AI Finding Double the Cyber Flaws in 2026 It Did in 2025 (1)

July 27, 2026, 11:45 AM PDT

Summary by Bloomberg AI AI Generated

- The number of software security flaws discovered in popular technology products in 2026 is on pace to roughly double the tally of vulnerabilities that surfaced in 2025, driven by increasingly capable artificial intelligence systems.
- The US National Vulnerabilities Database recorded 45,207 flaws between January and Monday, with companies like Oracle and Microsoft disclosing record numbers of security vulnerabilities in their recent updates.
- Despite the surge in discovered vulnerabilities, there's been no rise in the number of exploited issues this year, with internal security personnel finding many of the new vulnerabilities with their own cyber-focused AI tools.

The number of software security flaws discovered in popular technology products in 2026 is on pace to roughly double the tally of vulnerabilities that surfaced in 2025, an explosion driven by increasingly capable artificial intelligence systems.

The US National Vulnerabilities Database, a repository of digital security holes, recorded 45,207 flaws between January and Monday, a count approaching the total number found in all of 2025. Last year saw an all-time record for recorded vulnerabilities in that database. Security vulnerabilities are flaws in software that can be exploited by a hacker, including to break into computer systems to commit crimes or carry out espionage.

Oracle Corp. said it patched 1,449 security vulnerabilities in its monthly July software update, an all-time record for the 49-year-old tech giant, while the same update last year contained 309 fixes. Microsoft Corp. disclosed 642 security bugs in July, another all-time high and nearly five times the count in the same month last year. Alphabet Inc.'s Google found and fixed 433 such bugs in a recent update to the Chrome browser versus 11 in an equivalent update one year ago.

"We have to come to the reckoning that these tools are increasing the ability of people to find vulnerabilities in software," said Gabriel Bernadett-Shapiro, distinguished AI research scientist at the cybersecurity firm SentinelOne Inc.

At Google, the "unprecedented scale and speed" of vulnerability discovery is a result of advances in AI models and a corresponding investment, Doug Turner, Chrome's director of engineering, told Bloomberg.

Microsoft declined to comment. Oracle didn't respond to a request for comment.

The surge in discovered vulnerabilities lends credence to the warnings governments and security firms have been issuing about the threat posed by hackers armed with powerful, new AI models.

A deeper look at the figures also reveals the limits of these worries. There's been no rise in the number of exploited issues this year despite the uptick in discovered flaws, according to the US government's Known Exploited Vulnerabilities catalog. Internal security personnel at the technology firms are finding many of the new vulnerabilities with their own cyber-focused AI tools, according to their disclosures. Of the 433 vulnerabilities in Chrome in July, 401 were "reported by Google" internally, according to the company.

"We just aren't seeing the numbers to back up the doom and gloom prophets," said Dustin Childs, head of threat awareness at the cybersecurity firm Trend Micro Inc .

Frontier AI models accelerated their ability to discover software vulnerabilities in recent months, prompting anxiety about a surge in hackers exploiting those flaws. Anthropic PBC 's Mythos tool found thousands of software vulnerabilities in early testing, showcasing a new level of capability for cutting-edge AI models. OpenAI has developed comparable tools. Officials at the National Security Agency have been impressed by the Anthropic model's ability to find and exploit cybersecurity vulnerabilities, Bloomberg reported.

Microsoft on Monday released another AI security tool, known as MAI-Cyber-1-Flash, that it said will help software vulnerability management.

Hackers are also able to turn abstract vulnerabilities into working exploits, which can actually be used to breach a computer system, faster than ever. The average time it took attackers to exploit vulnerabilities dropped from 72 hours last year to just 24 hours in 2026, said Alexander Leslie, senior advisor at the cybersecurity firm Recorded Future Inc .

OpenAI disclosed on July 21 its autonomous agents had breached another company, Hugging Face, in an incident that Bloomberg reported took hours, compared to the weeks it likely would have taken a human. The models were operating without the usual safety guardrails, the company said, because OpenAI had intended them to remain in a virtual and isolated software environment that's meant to run security tests or analyze unsafe code in a controlled situation.

(Updated to include additional context in final paragraph. A prior version of this story corrected third and fourth paragraphs to fix misspelled name and reflect that Google issued its numbers in July.)

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Class Action

Anthropic Hit With Consumer Deception Suit Over Reduced Service

July 27, 2026, 1:01 PM PDT

Anthropic PBC was hit with a proposed class action alleging it improperly retained subscription fees after backend changes and production defects reduced customers' access to its chatbot Claude.

Anthropic announced a peak-hour change in March 2026 which meant subscribers would reach session limits faster, and backend changes degraded the Claude Code tool. Subscribers couldn't figure out whether their remaining usage percentage declines were because of legitimate requests or a defect, according to the complaint filed July 24 in the US District Court for the Northern District of California.

Claude usage isn't measure by a fixed number of prompts, but rather a "conversation budget," the complaint said. Usage varies depending on the model, message and attachment length, conversation history, and other factors.

Subscribers who have both regular Claude and Claude Code have separate allowances for each product and Anthropic imposes five-hour session limits and weekly limits. But Anthropic sets model defaults, context-management procedures, and capacity allocation-policies that affect how quickly subscribers use up their allowance, the complaint said.

"Even if a subscriber sees the usage meter decline, they do not know whether the reduction reflects productive work, a changed policy, or a defect that caused Claude to repeat or reprocess work," the complaint said.

