate investment club. According to a lawsuit filed last year against Meta on behalf of Daigneau and other investors, it was actually a network of scammers.

There was no connection to "Shark Tank," no secret investment strategy and no easy profits, the plaintiffs contend. Instead, Daigneau and his wife were allegedly persuaded to invest in a Chinese penny stock that was being used in a pump-and-dump scheme, ultimately losing $715,000 — nearly all of their retirement savings.

Daigneau's story is depressingly familiar. As my Reuters colleagues Jeff Horwitz and Engen Tham documented in Pulitzer Prize-winning reporting, Meta's platforms have become fertile ground for scammers looking for victims — and a lucrative source of advertising revenue for the company.

But efforts to hold Meta liable for investment-related scams are running into a peculiar legal obstacle: The closer the alleged fraud is tied to a stock purchase, the harder it may be to pursue a consumer class action against the company.

In essence, the Facebook and Instagram parent argues, the key issue is that deceptive ads drove investors to buy worthless stock. That's classic securities-law territory and cannot be repackaged as a consumer class action, Meta says.

The issue took center stage at a hearing last week in San Francisco federal court before U.S. District Judge William Orrick. The judge said he was likely to dismiss Daigneau's case as well as a second, related investor class action, for lack of jurisdiction.

Orrick said he was "inclined to follow" the reasoning of his colleague in San Francisco, U.S. District Judge Richard Seeborg, who already tossed a class action against Meta with similar allegations in June. Seeborg ruled that federal securities law precluded the suit.

As I'll explain, Seeborg's reasoning seems persuasive. But if his decision — now on appeal before the 9th U.S. Circuit Court of Appeals — stands, it could create a liability gap, where Meta is less exposed to lawsuits over investment scams than other types of online fraud.

Unlike ordinary consumer class actions, securities fraud suits face stricter pleading standards, creating additional hurdles for investors.

A spokesperson for Meta, which denies wrongdoing, did not respond to a request for comment.

BEYOND SECTION 230

The cases before Orrick and Seeborg were brought by the same lawyer, Andrew Robertson of Morris Kandinov in New York, who told me they are on behalf of thousands of investors who lost hundreds of millions of dollars.

"Meta played a critical role in enabling these frauds because it chose to do business with known scammers to bolster its ad revenue," he said.

The central allegations in all three complaints are the same, with investors claiming they clicked on Facebook or Instagram ads falsely touting endorsements by celebrities, financiers or advisory firms.

The plaintiffs were then allegedly funneled into private groups on WhatsApp (also owned by Meta), where fraudsters posing as financial advisors encouraged them to buy stock in overseas companies at artificially inflated prices. The plaintiffs say the scammers then dumped their shares, causing the stock price to collapse and wiping out their investments.

Federal authorities have brought criminal charges against some of the scammers. Meta is not implicated in any of those cases.

The investors are seeking to hold Meta civilly liable for allowing the fake ads to appear on its platforms in the first place.

Meta's initial response was predictable: It invoked Section 230 of the Communications Decency Act, a 1996 federal law that protects online platforms from liability over user-generated content. As Meta's lawyers from WilmerHale argued in court papers, the "scammers alone provided the content that allegedly made the ads unlawful."

But Seeborg in March refused to dismiss the case, noting the scammers allegedly used Meta's AI-powered advertising tools to create and optimize the phony ads.

It is "at least plausible that some of the illegal content...was created by Meta, not by the scammers," Seeborg wrote. That degree of participation would not be protected by Section 230, he said.

For the plaintiffs, it was a big win — while it lasted.

PRECLUDED BY SECURITIES LAW

Meta countered with a new argument — that the litigation was precluded by securities law, pointing to the Securities Litigation Uniform Standards Act, or SLUSA. Enacted in 1998, it was designed to prevent plaintiffs from sidestepping stricter federal securities rules.

Specifically, it bars certain class actions alleging fraud under state law "in connection with" the purchase or sale of a security.

The question here, Seeborg wrote, is whether the fraudulent ads on Facebook and Instagram made a significant difference in the investors' decision to buy the worthless stock.

"Under Plaintiffs' theory of the case, the answer must be yes," he wrote.

He dismissed the case without prejudice, noting that it could be refiled under federal securities laws or another theory.

Plaintiffs' lawyer Robertson urged Orrick not to follow suit. He argued that siding with Meta would create "inconsistent standards and inconsistent rights on the part of users of Meta's platforms."

If a Facebook or Instagram user was lured into a scam that involved, say, a household product or cryptocurrency, they could bring a consumer-protection class action against Meta, he said. "But just because the downstream scam involves securities," Robertson said, "all of a sudden the victim would no longer have that right."

Robertson's criticism may be self-interested, but it raises a legitimate question: Should Meta's potential liability hinge less on its own conduct than on what a fraudulent ad ultimately persuades a user to buy?

Orrick promised that his decision would come soon. In the meantime, Meta and the investors are left waiting to learn whether this case is really about online scams — or the reach of securities law.

Delaware court tosses derivative suit against pharma company as untimely | Secondary Sources | National

(July 13, 2026) - The Delaware Chancery Court has dismissed a stockholder derivative suit against biopharmaceutical company Axsome Therapeutics Inc. as time-barred, ruling that a last-minute records demand did not pause the statute of limitations.

Vice Chancellor Lori W. Will ruled July 9 that the plaintiffs' claims were barred by the doctrine of laches because they were filed more than three years after stockholders received notice of Axsome's alleged wrongdoing.

The vice chancellor rejected the plaintiffs' argument that the clock should be paused, or "tolled," while they pursue a demand to inspect Axsome's corporate records, determining that their "eleventh-hour, out-of-court demand pursued with little zeal does not" justify equitable tolling.

Regulatory setbacks and a stock drop

Axsome develops therapies for central nervous system disorders. In December 2019, it began touting positive results for product candidate AXS-07, an investigational treatment for migraines, according to the opinion.

But in an April 2022 securities filing, the company disclosed that the U.S. Food and Drug Administration had identified unresolved manufacturing issues with AXS-07 and was expected to reject the drug's application, the opinion said.

Axsome's stock price fell $8.60 per share on this news, the complaint said. The disclosure also spurred securities and derivative lawsuits against the company.

In February, Axsome settled the securities lawsuit and the derivative claims, which had been stayed pending resolution of the securities litigation, moved forward.

