DEEP DIVE

Big Tech AI Spree Revives Accounting Devices That Toppled Enron

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By Amanda Iacone
Graphics by Irfan Uraizee

Summary by Bloomberg AI

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- Enron Corp. exploited US accounting rules to hide hundreds of millions in debt, and new risks have emerged as tech companies create similar financing vehicles to mask debt.
- Tech companies, including Alphabet Inc. and Meta Platforms Inc., are using vehicles known as variable interest entities to package debt tied to billions in assets with an uncertain return.
- The use of these arrangements can give investors a rosier view of a company's performance and leverage, and regulators are watching closely to ensure companies describe their relationships with other entities and the accounting they apply.

Enron Corp. exploited US accounting rules to hide from investors and lenders hundreds of millions in debt it had bundled into off-balance sheet entities – obligations that contributed to one of the biggest corporate collapses in US history.

Twenty-five years later, new risks have emerged as some of the world's most valuable companies create similar financing vehicles that can mask how much debt they're taking on, as the technology industry looks to spend more than $3 trillion to power artificial intelligence systems.

Tech companies are leaning on these arrangements to package debt tied to billions in assets with an uncertain return — including chips, servers, and energy equipment — while spreading those risks among developers, vendors, and lenders. Substantial infrastructure costs tied up in the financing structures aren't flowing through the parent company's financial statements, offering unaware investors a rosier view of performance and leverage.

"The accounting treatment itself is in fashion. But what if one of these companies was a house of cards and was propping itself up with this accounting treatment?" said Tom Selling, technical accounting consultant. "To me, that's the risk."

Alphabet Inc. and Meta Platforms Inc. each have turned to vehicles known as variable interest entities (VIEs) as part of the financing mix needed to construct data centers and related energy infrastructure.

Meta, the parent of Facebook, last year formed a joint venture, a VIE, to build a Louisiana data center through a partnership with Blue Owl Capital. The social media titan's maximum exposure for the venture is $46 billion, according to its filings with the Securities and Exchange Commission. The company announced last week that it would expand its planned campus and is expected to spend as much as $250 billion on the project, Bloomberg News has reported.

Alphabet, Google's parent company, keeps VIE arrangements for leases and credit backstops for data centers along with other guarantees related to power infrastructure off its balance sheet.

AI financing arrangements can take many forms and may require different accounting.

Microsoft Corp. provides few details about its VIEs, only stating that it doesn't consolidate those entities.

Alphabet, Meta, and Microsoft declined to elaborate beyond their recent SEC filings detailing how they apply US accounting rules in response to questions about their AI financing and any off-balance sheet arrangements. They declined to answer or didn't respond to questions about how the Enron scandal influences modern accounting.

The nature of the financing deals give tech companies the option to walk away, for a price, if they don't ultimately need the data capacity in the future. High-powered computer chips underpinning those investments have an uncertain shelf life. Development of more powerful chips or demand that falls short could render the complexes obsolete.

Whether corporate managers consolidate these arrangements, or record another entity's debt on the balance sheet, is one of the most difficult judgment calls in accounting. Auditors highlighted Meta's assessment whether to consolidate its Louisiana data center, noting the "significant judgment" involved.

Anthropic to pay $1.5 billion copyright settlement to authors, publishers

courthousenews.com/anthropic-to-pay-1-5-billion-copyright-settlement-to-authors-publishers

OAKLAND, Calif. (CN) — The largest copyright class action settlement in history was granted final approval Monday, with $1.5 billion awarded to authors and creators whose work was used by artificial intelligence company Anthropic to train its large language models.

U.S. District Judge Araceli Martínez-Olguín wrote in her judgment that the settlement was fair, reasonable and adequate.

“The $1.5 billion settlement provides substantial benefits to the class in light of the novel claims asserted,” the Joe Biden appointee wrote. “Success at trial was not assured, and a loss would have left the class with no recourse.”

Fifty-four known class members and over 500,000 potential class members will each receive an estimated $3,100 per work, from approximately 482,000 works.

Class members in the case include “all beneficial or legal copyright owners of the exclusive right to reproduce copies of any book in the versions of LibGen or PiLiMi downloaded by Anthropic.”

The plaintiffs said Anthropic trained its AI models on datasets it knew contained hundreds of thousands of copyrighted books from websites known to have pirated material, such as Library Genesis and Pirate Library Mirror.

They claimed Anthropic’s mass use of pirated material violated copyright law and deprived authors of book sales and licensing revenues, all while building a profitable generative AI tool that could threaten writers’ careers.

“It is not consistent with core human values or the public benefit to download hundreds of thousands of books from a known illegal source,” the plaintiffs said in their complaint. “Anthropic has attempted to steal the fire of Prometheus. It is no exaggeration to say that Anthropic’s model seeks to profit from strip-mining the human expression and ingenuity behind each one of those works.”

The parties were heading to a trial in December 2025 before reaching an agreement in late August. Former Senior U.S. District Judge William Alsup, a Bill Clinton appointee, granted preliminary approval on Sept. 25, 2025.

“We are gratified by the court’s ruling granting final approval of this historic settlement,” plaintiffs’ attorney Justin Nelson said in an email to Courthouse News. “It is the largest known copyright recovery in history. We look forward to making distributions to the class as promptly as possible.”

Anthropic already paid $300 million to the fund shortly after receiving preliminary approval of the settlement, with an additional $300 million expected five days from Monday’s final approval. There will be additional payments of $450 million each on the first and second anniversaries of preliminary approval.

In addition to monetary relief for the plaintiffs, Anthropic will also be required to destroy the original files of the works they downloaded from the pirated book datasets within 30 days of the final judgment and certify Library Genesis and Pirate Library Mirror datasets with pirated material were used in training any of the company’s commercially released large language models.

Attorney fees were calculated at over $101,560,000, or about 7% of the settlement fund, and expenses totaling approximately $2,635,000, with $18,220,000 more in anticipated expenses. Each of the three class representatives will receive a $15,000 service award.

Representatives for Anthropic did not immediately respond to a request for comment.

'Poorly Reasoned'?: SEC's Semiannual Reporting Proposal Hits Wall of Opposition

law.com/nationallawjournal/2026/07/21/poorly-reasoned-secs-semiannual-reporting-proposal-hits-wall-of-opposition

The U.S. Securities and Exchange Commission says allowing companies to report financial results twice a year will reduce regulatory burdens and encourage more IPOs. Investors say the agency is solving problems that do not exist—while creating new risks for market transparency and fraud detection.

The U.S. Securities and Exchange Commission's proposal to let public companies report financial information twice a year, rather than quarterly, is overwhelmingly unpopular, according to an analysis of all feedback the ambitious deregulatory measure received since May.

Of the 65,000 public comments the agency has posted on its website so far, more than 99% express opposition to the measure, according to an online tracker of the comments developed by Ohio State University professor Tzachi Zach. Investors are virtually entirely opposed to semiannual reporting, with issuers being those in favor.

The Trump administration argues that switching to biannual reporting would ease regulatory burdens and allow companies to focus on long-term strategy rather than short-term earnings. SEC Chairman Paul Atkins also says reducing public reporting will push more companies to go public.

In comment letters, investors have hammered the agency for the proposal's lack of sound reasoning or analysis to support the notion that quarterly reporting dissuades companies from going public or encourages short-term thinking, they said. Semiannual reporting would also make markets less transparent, less efficient and less competitive, they say.