The peak-hour and backend changes "affected the core functions for which Claude Code subscribers paid," the complaint said. "The peak-hour reduction shortened the practical duration of paid sessions," while caching and context-management defects "caused usage limits to drain faster than expected."

In May, Anthropic announced increased compute capacity would allow it to remove the Claude Code peak-hour reduction. But it didn't compensate subscribers for reduced peak-hour access between March and May or for the quality or usage-drain defects between March and April.

Named plaintiff Isabelo Pascual seeks to represent nationwide and California classes of people who purchased and used subscriptions between March 4, 2026, and May 6, 2026.

The complaint brings claims for violations of California's Unfair Competition Law, False Advertising Law, and Consumers Legal Remedies Act. It also brings claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and quasi-contract. Pascual is asking for damages.

Anthropic didn't immediately respond to a request for comment.

Pascual is represented by Justice Jagher London & Millen LLC and Carroll Shamberg LLC.

The case is Pascual v. Anthropic PBC , N.D. Cal., No. 3:26-cv-07699, complaint filed 7/24/26 .

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DOJ Asks Judge to Dismiss Alleged Crypto Ponzi Schemer's Case

July 27, 2026, 2:46 PM PDT

Summary by Bloomberg AI

AI Generated

- Federal prosecutors in New Jersey have sought a judge's approval to dismiss with prejudice longstanding charges against Matthew Goettsche, the alleged mastermind of a cryptocurrency Ponzi scheme.
- The Department of Justice has decided not to devote further resources to the criminal charges pending against Goettsche, according to Associate Deputy Attorney General Aakash Singh and US Attorney Robert Frazer.
- The planned dismissal has faced criticism from two Democratic Senate Judiciary Committee members, who questioned what message it sends to crime victims when criminals appear to have connections to powerful people.

Federal prosecutors in New Jersey have sought a judge's approval to dismiss with prejudice longstanding charges against the alleged mastermind of a $722 million cryptocurrency Ponzi scheme.

The Monday court filing follows Bloomberg Law's July 10 report that DOJ leaders in Washington had ordered the New Jersey US attorney's office to reverse course on a 2019 indictment that was nearing trial.

Matthew Goettsche, who'd been accused of defrauding investors of $722 million and describing his business model as built "on the backs of idiots," now awaits a final determination from Judge Claire C. Cecchi on the government's request to drop his indictment.

Goettsche created and operated an advanced crypto mining operation, BitClub Network, that rewarded investors for recruiting new members. Prosecutors were scheduled to take him to trial in October, before Goettsche's lawyers informed the judge July 8 that they'd reached agreement on a resolution.

“The Department of Justice has reviewed this case and has decided, in its prosecutorial discretion, not to devote further resources to the criminal charges pending against Defendant,” Associate Deputy Attorney General Aakash Singh and US Attorney Robert Frazer said in the filing.

Facing counts of conspiracy to commit wire fraud and to sell unregistered securities, Goettsche assembled a team of lawyers with connections to the Trump administration to lobby DOJ for relief, Bloomberg Law previously reported.

The men urging the department to abandon the case included Bradford Cohen, a Florida lawyer who’s supported Trump since appearing as a contestant on his reality show, “The Apprentice,” and Brett Tolman, a conservative criminal justice advocate who has helped clients secure Trump pardons.

Acting Attorney General Todd Blanche faced criticism about the planned Goettsche dismissal from two Democratic Senate Judiciary Committee members in their written questions for the record submitted as part of Blanche’s confirmation process for the permanent role.

“What message does it send to crime victims when criminals have a literal “get out of jail free” card if they know the right people?” asked Sen. Dick Durbin (D-Ill), the panel’s ranking member.

“I respectfully reject the premise of this question, which is based on faulty and biased news reporting,” Blanche wrote in response. “The resolution of this matter was not the result of any alleged pressure by the defendant’s attorneys,” Blanche stated in response. “It reflected the Department’s routine evaluation of pending cases, and the government is in the process of recovering a substantial amount owed to investors.”

The case is USA v. Goettsche, D.N.J., No. 2:19-cr-00877.

Federal Contracting

False Claims Clashes Persist a Decade After High Court Ruling

July 28, 2026, 2:00 AM PDT

A landmark US Supreme Court ruling on the scope of the False Claims Act prompted a decade of squabbling over a legal standard that defendants have used to undercut whistleblower suits, with no end in sight.

Both whistleblowers and government contractors are dissatisfied with how courts are treating the high court's decision, which said lawsuits alleging fraud in federal programs could fail if the government made payments to a contractor despite knowledge of noncompliance.

Government contractors have used the June 2016 opinion in *Universal Health Servs., Inc. v. United States ex rel. Escobar* as a tool to stop whistleblower suits in their tracks, arguing that the ruling means continued payments doom lawsuits. On the other hand, whistleblowers and the government view continued payments to alleged fradusters as just one factor in determining whether an FCA suit failed to sufficiently allege a contractor engaged in material noncompliance.

"Ten years later, *Escobar* remains one of the most significant False Claims Act rulings ever, for the government, relators, defendants, and the courts alike," said Brian Tully McLaughlin of Crowell & Moring LLP.

The continued payments issue remains a factor in many legal disputes, including in a case where a jury issued a $1.6 billion verdict against a Johnson & Johnson subsidiary — the largest award in the FCA's history. During oral arguments in March, lawyers for Janssen Products LP said the whistleblowers' case fails because the government never stopped making payments for the HIV drugs at the center of the suit, while lawyers for the whistleblowers said the government lacked actual knowledge of misconduct when making the payments. The case is currently in mediation.