Meanwhile, on April 24, 2025, plaintiff John Wickstrom emailed Axsome's investor relations department a demand for books and records under Section 220 of Delaware General Corporation Law, Del. Code Ann. tit. 8, § 220. Three weeks later, he requested the demand be forwarded to Axsome's attorneys after failing to receive a response, the opinion said. Wickstrom filed a derivative lawsuit against Axsome and its leadership in September, asserting breach of fiduciary duties, which was subsequently consolidated with another derivative plaintiff's claims.

Axsome moved to dismiss the complaint, arguing that it was barred by laches.

Eleventh-hour demand fails to toll clock

Vice Chancellor Will explained that the affirmative defense of laches is an unreasonable delay in bringing suit after the plaintiffs knew of an infringement of their rights, resulting in prejudice to the defendant. In situations where a claim is brought after the relevant statute of limitations expires, the court will presumptively bar that action, the vice chancellor added.

The plaintiffs' claims were subject to a three-year statute of limitations, and they were on notice of those claims by April 2022, she noted. Thus, they were required to file their lawsuit by April 2025 to comply with the statute of limitations, the vice chancellor said.

The plaintiffs filed their lawsuit five months too late, but argued that the suit was timely because the statute of limitations was tolled from when they first emailed their records demand in April 2025.

The vice chancellor disagreed, explaining that the "mere transmission" of a demand is not enough to stop the clock. Tolling is only appropriate in situations where a stockholder diligently pursues a Section 220 lawsuit, she said.
Here, the plaintiffs' demand was improperly served via email just days before the deadline and then the plaintiffs waited three weeks before following up, according to the opinion. This conduct "belies any claim of zealous pursuit," the vice chancellor concluded.

Seth D. Rigrodsky of Rigrodsky Law PA represented the plaintiffs, and Jody C. Barillare of Morgan, Lewis & Bockius LLP represented Axsome and its directors and officers.

DOL NEWS—LABOR DEPARTMENT URGES SUPREME COURT TO UPHOLD DISMISSAL IN INTEL ERISA IMPRUDENCE CASE | Secondary Sources | National

The Department of Labor (DOL) has filed an amicus brief in the U.S. Supreme Court supporting respondents in *Anderson v. Intel Corporation Investment Policy Committee*, urging the court to affirm a Ninth Circuit decision that upheld dismissal of claims alleging Intel acted imprudently by including hedge funds and private-equity investments in its retirement-plan offerings. The DOL said the case concerns the pleading standard for ERISA imprudence claims based on alleged investment underperformance and argued that plaintiffs must show the challenged investment underperformed relative to a “meaningful benchmark” investment with similar goals, strategies, and risk profiles.

Intel investment strategy challenged. The case stems from claims by former Intel employees challenging the company's use of hedge funds and private-equity investments within certain target-date and global diversified funds offered through Intel retirement plans. The government noted that Intel's fiduciaries told participants the investments were part of a risk-mitigation strategy intended to provide greater protection during market downturns, with the tradeoff of potentially lower returns during stronger markets.

The DOL in its press release described the filing as part of an ongoing effort to provide regulatory clarity for retirement-plan sponsors and said the plaintiffs' preferred approach would effectively require fiduciaries to pursue riskier investments in search of higher returns. The department said the brief reflects its view that plan sponsors retain discretion to prioritize long-term retirement security when selecting investments for participants.

Meaningful benchmark required. In its brief, the U.S. argued that ERISA is focused on fiduciary process rather than investment results. According to the government, underperformance by itself does not plausibly suggest imprudent conduct because different investments may pursue different objectives and levels of risk, leading to different outcomes even when fiduciaries act prudently.

The DOL said the Ninth Circuit correctly held that plaintiffs seeking to establish imprudence through comparative performance allegations must identify a sound basis for comparison. The brief contends that the plaintiffs compared Intel's funds to funds pursuing different objectives and did not allege facts showing that the proposed comparators shared Intel's risk-mitigation aims.

According to the DOL, the meaningful-benchmark requirement does not impose a heightened pleading standard but instead applies ordinary federal pleading rules requiring facts that support a plausible inference of misconduct. The government also argued that ERISA's disclosure requirements provide participants with substantial information that can be used to identify appropriate comparators when bringing underperformance-based claims.

The filing concludes that the Ninth Circuit's judgment should be affirmed because the complaint failed to allege meaningful benchmarks, misidentified certain Intel benchmarks and did not adequately allege that the challenged hedge-fund and private-equity investments were imprudent when viewed as part of the plans' overall portfolios.

The case is No. 25-498.

HCA Healthcare Shares Drop After Quarterly Earnings Squeezed by Payer Mix Shifts

HCA Healthcare’s HCA -7.04%decrease; down pointing triangle shares were under pressure after the for-profit operator of healthcare facilities scaled back financial guidance for the year following payer mix shifts due to health insurance exchanges.

In premarket trading, the shares were 9.4% lower at $354. As of Monday’s close, the stock had already retreated 22% over the last three months.

HCA said that based on preliminary operating results for the latest quarter it has lowered its forecast for 2026 earnings to between $28.70 and $30.50 a share and narrowed its revenue target to $77 billion to $79.5 billion from a prior $76.5 billion to $80 billion range. Adjusted earnings before interest, taxes, depreciation and amortization are targeted at between $15.4 billion and $16.1 billion, where HCA previously anticipated $15.55 billion to $16.45 billion.

The company said it anticipates adjusted Ebitda for the second quarter of roughly $4.03 billion, and revenue for the three months of about $20.23 billion. That compared with $3.85 billion and $18.61 billion a year earlier, and is below the $4.47 billion and $19.47 billion in revenue that analysts polled by FactSet had penciled in.

HCA said it experienced a payer mix shift in the quarter, driven by an increase in uninsured volume, primarily due to patients who had lost coverage on health insurance exchanges. It estimated that this payer mix shift had an unfavorable impact on income before income taxes of about $400 million during the second quarter.

The company said it did see positive factors during the quarter, including growth in admissions, equivalent admissions and emergency room visits, increased benefit from Medicaid Supplemental Payment Programs and improved expense trends.

Class Action

Manage Newsletters

Honest Co. Shareholder Derivative Deal Gets Final Court Nod

July 14, 2026, 9:41 AM PDT

A shareholder derivative settlement with Jessica Alba and other directors and executives at Honest Co., including several enhancements to oversight policies, earned a federal judge's final approval, resolving allegations they hid waning demand before the company's initial public offering.

The personal care products company must file the approval in other shareholder derivative actions pending in a California state court and a Delaware federal court that are subject to this global settlement, Judge Mark C. Scarsi said Monday. The US District Court for the Central District of California can vacate the final judgment if one of the other courts chooses to review the agreement forged by current and former leaders of the company.