"A proposal of this significance requires compelling evidence that quarterly reporting is responsible for the problems the commission seeks to address, and a reasoned explanation for why the benefits of reducing disclosure frequency outweigh the costs," stated a letter from hedge fund Citadel. "The proposal provides neither."

A comment from investment management firm Vanguard said the compliance savings from reducing annual reporting are insignificant compared with the millions companies spend to go public. A change would not meaningfully reduce short-term corporate thinking either, the company said.

"We caution against permitting semiannual reporting without compelling evidence that doing so would meaningfully increase IPO volume without harming capital markets and investors," Vanguard stated.

Comments in support of the proposal came almost entirely from issuers and corporate trade associations. Individual corporations like ExxonMobil and Eli Lilly also wrote in to support the rule.

"We believe the proposal will result in a reduction of administrative burden … with very minimal impact on the investor community," Eli Lilly stated.

A letter from Baker McKenzie largely supports semiannual reporting but urged the commission to proceed cautiously and make it an optional change. The SEC should adapt a pilot program before broader implementation and require newer public companies to file quarterly reports for at least two years before being allowed to switch, the firm said.

Companies 'Averse' to Change

Even if the SEC finalizes the proposal, some former agency officials and securities lawyers expect many companies to continue reporting quarterly because of investor expectations and market pressure.
Former SEC enforcement lawyer Christian Schultz said companies that choose to report twice a year may raise red flags to institutional and retail investors. Less reporting could lead to greater risk of shareholder litigation, as well, he said.

Filing less frequently "could create some significant stock price shocks that might be more significant than if things were reported on a quarterly basis because of the lag time," added Schultz, a partner at Norton Rose Fulbright.

Many established public companies may continue reporting quarterly because investors, analysts and the market expect that information, said former SEC attorney Rebecca Fike.

"I think most companies—the bigger, sophisticated, developed companies—they're going to be pretty risk averse on that," Fike, a partner at Reed Smith, added.

But Ann Lipton, securities law professor at the University of Colorado, expects companies to "absolutely" opt to report semiannually if given the chance.

Lipton said that the commission has already made incorrect assumptions about which companies would choose to take advantage of the rule change. The proposal was framed as helping pre-revenue biotech firms, she said, yet the support from Eli Lilly—a large pharmaceutical company—suggests that much larger, established firms could also embrace semiannual reporting.

“I think that it’s extremely poorly reasoned,” Lipson said of the SEC’s plan. “The proposal was not done based on an empirical analysis of problems with the market. It was done based on an ideological commitment to a lack of regulation.”

Added Fike: “It’s a proposal in want of a problem.”

‘Politically Dangerous’

Commenters critical of the proposal also argued that reducing the frequency of public disclosures could make it harder for regulators and investors to identify problems before they escalate.
“The proposed rule would harm investors rather than help or protect them” and “deprives law enforcement of essential information used in the investigation of securities fraud,” stated a joint letter from three Democratic state attorneys general.

If the SEC is not receiving reporting as frequently, it may take longer for the agency to identify significant fraud, Schultz said.

Longer waits between financial statements “could really delay and hinder the fraud detection process,” he said.

The commission may ultimately not face much difficulty in finalizing the rule despite the huge opposition.

The SEC, when drafting a final rule, should consider reasonable objections to the proposal and take into account new information that’s raised by commenters, “but they don’t have to,” Lipton explained. It would also be hard for investors to show they have grounds to sue the agency over the rule, she said.

“You have to show that you are personally affected and it’s not obvious to me that it’s a claim to say ‘I wish I had more information,’” she said. “Just invest in a different company.”

However, the strong backlash to the proposal carries inherent political risk for the administration, Lipton said.

Unlike some deregulatory measures taken by the SEC, “This is really salient to a lot of investors and voters,” she said. “And therefore, this kind of change is politically dangerous.”

Six Things to Think About When Putting Together an Opening Statement

law.com/litigationdaily/2026/07/20/six-things-to-think-about-when-putting-together-an-opening-statement

Trial lawyers may spend months preparing witnesses and obsessing over closing arguments. But according to **Womble Bond Dickinson** of counsel **Erin Taylor**, a case can begin turning on something far more fleeting: the first 30 seconds or so of an opening statement.

During a National Institute for Trial Advocacy webinar last week, Taylor, who is based in Charlotte, North Carolina, urged lawyers to treat those opening moments as crucial. She warned that jurors usually decide within the first minute of an opening statement whether an advocate is credible, prepared and worth listening to. “Jurors decide quickly whether or not to lean in and give you the attention you really need from them,” she said. “There, in that moment, they're going to decide if they're going to listen to you, or they're going to start figuring out what they're going to do for dinner that night.”

Taylor, who was an assistant federal public defender in the Western District of North Carolina for more than 15 years before moving to private practice, joined **Sara Sibley** of **Callahan & Fusco** in Decatur, Georgia, who also worked as a public defender earlier in her career, for an hourlong discussion that focused on practical ways lawyers can build more effective openings. The pair emphasized that openings are not merely preliminary and procedural; they are often where the credibility battle is won or lost.

Here are six takeaways from their presentation.

1. It Starts the Moment You Stand Up.

Taylor stressed that jurors begin evaluating an advocate immediately after they stand up to speak.

“From that very moment, they're looking at your body language, they're looking at your eye contact,” she said. “They're checking to see whether or not you seem nervous. They're checking to see if you seem prepared, and they're trying to determine if you are trustworthy.”

That assessment can be especially consequential in federal court and other jurisdictions where judges conduct voir dire and lawyers have little early interaction with jurors.

Taylor argued that credibility established in an opening can carry through the entire trial. “Your amazingly dramatic, Oscar-worthy closing argument is completely useless if you have lost all credibility with the jury by the time you close,” she said.

Sibley connected that idea to the “primacy effect,” a cognitive phenomenon where the first items in a series are more likely to be lodged in long-term memories where they can later be recalled than items in the middle or the end.

“The first thing that you say, the first impression, is going to be likely what the jurors or the judge ... will remember,” Sibley said.

2. Ditch the Clichés. Find a Compelling Hook.

Both Sibley and Taylor urged lawyers to avoid wasting the first moments of an opening statement with formalities.

Taylor warned against familiar courtroom tropes such as saying a case “is about justice,” reminding jurors that opening statements aren’t evidence or reciting instructions they have already heard from the judge. She also cautioned lawyers against being overly clever.

“You want to avoid what I like to call the juror eye roll,” Taylor said.

Instead, she encouraged advocates to begin with a sentence that immediately captures the theme of the case.

Sibley described the goal as dropping jurors directly into the story.

“I like to think about it as kind of an attention-grabbing sentence or phrase,” she said.

A successful hook, she said, begins shifting attention away from the lawyer and toward the narrative the jury will be asked to follow. And it’s best to keep it in present tense and active voice, a technique that captures emotions without being argumentative.

3. Build Everything Around a Theme.

Once the hook captures jurors’ attention, both speakers said lawyers need a clear theme that serves as an organizing principle throughout the trial.

Sibley described the theme as “the destination.”

She urged lawyers to think of a theme as a concise moral or central idea that ties the evidence together and helps jurors understand what the case ultimately means.

“I like that a theme is concise,” Sibley said.

Taylor noted that effective themes tend to be simple and memorable. Using the example of the C.S. Lewis novel “The Lion, the Witch and the Wardrobe,” she observed that readers immediately understand the major concepts they should pay attention to. The title itself tells them to look out for the lion, the witch and the wardrobe.

