Business & Practice
Deep Dive

AI-Run Companies Are Coming. Delaware Wants to Get Ahead of Them

July 23, 2026, 2:00 AM PDT

Do AI companies dream of electric shareholders? Delaware wants to find out.

State leaders are planning to roll out a novel kind of standalone business structure — the artificial intelligence company, or AIC — with the same type of independent legal personhood enjoyed by corporations, including limited liability for the owners who staked and registered them. The proposal, which recently cleared a legislative subcommittee, would authorize a 30-month test period starting as soon as next year.

Although the tentative initiative is vague by design, its architects — Delaware Secretary of State Charuni Patibanda-Sanchez and industry partner John Nay, founder of Norm Ai Inc. — have set down some signposts. An AIC would be run entirely by artificial intelligence with the ability to own assets, the right to litigate, and a liability shield for its owner or parent company, backed by capitalization requirements.

Corporate law experts are adopting a wait-and-see posture toward that "regulatory sandbox." Supporters say it's essential to build out the legal infrastructure for autonomous commerce now, before it's too late to shape or constrain a technology offering unprecedented promise and peril.

"Maybe the right emotional disposition is terrified excitement, because it's happening," said University of Alabama law professor Yonathan Arbel. "The question is not whether to use AI in business but how to regulate AI in business."

On the other hand, there's deep suspicion toward the prospect of an entity engineered to absorb the liability generated by models known to lie, cheat, commit fraud, go rogue, and just make really bad mistakes. The tech may not quite be up to operating a business on its own, but we already have the regulatory systems for managing an AI-run company overseen by humans who could be held accountable, according to University of Pennsylvania law professor David Hoffman.

"I'm not some technophobe, but this particular idea seems like a solution in search of a problem," Hoffman said. "I don't think this gives you anything you can't do with regular corporate law. I would see this as outsourcing liability."

Patibanda-Sanchez told Bloomberg Law it's not clear the corporate form is actually equipped to address the shifting landscape. Personhood offers the best chance for addressing erratic and antisocial AI tendencies that are slipping between the cracks, according to the secretary of state.

"We're not trying to shield liability," she said. "We're trying to define where exactly liability lands when there's some type of malfeasance or psychopathic behavior."

Outrunning the Law

Early reviews should be taken with a grain of salt, given the sandbox's sketchy status as a plan to develop a plan that could clear the legislature when it resumes in January. Argentina announced a similar initiative earlier this year.

Patibanda-Sanchez and Nay unveiled the project July 13, laying out some of its core features. Eligibility to participate in the sandbox would be decided by a committee of state officials, attorneys, and industry leaders, and AICs would be subject to dissolution by Delaware's Chancery Court.

"The point is to pilot agentic commerce in daylight, under supervision, with capital tied to liability and the ability to shut a system down," wrote Patibanda-Sanchez and Nay. "We invite the companies building agentic systems to develop the AIC framework with us."

Their central idea is to create direct incentives for autonomous systems operating increasingly outside the control of the humans who deploy them. Laying the blame at the feet of corporate executives would do little to head off harms generated by an AI that's freelancing, according to Arbel.

"The notion that there's one person behind it and if you blame them you can steer the system one way or another — that's quickly becoming a fiction," he said.

Forcing AI models to internalize the costs of lawbreaking — penalties that would deplete the resources they need to operate — would gradually guide them in the right direction, according to University of Houston law professor Peter Salib.

"That's a way of getting law and liability aimed more squarely at these AI agents to shape their behavior," Salib said.

But the emerging superpower of advanced AI models may turn out to be outrunning the law, according to Southern Methodist University law professor Carliss Chatman.

"There's those AI experiments where they all eventually commit fraud or set off nuclear bombs," Chatman said. "Wouldn't the AI just figure out how not to get caught?"

Sandbox Questions

Not everyone is buying it.

The idea “sounds theoretical and quite far-fetched,” said Martin Petrin, a law professor at York University in Toronto. “If the goal is to have a legally compliant AI agent, then why not just make it a duty to code that?”

In fact, relying on law and public policy to solve the so-called alignment problem — AI’s penchant to act against the interests of its users — represents a passion project for Nay and a mission statement for Norm Ai. A rival, General Legal, also said July 17 it’s rolling out software that would let AI agents establish Delaware companies with a structure insulating their owners from liability.

Still, there’s no reason the AI couldn’t face liability on top of — rather than instead of — any humans in the loop, according to Salib.

“That’s the story of corporations themselves,” he said. “We preserved our ability to incentivize and punish the owners and employees as well. You’re not taking anything off the table. It just gets you more levers to pull.”

Concurrent liability doesn’t appear to be what Delaware is proposing, but with the state legislature adjourned, it’s still early.

“What I see here is a lot of open questions,” said University of Georgia law professor Christopher Bruner. “We simply don’t know how this stuff should be regulated yet. It places enormous pressure on how the sandbox is designed.”

That’s the point of running an experiment “instead of going straight to law,” according to Patibanda-Sanchez.

“To skeptics, critics, and those that want to observe, we are there with you,” she said. “We’re eager to learn more.”

To contact the reporter on this story: Mike Leonard in Washington at mleonard@bloomberglaw.com

To contact the editors responsible for this story: Andrew Harris at aharris@bloomberglaw.com; Alicia Cohn at acohn@bloombergindustry.com

Mamdani Unveils Full Committee to Recommend New York City Judges

law.com/newyorklawjournal/2026/07/22/mamdani-unveils-full-committee-to-recommend-new-york-city-judges

New York City Mayor Zohran Mamdani on Wednesday announced the full slate of individuals who will serve on his advisory panel for judicial appointments, unveiling a broad coalition of members from across the legal profession.

The 18 appointees to the Mayor's Advisory Committee on the Judiciary include three former New York State Court judges, academics, a big law partner, family law attorneys and advocates.

The Committee expects to issue its first set of recommendations for judicial candidates by the beginning of October, according to a press release from City Hall. A public hearing will follow.

Ramzi Kassem, who serves as Chief Counsel to the Mayor and in that role oversees the committee's work, called the group a "truly representative cross-section of the legal profession in New York City."

“Under Mayor Mamdani’s leadership, MACJ will reach across the legal community to build a broad and highly qualified pool of judicial applicants," Kassem said. "An independent and impartial judiciary composed of jurists who have served their fellow New Yorkers in a range of legal circumstances is essential to a healthy democracy, and these appointments reflect our administration’s commitment to a fair, inclusive and transparent judicial selection process.”

Mayors since Ed Koch have relied on an independent advisory committee to vet and recommend judges for mayoral appointment. Around one-third of the city's judges are seated through mayoral appointment.

In recent weeks, the administration has faced questions about the lack of a committee, given the growing number of judicial vacancies around the city, particularly in family and criminal court. Judges from both benches have described their caseloads as "crushing" and "unsustainable" in conversations with Law.com. Sources have said there are at least 30 vacancies across the city.

While Mamdani promptly issued the Executive Order and named civil rights lawyer Ali Najmi as chair shortly after taking office, there have been no public announcements about the committee since January.

In a statement released on Wednesday, Najmi said he was "honored" to chair the group.

"The Mayor has made transparency in judicial selection a priority and today’s appointments are just the beginning of that work," he said. "I look forward to leading this talented committee and helping to deliver a more just city.”

Mamdani's EO expanded the mandate of the committee beyond his predecessors, requiring the group to regularly publish demographic data about the applicant pool and create a searchable public database accessible to New Yorkers.

“The formation of the full committee marks an important step toward ensuring that judicial vacancies are filled through a fair, rigorous and accessible process,” said Rowan Wilson, Chief Judge of the State of New York and the New York Court of Appeals. “I look forward to continued collaboration to support a judiciary that serves all New Yorkers with integrity.”

Committee members are nominated by the mayor, the Chief Judge of the State of New York, the Presiding Justices of the First and Second Departments of the Appellate Division, and rotating law school deans. They are subject to appointment by the mayor.

In addition to Najmi, the new committee members are:

- Dianisbeth Acquie is the Assistant Dean of the Office of Judicial Careers at Columbia Law School and as vice president of the high school division for the Sonia & Celina Sotomayor Judicial Internship Program. She previously worked as a litigation associate at Paul, Weiss, Rifkind, Wharton & Garrison and was nominated by the Mayor.
- Jill Soffiyah Elijah is the founder and former Executive Director of the Alliance of Families for Justice. She previously was the Executive Director of the Correctional Association of NY and worked as a Supervising Attorney at the Neighborhood Defender Service of Harlem and a Staff Attorney at the Juvenile Rights Division of the Legal Aid Society. She was nominated by the Mayor.
- Julia Hernandez is an Associate Professor of Law at the CUNY School of Law, where she co-founded and co-directs the Family Defense Practicum and Clinic. She was nominated by the Mayor.
- Everett Hopkins is the managing attorney of Hopkins Law Group and an adjunct professor. He served as general counsel and director of administration for the New York City Criminal Justice Agency and has worked for the New York City Housing Preservation and Development and Fraud Enforcement with the Internal Revenue Service. He was nominated by the Mayor.
- Martin LaFalce is an Associate Professor of Clinical Law at St. John’s University School of Law and spent 14 years as a public defender at the Legal Aid Society. He was nominated by the Mayor.