Some lower court rulings have been more sympathetic to contractors' argument, while others have favored whistleblowers' position.

No further Supreme Court rulings or legislation have provided desired clarity after *Escobar,* even though litigants from both sides have repeatedly asked the high court to revisit the matter. Longtime FCA advocate and Senate Judiciary Chair Chuck Grassley (R-Iowa) plans to reintroduce legislation this Congress to limit the continued payments defense, spokesperson David Bader told Bloomberg Law.

Lower Court Discrepancies

The Supreme Court in *Escobar* unanimously adopted a theory under which suits can allege a defendant sought a government payment while concealing compliance with critical requirements.

A successful suit must show noncompliance was material to a government payment decision, Justice Clarence Thomas said, but if the government "pays a particular claim in full despite its actual knowledge that certain requirements were violated, that is very strong evidence that those requirements are not material."

It didn't take long after *Escobar,* however, for whistleblowers and companies to identify what they viewed as discrepancies in materiality interpretations by lower courts.

For example, the US Court of Appeals for the Ninth Circuit in 2017 said whistleblowers adequately alleged Gilead made misrepresentations about HIV drugs to the government. In its subsequent Supreme Court petition, Gilead argued that the opinion caused a split from six other circuits that had said continued approval of goods despite knowledge of regulatory noncompliance is fatal to a suit.

But the Supreme Court rejected that petition and every other request to revisit the issue, including most recently in 2022, when it declined to reassess labor fraud claims against defense contractor AECOM.

Just One Factor?

A string of rulings dismissing False Claims Act claims not long after *Escobar* prompted federal prosecutors to weigh in on numerous whistleblower cases, arguing that continued payments shouldn't be a silver bullet defense for contractors accused of maleficence.

Jonathan Tycko, who represents whistleblowers with Tycko & Zavareei LLP, said most judges understand that they need to evaluate what a payment reveals about the government's decision-making, not whether a payment merely occurred.

Holding continued payments to alleged fraudsters against the government with regard to materiality is "illogical," and "would create enormous practical problems for government programs," he said. For example, an agency may need to continue to buy products from a company facing a Justice Department investigation into a whistleblower's allegations, which "can take years to complete," Tycko said.

Attorneys for whistleblowers would welcome legislative help, though Grassley's previous efforts fell short. The Senate Judiciary Committee didn't take up the 2023 version of the measure. The 2021 version received a committee vote, but the full Senate never voted on it.

The 2023 version of Grassley's bill would have advanced the clear legislative purpose of the FCA by requiring defendants "to show why continued payments undermine materiality," said Li Yu, who represents whistleblowers at Bernstein Litowitz Berger & Grossmann LLP.

Defense attorneys say they would welcome a more rigorous approach from lower courts when it comes to the materiality defense.

The government "has championed staggeringly expansive views" with regard to the FCA's reach over the last 10 years, said McLaughlin. *Escobar* "stands as one of the few checks upon such theories."

The Supreme Court may not revisit the issue in the near term, he said, but lower courts would benefit from guidance recognizing that "the essence of the bargain—what the government is paying for and what would actually cause the government to reject a claim—is the focal point for what some courts refer to as the *Escobar* 'factors.'"

Jana Volante Walshak, who represents FCA defendants with Fox Rothschild LLP, said some district courts are finding the presence of materiality based on the notion that any regulatory violation prevented the government from receiving that for what it bargained.

That "framework is inconsistent with *Escobar*," she said, because "it largely ignores the specific materiality factors" in the opinion.

Class Action

J&J to Pay $5.5 Billion to Settle Talc-Related Cancer Claims (2)

July 27, 2026, 5:00 PM PDT

Johnson & Johnson agreed to a $5.5 billion commitment to resolve years of litigation related to claims that its talc products caused ovarian cancer.

The drugmaker said Monday the proposed resolution represents “an efficient conclusion” to the lawsuits. The agreement requires the participation of lead plaintiff firms in ovarian talc litigation pending in state and federal courts that represent at least 95% of claims, according to J&J.

If enough plaintiffs sign on, the settlement will help bring to a close an issue that’s dogged J&J for at least 15 years. The women who sued allege that J&J’s hallmark baby powder and similar products made from talc were contaminated with the cancerous substance asbestos. The company denies that the powder is harmful, but it stopped selling talc-based baby powder in the US in 2020 and worldwide in 2023.

J&J repeatedly tried to resolve the issue through the bankruptcy court. Critics long complained that the company, one of the most profitable in the world, was trying to use special federal rules only available to bankrupt businesses to shield itself from the lawsuits.

The company has steadfastly maintained talc doesn’t cause cancer and that there’s never been any asbestos in its baby powder — a central claim of the lawsuits against the company. J&J faced roughly 76,000 suits, though analysts predicted last year that number could balloon to more than 90,000.

“It provides finality to a saga,” Mizuho healthcare specialist **Jared Holz** said of the settlement.

Read More: J&J Plunges After Plan to Settle Baby Powder Suits Fails

In June, J&J said it had set aside $11 billion to settle legal matters around the issue. It was unlikely a court was going to dismiss the claims, and the company faced a likely cost of $10 billion to $12 billion in settlement costs if 93,000 suits were filed, Bloomberg Intelligence analyst **Holly Froum** wrote last week.