“Those are the types of things that jurors latch onto because they're simple, but they're also clear, and they're not overly complicated,” she said.

4. Give Jurors a Roadmap Instead of a Chronological Fact Dump.

Taylor said many lawyers mistakenly walk jurors through every detail of a case chronologically, leaving jurors to determine for themselves what matters.

“A roadmap is not a dry summary of the case,” she said. “It is a jury-friendly and an attorney-friendly organizational structure.”

Rather than reciting facts, she suggested grouping evidence into three or four clear categories. That structure helps jurors identify the important facts as they emerge during trial and understand how each piece fits into the broader narrative.

“Roadmaps tell people what matters, why it matters before you even start your case,” Taylor said.

The alternative is far less effective. She gave an example using her own life, at first telling the story of development as a basketball player grade-by-grade. She then boiled it down to a story of “the right timing, the right people and accountability,” describing succinctly how she became a strong player late in her high school career with the help of a good coach and steady practice habits.

“When you talk about everything, you tell the jury everything, the whole story from birth through whatever, it obscures your best points,” Taylor said. “They don't know what they should be paying attention to.”

5. Tell a Story, Not a Summary.

Both presenters emphasized that jurors process information more effectively through narratives than through lists of facts.

“Jurors are wired to understand the world through a narrative,” Sibley said.

That means identifying characters, conflict, stakes and resolution instead of simply marching through a timeline.

The presenters encouraged lawyers to humanize clients, use vivid but relevant details and focus attention on the key facts that support the theory of the case.

“Tell a story. The reason why I use the basketball example was for me to just explain to you guys is you're just telling the story,” Taylor said.

6. Credibility Means Confronting Weaknesses.

Both lawyers also cautioned against trying to hide bad facts.

Taylor warned that jurors often react negatively when they learn later that a lawyer omitted unfavorable information from an opening.

“Do not neglect your bad facts,” she said.

Instead, lawyers should address those weaknesses without dwelling on them and return their focus to the strongest evidence supporting their case.

She also cautioned against emphasizing what the other side is wrong about. “Focus on the facts that support your theory. Do not get in a tit for tat with the opposing side in your opening statement,” she said. “That is not the time to do that because then you are distracting the jury from what you really need them to focus on.”

Perhaps most important, Taylor repeatedly stressed the danger of promising evidence that never appears.

“Do not tell the jury they're going to hear and see something, and then don't give it to them,” she said.

Every broken promise, she said, erodes trust, and trust is the currency opening statements are designed to build.

She summed her message up like this: “Credibility is key.”

'This Outbreak Is Going to Get Bigger': Lawsuits Begin Over Taylor Farms Lettuce Recall

law.com/2026/07/20/this-outbreak-is-going-to-get-bigger-lawsuits-begin-over-taylor-farms-lettuce-recall-

What You Need to Know

- Taylor Farms announced the July 17 recall after the CDC confirmed more than 1,644 cases of cyclosporiasis, in which 94 people were hospitalized. No one has died.
- The recalled lettuce was distributed from June 29 to July 16 in 27 states, including Connecticut, Florida, Georgia, New Jersey, Pennsylvania and Texas.
- On Sunday, the FDA said it had announced a "false positive" of cyclospora in an earlier test of a Taylor Farms product.

At least four lawsuits have been filed against Taylor Farms over this month's outbreak of cyclospora in shredded iceberg lettuce, much of which was sold at Taco Bell.

The lawsuits, three of which also name Taco Bell, according to Law.com Radar and federal court records, follow a July 17 recall by Taylor Farms after the U.S. Centers for Disease Control and Prevention confirmed more than 1,644 cases of cyclosporiasis, in which 94 people were hospitalized. No one has died.

The investigation is ongoing, and other retailers, such as Walmart, whose Marketside-brand bagged lettuce was part of the Taylor Farms recall, could be named in the lawsuits.

"It's a public health disaster," William "Bill" Marler, of Seattle's Marler Clark, told Law.com. On July 17, he filed a lawsuit in the U.S. District Court for the Northern District of Ohio on behalf of an Ohio woman who ate at Taco Bell on three separate occasions in June. She became sick on June 24, with vomiting, stomach pain and diarrhea, and her stool sample tested positive for cyclospora on July 7.

Marler said more than 100 people have already contacted him.

"My strong suspicion, based on doing this for 30 years, is this outbreak is going to get bigger," he said. "It will wind up linked to additional restaurants and grocery store chains."

Two other personal injury lawsuits were filed in the U.S. District Court for the Eastern District of Michigan and Mahoning County Court of Common Pleas in Ohio. Mark DiCello, of DiCello Levitt in Cleveland, Ohio, and Ron Simon, of Ron Simon & Associates in Houston, filed a case on July 17 on behalf of David Ott, a Texas man who was hospitalized on June 22, just days after eating Taco Supremes from a Taco Bell in Ohio. And Minneapolis-based OFT Law filed a case on behalf of two people who got sick after eating at a Taco Bell in Michigan.

A fourth case, brought on July 16 in the U.S. District Court for the Central District of California, is a class action filed by two plaintiffs who bought Taylor Farms products sold at Whole Foods, Sweetgreen and Costco. The class action, brought on behalf of consumers nationwide who purchased the recalled lettuce, was filed by lawyers at Kaisey Law, Yagman PLLC, Reese LLP and Laukaitis Law on behalf of consumers of the recalled lettuce.

“Defendant’s advertising and marketing is deceptive, false, and misleading because the products were or could have been contaminated with cyclosporiasis, and, thus, were not as advertised, represented, or guaranteed,” the complaint says.

In a July 17 initial statement, Salinas, California-based Taylor Farms recalled 35 products containing iceberg lettuce from Guanajuato, Mexico, that was distributed from June 29 to July 16 in 27 states, including Connecticut, Florida, Georgia, New Jersey, Pennsylvania and Texas. The company, which tied the lettuce to its operations in Mexico, said it would provide full refunds to consumers, who should throw away the recalled lettuce.

“As a family owned and operated company, we are deeply concerned for those who became ill, their families, and the many Americans whose trust in the safety of their fresh produce has been shaken,” the company said in its statement. “That trust is something we’ve worked for decades to earn, and we are committed to doing everything in our power to restore that confidence.”

The company noted that the outbreak excluded Taylor Farms branded salads or kits containing iceberg lettuce and centered on one specific independent farm that produces less than 1% of the iceberg lettuce supply in the United States.

Taco Bell, which is owned by YUM Brands, said in a statement that it had completely removed all affected Taylor Brands lettuce from its restaurants as a “precautionary action.”

“Based on ongoing conversations with public health officials, and out of an abundance of caution, Taco Bell worked swiftly to voluntarily remove the product from restaurants and the affected ingredient has been removed from our supply chain nationwide,” Taco Bell said in a statement. “We took this action to ensure our guests can enjoy their Taco Bell favorites safely.”

A ‘False Positive’?

Since May 1, nearly 7,000 people have tested positive for cyclospora, which is common in the summer months, according to the lawsuits, and 141 have been hospitalized. Most are centered in Indiana, Kentucky, Michigan, Ohio and West Virginia.
Typically, there are about 1,500 to 2,000 cases tied to cyclospora each year, Marler said.

“Cyclospora is a human fecal parasite,” he said. “It’s a parasite only in humans, and it resides in our guts. When it gets in there, in a sufficient quantity, it causes us to have explosive diarrhea.”