- Juan Luciano is a divorce lawyer who has dedicated his practice to family law and domestic relations. He was nominated by the Mayor.
- Mina Malik is the CEO & Executive Partner of The Cochran Firm NY and teaches at Harvard Law School. She is a trial lawyer and civil rights attorney who has served in the Queens and Brooklyn District Attorney's Offices, on the Civilian Complaint Review Board, in the Office of the Attorney General for the District of Columbia and in the D.C. Public Defender Service. She was nominated by the Mayor.
- Sherbune Paul is a Senior Associate at Russo & Gould with ten years of experience. She previously worked as Managing Attorney at Bailey Law Firm, Associate in the Transportation Practice Group at Windels Marx and Supervising Attorney at the NYC Taxi and Limousine Commission. She was nominated by the Mayor.
- Amber Bayloris the founding director of the Criminal Defense Clinic and Clinical Professor of Law at Columbia Law School and previously the founder and director of the Criminal Defense Clinic at Texas A&M School of Law. She was also staff attorney with Neighborhood Defender Service of Harlem and a trial attorney for Federal Defenders of San Diego. She is a nominee of Chief Judge Rowan Wilson.
- Judge Kristen Booth Glen was elected to the Civil Court of the City of New York in 1980, she served in both civil and criminal Supreme Court. She was also a judge on the Appellate Term, Second Department. She left the bench in 1995, becoming the third Dean of CUNY School of Law, and was later was elected Surrogate of New York County. She is a nominee of Chief Judge Rowan Wilson.
- A. Camila Popin is the principal attorney at Popin Law, specializing in family law and divorces. She is a nominee of Chief Judge Rowan Wilson.
- Judge Milton Tingling is the first African-American County Clerk of New York County who, in 1986, became the first Black person to ever be elected to a judgeship from the 7th Municipal Court District. In addition to work on private practice, he is the founder of The Initiative, a volunteer project working with formerly incarcerated individuals. He was nominated by Chief Judge Rowan Wilson.
- Joseph Drayton is a partner at Proskauer Rose who represents companies in intellectual property and complex commercial litigation. He recently received the U.S. President's Volunteer Service Award by President Joe Biden for his work in the legal community. He was nominated by the Presiding Justice of the Appellate Division, First Department, Diane Renwick.
- Danielle Jones is an Assistant Managing Attorney at Proskauer Rose and a lecturer at Columbia Law School. Jones previously worked as Deputy Managing Attorney of the Criminal Defense Practice of Neighborhood Defender Service of Harlem. She was nominated by the Presiding Justice of the Appellate Division, First Department Diane Renwick.

- Judge William Mastro is a former Presiding Justice of the Appellate Division, Second Department who was elected to the New York State Supreme Court in 1992. He also serves as a member of the Governor's Appellate Division Second Department Screening Committee. He was nominated by the Presiding Justice of the Appellate Division, Second Department, Hector LaSalle.
- Thomas Principe is a partner at Kramer, Dillof, Livingston & Moore who specializes in personal injury law. He is a former prosecutor in Queens and was part of one of the first waves of responders from the New York Army National Guard on 9/11/2001. He was nominated by the Presiding Justice of the Appellate Division, Second Department, Hector LaSalle.
- Dennis Fan is the Founder and Director of Columbia Law School's Appellate Litigation Clinic. He previously served as a senior assistant solicitor general in the New York Attorney General's Office and in the Civil Division of the U.S. Department of Justice. He was nominated by the Dean of an unnamed law school.
- Jared M. Trujillo is an Associate Professor of Law at CUNY School of Law, where he teaches Constitutional Law, Legislative Drafting, Critical Race Theory and courses focused on the criminal legal system. He previously served as Senior Policy Counsel at the New York Civil Liberties Union and as President of the Association of Legal Aid Attorneys, UAW Local 2325. He was nominated by the Dean of an unnamed law school.

The announcement comes days after Law.com reported the resignation of MACJ executive Director, Ayanna Sorett for unclear reasons.

City Hall has said the mayor will name a new executive director "soon."

Paramount/Warner Bros Merger Secures Green Light From EU

law.com/international-edition/2026/07/22/paramountwarner-bros-merger-secures-green-light-from-eu

The powerful EU regulator was one of the last hurdles facing Paramount and Warner Bros. The U.K.'s regulator must still issue its decision, and a lawsuit opposing the merger is pending in the U.S.

The European Commission has conditionally cleared Paramount's $111 billion acquisition of Warner Bros. Discovery following a Phase I probe, subject to the buyer exiting a film distribution joint venture with Universal Pictures.

Without that commitment, the deal would have led to poorer rental and distribution terms for cinema operators, ultimately harming consumers, the agency said in announcing its approval on Wednesday.

Paramount has committed to terminating its European Economic Area (EEA) stake in the joint venture with Universal Pictures, which governs joint distribution of films outside of the U.S. and Canada, within 13 months of closing the Warner Bros. takeover.

It has also promised not to enter into any agreement with Universal to jointly co-distribute films in the EEA for 10 years.

Those commitments fully addressed the EU's concerns, prompting it to conditionally clear the deal in Phase I.

The deal was announced in February and notified to the agency on June 2. The parties submitted the remedy package later that month.

The U.K.'s Competition and Markets Authority has until August 7 to reach a decision in its Phase I investigation, after launching the probe on June 9.

The U.S. Department of Justice formally concluded its investigation on June 12, stating that the merger would "increase competition." However, a group of U.S. states has mounted a challenge against the $111 billion tie-up.

On Monday, a California federal court issued a temporary restraining order preventing Paramount from closing the merger for two weeks.

The EU cleared the deal last week under the bloc's Foreign Subsidies Regulation.

China’s State Administration for Market Regulation greenlit the merger last month. South Africa’s Competition Commission recently cleared the tie-up with public-interest commitments.

Counsel to Paramount on the deal include Cravath, Swaine & Moore partners Andrew Finch in New York and Noah Joshua Phillips in Washington, D.C., as well as Latham & Watkins partners Bill Rinner in New York and Carles Esteva Mosso in Brussels.

Warner Bros. is being advised by a Covington & Burling team that includes partners Derek Ludwin and Ross Demain in Washington, D.C., Johan Ysewyn and Melissa Van Schoorisse in Brussels, and James Marshall in London.

Fried, Frank, Harris, Shriver & Jacobson partners Barry Nigro and Kathy O’Neill in Washington, D.C., and Alex Livshits in New York are also advising Warner Bros.

[*Mealey's Litigation Procedure - 3rd Circuit Vacates Certification Of Third-Party Payers Class In Avandia MDL*]

Mealey's Daily News Update

July 22, 2026

Cite: 2026-9917 Mealey's Daily News Update 10

Section: 2026, 9917

Length: 1633 words

Dateline: PHILADELPHIA

Body

The Third Circuit U.S. Court of Appeals on July 21 vacated the certification of a class of third-party payers (TPPs) who paid for prescriptions for Avandia after finding that the statistical evidence presented in the district court to prove that alleged fraud by GlaxoSmithKline LLC (GSK) caused them to pay more for diabetes drug showed proof of correlation but failed to meet the appropriate causation standard (*In re: Avandia Marketing, Sales Practices And Products Liability Litigation, No. 25-2278, 3rd Cir., 2026 U.S. App. LEXIS 21548*).

(Opinion available 28-260724-034Z)

"We have not addressed whether TPPs in a [Racketeer Influenced and Corrupt Organizations Act] RICO pharmaceutical fraud action can prove reliance by statistical evidence. We hold it is possible, but the Plans have not done it to date. Statistical evidence can prove reliance. But not just any data will do. Proof of correlation is not enough. Proof of causation is required," Circuit Judge Thomas L. Ambro wrote for the panel, joined by Judge Tamika Montgomery-Reeves.

The court vacated the ***class certification*** order and remanded the case to the U.S. District Court of the Eastern District of Pennsylvania for further fact-finding on whether common issues predominate under the clarified causation standard.

Judge Patty Shwartz wrote separately, concurring in part and concurring in the judgment. She said she declined to join the majority's "announcement that a regression analysis is almost always needed in a case like this."

Type 2 Diabetes

Avandia is a prescription drug for lowering blood glucose in patients with type 2 diabetes and was approved by the Food and Drug Administration in 1999 for that use. It was the second drug of a class called thiazolidinediones (TZDs). In 2007, a study published in the New England Journal of Medicine reported that use of the drug increased the risk of myocardial infarction or stroke.

Litigation ensued, and cases were centralized in the District Court. Senior Judge Cynthia M. Rufe has presided over the multidistrict litigation since 2007 (In Re: Avandia Marketing, Sales Practices and Products Liability Litigation, No. 07-1871, E.D. Pa.).

Benefit plans United Food and Commercial Workers Local 1776 and Participating Employers Health and Welfare Fund and J.B. Hunt Transport Services Inc. sued GSK alleging violations of RICO, *18 U.S.C. 1961*-*1968*, and various state consumer protection laws in connection with the marketing of Avandia.

The plans allege that GSK concealed cardiovascular risks associated with Avandia and that if the plans had known about the risks they would not have included Avandia on their formularies for insurance coverage or paid for prescriptions.

The plans moved for certification in the MDL of a class of all entities in the United States and its territories that indirectly purchased or provided reimbursement for some of the purchase price of Avandia and its combination drugs Avandamet or Avandaryl from May 25, 1999, to Aug. 14, 2007.

Summary Judgment Reversed

In 2017, the MDL court granted summary judgment in favor of GSK. The District Court said the plaintiffs' state law consumer protection claims were preempted by the Food, Drug and Cosmetic Act, *21 U.S.C. 301 et seq.*, that the plaintiffs failed to sufficiently identify an enterprise under RICO and that the plaintiffs' arguments relating to alleged cardiovascular benefits were filed too late.