The shareholders' counsel will get almost $1.2 million in attorneys' fees and expenses, with a $2,000 award for each stockholder

The company agreed to changes including regular evaluations of inventory management, increased reporting from its general counsel to the audit committee, and whistleblower policy amendments

Scarsi approved a related $27.5 million investor class settlement last year with facilitators of Honest's 2021 IPO — the company, leadership, underwriters, and a controlling shareholder group

Brown Law Firm PC and Rosen Law Firm PA represent the shareholders in this action. An attorney declined to comment. Cooley LLP represents current and former leaders and Honest, a nominal defendant. Neither the law firm nor Honest immediately responded to emails seeking comment.

The case is In re The Honest Co. Derivative Litig. , C.D. Cal., No. 2:21-cv-09281, final approval 7/13/26 .

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

To contact the editor responsible for this story: Michael Smallberg at msmallberg@bloombergindustry.com

IBM Suffers Biggest Share Drop in Its History

International Business Machines IBM -24.65%decrease; down pointing triangle shares sank as much as 25% in morning trading after the company issued a profit warning citing a shift in customer spending from software to AI hardware and memory chips.

IBM said the performance of its software and infrastructure business fell short of expectations in the second quarter, and the company didn't react quickly enough to changing market conditions. Tuesday's share decline was the largest intraday percentage decrease for the company on record.

Chief Executive Arvind Krishna said in a letter to investors that the weakness in IBM's infrastructure arm was worse than anticipated, driven by a shortfall in demand for the z17, the company's flagship enterprise mainframe designed for the artificial intelligence age. The company expects infrastructure revenue to fall 7%, after previously anticipating a low-single-digit decline.

The rapid rise of AI caught makers of memory chips, especially the building blocks of high-bandwidth memory known as DRAM and the short-term flash memory known as NAND, off guard. That led to a capacity crunch that has pushed up prices on a wide variety of products—from laptops and gaming consoles to AI data-center servers—as much as 20% to 40% over a short period of time.

Big enterprise customers like banks—a core customer base for IBM—are particularly susceptible to fluctuations in chip prices because they buy an enormous amount of computing power from cloud companies to run in-house tools.

Consumer-facing companies are also feeling the crunch. Apple CEO Tim Cook recently said price increases for its devices, including the iPhone, were unavoidable. "There's less supply at a time when consumers want devices and the memory guys are passing along huge price increases," Cook told The Wall Street Journal in an exclusive interview.

IBM said it plans to report revenue of $17.2 billion and adjusted earnings of $2.93 a share for the June quarter. Both figures are short of analysts' expectations of $17.9 billion and $3.01 a share.

Its pretax income margin is expected to have contracted 90 basis points, to 14.4%.

IBM is scheduled to release its official second-quarter figures next week.

Krishna said that in the past few weeks of June, clients shifted their quarterly capital expenditures toward servers, storage and memory to secure supply-constrained infrastructure ahead of anticipated price increases.

“While we anticipated some supply chain-related impact in our expectations, we did not anticipate the magnitude of the capex reprioritization,” Krishna said.

“These conditions require our teams to execute perfectly, and this quarter we faltered,” Krishna said. He explained that IBM didn’t adapt and move quickly enough, and a number of large deals failed to close on the timelines expected.

“IBM got hit with a triple whammy,” Emarketer analyst Jacob Bourne said in a note to clients Tuesday. “The AI buildout is concentrating capex in hardware like memory chips and diverting spend from software and services. Markets are going to punish legacy players showing signs of losing ground in the AI race.”

Bourne predicted that as more customers shift away from software as a service to more enterprise AI, investors could see more quarters like this one: “But I think it’s a disruption story, not necessarily an extinction one for legacy software companies. Spending patterns will shift from the present focus, and the vendors that adapt their products to the changing market will stay competitive.”

Business & Practice
Insight

SEC Rules Overhaul Will Bolster Firms' Shareholder Communication

July 14, 2026, 1:30 AM PDT

The Securities and Exchange Commission's anticipated overhaul of shareholder-proposal rules is the obvious governance debate facing public companies. Securities tokenization is the more overlooked transformation. Together, the changes could give public companies more options for attracting and communicating with shareholders — and an opportunity to restore the bond between companies and their owners.

The SEC is reexamining its role in the shareholder proposal process as proposals have strayed from traditional governance questions and focused more squarely on political and societal issues. It has already stepped back from refereeing which proposals belong on the ballot. It may propose rule changes that narrow or end that role, leaving more of these questions to state corporate law.

States have made headlines as they compete to attract incorporations. Texas, for example, now lets companies opt into heightened ownership thresholds for shareholder proposals. Delaware, meanwhile, pairs the nation's leading corporate-law courts with emerging leadership on AI governance, including a state AI Commission building a governance "sandbox" for how boards oversee AI. Finally, Nevada is standing up dedicated business courts for corporate disputes.

A lighter federal role would sharpen that competition. Whether such competition raises governance standards or lowers them is genuinely contested. Either way, it would make the governance rules a public company operates under depend more on the state it chooses than on a federal template.

At the same time, regulators, exchanges, and market-infrastructure firms have begun building infrastructure for tokenized markets. SEC staff has issued guidance on how tokenized securities fit within existing law, the agency has cleared tokenized-stock trading on Nasdaq and the New York Stock Exchange, and it has allowed the Depository Trust & Clearing Corp., the utility that records who owns what after trades are made, to begin testing tokenized securities, with live transactions expected this year.

But this work has concentrated on how tokenized securities trade, settle, and are held. Questions about how ownership, communication, and voting should work remain unresolved.

These conversations are usually treated separately, but they shouldn't be. Shareholder-proposal transformation asks what investors should vote on. Tokenization asks how ownership, communication, and voting could work in a more digital market. Together, they point toward a more flexible public-company model that gives companies and investors better tools to build a clearer, more durable relationship.

There is something old as well as new here. Before today's highly intermediated system of brokers, custodians, and depositories, shareholders were recorded directly on corporate ledgers. That model was slower, but it preserved a more direct relationship between companies and their owners. Tokenization could recover some of the governance advantages of that relationship while preserving the speed and scale of modern markets.

That matters because ownership itself has changed. As more of it has moved into index funds, exchange-traded funds, and model portfolios, many investors now have broad economic exposure to public companies without a direct relationship to the businesses they own. That shift lowered costs and widened access, and isn't going to reverse. But it has thinned the connection between companies and their owners.