Treatment typically involves antibiotics.

Federal regulators and lawyers are predicting potentially thousands of cases in the coming weeks.

“This is on track to be the largest cyclospora outbreak in U.S. history,” Max Teplitski, chief science officer of the International Fresh Produce Association, said in a statement about the outbreak.

The lawsuits point to previous incidences in which Taylor Farms had a cyclospora outbreak tied to its products, as well as cases of E. coli and salmonella poisoning. In 2013, a Taylor Farms salad mix contaminated with cyclospora sickened 631 people in 25 states, many of whom had eaten at Olive Garden and Red Lobster. Taco Bell also has had incidences of salmonella poisoning and E. coli.

On July 17, the U.S. Food and Drug Administration announced that a sample of Taylor Farms lettuce tested positive for cyclospora. But on Sunday, the FDA said the result was a “false positive.”

“Due to the complexity in detection of cyclospora, FDA laboratory experts re-reviewed the sample results and have concluded that the finding does not represent true amplification and should be considered a false positive,” FDA said in a statement. “FDA has notified Taylor Farms and continues working with the firm to ensure product implicated in this outbreak has been removed from the market.”

Taylor Farms, in a response, stated, “Today, FDA apologized to us.”

“To be clear, at this moment, FDA has not identified a single positive product test result for cyclospora,” the Taylor Farms statement says.

US Appeals Court, Vacating District Judge's Order, Declines to Certify Boeing Investor Class

law.com/nationallawjournal/2026/07/20/us-appeals-court-vacating-district-judges-order-declines-to-certify-boeing-investor-class

The U.S. Court of Appeals for the Fourth Circuit on Monday rebuked a lower court order allowing investors to sue Boeing as a class over allegedly false statements about airplane safety, saying the investors hadn't shown how they would measure how much those statements cost them.

A unanimous three-judge panel vacated U.S. District Judge Leonie Brinkema's March 2025order certifying the investor class, saying the plaintiffs hadn't provided the judge with a proper methodology for calculating alleged damages from the dozens of corporate statements issued by Boeing in the years following the deadly crash of two 737 Max planes.

The plaintiffs—represented by Gupta Wessler, Labaton Keller Sucharow and Robbins Geller Rudman & Dowd—relied on reports from economist, Chad Coffman, to prove they met the predominance requirements under Rule 23 to sue as a class.

But the panel found that Coffman hadn't provided any damages methodology in his reports, only a series of "maybes," "perhaps" and "what ifs."

"Rather than offering a methodology, the plaintiffs provided only a legal description of damages. For a securities fraud case, that's effectively saying that they are seeking compensatory damages," Circuit Judge A. Marvin Quattlebaum Jr. wrote on behalf of the panel.

He was joined by Circuit Judge Julius Richardson and Circuit Judge Allison Jones Rushing.

Representatives for the investors and Boeing didn't immediately respond to requests for comment. Boeing was represented by attorneys from Gibson, Dunn & Crutcher, Sullivan & Cromwell and McGuireWoods.

The panel also found that the plaintiffs were noncommittal on what theory of liability they were arguing, preventing the district court from properly assessing whether their damages methodology was consistent with their liability theory.

"We understand that litigants sometimes don't want to tip their hand. But at the class certification stage, the plaintiffs had to," according to the decision.

The appeals panel further faulted Brinkema for certifying the class, saying she could not and did not conduct the rigorous analysis required under the Supreme Court decision, *Comcast Corp. v. Behrend,* to certify the class. Decided 5-4 in 2013, the justices held in *Comcast* that plaintiffs seeking class certification must have evidence that damages can be measured on a class-wide basis with a methodology consistent with their liability case.

“To the extent there was any question previously, we make clear today that Comcast requires a rigorous analysis into Rule 23’s requirements. Under Comcast, certification orders are not like participation trophies that are handed out to everyone on the tee ball team,” Quattlebaum wrote in the Boeing case.

The appeal arises from a lawsuit filed in January 2024, less than a month after a door plug detached from a Boeing 737 Max 9 airplane in the middle of a flight. The blowout was nonfatal, but came only a few years after faulty software caused two Boeing planes to crash, killing everyone onboard.

The crashes sparked extraordinary public outcry and federal action, with Boeing committing to improve the safety of its planes. But following the midflight blowout, investors sued, alleging that Boeing's statements about prioritizing plane safety were false.

The legal firepower that Boeing brought to bear—its defense team includes former acting U.S. solicitor general, Jeff Wall—was complimented by the amici who argued at the circuit level that the class should be decertified.

A group of former U.S. Securities and Exchange Commission officials and law professors, represented by Willkie Farr & Gallagher, submitted a friend-of-the-court brief arguing that *Comcast* would be “meaningless in securities fraud cases” if the certification order stood. The amici include Joseph Grundfest, a former SEC commissioner and a current law professor at Stanford Law School.

SEC Ordered to Take Another Look at Finra Arbitration Rules

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Summary by Bloomberg AI

AI Generated

- A dispute over Finra arbitration requirements for broker-dealers will be sent back to the SEC after an appeals panel ruled that Thrivent Financial for Lutherans' bid to rein in the self-regulatory organization merits further consideration.
- The SEC's denial of Thrivent's petition for rulemaking was deemed arbitrary and capricious because it provided "only cookie-cutter reasons for not acting" without responding to the content of Thrivent's petition.
- The court is sending the petition back to the SEC for reconsideration and "reasoned explanation", allowing the agency to address a potential conflict between its policy change and Finra's standard prohibiting private arbitration clauses.

A dispute over Finra arbitration requirements for broker-dealers will be sent back to the SEC after an appeals panel ruled that Thrivent Financial for Lutherans' bid to rein in the self-regulatory organization merits further consideration.

The Securities and Exchange Commission's "largely boilerplate letter" denying the petition didn't even clear the "low bar" an agency must meet to provide its rationale, Judge Patricia A. Millett wrote in a panel ruling Tuesday for the US Court of Appeals for the District of Columbia Circuit.

Thrivent, which has a broker-dealer unit that's registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority, has argued that Finra unlawfully prohibits members from using private arbitration agreements outside of the organization's arbitration forum. But the Securities and Exchange Commission denied Thrivent's petition for rulemaking to remove or amend the arbitration requirements, prompting the organization's challenge in the DC Circuit.

Sending the petition back for SEC reconsideration will provide the agency an opportunity to address a potential conflict between its 2025 policy change permitting companies going public to file registration statements with private arbitration clauses and Finra's standard prohibiting those provisions.

The commission's "short-winded letter" was arbitrary and capricious because it provided "only cookie-cutter reasons for not acting" without responding to the content of Thrivent's petition, meaning the court doesn't need to reach the merits of Thrivent's challenge to Finra's rule, Millett wrote.

Instead, the court is sending the petition back to the commission for reconsideration and "reasoned explanation," the unanimous ruling continued.

The SEC provided only a "bare-bones" rationale for denying the petition to change Finra's arbitration requirements, Thrivent argued before the panel of DC Circuit judges in December 2025.

Thrivent's past challenge to a Labor Department arbitration standard succeeded in temporarily halting enforcement of an anti-arbitration provision in 2017 under a previous iteration of the department's fiduciary rule.

Chief Judge Sri Srinivasan and Judge Florence Y. Pan also sat on the DC Circuit panel.

Venable LLP represented Thrivent. A Venable attorney didn't immediately respond to a request for comment.