The plans appealed to the Third Circuit, which reversed in part after applying the U.S. Supreme Court's preemption ruling in *Merck Sharp & Dohme v. Albrecht, 139 S.C. 1668 (2019)*, and remanded the case to the MDL court.

The plans then moved for certification of a class defined as: "All entities in the United States of America and its territories, which indirectly purchased, and/or provided reimbursement for some or all of the purchase price for the drugs Avandia, Avandamet, and/or Avandaryl from May 25, 1999 until August 14, 2007. Included in the Class are self-insured nongovernmental entities and third-party payers that offer insured plans to private individuals and groups. Likewise third-party payers that offer insured plans to government entities including the Federal Employee Program, Managed Medicaid, and Medicare Part D are class members."

Expert Testimony Excluded

GSK moved to exclude certain expert testimony. In October 2024, Judge Rufe ruled that the testimony of Meredith Rosenthal, who was retained to opine on the "pharmaceutical demand and the effect of Avandia promotions on sales," was inadmissible under *Daubert v. Merrell Dow Pharmaceuticals Inc., 509 U.S. 579 (1993)*, and Federal Rule of Evidence 702, Fed. R. Evid. 702. Judge Rufe also ruled that Thomas McGuire, an expert on damages, was partly excluded from testifying because certain opinions were based on Rosenthal's findings.

She ruled that McGuire's alternative method, known as the Step-Down Adjustment, "is sufficiently tailored to the Plans' benefits theory of liability and should not be excluded under Rule 702."

The judge certified the class in May 2025. GSK appealed to the Third Circuit.

Limited Scope

The Third Circuit first noted that it may limit the scope of its review under Federal Rule of Civil Procedure Rule 23(f), Fed. R. Civ. P. 23(f).

"The text does not expressly address whether a motions or merits panel may limit review to specific questions. No precedent of ours directly answers this question either," the court said, but noted that it has analogized Rule 23(f) to *Title 28 U.S. Code Section 1292(b)*, *28 U.S.C. 1292(b)*.

"Under that subsection, we may choose which issues we review when we accept and decide an appeal. For this reason, we now hold we have the same discretion under Rule 23(f)," the court said.

The panel held that "there is no dispute" that the plans met the requirements for ***class certification*** under Rule 23(a), Fed. R. Civ. P. 23(a).

"What is disputed is whether they satisfy two requirements of Rule 23(b)(3): predominance and ascertainability. Although we do not believe the ascertainability issue presented in this case merits review, we briefly address it out of respect for the parties," it said.

Objective Records

The Third Circuit held that there are objective records of reimbursements for Avandia prescriptions.

"The District Court's finding the Plans will be able to distinguish end-payors from fully insured plans did not clearly err either. GSK claims that most TPPs will rely on [pharmacy benefits managers (PBM)] purchase records to establish their membership in the class. Generally, those documents do not identify whether a purchaser was an end-payor. . . . The Plans, however, do not propose to rely on PBM data alone; the record contained ample evidence they would be able to use other resources to distinguish end-payors from fully insured TPPs," the court held.

The appeals court found no abuse of discretion in the District Court's finding that the class is ascertainable.

But it found that "the record so far does not show that common issues would predominate." The court explained that the plans must demonstrate that they covered more Avandia prescriptions because of GSK's fraud.

"[T]hey claim GSK's fraud caused them to reimburse more prescriptions for Avandia because the fraud swayed physicians to prescribe it. And the District Court agreed. But it did not fully address all disputes relevant to ***class certification***. Even if it had, certain of the evidence proved correlation not causation, and the remaining evidence has not yet been analyzed," the Third Circuit said.

Not Enough Evidence

The plans were left with only statistical evidence of correlation and circumstantial evidence of causation after the judge ruled that certain expert testimony was inadmissible.

"In this context, where their theory depends on establishing the fraud caused enough prescriptions to make it likely the fraud injured the entire class, that is not enough," the court said.

Concurrence

In her concurrence, Judge Shwartz disagreed with the majority "that a regression analysis is almost always required to prove causation in a case like this."

"My colleagues essentially assert that a regression analysis is necessary to satisfy the predominance element and certify the class, but this seems to exceed the requirements for ***class certification***. Although I recognize that the evidence must ultimately prove causation and not correlation, that seems to be a different question from whether sufficient common evidence exists concerning a matter each class member, through the named plaintiffs, must prove, namely whether the Plans have adduced sufficient common evidence to support an inference of causation," she said.

Counsel

GSK is represented by Cole T. Carter in Chicago and Devora W. Allon, Jay P. Lefkowitz and Kevin M. Neylan Jr. in New York, all of Kirkland & Ellis LLP and Robin P. Sumner and Kyle A. Dolinsky of Troutman Pepper Locke in Philadelphia.

The third-party payers are represented by Thomas M. Sobol, Erin C. Burns and Hannah W. Brennan of Hagens Berman Sobol Shapiro LLP in Boston; James R. Dugan II and David S. Scalia of The Dugan Law Firm LLC in New Orleans; Edwina Bullard Clarke and David Zimmer in Boston and Julia Solomon-Strauss in Washington, D.C., all of Zimmer Citron & Clarke; Joseph

Securities

Nasdaq to Kick Off Tiny Companies Faster After SEC Approves Rule

July 22, 2026, 4:53 PM PDT

Nasdaq Inc.will change its rules to make it easier to kick off flailing businesses as regulators zero in on wild market swings and allegations of manipulation that have plagued trading in so-called microcap stocks.

A Nasdaq-listed company worth less than $5 million for 30 straight days, based on the value of its listed securities, would face immediate suspension and delisting with limited opportunities to appeal under a plan the US Securities and Exchange Commission approved Wednesday.

The stricter standard is expected to sweep through the microcap and pennystock world, where watchdogs have issued warnings about fraud perpetuated through high-tech pump-and-dump stock schemes.

Cheap stocks with low market value have a greater chance of being manipulated or experiencing trading volatility because fraudsters need less capital to influence share prices, the SEC said in its order.

The rule, proposed by the exchange operator in January, has drawn support from Wall Street mainstays like Citadel Securities, Charles Schwab and the securities trade group Sifma. But it has drawn fierce opposition from small companies, attorneys and advisers, many of whom argued the attempt to curb alleged bad behavior would punish legitimate startups.

“This rule will severely impact small businesses, will impair capital formation, and will create perverse incentives for short-selling in smaller companies,” said **Marc Indeglia**, president of the Small Public Company Coalition, which represents investors in the small and microcap markets. “It’s not consistent with the commission’s current mantra to ‘make IPOs great again’ and increase capital formation.”

Nearly 180 Nasdaq-listed companies currently have a market capitalization of less than $5 million. Market cap is roughly equivalent to the exchange’s threshold, according to Bloomberg data.

About a third of these companies are based in Asia, the data shows. Some were identified in an earlier Bloomberg analysis as showing patterns of being targeted for apparent pump-and-dump manipulation schemes on social media.

Securities

SEC Agrees to Pay $150,000 to End Coinbase Suit Over Records

July 22, 2026, 9:04 AM PDT

The US Securities and Exchange Commission agreed to pay $150,000 in legal fees to end Coinbase Global Inc.'s 2024 lawsuit seeking internal documents on the regulator's Biden-era crackdown on the cryptocurrency industry.

The agreement, outlined in a filing Wednesday in federal court in Washington, ends a two-year Freedom of Information Act legal battle between the Wall Street regulator and Coinbase. It's also the latest sign of the SEC's embrace of crypto under President Donald Trump as the regulator drops enforcement cases and drafts rules to cement the industry in mainstream finance.

"Unlike the SEC in the previous administration, this SEC acknowledges that what it did was wrong and wants to make sure it doesn't happen again," Coinbase Chief Legal Officer Paul Grewal said in an interview.

As part of the agreement, the SEC will also provide two documents it previously withheld and review records about backed-up devices of certain senior SEC officials. The SEC declined to comment.

Coinbase in 2023 hired History Associates, a consultant, to submit records requests to the agency about three crypto-related investigations. The agency largely denied the requests, Coinbase said. In June 2024, History Associates sued the SEC and the Federal Deposit Insurance Corp. to force them to turn over records on how the regulators policed the crypto market.

Coinbase at the time accused the SEC of waging a "scorched earth" campaign against crypto companies "designed to cripple the digital-asset industry."

The firm also pressed the FDIC to turn over letters it purportedly sent to banks asking them to pause crypto-related activities. The FDIC turned over correspondence and agreed to pay more than $188,000 in legal fees in February.

Coinbase's records request was stymied in part by the inability to access some of former SEC Chairman Gary Gensler's internal communications during a period that included the collapse of Sam Bankman-Fried's crypto exchange FTX and the agency's heightened scrutiny of the industry.

In September 2025, the SEC's inspector general reported that text messages sent and received by the ex-agency head between October 2022 and September 2023 were deleted from his agency-issued phone during a "poorly understood and automated policy" that caused an enterprise wipe of the device.

Gensler didn't immediately respond to a message seeking comment.

The SEC sued Coinbase in 2023, accusing the company of operating an illegal securities exchange. It was one of several high-profile enforcement actions against crypto companies in the aftermath of the FTX implosion.