There is now an opportunity to build alongside it. A company will still have a large base of passive holders. What's missing are good ways to cultivate the other kind: engaged, longer-term owners who understand the business and are willing to weigh in. A more flexible system lets a company do both by keeping the efficiency and access of broad passive ownership while developing a more direct relationship with active owners who help balance it.

Accountability is the guardrail. The case for flexibility isn't that companies should answer to shareholders less, but that a business shouldn't be forced into a one-size-fits-all governance model regardless of strategy or investor base.

Tokenization could make that more practical. Digital ownership records and modern communication tools could make it easier for companies to identify long-term holders, reach beneficial owners, explain strategy, and engage all owners — including those who disagree — rather than treating shareholders as an anonymous mass reached annually through proxy materials.

It also could make voting more thoughtful. Voting-choice programs already are giving fund investors ways to direct how shares tied to their investments are voted. Tokenization could make those tools easier to use, customizable, and verifiable.

But easier voting isn't automatically better. A more frictionless system shouldn't turn every corporate decision into a referendum or make shareholder meetings more political than they already are.

This is where the two changes reinforce each other. If the shareholder-proposal process is refocused on core governance questions, and tokenization makes it easier to vote on them, the result isn't more voting on everything but better voting on what matters: who sits on the board, how executives are held accountable, and whether major decisions serve long-term value.

These changes could advance an old idea with new tools: that shareholders are owners, not merely holders of exposure, and that the relationship between a company and its owners should be clear, durable, and meaningful. A more focused shareholder-proposal process and a more direct form of ownership can collaboratively point toward a public-company model built around engaged ownership rather than anonymous scale.

We shouldn't just question whether markets can be made faster. We should ask whether this moment can make the relationship between companies and their owners more intentional, more durable, and more worthy of the name "ownership."

This article does not necessarily reflect the opinion of Bloomberg Industry Group Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.

Author Information

Lawrence A. Cunningham is presiding director of the John L. Weinberg Center for Corporate Governance at University of Delaware and Henry St. George Tucker III Professor Emeritus at George Washington University Law School.

John Glennon is a policy strategist who advises clients on financial services, capital markets, digital assets, and corporate governance issues, with a focus on how regulatory and market-structure changes affect highly regulated industries.

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To contact the editors responsible for this story: Melanie Cohen at mcohen@bloombergindustry.com; Jada Chin at jchin@bloombergindustry.com

States Take On Paramount

Twelve states have sued to block Paramount's planned takeover of Warner Bros. Discovery, throwing a potentially major (and expensive) obstacle to the closing of the $111 billion media deal.

It's perhaps the most prominent test yet of states' efforts to become meaningful antitrust regulators in their own right, especially after a recent Supreme Court ruling scrambled the regulatory outlook of federal agencies, Lauren Hirsch writes.

What's happening: The coalition, which includes California, New York and Washington, is arguing that Paramount's takeover of Warner Bros. Discovery would hurt movie theaters by creating a giant new film distributor. **Rob Bonta**, California's attorney general, also accused the Justice Department of an "abdication" of its antitrust duties after it cleared the transaction.

The states are seeking to freeze the transaction, which could cost Paramount millions because it agreed to pay a $650 million "ticking fee" for every quarter the deal doesn't close after Sept. 30.

> The states suing Paramount have hired the prominent law firm Milbank, including the superstar antitrust lawyer **Richard Parker**, for support.

Paramount is fighting back, calling the lawsuit "wrong on both the facts and the law." The company also suggested that the state attorneys general — all Democratic — have politicized antitrust enforcement.

The media titan has already secured approvals for the Warner Bros. Discovery deal from Washington, D.C., and nearly two dozen other regions. (It has yet to win clearance from the E.U. and Britain.)

To help its case, Paramount has hired Paul Clement, a veteran Supreme Court appellate lawyer, and quietly supported a bipartisan bill to create a federal film tax incentive.

How strong is the states' lawsuit?

"I think the states' case is strong enough to create real headaches for the parties, William Kovacic, a former chairman of the F.T.C., told DealBook.

States have notched some big antitrust wins, despite their attorneys general usually depending on the financial and legal support of their federal counterparts.

- States persuaded a jury that Live Nation operated an illegal monopoly after the Justice Department abruptly settled its own fight against the entertainment giant. But their case had been built in large part by the Justice Department.

- States also won a temporary halt to Nexstar's deal to buy the fellow TV station operator Tegna.

Corporate deal makers have told DealBook that they're increasingly anxious about states' antitrust scrutiny, and some say they have passed on potential transactions over those concerns.

Thomson Reuters to sell 51% stake in global print business to KKR for $500 million | Business Information & News | FE

Thomson Reuters to sell 51% stake in global print business to KKR for $500 million

July 14 (Reuters) - Thomson Reuters said it would sell a 51% stake in its Global Print business to KKR for about $500 million and form a venture with the private equity firm that would hold exclusive license to distribute its content in print and digital books.

The deal, announced on Tuesday, will allow Thomson Reuters to keep intellectual property rights and editorial control over its content portfolio, as well as a 49% stake in the venture.

The global print business supplies legal and tax information to customers worldwide in print and digital book formats and offers commercial printing services to book publishers.

It brought in $490 million in revenue last year, accounting for nearly a quarter of the total, but the unit's sales are expected to decline each year as customers migrate to online products.

Selling the stake would allow Toronto-based Thomson Reuters to focus more on its "Big 3" business segments of legal professionals, corporates and tax, and audit and accounting.

"We believe this transaction with KKR provides our Global Print business with the focused investment, operational capabilities, and independence to thrive as a standalone business," said Steve Hasker, CEO of Thomson Reuters.

"At the same time, it sharpens Thomson Reuters focus on providing innovative fiduciary-grade AI solutions for the legal, tax, audit and compliance industries."

U.S. shares of the company were down about 1.3% in premarket trading.

Under the deal, Thomson Reuters said it would provide some financial support to guarantee KKR a minimum return on its investment in the joint venture in certain circumstances.

Thomson Reuters, which is the parent company of Reuters News, expects the deal to close in the fourth quarter of 2026.

Investors push Microsoft for human rights due diligence report | Secondary Sources | National

(July 13, 2026) - A group of investors holding more than $300 million in Microsoft Corp. stock has refiled a shareholder proposal for a report on its human rights due diligence processes, calling the company's response last year "inadequate."

Microsoft Corp. Form PX14A6G (July 2, 2026).

The proposal asks Microsoft to publish a report assessing the effectiveness of its human rights due diligence processes in identifying, addressing and preventing customer misuse of the company's artificial intelligence, cloud products or services that violate human rights.