An SEC spokesperson declined to comment beyond the commission's public filings.

The case is Thrivent Financial for Lutherans v. SEC , D.C. Cir., No. 25-01047, 7/21/26 .

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Amgen settles shareholder lawsuit claiming it hid $10.7 billion tax bill | Business Information & News | FE

NEW YORK, July 21 (Reuters) - Amgen reached a $74 million settlement of a lawsuit accusing the biotechnology company of waiting too long to disclose that it might owe the Internal Revenue Service $10.7 billion for underreporting six years of taxes.

A preliminary settlement of the proposed class action was filed late Monday in Manhattan federal court and requires a judge's approval.

Amgen denied wrongdoing, and on Tuesday said it still believed the claims lacked merit.

The IRS accused Amgen of underpaying taxes between 2010 and 2015, mainly for improperly shifting profits to a Puerto Rico unit that made many of its drugs. Puerto Rico is considered a foreign country for corporate tax purposes, despite being a U.S. territory.

The IRS sought $8.7 billion in back taxes plus interest, as well as $2 billion of penalties, stemming from Amgen's so-called transfer pricing practices.

Amgen has said that a decision from the U.S. Tax Court could come this year.

Shareholders led by the Asbestos Workers Philadelphia Pension Fund said Amgen's share price fell 6.5% on August 4, 2021, and 4.3% on April 28, 2022, because the Thousand Oaks, California-based company waited until then to disclose its tax risks.

The settlement covers Amgen shareholders between July 29, 2020, and April 27, 2022.

A federal judge rejected Amgen's bid to dismiss the case in September 2024.

Amgen's top-selling products include the osteoporosis treatment Prolia and the drug Repatha for cardiovascular events and hyperlipidemia.

Meta faces Tennessee trial over allegations Instagram was designed to be addictive | Business Information & News | FE

July 20 (Reuters) - Meta Platforms faces trial in Tennessee on Monday over the state's claims that Instagram's design is to blame for a youth mental-health crisis, one of several trials in the coming weeks testing allegations that the company's social media platforms were intentionally built to be addictive.

Tennessee accuses the company of violating the state's consumer protection law by knowingly designing a product that drives teens to compulsive use and misleading the public about its safety.

The lawsuit, filed by Attorney General Jonathan Skrmetti's office, claims Meta failed to disclose extensive internal research showing Instagram could harm teens and continued offering features it knew were dangerous without warning users.

The state alleges founder and CEO Mark Zuckerberg was repeatedly warned by some Meta employees about research that found a negative impact on teens, but declined to fund efforts to minimize those harms and made misleading public statements about the amount of harmful content on the platforms.

Skrmetti is seeking financial penalties and a court order directing Instagram to modify aspects of the platform that the state says are harmful to teens' mental health. The case focuses on features like autoplay, Instagram's Reels videos, notifications and designs that cause content to disappear after a certain period.

A Meta spokesperson said in a statement on Friday that the company already has built-in controls to protect the hundreds of thousands of Tennessee teens who use social media every day.

"We want them to do that in a protected space, which is why we've spent a decade building safe, age-appropriate defaults for teens alongside simple tools for parents to set the right boundaries for their family," the spokesperson said.

The company has argued the state's claims of harm are based on the content posted on Instagram by its users, and that a federal law, Section 230 of the Communications Decency Act, shields the company from liability for third-party content.

OVERLAPPING TRIALS

Jury selection will begin in Nashville on Monday for the first phase of the trial. The jury will decide whether Meta violated Tennessee law. If the jury finds it did, the case will move to a second phase where the judge will weigh monetary penalties and potential changes to Instagram. Tennessee's consumer protection law levies a fine of up to $1,000 per violation.

The trial, which is slated to last for seven weeks, is scheduled to overlap with at least two other trials against the company in courts in California as it faces thousands of lawsuits over similar claims in both state and federal court.

Nearly every state in the country has filed claims against Meta over its platforms' alleged impact on children. A trial over claims against Meta brought by 29 states alleging the company violated federal law protecting data collected from children and additional state law claims from California, Colorado, Kentucky and New Jersey is scheduled to begin on August 18 in federal court in California.

Separately, Meta and other social media companies are facing thousands of lawsuits brought by individuals and school districts in both state and federal court.

A trial against Meta and Snapchat parent Snap Inc over the claims brought by a 15-year-old boy from Florida known as R.K.C., who alleges that social media damaged his mental health, is scheduled to begin on July 27.

The companies have broadly denied the allegations in these lawsuits, arguing they have sought to protect children and should not be liable for claims they say are based on content posted by their users.

SECOND STATE TRIAL

Tennessee's trial is the second to test claims in a lawsuit brought by a state against Meta.

New Mexico's lawsuit against the company went to trial earlier this year, and a jury found the company had misled consumers about the safety of its Facebook, Instagram and WhatsApp platforms. The jury awarded the state $375 million in damages.

The judge held a separate bench trial over New Mexico's claim the company had created a public nuisance, and is currently weighing whether to order the company to make changes and direct it to pay additional damages to repair the harms.

Securities law developments for the week ending July 17, 2026 | Secondary Sources | National

(July 20, 2026) - Westlaw Today recaps some of the past week's securities law developments, from Securities and Exchange Commission fraud actions and investor class-action suits to a new SEC proposal for electronic delivery of investor disclosures.

NJ high court revives False Claims Act suit over municipal bonds

The New Jersey Supreme Court has reinstated a whistleblower lawsuit accusing JPMorgan Chase & Co. and other major banks of fraudulently manipulating the interest rates for municipal bonds issued by the state.

Delaware high court rejects challenge to state securities tribunal

The Delaware Supreme Court has rejected a post-*Jarkesy* challenge to the state's in-house securities enforcement process, rejecting jury trial and due process arguments against the administrative action by the state's Investor Protection Unit.

Wall Street regulators propose new e-delivery for investor disclosures

The SEC on July 16 proposed a new rule that would allow electronic delivery of disclosures that it said was an effort to make information more accessible for investors, brokerages and investment fund advisers and others.

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

U.S. derivatives regulator blocks Kalshi from canceling Michigan trades despite court order

The top U.S. derivatives regulator said on July 14 it was blocking the prediction market platform Kalshi from cancelling trades in Michigan after a court there ordered the company last month to cease offering sports wagering to state residents.

Read more: https://bit.ly/3T9Miij

Trump's teleprompter operator under CFTC probe over potential insider trading

U.S. President Donald Trump's longtime teleprompter operator Gabriel Perez is under investigation by federal regulators over potential insider trading on prediction market platform

Kalshi, according to two sources familiar with the matter.

Read more: https://bit.ly/3RD1Qe2

SEC hits EV maker, CEO with fraud claims over $112.5 million offering

Electric vehicle manufacturer Battle Motors Inc. and its CEO made false and misleading statements about purchase orders and its dealer network to raise $112.5 million in 2021, the SEC says in an Ohio federal court lawsuit.

Court OKs $45 million settlement in fraud suit against medtech company

iRhythm Technologies Inc. and its CEO have agreed to pay $45 million to settle a securities fraud class action accusing them of falsely marketing the company's Zio AT heart monitoring device.

Judge greenlights Zeta investor suit over consumer dataset

Marketing technology company Zeta Global Holdings Corp. must face a securities fraud lawsuit alleging it exaggerated the number of people who had consented to its data collection practices, a New York federal judge has ruled.