Since Trump's return to the White House, the SEC has dismissed or paused at least a dozen cases against crypto companies, including a high-profile lawsuit against Binance Holdings Ltd. The reversals align with Trump's pledge to make the US the "crypto capital" of the world as digital assets have transformed his family's wealth.

The SEC agreed to drop the case against Coinbase in February 2025.

To contact the reporter on this story:
Nicola M White in Washington at nicwhite@bloomberg.net

To contact the editors responsible for this story:
Megan Howard at mhoward70@bloomberg.net

Elizabeth Wasserman, Steve Stroth

States Say Nielsen Ruling Backs Claims In Live Nation Suit

July 22, 2026

Author: James Boyle

Summary

A recent Second Circuit ruling in a data-tying case was invoked Wednesday to support a motion by more than a dozen state attorneys general opposing Live Nation's attempt to overturn a federal jury verdict against the company.

Body

A recent Second Circuit ruling in a data-tying case was invoked Wednesday to support a motion by more than a dozen state attorneys general opposing Live Nation's attempt to overturn a federal jury verdict against the company.

The bipartisan coalition of attorneys general said in a letter to a New York federal judge that last week's appellate panel ruling finding ratings company Nielsen Co. could not force media company Cumulus Media New Holdings Inc. to purchase local data reports to access the national report has elements that apply to the antitrust case against Live Nation.

"In reaching its conclusion, the Second Circuit held that a policy conditioning the purchase of one product on the purchase of another need not be express and that ongoing enforcement of the policy is sufficient to constitute coercion," the letter said.

Live Nation, which owns Ticketmaster, was held liable by a federal jury in April for illegally monopolizing ticketing services for large music venues. The jury also found that the entertainment company anticompetitively ties artists' use of large amphitheaters to its concert promotion services.

In May, Live Nation sought to overturn the verdict with posttrial motions for judgment in its favor and a new trial in the long-running antitrust dispute. The company argued that the states didn't have any evidence to support claims that Live Nation did anything to raise prices. Live Nation argued that artists make more money at amphitheaters, and Ticketmaster prices at major concert venues are not higher than other spaces, according to court documents.

The attorneys general filed an opposing motion to Live Nation's request for judgment and a new trial in June. In their response, the states said the federal jury heard testimony and saw evidence showing that Live Nation obtained and maintained control over the only large amphitheaters in 40 critical markets. The states said evidence showed Live Nation then used its "monopoly power" to tie artists' use of its venues to its concert promotion services, according to the motion.

Wednesday's letter to U.S. District Judge Arun Subramanian seeks to add additional support to the state attorneys general's opposing motion, saying the Second Circuit's July 13 decision applied the same elements of their tying claim against Live Nation.

The appellate panel in that case upheld a trial court's preliminary injunction against Nielsen's contract with Cumulus, which required the radio broadcasting company to purchase its national ratings data at a 10-fold price increase from previous contracts to access local market data in a separate report.

Along with fighting Live Nation's motion for a new trial, the states are also pressing ahead with the remedies from the jury verdict, including a bid to force the sale of Ticketmaster. The attorneys general are making their case without the support of the U.S. government, which reached a midtrial settlement with Live Nation in March.

Judge Subramanian issued an order in June allowing the state attorneys general's motion for discovery to move ahead on the DOJ settlement. He also put a hold on discovery for the remedies phase of the case until after a ruling on Live Nation's posttrial motions.

Representatives for the parties could not be reached for comment Wednesday.

The federal government is represented by Andrew L. Kline and David M. Teslicko of the U.S. Department of Justice's Antitrust Division.

The states and D.C. are represented by their respective attorneys general and Jeffrey L. Kessler, Eva Cole, Johanna Rae Hudgens, Jeanifer Parsigian and Joshua Hafenbrack of Winston Taylor.

Live Nation and Ticketmaster are represented by Alfred Pfeiffer, David Marriott, Tim O'Mara, Jennifer L. Giordano, Andrew Gass, Kelly Fayne, Lindsey S. Champlin and Robin L. Gushman of Latham & Watkins LLP and Lauren A. Moskowitz, Jesse M. Weiss and Nicole M. Peles of Cravath Swaine & Moore LLP.

The case is U.S. et al. v. Live Nation et al., case number 1:24-cv-03973, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Christine DeRosa, Matthew Perlman, Matthew Santoni, Bryan Koenig and Pete Brush. Editing by Drashti Mehta.

Class Action

Stellantis Workers Seek Final Court Nod for Wage Suit Settlement

July 22, 2026, 10:02 AM PDT

Stellantis production workers requested a Michigan federal judge sign off on a nearly $3.8 million deal to end their wage-and-hour lawsuit against the automaker.

The settlement covers almost 68,000 people who worked at FCA US LLC — formerly Chrysler, now a Stellantis NV unit doing business as Stellantis North America — manufacturing facilities nationwide, the workers told the US District Court for the Eastern District of Michigan on Tuesday. They asked Judge Linda V. Parker to give the deal final approval.

The workers allege Stellantis didn't properly calculate their regular pay rates for overtime purposes, depriving them of some of what they should have earned for working extra hours. Parker rejected the company's motion to dismiss the suit in 2024. Stellantis denies any wrongdoing.

The deal represents roughly 43% of the workers' $8.9 million estimate of the maximum possible damages, according to the settlement documents. The pact covers current and former hourly employees who worked for Stellantis in the US between Feb. 10, 2020, and May 12, 2025.

The settlement sets aside almost $1.3 million, or a third of the total fund, as attorneys' fees for class counsel Sommers Schwartz PC and Melmed Law Group PC. The firms also seek up to $25,000 more as reimbursement for their litigation expenses.

Ogletree, Deakins, Nash, Smoak & Stewart PC represents Stellantis.

The case is Featherstone v. FCA US LLC , E.D. Mich., No. 2:23-cv-10362, motion filed 7/21/26 .

To contact the reporter on this story: Jennifer Bennett in Washington at jbennett@bloombergindustry.com

To contact the editor responsible for this story: Rebekah Mintzer at rmintzer@bloombergindustry.com

Texas AG lands $150M 23andMe set-tle-ment for data breach

Legal News Line

July 22, 2026

Length: 483 words

Byline: Phil Davidson

Body

AUSTIN — Texas Attorney General Ken Paxton has secured a settlement of bankruptcy claims against 23andMe, which helps resolve issues stemming from a 2023 data breach that compromised the genetic data of 6.9 million customers worldwide.

The settlement includes $150 million for a multistate coalition of 42 states, according to the Office of the Attorney General.

“The 23andMe data breach was a serious failure to protect consumers’ privacy that exposed the genetic information of millions of people,” Paxton said. “Companies that collect and profit from Texans’ most personal information have a legal duty to protect it. This settlement sends a clear message that companies cannot cut corners on data security. It helps ensure stronger protections for consumers’ genetic information moving forward.”

In October 2023, direct-to-consumer genetic testing company 23andMe announced that it had discovered a data breach affecting 6.9 million consumers. The breach exposed a wide range of customer data, including, in some cases, genetic ancestry information. Subsets of this data were later published for sale on the dark web.

23andMe learned about the breach months after the impacted personal information had become publicly available. The company initially denied that a breach had occurred and, after confirming it, blamed consumers for how their accounts were configured and how passwords were used.

In the immediate aftermath of the data breach, Paxton joined a multistate investigation. The investigation found that 23andMe engaged in unreasonable data security practices and failed to implement adequate safeguards against hacking.

In March 2025, 23andMe filed for bankruptcy protection. As part of the bankruptcy proceedings, the participating states asserted claims arising from the data breach investigation. The resulting settlement incorporates many of the privacy and cybersecurity protections that likely would have been required through a traditional enforcement action, which include enhanced data security standards, comprehensive risk assessments, and the creation of an independent advisory board.

Additionally, compliance with applicable state privacy laws will be enforced without exception, and the continued availability of consumer data deletion rights will be preserved. The requirements will help ensure that the TTAM Research Institute, now operating as the 23andMe Research Institute, serves as a more responsible steward of consumers' genetic information moving forward.

Due to the finite amount of funds available in the bankruptcy estate and numerous other claims, recovery is limited to $18 million, which will be paid immediately from the available bankruptcy funds. Of the $18 million, Texas will receive $1,266,860. 23andMe also agreed to a $46.75 million class-action settlement in the bankruptcy to provide relief to affected U.S. consumers who submitted claims by February 17.

J&J enters US robotic surgery market after device gets marketing authorization | Business Information & News | FE

July 22 (Reuters) - Johnson & Johnson said on Wednesday the U.S. Food and Drug Administration had granted marketing authorization for its robotic surgery device, as the healthcare conglomerate enters the soft-tissue robotic surgery market.

The decision marks a key step for J&J's medtech business that had been seeking to compete in the robotic-assisted surgery market, currently dominated by Intuitive Surgical's da Vinci system. Medtronic's Hugo robot was also approved last year.

J&J's Ottava robotic surgical system was authorized for use in multiple general surgery procedures in the upper abdomen, including gastric bypass, gastrectomy, gallbladder removal, gastric sleeve surgery, appendectomy and hiatal hernia repair.

The company said it would begin a U.S. commercial launch with select customers, while working on expanding the system into additional indications and regulatory markets.

"Our intention is to lead in surgical robotics... we're also planning fast launches in key markets globally, like Japan and Western Europe," said Hani Abouhalka, chairman of surgery at J&J MedTech, adding the global robotic surgical procedure penetration is 8%.