The Religious of the Sacred Heart of Mary, Eastern American Area, leads the 55-member co-filer group, which collectively holds nearly four times the $80 million in Microsoft stock represented by last year's 60 filers.

The group includes faith-based investors, asset managers, pension funds and former Microsoft employees from the U.S., Europe, United Kingdom and Australia, according to a Form PX14A6G filed July 2 with the Securities and Exchange Commission.

Last year's proposal received 26% of shareholder support, the filing says.

Investors call report inadequate

The refiling follows Microsoft's June 4 five-page summary related to The Guardian's investigation into the Israeli military's use of Microsoft's Azure cloud to store data from mass surveillance of Palestinians.

Investors said the June 4 report fell short of what shareholders requested.

"The new report briefly confirms what we already knew since September 2025 when Microsoft stated it had 'ceased and disabled a set of services to a unit within [the Israel Ministry of Defense],'" Aaron Acosta, program director at Investor Advocates for Social Justice, said. Though Acosta noted the action was commendable, "it falls short of investors' expectations," he said.

The filing points out that it was The Guardian's investigation, not Microsoft's own processes, that identified the misuse of Azure. The investor group also notes that Microsoft continues to maintain contracts with the Israel Ministry of Defense Mission and that the company faces broader allegations of human rights due diligence gaps related to its cloud services provided to Immigration and Customs Enforcement and to Chinese police and surveillance companies linked to the repression of Uyghur Muslims in Xinjiang.

Microsoft's June 4 measures

In its June 4 summary, Microsoft said it would adopt new measures, including changes to how it vets "national security-related" business, before signing contracts. The company also said it would conduct periodic reviews to check whether acceptable use policies are being followed when there are "new political circumstances or changes to sensitive projects," according to The Guardian.

Microsoft has said it "does not provide technology to facilitate mass surveillance of civilians," The Guardian reported.

Lawsuit accuses BlackRock of overcharging mutual fund investors | Business Information & News | FE

today.westlaw.com/Document/Id5f34d707ef711f1afebe714d474f950/View/FullText.html

NEW YORK, July 13 (Reuters) - BlackRock, one of the world's largest asset managers, was sued on Monday by investors who said it stuck them with higher management fees and tax bills by using improper accounting that inflated the values of more than 70 equity mutual funds.

• According to a complaint filed in a New York state court in Manhattan, BlackRock misclassified dividend income and realized capital gains as fund assets, despite having to distribute these sums to investors within the tax year.

• Investors said the inflated NAVs caused them to buy fewer shares than they were entitled to, and pay management fees and higher taxes on what were essentially fund liabilities.

• The New York-based company ended March with $13.89 trillion of assets under management, including $7.66 trillion in equities.

• BlackRock has said more than half of the assets it manages are in retirement accounts, whose tax consequences differ from those of non-retirement accounts.

• According to the complaint, BlackRock's conduct wasn't excused because the company warned investors, as do many fund managers, they may incur tax liabilities by purchasing shares shortly before dividends are distributed.

• "The 'Buying a Dividend' disclosure conceals the far broader and more damaging reality: that the NAV of the respective BlackRock Funds are artificially inflated by accruedincome and gains every day," the complaint said.

• Investors accused BlackRock of violating the Securities Act of 1933, which regulates the offering and sale of securities.

• The lawsuit seeks unspecified damages for investors in BlackRock actively managed and indexed equity mutual funds over the last three years.

Ericsson Cautions on Lower Profitability Due to Rising Component Costs

WSJ wsj.com/business/earnings/ericsson-cautions-on-lower-profitability-due-to-rising-component-cost-pressure-33b5d3cf

STOCKHOLM—Ericsson warned of weaker profitability in its networks business after sales declined in the higher-margin North American market, while rising semiconductor and component prices continue to squeeze the telecommunications-equipment maker.

The Swedish company said Tuesday that its key networks business posted an organic sales decline of 4% in the second quarter, as lower sales in North America and Europe and a drop in licensing revenue offset growth in most other regions.

Sales in North America have been falling after telecom operators in the region previously made strong investments in 5G networks, having been early adopters of the technology. Networks sales in Europe also declined as modernization projects in some markets were gradually completed.

The company reported a second-quarter adjusted gross margin in the networks unit of 50.4%, in line with its guided 49% to 51% range, but said the margin is expected to land within a 48% to 50% range in the third quarter.

In addition to the drop in networks sales, Ericsson has also faced increasing cost pressures, having previously highlighted rising input costs, especially in semiconductors, caused in part by surging artificial-intelligence demand. It has said it hopes to offset these challenges through a mix of burden-sharing with customers and suppliers and through product substitution and efficiency actions.

Chief Executive Officer Borje Ekholm said Tuesday that the company took action in the second quarter to mitigate component-cost inflation.

“As the impact builds in the coming quarters, we will continue to pursue internal measures and pricing actions to help offset the effect,” he said.

Ericsson also expects some pressure on the networks margin in the third quarter due to higher volumes of network rollout projects, despite guiding for sales growth at the unit to land above the three-year average seasonality of 1% growth.

The company reported second-quarter earnings before interest and taxes of 5.92 billion Swedish kronor ($609 million), down from 6.39 billion kronor a year earlier, as the lower networks sales, the impact of a previous divestment, and a one-off boost from licensing last year all made an impact. Restructuring costs also dented profitability, it said.

Sales fell 6.1% to 52.69 billion kronor, versus the 53.94 billion kronor FactSet estimate, while the group's gross margin fell to 45.8% from 47.5%.

The results mark Ekholm's last earnings report as CEO. He said last month that he would be stepping down at the end of September after more than nine years at the helm, with company veteran Per Narvinger already named as his successor.

Narvinger currently heads the company's networks business and will take over the top job on Oct. 1.

Ekholm said the company will now enter its next phase, having strengthened the portfolio to capture growth in AI-driven network capacity.

"Building on our technology leadership in mobile networks, we have expanded into attractive growth areas, positioning Ericsson to capitalize as AI increasingly moves into the physical world," he said.

Zillow Investor Sues Board Over Redfin Deal Antitrust Scrutiny

July 14, 2026, 12:37 PM PDT

Zillow Group Inc. executives and board members exposed the real estate marketplace to federal antitrust litigation and other harms through its agreement with Rocket Companies Inc.'s Redfin, a shareholder lawsuit said.

A handful of these officers and directors made about $74 million through insider sales — dumping significant personal holdings — while touting the Zillow-Redfin as a "partnership," said the stockholder's partially redacted complaint filed in the US District Court for the Western District of Washington on Monday.