J&J was told by a California jury last October to pay $966 million to the family of a deceased woman who blamed her cancer on lifelong use of the company’s baby powder in the largest verdict for a single user in the litigation.

“While we are confident the company would have ultimately prevailed with further litigation, as it has in the vast majority of cases tried to date, this resolution allows the company to put this matter behind it and remain focused on its mission to develop medicines and devices that save lives,” J&J Vice President of Litigation **Erik Haas** said in the statement on the company’s website.

Read More: J&J Talc Cancer Suits Rise 17% After Failed Settlement Push

J&J shares rose 1.1% in after-hours trading in New York.

(Adds more background starting in the third paragraph)

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Artificial Intelligence
Deep Dive

Meta Layoff Bias Suit Exposes Employer Risk in AI Firing Factors

July 28, 2026, 2:40 AM PDT

A lawsuit accusing Meta Platforms Inc. of discriminatory artificial intelligence use in firing workers demonstrates how companies leaning on the emerging technology for employment decisions can incur liability.

Twenty-six former and current Meta workers alleged Meta discriminated against them when it used AI systems to help rank and select employees for a 10% staff layoff without considering how those workers' protected leave or disabilities may have influenced the metrics.

Amid a slew of cases arguing AI discrimination in hiring processes, the suit is one of the first aimed at the use of AI in firing. Employers sued over AI-influenced firing could expose themselves to more varied claims than with hiring— especially when workers' use of AI itself becomes a firing factor, attorneys said.

"There are many benefits to AI," said Jennifer Shoemaker, partner at Underberg & Kessler LLP. "But practically speaking, there are also a lot of disadvantages, including the unintended consequences of using the technology in place of human beings."

AI in Firing

In theory, using AI screening in firing could reduce bias because it's making decisions based on data points, not human emotions, said Cody James, assistant law professor at the University of Montana. "Now, sometimes those data points can lead to discriminatory outcomes," he said. "Which is the issue."

Key to the Meta dispute is how much influence AI had over the termination decisions and whether human leaders ultimately made the choices, said Justin Cordello, an employment attorney at Cordello Law PLLC.

Workers allege a "constellation of AI systems" compiled data on performance, production, and worker AI usage, to score, rank, and select employees for layoffs. Their productivity and output scores, especially those measuring AI usage on the job, suffered when they were away from work or less able to perform for medical, family, or disability reasons, the suit said.

Meta didn't properly control for how these metrics would factor into who was selected for layoffs, the July 13 California federal court complaint said. The workers have requested a preliminary injunction to halt the firings until they can resolve their underlying claims in arbitration.

Attorneys representing Meta declined to comment, but have stated in court filings that Meta "did not use AI to determine which employees to include in its legitimate workforce reduction."

AI-based hiring bias cases tend to hinge on disparate impact claims on how the technology unfairly filters out applicants of protected classes under Title VII of the 1964 Civil Rights Act.

The Meta case also alleges its AI algorithms had a disparate impact by unfairly selecting the workers for firing.

But it went a step further than many cases can by adding claims Meta violated the Family and Medical Leave Act by intentionally using protected leave as a "negative factor." The fired workers also claim leave-related disparate treatment and retaliation, and failure to accommodate under the Pregnant Workers Fairness Act and the Americans With Disabilities Act.

These claims could prove advantageous because these FMLA and ADA allegations don't rely on proving discrimination from neutral behavior like disparate impact claims do, said Orly Lobel, professor of law at the University of San Diego.

Among a slew of state claims, workers in the Meta case also included violations of the California Fair Employment and Housing Act's 2025 AI regulations, one of few frameworks in the nation specifically prohibiting automated-decision systems from discriminating against workers and applicants.

"We're seeing individual states enacting laws that would cover actions like this," James said."So it could be a problem for employees who have offices throughout the country."

AI in Employment

Meta allegedly accounted for factors like "AI token" usage, which tracks workers' AI output, to assign workers an "AI-native" rating that played a part in the RIF decisions.

These inputs "by design" couldn't be properly accumulated by employees on protected leave or whose output was reduced because of a disability, the workers argued.

In some roles, AI proficiency may become an essential part of a job someday, "much as spreadsheet proficiency became essential for many office jobs decades ago," Lobel said.

To avoid bias claims over employment-based AI usage requirements, employers need to show use of the tools is genuinely job related and a business necessity — a legal standard courts have applied in Age Discrimination in Employment Act and Title VII cases over the years, Shoemaker said.

Employers will also need to prove there aren't less discriminatory, equally effective alternatives to AI usage if they plan on firing employees for not being proficient, Lobel said.

Certain employees could be more hesitant to adopt or unable to use AI as effectively as others, as US jobs, even far outside the tech industry, increasingly evaluate for AI skills.

Research shows around four in 10 adults under 50 say they use chatbots for work, with only 30% of adults over 50 and 18% of adults over 65 reporting professional use.

"We really have to consider different individuals in the workforce and how they may and may not interact with the technology and be able to use the technology," Shoemaker said.

Courts have grappled with tech competency as a factor in employee terminations long before AI's rise. In the 1997 case *Kolbow v. Honeywell* , an appellate court sided with Honeywell in an ADEA suit after the company allegedly fired an employee for not having sufficient computer skills or an engineering degree.

Now, AI proficiency is creeping into post-termination suits. In March 2026, a New York federal court ruled for IBM on summary judgment in a case where employees accused the company of violating the ADEA in laying them off, in part because they alleged the company had assumed younger workers would adapt better to an AI tech integration.