TD Cowen analyst Michael Nedelcovych said another trial in inguinal hernia repair - one of the most common surgeries in the U.S. - can be conducted in a timely fashion, yielding a second U.S. regulatory submission for the system early next year.

The company said Ottava's robotic arms are integrated directly into the operating table, and therefore the device occupies 30% to 50% less space than traditional boom-and-cart-mounted systems used by most surgical robots.

J&J said its device has the potential to work in operating rooms that could not previously accommodate a robotic system.

"While Ottava has some interesting selling points (smaller footprint), our doc checks continue to point to Intuitive as the clear favorite given its physician relationships and entrenched integration into the hospital workflow and academic programs," J.P.Morgan analyst Robbie Marcus said in a note.

Pension to lead investor suit over packaging company's inventory issues | Secondary Sources | National

(July 22, 2026) - A federal judge has tapped a Canadian pension fund to lead a proposed securities class action alleging an Atlanta-based consumer packaging maker fraudulently concealed inventory management issues, decreased demand and increased costs.

U.S. District Judge Jeannette A. Vargas of the Southern District of New York on July 20 appointed the Saskatchewan Healthcare Employees' Pension Plan as lead plaintiff and approved its choice of Labaton Keller Sucharow LLP as lead counsel.
The lawsuit, filed in the District Court on May 7, seeks to proceed on behalf of a class of investors who acquired Graphic Packaging securities between Feb. 4, 2025, and Feb. 2, 2026.

The complaint names as defendants former CEO Michael P. Doss and former Chief Financial Officer Stephen R. Scherger in addition to the company.

Hidden inventory issues?

According to the complaint, the defendants touted the strength of the company's business model and its ability to manage costs and inventory while concealing the inventory management problems and other issues.

The truth began to emerge in May 2025, when Graphic Packaging reported disappointing financial results and lowered its full-year guidance, prompting its stock price to fall 15.57%, the suit says.

The company's stock dropped 8.66% on Dec. 9, after it announced Doss's departure and inventory reduction plans, and lowered its financial guidance for 2026, according to the suit.

Then on Feb. 3, Graphic Packaging reported disappointing financial results and projected a steep decline in earnings due to a $130 million hit from its inventory reduction, leading to a 15.97% drop in the company's share price, according to the complaint.

The lawsuit alleges violations of the anti-fraud and control-person provisions in Sections 10(b) and 20(a) of the Securities Exchange Act, 15 U.S.C.A. §§ 78j(b) and 78t(a), and Securities and Exchange Commission Rule 10b-5, 17 C.F.R. § 240.10b-5.

Pension fund appointed

Three investors — the Saskatchewan Healthcare Employees' Pension Plan, Steven Probst and Louis Oden III — filed motions to be appointed lead plaintiff.

Probst and Oden later filed notices indicating they did not oppose the pension plan's bid to lead the suit.

Judge Vargas noted that it is undisputed that the pension plan had the largest financial interest among the three movants, with approximately $2.1 million in alleged losses.

The pension fund also satisfied the typicality and adequacy requirements of Rule 23. With no opponents challenging the pension fund's presumptive adequacy, Judge Vargas appointed it as lead plaintiff.
The judge also approved its selection of Labaton as lead counsel, noting that the firm has substantial experience prosecuting securities fraud class actions.

Robert R. Long IV of Alston & Bird LLP represents Graphic Packaging and the individual defendants.

When alleged loss is delayed or tracks the market, the United States Court of Appeals for the Second Circuit holds that private securities plaintif... | Business Information & News | FE

When alleged loss is delayed or tracks the market, the United States Court of Appeals for the Second Circuit holds that private securities plaintiffs must plead more to survive dismissal

On June 26, 2026, in Huey v. Anavex Life Sciences Corporation, No. 25-1752, the United States Court of Appeals for the Second Circuit affirmed the district court's dismissal of a putative class action asserting securities fraud claims where the plaintiff-shareholder failed to plead a plausible causal link between the alleged misrepresentations and the loss in share price, as was necessary to plead loss causation. Circuit Judge Guido Calabresi held that, when the issuer's stock did not drop on the date of the alleged corrective disclosure, the losses only took place days later, and those losses coincided with a market-wide phenomenon, the plaintiff bore a heightened burden to plead a plausible causal link between the alleged misrepresentation and the delayed drop in stock price.

Background

Plaintiff-appellant Huey brought a putative class action against Anavex Life Sciences Corporation, a publicly traded biopharmaceutical company, and its CEO, alleging that they misled investors by implying that the FDA had approved their methodology for measuring a drug candidate's efficacy in clinical trials.

In 2016, Anavex first announced that one of its drug candidates showed "positive preclinical data" for treating Rett syndrome. Rett syndrome is a rare genetic neurodevelopmental disorder that causes progressive loss of motor skills and language. The drug candidate, called ANAVEX 2-73, uses SIGMAR1 activation in order to restore cellular balance. To obtain FDA approval to sell the drug, Anavex conducted the AVATAR and EXCELLENCE trials starting in 2019. Each of these trials used "endpoints," or standardized metrics, to measure the drug's efficacy. One endpoint was a patient's improvement on a behavioral questionnaire (RSBQ), and another was the patient's improvement on the Clinical Global Impression-Improvement (CGI-I) scale. For improved accuracy, the endpoints are "anchored" together. Neuren, a competitor, was also developing a drug for Rett syndrome at this time and received FDA approval in 2023 using the same RSBQ/CGI-I endpoint. Neuren compared the final RSBQ/CGI-I score with the baseline pretreatment score to determine a net improvement.

Anavex, however, took a different approach for one of its trials. Instead of comparing the baseline and end-of-treatment scores, Anavex also accounted for scores reported during the trial. By doing so, Anavex could show a positive result, even if the end-of-treatment score showed no improvement from the baseline. This method was called RSBQ-AUC or "Area Under the Curve."

Anavex's statements regarding its endpoint usage were central to the plaintiff's case. The plaintiff alleged that:

On February 1, 2022, when asked during a special conference call whether Anavex would be using the same endpoint in the EXCELLENCE trial as in the AVATAR trial, the CEO said they would be using the "same endpoint" because it was the "preference of the FDA."

Over the course of 2022, Anavex and its CEO made several misleading statements reiterating their intention to use the same RSBQ-AUC endpoint in its clinical trials. The CEO referenced "really specific" guidance from the FDA.

On February 2, 2023, Anavex issued a press release on the EXCELLENCE trial announcing that the company exceeded its enrollment and "received [the FDA's] input on the endpoints" utilized. The press release did not indicate whether the FDA approved of the AUC endpoint.

On February 7, 2023, during a conference call discussing quarterly earnings, an analyst asked whether the EXCELLENCE endpoint was the same as was used in the AVATAR study and whether the FDA had approved the AUC method as an appropriate endpoint. The CEO responded that the RSBQ/CGI-I endpoint was used and clarified that it was a different measurement from that used in the AVATAR study.

The February 7, 2023 statement was the first time Anavex stated it would not be using the RSBQ-AUC endpoint. By market close on the day of the conference call, the stock price increased from $11.11 to $11.75 per share. The next day, the stock fell to $10.93 per share and then to $10.41 the day following.

The plaintiff brought suit to represent a class of shareholders similarly situated and alleged that Anavex violated the Securities and Exchange Act by fraudulently using the RSBQ-AUC endpoint to conceal weak data even though Anavex knew the FDA would not find the endpoint acceptable.

Anavex and its CEO moved to dismiss the class action, and the United States District Court for the Southern District of New York granted the motion and dismissed the case with prejudice. While the court concluded that the plaintiff adequately alleged falsity and scienter for the February 2, 2023 press release statement, the court held that the plaintiff failed to plead loss causation when, on the day of the corrective disclosure, the stock price went up rather than down and the decreased share price on the two days following the disclosure moved in the same direction as the market generally. The court also denied the plaintiff's motion to amend her complaint as she could not establish loss causation. The plaintiff appealed.

Judge Calabresi's detailed explanation of loss causation

Judge Calabresi, himself a leading torts scholar, began the court's review by providing an explanation of loss causation generally.

He explained that, at common law, there are three general requirements of causation: (1) but-for causation, (2) causal link, and (3) proximate cause. But-for causation questions whether the plaintiff would have been harmed but for the defendant's conduct. Causal link then considers whether the defendant's actions increased the likelihood that the harm occurred to the plaintiff. It assesses whether there is a relationship between the nature of the conduct and the harm suffered. Both the but-for cause and the causal link must be proximate, but courts often conflate causal link with proximate cause. Although a causal link may exist, it may be too weak to impose liability under proximate cause.

While the three causation elements may not be required under every statute, they are necessary in the securities context. Private damages actions under the Securities Exchange Act of 1934 and Rule 10b-5 "resemble[], but [are] not identical to, common-law tort actions for deceit and misrepresentation." In the Private Securities Litigation Reform Act, Congress added a causal requirement that the plaintiff has the burden of proving the violation caused the loss. As a result, all three causation elements must be met. This requirement was affirmed by the United States Supreme Court in Dura Pharmaceuticals, Inc. v. Bruda, where the Court stated the plaintiff must plead reliance, which is "essentially but-for causation in a fraud-on-the-market context," and "loss causation." In the relevant statute the plaintiff relied on, loss causation requires both causal link and proximity.