The US Federal Trade Commission and states last year sued to block the partnership to make Zillow the exclusive provider of information on multifamily rental listings offered by Redfin, saying the agreement violated antitrust laws. The FTC action is teed up for trial in a Virginia federal court next month.

Monday's shareholder derivative action, a lawsuit brought nominally on behalf of a company for alleged wrongdoing by its corporate leaders, draws from an investor's proposed class action filed last month, also in the Western District of Washington. Corporate leaders misrepresented the deal as a partnership when it was really an effort to eliminate a competitor, exposing Zillow to harm and sending share prices sliding as news about antitrust legal fees and the deal came out, the shareholder said.

"Our rental listings partnership with Redfin is pro-competitive and pro-consumer, and we remain confident in that position," a Zillow spokesperson said in an emailed statement Tuesday. "We stand by our business model and will vigorously defend against these allegations."

Through the 2025 agreement, Zillow paid Redfin $100 million to shuttle the bulk of its multifamily rental ad business to Zillow and shutter the remainder. The FTC accused the partnership of being an unlawful acquisition, and that it likely would cause higher prices for multifamily unit advertising.

Robbins LLP and Townsend Legal PLLC represent shareholder Peter Fogel, who accused various current and former leaders of breaching their fiduciary duties and unjust enrichment. Fogel seeks corporate governance updates, damages, and restitution for Zillow.

The case is Fogel v. Zillow Grp., Inc. , W.D. Wash., No. 2:26-cv-02454, complaint filed 7/13/26 .

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

To contact the editor responsible for this story: Brian Flood at bflood@bloombergindustry.com

States Will Get $18M From 23andMe Ch. 11 For Data Breach

law360.com/articles/2500982

(July 14, 2026, 2:36 PM EDT)-- A week after a bankruptcy court approved a $46.75 million settlement between the DNA testing company 23andMe and data breach claimants, a coalition of more than 40 states announced Tuesday that they would share in an additional $18 million to resolve claims of unreasonable security practices.

More than 40 states will get a cut of an additional $18 million from the 23andMe bankruptcy estate to resolve claims arising from a 2023 data breach. (Sundry Photography / Alamy Stock Photo)

The deal calls for the allowance of $150 million in total governmental claims against the wind-down debtor, now known as Chrome Holding Co., according to an approval motion filed in the U.S. Bankruptcy Court for the Eastern District of Missouri. But the actual recovery is limited to $18 million due to "the finite amount of funds in the bankruptcy estate and numerous other claims" against it, the office of Connecticut Attorney General William Tong said in a statement.

Tong said his state "led the country in investigating this serious breach, and we were actively involved at every step of this bankruptcy proceeding fighting for accountability and the security of consumers' personal data and genetic samples."

Connecticut will receive $887,729 from the settlement. Nearly 66,000 state residents were affected in the **2023 breach**, in which hackers stole the data of 6.9 million customers, including health and DNA ancestry profiles.

On July 7, a Missouri bankruptcy judge **authorized** a $46.75 million settlement between data breach claimants and the plan administration trust created under the Chapter 11 plan, minus around $14 million already paid.

According to the trust's Tuesday filing, the government claims "purport to seek billions of dollars in alleged damages, and while the trust maintains that penalties will be unwarranted here, litigating these claims would be a protracted and costly process."

The at-home DNA testing company filed for bankruptcy protection in March 2025 and confirmed a Chapter 11 plan in December after selling its assets, including its consumer data, for $305 million to TTAM Research Institute, a nonprofit owned by its founder. TTAM is now called 23andMe Research Institute.

Pennsylvania Attorney General Dave Sunday said in a statement that 23andMe learned about the breach "far too late" and then blamed customers for how they set up their accounts and used their passwords. The state is due around $491,902 from the new settlement; about 200,000 residents were affected by the breach, according to Sunday's office.

"I find it appalling that a company dealing with customers' personal information would be so lax about their system protections, then have the audacity to deny and attempt to wash their hands of wrongdoing," Sunday said.

The jurisdictions sharing in the settlement are Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin.

Texas is due the biggest chunk of the settlement at more than $1.26 million, followed by Florida at more than $1.11 million and then Indiana, which will collect more than $979,000, court records show.

California is pursuing its own claims through separate **litigation** that the debtor argues is barred by the Chapter 11 plan.

According to statements from multiple attorneys general involved in the settlement, including Tong and Sunday, the data breach was accomplished through "credential stuffing," in which cybercriminals try a stolen password from another website to see if it was used for more than one account. The statements said 23andMe was a partner of the genealogy site MyHeritage, which had suffered a previous breach that exposed credentials shared between the sites.

Counsel for the debtor did not immediately respond to requests for comment.

The debtor is represented by Thomas H. Riske, Nathan R. Wallace and Samuel S. Brand of Carmody MacDonald PC and Paul M. Basta, Christopher Hopkins, Jessica I. Choi and Grace C. Hotz of Paul Weiss Rifkind Wharton & Garrison LLP.

The states are represented by their respective attorneys general.

The bankruptcy case is In re: Chrome Holding Co. et al., case number 4:25-bk-40976, in the U.S. Bankruptcy Court for the Eastern District of Missouri.

Assertio Beats Investor Suit Over Drug, Merger Claims

law360.com/articles/2500065

(July 13, 2026, 5:03 PM EDT)-- An Illinois federal judge Friday dismissed a proposed investor class action claiming Assertio misled shareholders about threats to sales of its arthritis drug Indocin, saying the company's public filings explicitly and repeatedly warned that the drug lacked patent protection and faced imminent generic competition at any time.

U.S. District Judge Franklin U. Valderrama said the plaintiffs' own complaint, in multiple instances, makes clear that Assertio Holdings Inc. disclosed there were no patents covering Indocin and timely disclosed the existence of competing generic medication once that competition emerged.

While the investors argue the pharmaceutical company should have specifically revealed the existence of generic competitors' suitability petitions at the U.S. Food and Drug Administration, Judge Valderrama said he wasn't convinced that Assertio was downplaying the risks of competition by leaving out those details, "such that an investor would have received a false impression about the risk Assertio was facing."

"Assertio disclosed the risk of competition on countless occasions ... including the fact that its competitors were interacting with the FDA, which pointed to the development of generic competitors, and that it was pursuing remedies against competitors acting unlawfully," Judge Valderrama said. "The court doubts that disclosing that those FDA interactions were specifically suitability petitions (one of which was not approved, and on the other we have no allegations about its success or impact on Assertio) would have materially changed that message."