Institutional investors to lead fraud suit against server maker charged with illegal exports

A California federal judge has appointed three institutional investors to lead a proposed class action alleging that Super Micro Computer Inc. concealed illegal exports of its advanced artificial intelligence technology to China.

Holding company, execs face investor suit over 'wealth transfer' scheme

GPGI Inc. and three current and former directors have been hit with a proposed securities class action alleging the industrial holding company misled investors about a $5 billion acquisition that increased management fees paid to a related company.

Planet Fitness faces investor suit over misleading growth claims

Planet Fitness Inc., its CEO and former chief financial officer are facing a proposed securities class-action lawsuit alleging they misled investors about the company's marketing strategy and growth prospects.

Intuit hit with investor suit over 'unrealistic' TurboTax guidance

Intuit Inc. is facing a proposed class action alleging it misled investors with optimistic growth projections for its TurboTax business while concealing competitive pressure from lower-priced rivals.

Starbucks beats investor suit over staffing issues, store traffic

A Seattle federal judge has dismissed a proposed class action alleging Starbucks Corp. misled investors about staffing issues impacting store performance in late 2023 and early 2024, saying the plaintiffs failed to adequately plead deceptive intent.

Pharma company defeats investor suit over competition risk, drug sales

An Illinois federal judge has dismissed a proposed securities class action alleging that Assertio Holdings Inc. misled investors about competition facing its flagship anti-inflammatory drug and inflated sales figures for a cancer treatment it acquired in 2023.

Judge greenlights $35 million settlement in Hain Celestial investor suit

The Hain Celestial Group Inc. has agreed to pay $35 million to settle a long-running securities fraud lawsuit alleging it concealed a "channel stuffing" scheme to inflate revenue more than a decade ago.

Fraudster settles SEC suit alleging microcap pump-and-dump scheme

A Canadian man who pleaded guilty to conspiracy to commit securities fraud has settled a parallel SEC lawsuit related to a sprawling microcap stock scheme.

SEC settles six-year-old fraud case against YouPlus, former CEO

The SEC has settled its six-year-old fraud case against tech startup YouPlus Inc. and former CEO Shaukat Shamim, who was accused of defrauding investors by misrepresenting the company's revenue, customer base, and fundraising prospects.

Lawsuit accuses BlackRock of overcharging mutual fund investors

BlackRock, one of the world's largest asset managers, was sued on July 13 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.

Read more: https://bit.ly/4pqtCa5

Ex-Federal Reserve adviser sentenced to prison for lying about China ties

A former senior adviser to the U.S. Federal Reserve was sentenced to 38 months in federal prison for making false statements to investigators about sharing restricted information related to the central bank with Chinese intelligence operatives, the Justice Department said on July 15.

Read more: https://bit.ly/4f6Z9uh

Investors push Microsoft for human rights due diligence report

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."

Organised crime groups move billions through crypto, global financial crime watchdog warns

Criminals are taking advantage of gaps in regulation to move billions in illicit proceeds through the crypto industry, the Financial Action Task Force said on July 16, in its latest review into the role of virtual assets and illicit finance.

Read more: https://bit.ly/3SXYoLw

US judge approves Anthropic's $1.5 billion settlement of copyright lawsuit | Business Information & News | FE

July 20 (Reuters) - A federal judge in San Francisco on Monday signed off on artificial intelligence company Anthropic's landmark $1.5 billion settlement of a class action lawsuit brought by a group of authors who accused it of misusing their books to train its AI chatbot Claude.

U.S. District Judge Araceli Martinez-Olguin granted final approval of the settlement, the largest known settlement of a U.S. copyright case, rejecting arguments that it was too small.

The case is one of dozens brought by copyright owners including authors and news outlets against tech companies over the training of their large language models, and the first major U.S. case to settle.

Now-retired Judge William Alsup initially approved the deal last September.

"We reached this settlement in 2025, after the court's landmark ruling that training AI on books is fair use under copyright law — which remains the law today," Anthropic deputy general counsel Aparna Sridhar said in a statement.

"We are pleased that more than 91% of authors and publishers covered by the settlement have claimed their share of the payment, and we're looking forward to bringing this matter to a close."

The authors' lead attorney, Justin Nelson, welcomed what he called a "historic settlement."

"It is the largest known copyright recovery in history. We look forward to making distributions to the Class as promptly as possible," Nelson said in a statement, referring to payments to authors covered by the settlement.

The writers sued Anthropic in 2024, arguing that the company, which is backed by Amazon and Alphabet , used pirated versions of their books without permission to teach Claude to respond to human prompts.

Alsup ruled last June that Anthropic made fair use of the authors' work to train Claude, but found that the company violated their rights by saving more than 7 million pirated books to a "central library" that would not necessarily be used for AI training.

A trial was scheduled to begin last December to determine how much Anthropic owed for the alleged piracy, with potential damages running into the hundreds of billions of dollars.

The settlement spurred objections from some authors who argued it was not large enough, overcompensated the plaintiffs' attorneys or wrongly excluded some copyright owners.

Judge Martinez-Olguin overruled those objections in her ruling on Monday. The judge said that complaints about the settlement's size were "not grounded in a realistic assessment of the overall risks and rewards of a trial," and awarded the attorneys more than $101 million of the $187.5 million they requested in fees.

Some authors and publishers opted out of the settlement and have filed separate lawsuits against Anthropic that are still ongoing.

Auto Parts Co., Investors Ink $12.8M Deal In Merger Suit

law360.com/articles/2503381

(July 20, 2026, 9:22 PM EDT)-- Automotive equipment manufacturer Holley has reached a $12.8 million settlement with investors who accused it of concealing declining business trends following a 2021 merger with a special purpose acquisition company.

The parties said in a preliminary settlement motion Friday that, through a double-blind process, they accepted a mediator's recommendation to settle following an all-day mediation in April.

The investors said the recovery is a "great result" for the settlement class given the risks of further litigation and Holley's financial condition.

Lead counsel will seek up to $3.2 million, about 25% of the settlement fund, in fees, up to $300,000 for expenses and up to $10,000 for the lead plaintiff, according to the motion.

If approved, the settlement would end claims launched in 2023 that Holley, which manufactures and distributes carburetors, exhaust products and automotive software, among other things, made misrepresentations to investors that it would continue on a strong growth trajectory after its July 2021 merger with a SPAC called Empower.

However, Holley's executives knew that the company's rapid growth ahead of the class period was unsustainable and that the company had "seriously damaged" its relationships with resellers and distributors who made up the vast majority of Holley's sales, according to the complaint.

The suit also alleged that former Holley CEO Tom Tomlinson, who is also a defendant in the suit, "fostered a culture at Holley which prompted resignations, worsened working conditions for employees and enabled his own misuse of company resources."

Following several quarters of weak financial disclosures, Holley "shocked the market" on Feb. 6, 2023, when it announced Tomlinson's retirement, effective immediately, as well as "negative" preliminary financial results for the last quarter of 2022, according to the suit.

Analysts reacted swiftly and negatively to the news, and Holley's shares declined $1.06 each, about 31%, to close at $2.36 per share on Feb. 7, 2023.

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

The investors are represented by Robert J. Robbins, Elizabeth A. Shonson, Sabrina E. Tirabassi, Andrew T. Rees and Alex Kaplan of Robbins Geller Rudman & Dowd LLP and David Garrison of Barrett Johnston Martin & Garrison LLC.