"I think the tech companies have a good case to say, 'We do want to screen for AI proficiency,'" Lobel said. "But this will be determined through a battle of experts and case by case."

The case is Does 1 Through 26 v. Meta Platforms Inc. , N.D. Cal., No. 3:26-cv-07122, 7/13/26 .

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Business & Practice
Deep Dive

Meta Workers Take Advantage of Company's Arbitration Loophole

July 28, 2026, 2:10 AM PDT

Meta Platforms Inc. workers are using the company's own arbitration loophole against it in their bid for a court order to block layoffs allegedly guided by AI in violation of antibias laws.

Technology firms like Meta, which owns Facebook, Instagram, and WhatsApp, often include carve-outs in mandatory arbitration contracts so they can seek injunctions in intellectual property and trade secrets cases, legal scholars said. Attorneys for the Meta employees cited such a clause in their lawsuit.

"The lawyers here seem to be trying to hoist Meta on its own petard," said Richard Bales, a law professor at Ohio Northern University who's written on employment law and arbitration.

Although a California federal judge denied a temporary restraining order, he opened the door for a handful of workers to win a temporary injunction to keep their jobs while arbitration proceeds, suggesting their unusual strategy could pay off.

About two-dozen Meta workers claimed the company used artificial intelligence to select workers for a 10% staff layoff but failed to consider the impact of their disability accommodations or protected leave may have affected the choices. Meta has asserted it didn't use AI for the reduction in force.

The workers conceded they're bound by mandatory arbitration agreements that they signed as a condition of employment. But they're seeking an injunction to maintain the status quo so that their separations can't be finalized or their compensation and benefits altered before their discrimination claims are handled in arbitration.

Judge William Orrick, an Obama appointee, said in his order denying a TRO that most of the harms the workers raised — such as loss of insurance and the inability to undo the layoffs once finalized — can be remedied through damages and other relief in the arbitration process.

But the judge said the one harm that could be irreparable, and thus potentially merit injunctive relief, is the loss of immigration status. Four employees claimed they could be forced to leave the US if they lose their employment-based visas sponsored by Meta, making participation in the arbitration practically impossible.

Orrick set a briefing schedule and set an Aug. 24 hearing on the preliminary injunction request in the US District Court for the Northern District of California.

"Meta wrote the arbitration agreements, and we're honoring them," the workers' legal team — which includes lawyers from Lumen Law Center, Workplace Advocates, and Houlding Law PC — said in a statement. "But arbitration compensates harm after the fact — it can't stop a visa from lapsing or a family from losing coverage or protected leave time while a case is pending."

Meta's attorney, Erin Connell of Orrick, Herrington & Sutcliffe LLP, didn't provide comment.

Strategic Carveouts

Federal appeals courts are split on the possibility of injunctive relief pending arbitration, said Imre Szalai, a Pace University law professor who wrote a book on the history and evolution of arbitration laws.

The majority of courts to rule on the issue have permitted parties to seek injunctions, reasoning that the related arbitration could become meaningless unless a court preserves the status quo, Szalai said.

But the minority view — represented by the US Court of Appeals for the Eighth Circuit's ruling in *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Hovey* — holds that courts can't hand down injunctions if the parties are obligated to arbitrate, he said. That would require the court to examine a plaintiff's likelihood of success on the merits, a task assigned to the arbitrator.

"A well-drafted arbitration agreement tends to allow parties to seek injunctive relief from a court, to get around the Eighth Circuit's limitation," Szalai said.

Employers, especially technology companies, include those injunction carve-outs so they can go directly to court if they suspect a former worker has made off with trade secrets, said Amy Schmitz, a law professor at Ohio State University who's written books on arbitration.

Trying to get an injunction through arbitration is a relatively slow process because a company that wins such an order from an arbitrator still has to go to court to get it enforced, she said.

Injunction carve-outs are usually mutual — allowing both employer and employee to use them — because permitting only the company to take advantage of it would raise the possibility that a court would void the arbitration agreement for being unconscionable, Schmitz added.

While workers face long odds to win injunctions pending arbitration, there are tactical reasons why they might take the gamble, said Bales, the Ohio Northern University professor.

In the case of the Meta employees, suing the company provides an opportunity for press coverage that might increase their settlement leverage, Bales said. And winning an injunction would require a federal court to find a likelihood that they'll succeed on the merits of their claims.

"Though such a finding would not compel the arbitrator to rule in favor of the plaintiff-employees on the merits," Bales said, "it would certainly make the arbitrator think twice before ruling against them."

The case is Does 1 through 26 v. Meta Platforms, Inc. , N.D. Cal., No. 26-07122 .

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Artificial Intelligence

Meta, BlackRock Plan to Invest in $14 Billion Data Center (2)

July 28, 2026, 4:37 AM PDT

Meta Platforms Inc. and BlackRock Inc. plan to build a 1-gigawatt data center complex in Texas that will cost about $14 billion to develop, adding to a wave of investment in the computing hubs that power artificial intelligence.

The facility will go online in 2028 with Meta as the initial sole tenant, the company said Tuesday. BlackRock funds will hold an 80% interest in the joint venture, while Meta will retain the remaining 20%.

The $14 billion development costs don't include the cutting-edge chips required to power AI models. A 1GW data center typically costs $35 billion to $50 billion.