And Assertio was correct to argue in its motion to dismiss the complaint that all that information was available in the public domain, he added.

"Ultimately, the defendants here disclosed the relevant events. To the extent that publicly available details about those events were not included in those disclosures, the court finds they are either not material, were publicly available, or that plaintiffs have not adequately pled scienter with respect to the decision not to include those details," Jude Valderrama said.

He also rejected the investors' allegation that Assertio overstated the impact its $248 million acquisition of Spectrum Pharmaceuticals Inc. — whose only commercial product is the patented cancer drug Rolvedon — would have on its profitability.

The acquisition, which closed in July 2023, as well as sales of its rheumatoid arthritis suppository treatment known as Indocin, did not generate the earnings the company had originally foreseen, the suit claimed.

The investors say that the truth about the effect of the merger and the market entry of a competing generic arthritis product on earnings began emerging when Assertio released its third-quarter 2023 financial results, referring to them as "disappointing." These results were in part due to the loss of Indocin's exclusivity, and lower-than-expected results for Rolvedon, according to the complaint.

First, the judge concluded the shareholders had no standing to pursue any claims against Spectrum over statements it made about its securities ahead of the merger, because the plaintiffs here have never bought securities in Spectrum and haven't alleged they did.

The remaining claims over statements Assertio and individual executives made about Rolvedon's sales projections fail because the investors haven't pointed to an improper sales practice, Judge Valderrama found.

The investors asserted that projections about Rolvedon's strength were misleading because those figures were a result of "channel stuffing," inflating sales figures in the short term by selling discounted products to partners months in advance. But they rely on claims by confidential witnesses that lack key details, the judge said Friday, and the complaint contains no allegations of excessive returns or fraudulently recorded sales.

"And even if using promotions to temporarily boost sales could constitute a fraudulent sales practice, not a single one of these statements alleges any detail about a specific transaction, the amount of channel stuffing, the customers involved, personal involvement in the conduct, or the promotions offered," Judge Valderrama said. "There are also no allegations that Assertio or Spectrum misrepresented the existence of the promotions or the type of promotions."

Instead, the confidential witnesses essentially claim "that although Assertio and Spectrum projected that they would meet sales numbers the next quarter, they ultimately did not, because some large customers already had the inventory they needed for the next quarter," the judge said. They go on to make conclusory statements that Spectrum lied to Assertio before the merger about the sales expectations because of a failure to take those promotions into account, he said.

"Under plaintiffs' own cited cases, these allegations are too vague and conclusory to allege a deceptive sales practice with particularity, or to support the conclusion that Assertio and

Spectrum knew that its sales practices were unsustainable, such that they fraudulently hid that fact from investors," Judge Valderrama said.

The judge gave the plaintiffs until July 30 to file an amended complaint.

The lawsuit, **first filed** in January 2024 by investor Perry Shapiro, initially named only Assertio and two of its top executives. An amended complaint filed the following June added Spectrum and two of its officers as defendants.

Representatives of the parties could not be immediately reached for comment Monday.

Shapiro is represented by Jeremy A. Lieberman and J. Alexander Hood II of Pomerantz LLP.

Assertio is represented by John B. Lawrence, James J. Beha II, Kevin M. Sandler and Scott D. Powers of Baker Botts LLP.

The case is Shapiro v. Assertio Holdings Inc. et al., case number 1:24-cv-00169, in the U.S. District Court for the Northern District of Illinois.

Wells Fargo's $50M Deal In Atty's Ponzi Scheme Gets 1st OK

law360.com/articles/2500079/wells-fargo-s-50m-deal-in-atty-s-ponzi-scheme-gets-1st-ok

(July 13, 2026, 9:52 PM EDT)-- Wells Fargo will pay $50 million to settle a proposed class action alleging it knowingly helped a Las Vegas attorney run a multimillion-dollar Ponzi scheme deceiving investor victims into fronting money for borrowers awaiting personal injury settlement payouts, according to a preliminary approval order issued in Nevada federal court.

On July 9, U.S. District Judge Cristina D. Silva preliminarily approved a $50 million nonreversionary settlement resolving a consolidated action alleging Wells Fargo aided and abetted **Matthew Beasley**, J&J Consulting Services Inc. and others in running a Ponzi scheme that tricked hundreds of people into getting involved in a fake investment opportunity.

Beasley pled guilty to wire fraud and is set to be sentenced on July 16. In the instant civil case, Wells Fargo denies any wrongdoing or that it had any knowledge of the scheme.

"The court finds on a preliminary basis that the settlement as set forth in the agreement falls within the range of reasonableness and was the product of informed, good-faith arms'-length negotiations between the parties and their counsel, and therefore meets the requirements for preliminary approval," Judge Silva's order said.

The settlement class covers all natural and legal persons who invested in a J&J entity lawsuit settlement contract between January 2017 and March 2022 and either wholly or partially lost their principle investment in the scheme, according to the order.

Judge Silva's order brings the three-year litigation closer to its end, stemming from a Ponzi scheme involving Beasley and his nonattorney business partner Jeffrey Judd, who purportedly convinced 600 people to buy into a fake investment opportunity. Beasley and his associates were accused of deceiving investors into thinking they were purchasing interests in insurance tort settlements. Federal prosecutors who charged Beasley alleged he used the money to fund his lavish lifestyle.

Investors in the scheme — many of whom attended church with the men — were given the chance to pay cash to personal-injury litigants who won settlements but sought payments upfront; in the alleged agreement, funds went to litigants with a guarantee that when settlement payments were processed, investors would make their money back with interests and fees.

But in reality, there were no settlements to invest in, the plaintiffs alleged. Beasley and his associates diverted and commingled investor funds to gamble and to purchase real estate, luxury cars and other goods, according to court papers.

In March 2022, Beasley was shot by FBI agents and arrested, stemming from the Ponzi scheme. The FBI served a search warrant at his Las Vegas residence. Beasley appeared at the front door with a gun, first pointing it at himself before turning it on law enforcement officers.

The following month, the U.S. Securities and Exchange Commission filed fraud charges against Beasley and Judd, a slew of companies and offices they maintained, and an alleged co-conspirator named Christopher Humphries in the nearly $500 million scheme.

The funds Beasley raised mainly flowed through his law firm's attorney trust account maintained at Wells Fargo, which allegedly knew about his red flag banking activities, but nonetheless accepted new deposits and executed the transfers, the plaintiffs alleged.