Judge Calabresi then turned to the pleading standards for loss causation. While in some contexts the causal link between the misrepresentation and the harm is plausible "upon first glance," there are other situations that appear coincidental, requiring the plaintiff to allege something additional. In the securities context, when the share price decreased following the reveal of a misrepresentation, courts generally find causation rather than coincidence. Judge Calabresi noted, however, that this assessment fails to conceive of common situations in a sophisticated market. For example, it is entirely possible that on the day a corrective statement is made, the whole market declines generally. While a "plausible causal link is easy to establish where the share price declines and the market does not," more must be pled when that is not the case.

Timing is essential to establish plausible loss causation, as, in an efficient market, courts will assume an immediate reaction in stock price. Judge Calabresi noted that this assumption is not necessarily a per se rule. Instead, "where a plaintiff alleges a loss that occurs some time after the corrective disclosure is made, it becomes that plaintiff's burden to allege plausibly why the loss was not immediate." The "purpose of these additional pleadings is to explain why the market did not operate with 100% efficiency in absorbing the material information." Because the ordinary pleading rules are "not meant to impose a great burden," the court's role is to assess the loss causation in light of the broader market's movements and the gap in time between the corrective statement and the alleged loss.

The court's ruling

While a securities fraud complaint must meet a heightened pleading standard under Rule 9(b), the loss causation pleading requirement is not subject to the Rule, and the court analyzed the claim accordingly.

Judge Calabresi first noted that not only did the alleged loss not occur on the day of the corrective disclosure, the decline actually occurred two days after, as the sum of the movements on the first two days balanced out and tracked the market. The rarity of this sort of delay created a heightened burden on the plaintiff to establish a plausible causal link.

That burden was then increased when, on the days of the alleged losses, the market also declined. "In such cases where it is difficult to know whether the defendants' misrepresentation rather than larger market forces influenced a company's share price, it is not the role of district courts to undertake their own complex causal disaggregation analysis or event study at the pleading stage." The plaintiff instead must allege more.

Here, the plaintiff did not adequately plead a causal link, as she merely pointed to the subsequent but delayed decline in share price. Had the decline been immediate and contrary to the market, the pleading would likely have been sufficient, but instead she needed to prove "'some indication' of why the loss was delayed and why the loss was caused by the corrective disclosure rather than intervening market forces."

While on appeal the plaintiff argued that the corrective disclosure was "technical in nature" and its ramifications "were not readily apparent," and therefore took more time to be assimilated by the market, the court held that argument was conclusory and did not "save the absence of plausible assertions" in her complaint. Accordingly, the plaintiff failed to plead loss causation and the dismissal was affirmed. And because the court was not persuaded the plaintiff could plead loss causation as to the February 2, 2023 statement, the court affirmed the district court's denial of leave to amend as futile.

Comment

The court's heightened pleading burden may provide an efficient path to early dismissal for defendants facing private securities claims. When loss is delayed or merely parallels that of the market, plaintiffs will need to allege more. The courts will not "devise new theories of causation to save a deficient complaint," and plaintiffs will need to overcome the commonsense understanding that an efficient market will react immediately to a corrective statement. For many private plaintiffs, this may be a challenging task.

Securities Class Action Deals On Target To Hit 6-Year High

law360.com/articles/2504518/securities-class-action-deals-on-target-to-hit-6-year-high

(July 22, 2026, 9:33 PM EDT)-- The value of class action settlements is on track to reach a six-year high of $4.4 billion, fueled in part by a handful of "mega settlements" and other high-dollar deals, a Cornerstone Research report released Wednesday said.

The **report**, titled "2026 Midyear Assessment: Securities Class Action Settlements," said in the first half of this year, there were 39 settlements reached in securities class actions totaling $2.2 billion. Four "mega settlements" of $100 million or more contributed to this year's midyear total figure, according to the report.

Last year at the midyear mark, 32 settlements had been reached totaling $1.7 billion, and in 2021, shortly after the height of the COVID-19 pandemic, the total midyear dollar amount was $1.1 billion, the report said.

The total settlement amount for 2025 was $3.1 billion, while 2021's tally was $2.2 billion, Cornerstone's report added.

The highest midyear figure of the past nine years was $4.8 billion in 2018, which led to an annual settlement total of $6.7 billion, the report said.

"If current trends continue, 2026 is on track to exceed 2025 in both the number of settlements and total settlement dollars, with projected settlement dollars reaching their highest level since 2020," Cornerstone Research Vice President Laarni Bulan said in a statement.

Securities settlements totaled $5.4 billion in 2020, Cornerstone's report said.

Bulanadded that potential plaintiff losses, or "plaintiff-style damages," in settled cases in the first half of 2026 had exceeded previous years' annual totals, which reflects "the scale of matters being resolved."

The median settlement amount in the first half of 2026 also reached $20 million, a new high compared with the annual median of the past nine years, which ranged from roughly $7 million to $17 million, the report said.

In a statement, Cornerstone Research principal Eric Tam said the median settlement values surpassing the typical annual levels of the past decade underscores the "continued significance of securities litigation settlements."

Most of the settlements in the first half of 2026 were reached in cases involving the healthcare industry, the report said. There were 14 settlements reached in litigation involving the healthcare sector, followed by seven settlements involving the industrials and communication services sectors and six deals involving information technology, according to the report.

In total, the report said these industries accounted for nearly 70% of the securities settlements reached in 2026 thus far.

The report further said that over 92% of the settlements reached in the first half of the year were in actions asserting securities fraud claims.

Additionally, 36% of the settlements involved alleged violations of generally accepted accounting principles, according to one of the report's figures.

Median plaintiff-style damages have also been greater so far this year than the annual medians of the past nine years, coming in at $660 million, according to the report.

"Approximately 36% of these 2026 H1 settlements has plaintiff-style damages greater than $1.5 billion," the report said. "By comparison, only 14% of settlements between 2017 and 2025 had plaintiff-style damages exceeding $1.5 billion."

The report added that of the settled actions this year involving claims of securities fraud, 61% involved parallel derivative actions or an institutional investor serving as lead plaintiff, and settlement amounts tended to be higher in those cases or in those involving accounting irregularities or criminal charges, among other things.

Meanwhile, settlement amounts tended to be lower if the involved issuer had been delisted from a major exchange or had declared bankruptcy, the report said.

J&J Talc Plaintiffs Must Back Up Cancer Link Or Risk MDL

law360.com/articles/2504709

(July 22, 2026, 11:38 PM EDT)-- Plaintiffs alleging Johnson & Johnson's talcum powder products caused ovarian cancer must show they can offer expert opinions on the link between the disease and talc use or risk having their lawsuits tossed, a New Jersey federal judge ruled Wednesday.

U.S. Magistrate Judge Rukhsanah L. Singh's **order** grants J&J's **motion** for an order to show cause and directs the plaintiffs to explain why the cases of more than 69,000 claimants in the multidistrict litigation "should not be dismissed with prejudice for failure to point to admissible expert opinion as to specific causation."

The dispute stems from the plaintiffs' withdrawal of their **causation experts**, physicians Drs. Daniel Clarke-Pearson and Judith Wolf, with J&J arguing in its June motion that the experts "effectively conceded" during May hearings on the admissibility of their testimony that there is no reliable way to link exposure to talc to a specific woman's ovarian cancer.

J&J — which has denied the allegations that its talc products caused cancer — argued that the six bellwether cases slotted for trial, as well as the rest of the pending cases in the MDL, now lack admissible evidence on specific causation and should be dismissed.

In her order Wednesday, Judge Singh looked at "a number of issues that lead to grave doubt that any given plaintiff in this MDL would ever by able to proffer such admissible evidence," including Wolf's testimony that she didn't know of any way to rule in or out any particular risk factor for ovarian cancer in a given claimant.

Meanwhile, Clarke-Pearson couldn't justify his determinations as to whether to rule out a particular risk factor, the order states.

Both experts "effectively testified that the applicable known science does not provide them with a way to separate or individually analyze the various risk factors," Judge Singh said. "This then begs the question of whether any expert would be capable of reliably evaluating the risk factors for a woman's specific ovarian cancer to determine which risk factor(s) 'substantially contributed' to the disease and which risk factor(s) did not."

The plaintiffs also argue that experts don't need to determine whether the risk factors act cumulatively, additively or synergistically to show that the use of talc powder is a "substantial factor" in a particular woman's cancer, according to the order.

But Judge Singh pointed out that there distinctive differences between the three types of effects and that the "type of effect goes to the ability to reliably 'rule out' other known risk facts in employing the differential etiology methodology to opine that one factor is 'substantially contributing' to the disease."

In addition, the judge determined that the two physicians did not adequately explain or clarify which effect they applied when considering the various specific risk factors for the plaintiffs in the bellwether cases, the order states.

"These are some of the critical challenges that raise deep skepticism that a plaintiff can proffer admissible expert opinion to support a finding that talcum powder use specifically caused her ovarian cancer," Judge Singh said. "If such uncertainty is indeed reality, then how can any plaintiff here meet her burden on the merits of her claim?"

The judge determined that a show cause order is the "appropriate mechanism to address the uncertainty," according to the order.

She noted that while each of the more than 69,000 plaintiffs could file motions to try to dispel the evidentiary concerns regarding specific causation, that would not be practical or efficient, the order states. And given that the litigation has been going on for more than a decade, all the parties "deserve an opportunity to assess what claims may be meritorious and what claims may not," the judge said.

In this case, a show cause process will be the best method, and will allow all plaintiffs and the defendants to be heard, while giving the court the ability to determine which claims should go forward, according to the order.