Tech firms including Alphabet Inc., Amazon.com Inc., Meta and Microsoft Corp., have been aggressively building out data centers in pursuit of dominance in the still-nascent market for AI tools. The unprecedented scale of development is being financed through a mix of capital expenditure, private infrastructure funds, debt and sovereign wealth.

Read More: Big Tech Debt Flood Is Taking Over Risk In Market: Credit Weekly

Meta will initially contribute land and other assets valued at about $2.3 billion and receive a one-time payment of $1 billion.

BlackRock will contribute about $4.9 billion in cash, with some of its portion funded by about $12.5 billion of bonds that were sold Monday after a nearly weeklong process and weaker-than-expected investor demand. The investment-grade debt offered yields that were more in line with riskier junk-rated bonds, which rose in early trading in part because of the hefty concessions it priced at.

The El Paso project is part of Meta Compute, the social media company's initiative to build out AI infrastructure and sell access to excess computing power. Meta will enter lease agreements for the facility with a four-year initial term, with options to extend.

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

The joint venture with BlackRock “allows us to move faster and at greater scale,” Meta Chief Executive Officer Mark Zuckerberg said in the statement.

Earlier this year, Meta raised its spending outlook for the year to $125 billion to $145 billion, driven by heavy investment into AI infrastructure and higher component pricing. The company reports second-quarter earnings on Wednesday, during which it is likely to give an update on its spending plans.

(Updates with further details including chip spend from third paragraph.)

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Artificial Intelligence

Nvidia’s $750 Billion in Deals Reignite Circular AI Fears (4)

July 27, 2026, 1:38 PM PDT

Summary by Bloomberg AI AI Generated

- Nvidia Corp. is working on AI deals worth more than $750 billion, including a partnership with SK Group to do more than $500 billion in business.
- Nvidia is in talks to backstop as much as $250 billion to help OpenAI lease computing power from a US data center project and finance $350 billion of OpenAI's purchases of its chips.
- The deals have raised concerns among investors and analysts about circular financing and the potential for artificially inflating demand and valuations across the industry.

Nvidia Corp. is working on a fresh round of AI deals worth more than $750 billion, accelerating investments that skeptics have warned are artificially inflating demand and valuations across the industry.

A partnershipwith South Korean conglomerate SK Group unveiled late Friday means the companies will be doing more than $500 billion in business with each other, Nvidia said. Nvidia is also in talks to backstop as much as $250 billion to help OpenAI lease computing power from a US data center project in what would be among the chipmaker’s biggest financing deals with a customer.

Class Action

Sema4 to Settle Investor's AI Hype Lawsuit for $4.75 Million

July 27, 2026, 12:19 PM PDT

Sema4 Holdings Corp., now known as GeneDx Holdings Corp., has reached a $4.75 million settlement in a proposed class action claiming the diagnostics company misrepresented its artificial intelligence capabilities, according to court filings.

The accord is fair and should receive preliminary approval, shareholder Nabil Helo told the US District Court for the District of Connecticut on July 24. The settlement amount represents about 12% to 14% of the maximum potential damages under Helo's "best-case scenario," he said.

Helo alleged that Sema4 touted its analytics platform, Centrellis, as it sought to shift its business with medical providers toward AI-enhanced diagnoses and personalized treatment plans — but that the platform wasn't close to operational

He sued over a 33% single-day stock tumble when Sema4 announced strategic changes and layoffs

Judge Vernon D. Oliver denied the company's request for dismissal in June 2025

Glancy Prongay Wolke & Rotter LLP is lead counsel for Helo and the proposed class. Quinn Emanuel Urquhart & Sullivan LLP, Fenwick & West LLP, and Spears Manning & Martini LLC represent GeneDx.

The case is Helo v. Sema4 Holdings Corp. , D. Conn., No. 22-cv-01131, motion 7/24/26 .

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Class Action

Teladoc Investors Lose Bid to Reopen Livongo Acquisition Lawsuit

July 27, 2026, 10:07 AM PDT

Teladoc Health Inc. batted away investor allegations that the online medical care company misrepresented its integration of an acquired rival, with a federal appeals court saying the lawsuit fell short on alleging former executives' intent or recklessness to defraud.

The investors didn't sufficiently plead the executives' motive or opportunity to deceive through stock sales, the US Court of Appeals for the Second Circuit said in a summary order Monday, the case's second trip up to the appeals court.

The executives' consistent use of approved plans for stock trading and sales for tax purposes undercuts an inference that they acted with the necessary level of intent for securities fraud claims.

Nor did the investors plead sufficient facts for a court to infer they acted with deliberate recklessness to deceive, the order said, agreeing with a trial judge's 2025 decision to toss the proposed class action.

Former employees acting as confidential witnesses didn't provide relevant information about the sales-team integration to suggest that former CEO Jason Gorevic knew related statements were inaccurate, the order said.

Teladoc and Livongo Health Inc. closed an $18.5 billion merger in 2020. Investors alleged Teladoc and leadership misrepresented its integration of Livongo as progressing well or fully complete in marketing, sales, and other areas.

First Appeal

The Second Circuit previously revived this suit on grounds of falsity, finding the investors adequately alleged several statements to be misleading.

Upon its return, Judge Denise L. Cote for the US District Court for the Southern District of New York said the investors failed to allege a sufficient inference of intent or recklessness — scienter — to survive dismissal.

Theories that Gorevic must have known about sales-team integration issues because his subordinates did or it was important for Teladoc's business fell short, as did similar accusations of conscious misbehavior against three other executives, the Second Circuit said Monday.