In their court filings, Ponzi scheme victims claimed Wells Fargo knowingly helped Beasley transfer suspiciously large sums of money from a specialized account called an interest on lawyers' trust account, according to a July 2022 amended complaint filed in Nevada federal court, consolidating **four separate actions** into one case.

Wells Fargo **was also sued by** Geoff Winkler, a court-appointed receiver, on behalf of business entities created by Beasley and Judd to further the scheme. Winkler, who was appointed receiver of Judd's business entities, alleged Wells Fargo was well aware of Beasley's activities. The immense amount of money deposited — allegedly over $28 million per month by 2022 — and the strict regulations around interest on lawyers' trust accounts indicate the bank had to have known about the scheme, Winkler alleged.

But, rather than look into Beasley, Winkler claimed the bank enjoyed a chummy relationship with him.

In April 2025, Wells Fargo moved for summary judgment, arguing the plaintiffs' consolidated claims make bold accusations against the bank. The plaintiffs deposed 17 Wells Fargo employees, the receiver, and Beasley himself, but not a single witness identified a bank employee who actually and knowingly helped Beasley with his scheme, the motion said.

Even the plaintiffs' own banking expert couldn't identify any such employee, and their suit entirely rests on speculative red flags purportedly observed by Wells Fargo while providing Beasley with routine banking services, the summary judgment bid added.

There is no evidence showing that a fiduciary relationship exists between the plaintiffs and the bank, nor has any of the plaintiffs met Beasley or entered into an attorney-client relationship with him, the summary judgment motion added.

On April 27, the plaintiffs moved for preliminary approval of their $50 million settlement, several months after the parties agreed to settle last October. Class counsel said they planned to seek a fee award that won't exceed $16.66 million, or a third of the settlement fund, plus $900,000 in reimbursement of expenses, and $10,000 in awards for each of the class representatives.

Daniel C. Girard of Girard Sharp LLP, one of the attorneys for the class, said he had no comment.

Representatives for the other parties did not immediately return inquiries seeking comment Monday.

The class is represented by Daniel C. Girard and Jordan Isern of Girard Sharp LLP, Eric H. Gibbs, David K. Stein, Emily Beale and Spencer S. Hughes of Gibbs Mura LLP, Robert L. Brace of the Law Offices of Robert L. Brace, and Miles N. Clark of the Law Offices of Miles N. Clark LLC.

Winkler is represented by Jarrod L. Rickard and Katie L. Cannata of Semenza Rickard Law and Jeffrey C. Schneider, Jason K. Kellogg and Marcelo Diaz-Cortes of Levine Kellogg Lehman Schneider & Grossman LLP.

Wells Fargo is represented by Joseph G. Went and Sydney R. Gambee of Holland & Hart LLP and K. Issac deVyver, Alicia A. Baiardo and Anthony Q. Le of McGuireWoods.

The cases are In re: J&J Investment Litigation, case number 2:22-cv-00529, and Geoffrey Winkler v. Wells Fargo Bank NA, case number 2:23-cv-00703, both in the U.S. District Court for the District of Nevada.

23andMe Bankruptcy Plan Bars Data Breach Suit In Calif.

law360.com/articles/2500341

(July 13, 2026, 5:54 PM EDT)-- A Missouri bankruptcy judge has told attorneys representing California the state can no longer press its data breach lawsuit against the reorganized 23andMe, finding the state court action is barred by the company's confirmed Chapter 11 plan.

In an **order** issued Friday, U.S. Bankruptcy Judge Brian F. Walsh said the injunction included in the company's plan of liquidation bars prosecution of prepetition claims outside the bankruptcy court, even though 23andMe did not receive a discharge.

"As liquidating corporations in Chapter 11, the debtors did not receive discharges," Judge Walsh wrote in his order. "Nevertheless, that does not mean that it was impermissible for the plan to include provisions establishing an orderly structure for the liquidation of claims and the distribution of funds to creditors. The plan Injunction serves that purpose, and it is not objectionable merely because it bears a resemblance to a discharge."

The court disagreed with **California's argument** that extending the plan injunction to governmental units seeking to exercise their police or regulatory powers would make the bankruptcy courts a haven for wrongdoers," saying existing legal precedent establishes circumstances where such powers can be curtailed.

In the case of 23andMe, known as Chrome Holding Co. following the bankruptcy sale of its assets, the injunction specifically applies to parties that have filed proofs of claim in the Chapter 11 case, including California. The state's proof of claim in the bankruptcy alleged similar money damages as those included in the **state court litigation** commenced in May that was the subject of the reorganized **debtor's motion to enforce** the confirmation order.

While the bankruptcy court said it agrees with California that it does not have exclusive jurisdiction over the claims, other facets of the plan and confirmation order, including the injunction, mean the state cannot seek to liquidate money damages in another venue after having filed a proof of claim in the bankruptcy, Judge Walsh ruled.

As it relates to other defendants in the state court action, to the extent they are nondebtors, the suit can proceed against them, according to the order. This applies to 50 unnamed "Doe" defendants, the judge determined.

California can also pursue nonmonetary relief against the reorganized debtor in state court, including an injunction to prohibit the entity from engaging in acts that violate California consumer protection laws, engaging in unfair competition or engaging in false advertising.

The order directed California to dismiss the state court litigation or amend its complaint to eliminate the money damage claims for relief against Chrome Holding within 14 days.

Representatives of the liquidating trust and the California Attorney General's Office did not immediately respond Monday to requests for comment.

23andMe, which was known for its mail order DNA testing kits, filed for Chapter 11 protection in March 2025. It secured confirmation of a Chapter 11 plan in early December after selling its assets in bankruptcy. Following the sale of the assets, the company changed its name to Chrome Holding Co.

California Attorney General Rob Bonta filed the suit in late May in San Francisco County Superior Court, raising claims tied to the **2023 data breach** that affected millions of 23andMe customers.

The debtor is represented by Thomas H. Riske, Nathan R. Wallace and Jackson J. Gilkey of Carmody MacDonald PC and Paul M. Basta, Christopher Hopkins, Jessica I. Choi, William A. Clareman and Grace C. Hotz of Paul Weiss Rifkind Wharton & Garrison LLP.

California is represented by Bernard A. Eskandari, Yen P. Nguyen and Daniel M.B. Nadal of the California Department of Justice.

The bankruptcy is In re: Chrome Holding Co. et al., case number 4:25-bk-40976, in the U.S. Bankruptcy Court for the Eastern District of Missouri.

Bonta's state court case is California v. Chrome Holding Co. et al., case number CGC-26-636891, in the Superior Court of the State of California, County of San Francisco.