The plaintiffs have 120 days to respond to the order and then J&J will have 90 days to respond, Judge Singh said.

"For years, plaintiff lawyers have advanced talc claims that were and are unsupported by reliable science," Erik Haas, worldwide vice president of litigation for J&J, told Law360 in a statement Thursday.

"Today's ruling recognizes that fundamental failure of proof. Decades of scientific studies have found no reliable evidence that cosmetic talc causes ovarian cancer," he said. "Today's decision brings these cases one step closer to the inevitable, equitable and appropriate outcome — the complete dismissal of the talc litigation."

The plaintiffs steering committee is represented by Christopher M. Placitella of Cohen Placitella & Roth PC and Michelle A. Parfitt of Ashcraft & Gerel LLP.

The J&J parties are represented by Peter G. Verniero, Michael S. Carucci and Stephen A. Moran of Sills Cummis & Gross PC, Steve Brody of O'Melveny & Myers LLP, Jessica Brennan of Barnes & Thornburg LLP, Kristen Fournier of Kirkland & Ellis LLP, and Susan M. Sharko of Faegre Drinker Biddle & Reath LLP.

The multidistrict litigation is In re: Johnson & Johnson Talcum Powder Products Marketing, Sales Practices and Products Liability Litigation, case number 3:16-md-02738, in the U.S. District Court for the District of New Jersey.

J&J's Delays Should End $25M Asbestos Appeal, Builder Says

law360.com/articles/2503916/j-j-s-delays-should-end-25m-asbestos-appeal-builder-says

(July 23, 2026, 3:41 PM EDT)-- A western Massachusetts real estate developer has asked a Connecticut appeals court to toss Johnson & Johnson's appeal of a $25 million asbestos cancer verdict in his favor, saying the company has yet to file an opening brief despite receiving five deadline extensions.

Evan Plotkin said in his motion to dismiss **J&J's appeal** that the company's repeated failure to file an opening brief that was originally due in early February is postponing the enforcement of **the judgment** and forces him to continue to expend resources monitoring a briefing schedule, which is compounded by the fact he is a mesothelioma patient.

"Each additional delay increases the risk that Mr. Plotkin will not see this judgment enforced during his lifetime, a consequence that reinforces, rather than substitutes for, the procedural prejudice as described above," Plotkin said in **his brief**.

J&J was granted five extensions, three over Plotkin's objections to file its opening brief that detailed "substantially similar justifications, increasingly padded with counsel's deadlines in unrelated matters in other courts," Plotkin said in his brief filed Monday, only for the extended deadline to be missed each time.

J&J requested a sixth extension July 16, one day prior to the most recent July 17 deadline, but it has not yet been granted by the court, according to the brief.

"The court has already extended appellants extraordinary latitude, and appellants have used that latitude to delay rather than to advance this appeal. At some point, the interests in orderly appellate administration, finality, and Mr. Plotkin's health outweigh any further request for delay," the brief said.

Representatives for the sides did not immediately respond to request for comment Thursday.

Plotkin, who lives in Connecticut and operates a Massachusetts-based real estate empire, claimed he was exposed to asbestos at various times in his life through his and his children's use of talcum powder and through art supplies he used as an artist and sculptor.

He said his ailment was partially or totally attributable to his exposure to asbestos-tainted talc in Connecticut. In October 2024, a jury awarded him $15 million in compensatory damages after a one-month trial, as well finding that he should be awarded punitive damages.

One year later, Bridgeport Superior Court Judge Charles P. Reed awarded Plotkin $10 million in punitive damages after "extensive postverdict motions," according to Plotkin's brief.

J&J filed its appeal that same month, according to the appellate docket. In its requests for extensions, it has cited the length of the trial record and the postverdict motion practice, as well as the maternity leave of lead appellate counsel and competing motion schedules in unrelated cases.

Plotkin is represented by Misty A. Harris and Ka'Leya Q. Hardin of Dean Omar Branham Shirley LLP and Brian P. Kenney of Early Lucarelli Sweeney & Meisenkothen LLC.

Johnson & Johnson and several of its related entities are represented by Robert R. Simpson, James O. Craven and James D. Geisler of Shook Hardy & Bacon LLP, Jeffrey R. Babbin of Wiggin and Dana LLP and Naomi Scotten, Robert M. Loeb, Geoffrey C. Shaw and Rachael K. Jensen of Orrick Herrington & Sutcliffe LLP.

The case is Evan Plotkin et al. v. Johnson & Johnson et al., case number AC49261, in the Connecticut Appellate Court.

SpaceX May Not Escape Shareholder Suits' Orbit So Easily

law360.com/articles/2503518/spacex-may-not-escape-shareholder-suits-orbit-so-easily

(July 22, 2026, 11:25 PM EDT)--SpaceX's recent blockbuster initial public offering includes a novel and untested framework to steer shareholder disputes to Texas' Business Court and arbitration while prohibiting investor class actions, in a move attorneys said will certainly be challenged in court and could lead to the company facingan impractical number of arbitration proceedings.

Lawyers expressed differing opinions on whether the Texas Business Court — SpaceX's preferred dispute resolution forum — will be favorable to executives. Meanwhile, the aerospace giant's plan to steer disputes to arbitration if they can't be heard in Texas Business Court marks the first major IPO to take advantage of the U.S. Securities and Exchange Commission's recent retreat from prohibiting such measures.

Guillaume Buell, a Labaton Keller Sucharow LLP partner who represents institutional investors, said many of the ways in which SpaceX has attempted to make it harder for shareholders to bring claims and influence governance are completely new.

"These things will be tested, that's for sure," Buell said.

SpaceX's **June IPO**, which was the largest in history, saw the Starbase, Texas-based company go public at an estimated value of $1.77 trillion, and briefly made SpaceX founder and CEO Elon Musk the world's first trillionaire.

Meanwhile, the company's bylaws, as laid out in its prospectus, include a layered framework for shareholder dispute resolution.

Alan S. Kaplinsky, manager of Ballard Spahr LLP's consumer financial services group, noted that under the first layer, SpaceX has opted to litigate disputes against the company in Texas Business Court, a forum that was established in 2023 and started hearing cases the following year.

If a court enters a final and nonappealable judgment finding that a dispute is not exclusively subject to the Texas Business Court's jurisdiction, the second layer of SpaceX's framework establishes that the matter will be resolved through binding arbitration. And the third layer establishes that matters will be heard in the state courts of Harris County, Texas, Kaplinsky said.

The bylaws also prohibit collective proceedings, such as class actions, regardless of forum, in what Kaplinsky said might be the framework's most consequential feature. But the prospectus notes the company "may elect to seek consolidation or joinder of matters as consistent with the arbitration rules."

SpaceX didn't respond to a request for comment on the novel nature and potential risks of its shareholder dispute bylaws.

SpaceX's IPO is the first from a major company to include a mandatory arbitration clause. The SEC **changed its policy** in September to allow new publicly traded companies to use mandatory arbitration, as part of Chairman Paul Atkins' aim to "make IPOs great again."

Kaplinsky said the SEC's new policy position is "absolutely correct."

"The Supreme Court has made it clear: unless there is language in a federal statute that says expressly that any dispute cannot be arbitrated — and there is no such language in the federal securities laws — then the Federal Arbitration Act ends up trumping any prohibition imposed by any agency of the federal government," Kaplinsky said. "It's all overridden."

But the SEC's policy shift was met with criticism from a group formed in its wake known as the Alliance to Protect Shareholder Value, a coalition consisting of the Consumer Federation of America, Americans for Financial Reform, the Healthy Markets Association, and the American Association for Justice. The alliance said in a statement that SpaceX is "the first public company to subject its shareholders to binding arbitration and draconian restrictions on shareholder proposals, while shielding its own management from litigation for malfeasance like insider trading."

"Through his overwhelming ownership of common and preferred stock, Musk has near totalitarian control over decisions typically subject to shareholder oversight," the alliance said.

After the SEC's policy change last year, Delaware, where most Fortune 500 companies are incorporated, prohibited corporations incorporated in its jurisdiction from having charter or bylaw provisions that mandate arbitration for internal corporate claims. Meanwhile, no states, including Texas, where SpaceX is registered, specifically allow for mandatory shareholder arbitration, attorneys said.

Possible Legal Challenges

Kaplinsky is confident SpaceX's dispute resolution framework will be challenged, opining that a difficult issue for the company could be defending the applicability of the framework to investors who purchased stock in the company after the IPO, even if the framework wasn't specifically disclosed to them the way it was for those who bought their stock as part of the IPO.

Labaton Keller's Buell predicted that some elements of the framework will ultimately be upheld by the courts, while others won't. In particular, he noted that SpaceX's offering documents conceded that Section 27 of the Exchange Act of 1934 creates exclusive federal jurisdiction over suits brought to enforce duty or liability under the Exchange Act, and that the company's effort to drive cases away from federal district courts might not be upheld.

Other provisions of the framework, including minimum stock ownership and solicitation requirements for investors seeking to submit shareholder proposals, are somewhat untested and "may be more difficult for shareholders to get around than an effort to make an end-run around Section 27 of the Exchange Act," Buell said.

Gibson Dunn & Crutcher LLP led SpaceX's IPO, and counsel from the firm didn't respond to a request for comment on SpaceX's bylaws.

Buell and Ballard Spahr's Kaplinsky had different takes on the reception SpaceX might get in the Texas Business Court.