And the investors failed to advance a "core operations" theory, a means of alleging scienter against officers who should've known facts about central components of their company.

"Though Teladoc's acquisition of Livongo for a record-breaking $18.5 billion was plainly important to the core operations of Teladoc, Plaintiffs have not plausibly pleaded that the details of the sales-team staffing arrangements and technical integration of marketing databases are sufficiently 'core' to the acquisition and Teladoc's operations to support a 'core operations' argument," the order said.

"These sorts of details regarding back-office functions are not the kind that we can assume to be front and center for senior executives."

Without sufficiently pleading executives' scienter, that allegation against Teladoc fell too.

Judges Richard J. Sullivan, Joseph F. Bianco, and Beth Robinson sat on the panel.

Labaton Keller Sucharow LLP was lead counsel for the investors. Paul, Weiss, Rifkind, Wharton & Garrison LLP represented Teladoc and the executives. Neither firm nor Teladoc immediately responded to emails seeking comment.

The case is In re Teladoc Health, Inc. Sec. Litig. , 2d Cir., No. 25-1022, unpublished 7/27/26 .

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Compliance in the wild west — How state AGs are using traditional legal frameworks to address AI business practices | Secondary Sources | National

Compliance in the wild west — How state AGs are using traditional legal frameworks to address AI business practices

(July 27, 2026) - Attorneys at Troutman Pepper Locke examine how state attorneys general are using existing consumer protection, professional licensing, and privacy laws to address novel concerns and emerging issues from AI-driven business conduct.

I. Cut through the noise: What state attorneys general are doing about AI

Newsfeeds are saturated with dramatic headlines about artificial intelligence ("AI") — self-driving cars, AI-generated art, hallucinated legal briefs, and predictions of technological dystopia. The constant noise can obscure a more practical reality: Artificial intelligence is, at its core, a tool. However, it does not relieve companies of their longstanding obligations to treat consumers fairly or comply with existing state law.

While new AI-specific bills are emerging, state regulators need not wait for bespoke legislation to act. State Attorneys General are turning to the tools they know best — state Unfair and Deceptive Acts and Practices (UDAP) statutes and related consumer protection laws and regulations. These broadly worded laws, traditionally used to address fraudulent or misleading business practices that harm consumers, also serve as a means of creatively addressing novel concerns and emerging issues. They are now being applied to AI-driven business conduct. State AGs are also looking to antitrust, privacy, and licensing authority to achieve enforcement objectives.

II. AI does not have professional judgment

State AGs are increasingly scrutinizing AI products marketed as substitutes for human professionals, especially in activities typically licensed by the state. Some AI tools purport to function as financial advisors, lawyers, or medical providers, even though these systems cannot offer the individualized advice and professional judgment that trained humans provide.

Many licensed professionals already use AI daily. State AGs grow concerned when a product claims to fully replace those professionals entirely. When AI tools are promoted as adequate stand-ins for licensed professionals, those claims are likely to be viewed as deceptive under state UDAP law.

•**Do not imply that AI performs services that require state licensure**. Pennsylvania's Department of State recently brought a first-of-its-kind enforcement action against Character.AI, alleging that its "companion" chatbots unlawfully held themselves out as licensed medical professionals and engaged in the unlicensed practice of medicine. The complaint cites chatbot personas that purported to be psychiatrists, claimed to hold Pennsylvania medical licenses, and offered assessments and treatment recommendations to users without any actual licensure or oversight. Pennsylvania is seeking injunctive relief to stop the company from marketing or operating these bots as medical providers. A continuance has been granted, so Character.AI is set to file its Answer in response to Pennsylvania's Complaint by September 1, 2026. This case is significant because it approaches AI regulation from the perspective of the state professional licensing board — an avenue available to regulators in virtually every state — rather than through a new AI-specific law.

•**Implement safety into the design of therapy products**. State AGs are also coordinating to address risks posed by AI chatbots marketed as therapy or companion products that reach children and other vulnerable users. In December 2025, a bipartisan coalition of Attorneys General from more than 40 states and territories wrote to the legal representatives of major AI companies expressing serious concerns about "sycophantic and delusional outputs" from generative AI software, as well as deeply troubling AI interactions involving children. The letter calls on these companies to take immediate action, including adopting stronger child safety safeguards such as age-tailoring chatbot conversations, requiring chatbots to refer users to mental health professionals or law enforcement when conversations involve self-harm, drug use, or threats of violence, and mitigating AI outputs designed to tell users only what they want to hear rather than the truth. The major AI companies have not released a public statement regarding the AG coalition's letter.

State AGs view children's safety as one of their most significant enforcement priorities — particularly in the perceived absence of federal legislation or enforcement activity. For products used by minors, companies must be careful. They have publicly acknowledged that the most effective way to regulate AI in these early days of oversight is through enforcement actions and substantial settlements to deter undesirable business practices.

III. Regulators increasingly expect platforms to develop safeguards

AI has transformed the pace and scale of content creation. Marketers can now generate images, ad copy, and full video campaigns in a fraction of the time previously required. But this democratization has also lowered the barrier to entry for bad actors. Sophisticated-looking ads and social media posts — once the domain of well-funded operations — can now be produced cheaply by scam artists, giving consumers a misleading sense of legitimacy.