Holley is represented by Sean M. Berkowitz, Eric R. Swibel, Nicholas J. Siciliano, Renatta A. Gorski, Michele D. Johnson and Michael A. Galde of Latham & Watkins LLP and Michael P. Abate of Kaplan Johnson Abate & Bird LLP.

The case is City of Fort Lauderdale General Employees' Retirement System v. Holley Inc. et al., case number 1:23-cv-00148, in the U.S. District Court for the Western District of Kentucky.

4th Circ. Overturns Class Cert. In Boeing Investor Case

law360.com/articles/2503319

(July 20, 2026, 7:48 PM EDT)-- The Fourth Circuit on Monday reversed class certification granted in an investor lawsuit against Boeing over the company's alleged concealment of safety issues with its 737 Max fleet, finding that neither the plaintiffs nor the lower court met the standards for certification set in a 2013 Supreme Court ruling.

A three-judge panel for the appeals court issued an **opinion** pointing to Comcast Corp. v. Behrend , which requires plaintiffs to present a damages methodology showing how damages are calculable on a classwide basis and requires courts to consider, through a "rigorous analysis," whether the proposed damages model demonstrates classwide reliance.

The panel said in the current action, the plaintiffs did not provide a damages methodology "consistent with Comcast's demands," and that the district court did not conduct the required "rigorous analysis," and therefore erred in granting class certification.

According to the opinion, in their motion for class certification, the investors pointed to the "out of pocket" damages methodology provided by their expert witness, economist Chad Coffman.

Coffman defined the methodology, but the panel said Monday that simply providing a "legal description of damages" is insufficient.

"The out-of-pocket description broadly tells us what securities-fraud damages are — the difference between the price paid or received and the price that would have existed absent the fraud," the opinion, written by U.S. Circuit Judge A. Marvin Quattlebaum Jr., states. "But it doesn't tell us how to determine the artificial inflation embedded in Boeing's stock price on any day of the class period. Comcast demands that missing step."

And rather than committing to a methodology, Coffman "offers a series of 'maybe[s],' 'perhaps[es]' and 'what ifs,'" which falls short of Comcast's requirements, the panel said.

"Without a methodology, the district court has no way to rigorously evaluate whether damages are measurable on a classwide basis, whether the damages methodology is consistent with the plaintiff's liability theory or whether the proposed methodology for measuring damages is reasonable," the opinion states.

The investors also failed to identify their theory of liability, the panel noted. The investors claimed that Boeing's allegedly false and misleading statements caused its stock price to trade at artificially high prices, and then fall once the truth emerged, but this language "would describe virtually all securities-fraud cases," the panel said.

Regarding the district court, the Fourth Circuit panel said that because the investors failed to provide a damages methodology, the court was unable to "properly consider whether the plaintiffs' alleged damages were measurable on a classwide basis or whether the plaintiffs' purported methodology was reasonable as opposed to speculative."

According to the opinion, the district court noted when **granting certification** that its ruling was consistent with other districts, but the panel was unpersuaded.

"We make clear today that Comcast requires a rigorous analysis into Rule 23's requirements. Under Comcast, certification orders are not like participation trophies that are handed out to everyone on the tee ball team. To the contrary, district courts may only certify a class after rigorously analyzing whether the plaintiffs have complied with Comcast's commands," the opinion states.

The Fourth Circuit's opinion comes after the court seemed poised in May to remand the case, after one judge said the district court **"told us nothing"** about what liability theory was being relied on to certify the class.

The plaintiffs allege Boeing committed securities fraud by misleading investors about purported strides in the safety of its 737 Max fleet in the wake of a deferred prosecution agreement over two deadly crashes, only to have the stock price tumble when a 737 Max door plug blew out midair during an Alaska Airlines flight from Oregon to California in January 2024 and safety problems came to light as a result.

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

U.S. Circuit Judges Julius N. Richardson, A. Marvin Quattlebaum Jr. and Allison Jones Rushing sat on the panel for the Fourth Circuit.

The investors are represented by Deepak Gupta and Gregory Beck of Gupta Wessler LLP, Carol Villegas, Christine Fox and Jake Bissell-Linsk of Labaton Keller Sucharow LLP, and Chad Johnson, Noam Mandel, Jonathan Zweig and Desiree Cummings of Robbins Geller Rudman & Dowd LLP.

Boeing is represented by Jeffrey Wall of Gibson Dunn & Crutcher LLP, Benjamin Hatch of McGuireWoods LLP, and Judson O. Littleton, Richard C. Pepperman II and Jacob E. Cohen of Sullivan & Cromwell LLP.

The case is In re: The Boeing Company Securities Litigation, case number 25-1492, in the U.S. Court of Appeals for the Fourth Circuit.

Google Data Sharing With Temu Violates DOJ Rule, Suit Says

(July 20, 2026, 11:10 PM EDT)--Google shares internet users' sensitive information with Chinese e-commerce giant Temu and a technology firm the Pentagon calls a "Chinese military company," violating a U.S. Department of Justice rule preventing the bulk transmission of data to "countries of concern," according to a proposed class action in California federal court.

The Bulk Sensitive Data Rule was issued under former President Joe Biden in 2024 and became effective in April 2025 as a final rule issued by the DOJ. The rule bars the large-scale transfers of certain data — including personal, health, geolocation and biometric — to China and other adversarial countries.

Through its advertising business, Google collects and shares Americans' data with Temu and technology company Baidu USA LLC, which have come under suspicion by members of Congress for potentially facilitating surveillance by the Chinese government, California resident Corinne Pearson and Florida resident Melenie Crutcher alleged Monday.

According to their **complaint**, the U.S. Department of Defense recently designated Baidu a "Chinese military company" that is operating in the U.S., meaning the Pentagon considers the company as an extension of the Chinese government's military apparatus. Temu, meanwhile, is suspected by Congress of operating as a "conduit for state-directed data collection targeting U.S. residents," the suit states.

As of this month, "Google maintained direct integrations with Baidu, Temu, and other Chinese technology companies, enabling those entities to receive persistent identifiers, IP addresses, and other device-level data from U.S. consumers' online activities each time Google's tracking code executed on an integrated website," the plaintiffs say.

"These transmissions fall squarely within the [Bulk Sensitive Data Rule's] definition of bulk sensitive personal data and are expressly prohibited," they say, adding that "Google had ample notice that its conduct was unlawful."

Google's conduct also violates federal and state privacy laws, the suit states, alleging Google intentionally intercepts consumers' communications with the intention of unlawfully disclosing that information to prohibited foreign entities, according to the complaint.

"This case raises urgent questions at the intersection of privacy, commercial surveillance, and national security," Pearson and Crutcher say. "The U.S. government has determined that the export of Americans' sensitive data to hostile foreign regimes constitutes an 'unusual and extraordinary threat ... to the national security and foreign policy of the United States that has been repeatedly recognized across political parties and by all three branches of government.'"

"Google ignored that warning," the plaintiffs say. "It must now be held accountable."

Maryland resident Barbara Jenkins **in February brought** what appeared to be the first lawsuit against Google to allege a violation of the Bulk Sensitive Data Rule. Her suit accuses Google of unlawfully sharing Americans' data with Chinese companies ByteDance, which owns TikTok; the owner of Temu; and MediaGo, which is owned by Baidu.

That same month, Lenovo Group's U.S. subsidiary was hit with a **proposed class action** in California federal court for alleged violations of the Bulk Sensitive Data Rule though sharing American consumers' data with its Chinese parent company.