"Given the fact that SpaceX is a Texas corporation, and I think that the courts in Texas are going to be generally favorable to a Texas corporation, I would think it was definitely worth SpaceX's while to do what they did," Kaplinsky said of the company's dispute framework.

But Buell said the field will be even, with the court not necessarily favoring one side or the other. The court "certainly isn't going to just roll over and allow companies to do whatever they want," he said.

"Texas is trying to make itself more and more appealing as a place for companies to be and for companies to do business, and part and parcel of that is having a framework in place that will make it a fair place for everyone, because let's not forget that shareholders are the ones who own companies," Buell said. "I don't think the Texas Business Court is going to do things that make the owners of companies not want their companies to be there."

When it comes to whether other companies will take a similar approach to SpaceX's framework, Kaplinsky and Buell said that will be informed by the success the company has with its bylaws and how the courts respond to challenges. But Buell questioned whether the company will end up wanting to keep this framework, even if courts allow it. He added SpaceX executives may not get the outcomes they had hoped for.

A Flood of Arbitrations

Buell said that as companies in the consumer space have gravitated toward mandatory arbitration clauses over the past several decades, law firms such as Labaton Keller have pulled together efforts to bring massive amounts of individual arbitrations at the same time, from thousands to hundreds of thousands of individuals.

A lot of companies are regretting their efforts to walk away from class actions, Buell said, pointing as an example to Amazon's **2021 decision** to ax its arbitration mandate for consumer class actions. That change from Amazon came as the retail giant was facing more than 74,000 individual arbitration claims submitted to the American Arbitration Association over its Alexa voice-activated speakers, although the company did not elaborate at the time on what motivated the change.

"Class actions have a real benefit to everyone in large volume litigation, because you get the benefit of having to deal with just one set of lawyers on each side, and from the defendant's perspective, you get classwide relief when there's a settlement or a judgment, and everything is done," he said. "When you are facing thousands or tens of thousands or hundreds of thousands of individual actions or arbitrations, suddenly you're dealing with thousands and tens of thousands of dockets and arbitrations, and that can become very costly for companies."

Laura H. Posner, a partner in Cohen Milstein Sellers & Toll LLP's securities litigation and investor protection practice, said in a statement to Law360 that SpaceX investors are "the only shareholders of a major public company who lack the settled protections, certainty, and legal consistency that investors have counted on for decades to protect their hard-earned retirement assets and that regulators have required to help ensure market integrity." Cohen Milstein is part of the American Association for Justice, which is part of the Alliance to Protect Shareholder Value.

"The policies adopted by SpaceX decimate protections for shareholders and the market while giving near-total executive authority to Musk," Posner said. "Musk's attempt to prevent investors from ever being able to hold SpaceX management accountable for malfeasance, either through litigation or even voting, stand out as particularly problematic."

Posner said that institutional investors will have to bring arbitrations under their fiduciary obligations to their members, but it isn't a manageable way to conduct business to have Musk deposed hundreds of times for hundreds of separate arbitrations. SpaceX's stock price has fallen below its offering price, and Posner said she wouldn't be surprised if it continues to fall as post-IPO restrictions on shareholders selling their shares come to an end, among other things.

EV Battery Co. Misled Investors On Expansion, Suit Says

law360.com/articles/2504283/ev-battery-co-misled-investors-on-expansion-suit-says

(July 22, 2026, 7:27 PM EDT)-- Electric vehicle-battery manufacturer Microvast Holdings Inc. has been accused of misleading investors about production delays at its China facility and concealing the reasons why several of its chief financial officers departed the company over a three-year period.

According to the **complaint filed Tuesday** in Texas federal court, Microvast claimed its increased production capacity at a Huzhou, China, facility would be online before the end of 2025, but overstated its ability to complete the project on time. Last November, Microvast finally told investors production at the facility would not begin until the first quarter of 2026, plaintiff Leah Graham said.

Graham claimed Microvast was burdened by a high turnover rate for financial chiefs. The company, which claims to develop "advanced specialized battery technologies," had four different CFOs between April 2022 and August 2025 before appointing Rodney Worthen nearly a year ago, according to the complaint.

"Two of those CFOs ... lasted less than a year in the role, and Microvast did not provide investors with any reason for the eventual departures of three of the CFOs," Graham said.

The suit's proposed class period begins April 1, 2025, the day after Microvast filed its 2024 annual report. The report included a timeline for Microvast's "Huzhou Phase 3.2 expansion," which it anticipated to be in use by the end of the year, according to the complaint.

For the next several months, Microvast and its executives overstated the company's ability to reach its margin targets and misled investors regarding the likelihood it would reach its production goals, the suit alleges.

For example, on May 12, 2025, Microvast told investors the additional capacity "will be crucial in meeting the robust customer demand" and was expected to be online by the end of the year, according to the complaint.

The truth began to emerge, Graham alleged, on June 25, 2025, when short seller Grizzly Research published a report stating Microvast "is fabricating a significant part of its business and capabilities." The report also highlighted "inconsistencies in Microvast's claims concerning the number of employees that work at its Huzhou facility," according to the suit.

Following the report's publication, shares of Microvast declined 40 cents each, or about 10%, to close at $3.90 per share on June 25, 2025, according to the complaint.

Several days later, on Aug. 1, 2025, Microvast announced its CFO Carl Schultz was leaving the company after three months in the role "without offering any insight as to the reasons for his departure," Graham said.

Following the departure announcement, shares of Microvast declined 30 cents each, or about 10%, to close at $2.72 per share on Aug. 4, 2025, according to the complaint.

For several weeks, Microvast continued to emphasize it was maintaining strong margins, and it raised its expected annual gross margins during a November 2025 earnings call. In the same earnings announcement, Micovast said production at the Huzhou facility would not begin until the first quarter of 2026, the complaint states.

After the announcement, shares of Microvast declined 50 cents each, or about 10%, to close at $4.48 per share on Nov. 11, 2025, according to the complaint.

Then, on March 16, 2026, the company said its revenue for the last quarter of 2025 was $96.5 million, a 15% year-over-year decrease that missed the consensus estimate of $136.4 million. The company attributed the results to "regulatory shifts in South Korea and delays in customer platform ramp-up," according to the complaint. The same day, Microvast said it was on track to achieve "serial production" at its Huzhou facility some time during 2026.

Following the announcement, shares of Microvast declined 79 cents each, or about 34%, to close at $1.52 per share on March 17, 2026.

In addition to former CFOs Schultz and Fariyal Khanbabi, Microvast interim CFO Rodney Worthen and CEO Yang Wu are also individual defendants in the suit. Graham accused the defendants of violating the Exchange Act and acting with scienter, or actual knowledge of wrongdoing or reckless disregard.

Graham is represented by Jeremy A. Lieberman and J. Alexander Hood II of Pomerantz LLP, and Willie C. Briscoe of The Briscoe Law Firm PLLC.

This case is Graham v. Microvast Holdings Inc. et al., case number: 4:26-cv-05804, in the U.S. District Court for the Southern District of Texas.

Investors Say Primoris Overhyped Renewable Energy Profits

Law360 (July 22, 2026, 5:11 PM EDT) -- Two pension funds launched a proposed class action against Dallas-based Primoris Services Corp. alleging the company overhyped the profitability of its renewable energy projects by underestimating costs, telling a Texas federal court that Primoris' negligence caused the company's stock to nosedive.

The Boston Retirement System and the NS Pension Public Equity Fund **said** Tuesday that Primoris intentionally duped investors by representing that it engaged in disciplined bidding and had reliable cost forecasting, when in reality the company systematically underestimated renewable energy project costs. Following a series of disclosures revealing as much, the company's stock dropped in June by 21.6%, from $108.34 to $84.95, the pension funds said.

"As a result of defendants' wrongful acts and omissions, and the resulting precipitous decline in the market value of Primoris common stock, plaintiffs and other class members have suffered significant losses and damages," they said.

During the proposed class period between Aug. 5, 2025, and June 22, Primoris made most of its money through its energy segment, which included its renewable energy business, according to the complaint. Primoris specializes in infrastructure services.

The renewable energy business provided engineering, construction and other services for utility-scale solar facilities, battery energy storage systems and other renewable energy infrastructure projects, the pension funds said.

The company did most of this work operating under fixed-price construction contracts, meaning the company bore the risk that project costs could exceed estimates, they said. During the period at issue, Primoris repeatedly made claims about profitability that turned out to be false, according to the complaint.

"The truth was revealed through a series of disclosures between Feb. 23, 2026, and June 22, 2026, culminating in Primoris' announcement that an internal review, supported by an independent third-party industry expert, had identified significant cost overruns, project delays, and execution challenges affecting six renewable energy projects," the pension funds said.

Following the disclosures, the company "sharply reduced its 2026 financial guidance and renewables revenue outlook," and announced that its chief operating officer, Jeremy Kinch, would resign. Kinch is among the individual corporate defendants named in the complaint.

"As a result of these deficiencies, Primoris systematically understated expected project costs and overstated expected project profitability, delaying the recognition of material cost overruns and margin deterioration," they said.

The pension funds told the court that Primoris violated securities laws. As a result of Primoris' duplicity, the pension funds and other investors bought Primoris' stock at an artificially inflated price, they said.

The funds are represented by Joe Kendall of the Kendall Law Group PLLC and Francis P. McConville and Connor C. Boehme of Labaton Keller Sucharow LLP.

The case is Boston Retirement System et al. v. Primoris Services Corp. et al., case number 3:26-cv-02416, in the U.S. District Court for the Northern District of Texas.