The rule has exceptions, but broadly puts strict limitations on data sharing with China, Cuba, Iran, North Korea, Russia and Venezuela, as well as individuals and entities under their control. This includes 12-month caps on no more than the geolocation of 1,000 U.S. devices, the personal health data of 10,000 people, the personal financial data of 10,000 people and personal identifiers of 100,000 people.

Pearson and Crutcher want to represent a nationwide class of people "using a website or application incorporating Google's tracking technology whose communications were transmitted to Google and whose personal information was transmitted to Baidu, Temu or other entities based in the People's Republic of China on or after April 8, 2025," the suit states.

They additionally want to represent a similar class of California residents, according to the complaint.

The suit asserts violations of the California Invasion of Privacy Act and the Electronic Communications Privacy Act, as well as intrusion upon seclusion under California common law and invasion of privacy under the California Constitution.

It seeks injunctive relief, statutory damages, disgorgement of profits, punitive damages, litigation costs and attorney fees.

Google and counsel for the plaintiffs did not immediately return requests for comment late Monday.

Pearson and Crutcher are represented by Brandt Silverkorn of Edelson PC.

Counsel information for Google was not immediately available.

The case is Corinne Pearson et al. v. Google LLC, case number 5:26-cv-07495, in the U.S. District Court for the Northern District of California.

Defaults Didn't Deny Users Ad-Free Search, Google Says

(July 21, 2026, 4:32 PM EDT)--Google again is pushing a California federal judge to toss consumer antitrust claims accusing it of shutting out rival search engines that offer better privacy safeguards and no ads, arguing they still haven't shown harm, and thus standing to sue, from the contracts making it the default search engine.

Google on Monday submitted a seven-page filing at **the prompting** of U.S. District Judge Rita F. Lin, who asked earlier this month for further briefing on whether the consumers have standing to sue, with claims **piggybacking** on the U.S. Department of Justice's successful **lawsuit** targeting the billions of dollars Google pays Apple, Samsung, Mozilla and others to be made the default search engine on their browsers and devices.

Google has already sought to **nix the lawsuit**. And on Monday, it told Judge Lin that the consumers clearly lack standing because they can't show injury. It attacked the consumers for continuing to press a rejected claim that they might be able to get paid for their searches absent Google's monopolization. And it said the consumers have presented "no such evidence" to back up their surviving claim: that if Google hadn't effectively shut out rival search engines, they'd have viable options with no ads and better privacy safeguards.

All the consumers have, Google said, are "boilerplate declarations" agreeing with an unsigned declaration from plaintiff Donald Freeland making "generic assertions such as 'I have been and continue to be injured because I have received fewer and lower-quality competitive choices in general search services,' and 'I am entitled to a competitive market in which search engines compete for me and other users by offering better privacy' and 'fewer ads.'"

Google argued that the consumers' **claims of injury** are too far removed from its default contracts.

"They still have not identified evidence that any company wanted to set a more privacy-protective or ad-free search engine as the default in its browser or preload such a search engine on its device but declined to do so because of a supposedly exclusive agreement with Google," the company said in Monday's **response**. "There is thus no causal link between the alleged antitrust violation and the availability and quality of search engines that purport to be more private or ad-free."

Google is appealing its loss to the DOJ, even as it and the government move forward on **implementing remedies** designed to give current and would-be search rivals a chance to compete by furnishing them with search data and syndicated search results. U.S. District Judge Amit P. Mehta rejected the DOJ's most sweeping remedies proposals, including a ban on the default payments and the forced sale of the Chrome browser, prompting a cross-appeal from the government.

Google is also **battling a lawsuit** from Yelp Inc.

The consumers in the California case, headlined by named plaintiff Mary Katherine Arcell, originally accused Google of paying off Apple not to develop its own search engine. Their lawsuit was first filed in 2022, two years after the DOJ filed suit.

Judge Lin in August 2024 tossed the **conspiracy claims** against Apple, as well as some allegations that Google paid off the iPhone-maker not to make its own search engine. But the following January the judge **kept intact** other monopolization claims contending that Google's dealings stifled competition and lifted a stay on discovery.

Even though Apple has long been dismissed from the case, the company accuses the plaintiffs of an attempt "to improperly fish for evidence as part of a broader scheme to 'reinstate' Apple as a defendant," via repeat bids to depose senior executives, including outgoing CEO Tim Cook. Apple has since **sought sanctions** for those efforts.

Nevertheless, the consumers continue to seek those depositions after the lower court turned them down, filing a petition in April with the Ninth Circuit for a writ of mandamus allowing them **to depose Cook** as well as Google CEO Sundar Pichai and other senior executives from both companies.

In the district court, Judge Lin asked July 6 for more briefing on standing. The consumers responded July 15, arguing that they've clearly shown that "Google collected and monetized their search queries, their data, their time, and their attention without compensating them; and they were deprived of access to search alternatives offering them compensation, stronger privacy protections, or fewer ads."

"Our presentation is certainly more than sufficient to show our standing," an attorney for the consumers, by Joseph M. Alioto of Alioto Law Firm, told Law360 on Tuesday. He argued that courts have made clear that antitrust laws were designed to protect consumers.

Google argued Monday, however, that the consumer filing is itself procedurally improper and that the plaintiffs have offered no new evidence or facts showing injury. Instead, they "submitted webpages and other materials downloaded from the internet, most of which were copied" from **another consumer suit**, said Google, which also castigated the consumers for citing the DOJ case.

"But these materials and opinions neither show that plaintiffs have standing nor constitute admissible evidence because, among other things, they are hearsay," it said.

Nor should the consumers even be able to claim standing based on assertions of getting paid for their searches, Google said, "because the court dismissed this claim and theory with prejudice due to plaintiffs' repeated failure 'to plausibly allege' it at the pleading stage." And it argued they've made no showing that they could have otherwise gotten paid for searches if not for Google's defaults.

"This theory is not supported by any testimony from a fact witness or any documentary evidence," Google said.

It argued that the consumers cite only a webpage from 2000 on a program paying partner sites, not users, for referring users to Google, and a Microsoft rewards program paying Bing users. It noted that Bing has been the Windows PC default search engine for years and "no plaintiff submitted evidence showing that they were somehow prevented from earning Bing Rewards or any other form of 'compensation' purportedly offered by a search engine."

Google did not immediately respond Tuesday to a request for comment.

The consumers are represented by Joseph M. Alioto, Angelina Alioto-Grace and Tatiana V. Wallace of Alioto Law Firm, Christopher A. Nedeau of Nedeau Law PC, Jeffrey Kenneth Perkins of the Law Offices of Jeffrey Kenneth Perkins, Josephine Leticia Alioto of The Veen Firm PC, Lawrence Genaro Papale of the Law Offices of Lawrence G. Papale and Theresa Driscoll Moore of the Law Office of Theresa D. Moore PC.

Google is represented by John Edward Schmidtlein, Carol Joan Pruski, Graham Safty and Kees D. Thompson of Williams & Connolly LLP and Steven C. Sunshine of Skadden Arps Slate Meagher & Flom LLP.

The lower court case is Mary Katherine Arcell et al. v. Google LLC et al., case number 3:22-cv-02499, in the U.S. District Court for the Northern District of California. The petition is Mary Katherine Arcell et al. v. United States District Court for the Northern District of California, case number 26-2642, in the U.S. Court of Appeals for the Ninth Circuit.