•**Build safeguards to protect consumers from AI-fueled deception**: State AGs are now specifically targeting the role of social media platforms in enabling AIdriven deception, from investment scams using deepfake impersonations and fraudulent cryptocurrency schemes to misleading AIgenerated weight-loss advertisements for GLP1 drugs that prey on consumer insecurities and obscure medical risks. The New Hampshire AG has warned residents about sophisticated investment frauds proliferating on social media platforms, while bipartisan coalitions of 35 AGs have called on social media platforms to better enforce their own policies, enhance review of highrisk ads, and curb AIgenerated scams and weightloss content that evades automated controls. In parallel, these enforcement efforts signal that regulators increasingly expect social media platforms to serve as frontline gatekeepers — policing deceptive AIenhanced ads, providing greater transparency around AI use, and, where necessary, restricting entire categories of risky advertising.

•**Prevent illegal outputs**. In January 2026, a bipartisan coalition of 35 AGs sent a joint letter to xAI demanding stronger action to prevent its chatbot, Grok, from generating nonconsensual intimate images and child sexual abuse material distributed on the X platform. The AGs argued that xAI's existing safeguards are insufficient and demanded that the company explain how it will permanently eliminate Grok's ability to create this content, remove existing harmful material, and suspend responsible users. The letter cautioned that Grok's outputs may already violate existing state and federal civil and criminal laws. xAI has not released a public statement regarding the AG coalition's letter and requests.

IV. Surveillance pricing

Surveillance pricing is an emerging practice in which businesses use consumers' personal data to set targeted, individualized prices. Drawing on information such as location, browsing history, and device data, companies may attempt to infer each consumer's willingness to pay and charge accordingly.

California's privacy and consumer protection regulators have launched an investigative sweep into how major retailers, grocers, and hotels use personal data for individualized pricing, specifically warning that undisclosed uses may violate the California Consumer Privacy Act's transparency requirements.

New York has complemented this approach with the Algorithmic Pricing Disclosure Act, which requires businesses using personalized pricing to display a clear notice — "THIS PRICE WAS SET BY AN ALGORITHM USING YOUR PERSONAL DATA" — and authorizes civil penalties for noncompliance.

Together, these initiatives show that state enforcers are pairing investigative powers with affirmative disclosure mandates. Companies using AI-driven pricing should review whether their disclosures are adequate under applicable state privacy and consumer protection laws.

V. Key takeaways for companies

The consistent lesson from recent state AG enforcement activity is that regulators will evaluate AI through traditional legal frameworks — consumer protection, professional licensing, privacy, and advertising law. Companies should be prepared to demonstrate that their governance, disclosures, testing, and oversight are sufficient to prevent consumer harm.

In practical terms, that means substantiating claims about AI performance and accuracy before making them; clearly disclosing uses of personal data, including in pricing; and reviewing AI-generated consumer-facing content for deception. Companies should also implement and document reasonable safeguards against foreseeable misuse, particularly where AI tools may affect children, vulnerable users, or regulated professional advice.

These foundational steps will serve companies well not only under existing state law, but as states continue enacting AI-specific legislation in the months and years ahead.

Google suit alleges bulk data transfers to China-tied companies | Secondary Sources | National

(July 28, 2026) - Google LLC knowingly transmits sensitive user data to companies with ties to the People's Republic of China, in violation of a federal bulk data rule, a proposed class-action lawsuit says.

In a complaint filed July 20 in the U.S. District Court for the Northern District of California, Corinne Pearson and Melenie Crutcher say Google violated the federal Bulk Sensitive Data Rule, 28 C.F.R. § 202, by transferring large amounts of Americans' sensitive personal data to Chinese companies.

"The BSD Rule prohibits transferring in bulk the sensitive personal data of Americans to persons or entities tied to 'countries of concern,' including China, to prevent adversarial countries from acquiring data that can be used to surveil, exploit, or model U.S. consumer behavior," the suit says.

According to the complaint, Google has knowingly and systematically transmitted user data to Baidu and Temu, both companies that have substantial ties to the Chinese government.

Baidu was designated by the U.S. Department of Defense as a "Chinese military company," while investigators have warned Temu may operate as a "conduit for state-directed data collection targeting U.S. residents," the suit says.

According to the complaint, Google intercepts users' browsing activity and transmits the data to Baidu and Temu, which receive the data in real time as part of their participation in Google's advertising ecosystem.

Pearson and Crutcher separately visited the website rxlist.com, a consumer-facing medical resource and internet drug index, where Google's code is deployed and was used to collect and transmit their data without their consent, the suit says.

The pair seek to represent a nationwide class of individuals whose user data was transmitted to Baidu, Temu or other entities based in the People's Republic of China on or after April 8, 2025, as well as a California subclass.

They say Google violated the California Invasion of Privacy Act, View more Negative TreatmentsCal. Penal Code § 631(a), and the Electronic Communications Privacy Act, View more Negative Treatments18 U.S.C.A. § 2510, as well as assert claims under the California intrusion upon seclusion and invasion of privacy laws.

Hertz hit with investor suit over 'distressed' capital raise | Secondary Sources | National

today.westlaw.com/Document/Ifda491f28a0011f19fc78aeab2e8050d/View/FullText.html

(July 27, 2026) - Hertz Global Holdings Inc. is facing a securities fraud lawsuit alleging it concealed deteriorating liquidity and weak used car sales before unveiling a "massive dilutive capital raise" in late June.

Schweitzer v. Hertz Global Holdings Inc. et al., No. 26-cv-2242, *complaint filed* (M.D. Fla. July 24, 2026).

The car rental company's share price fell more than 40% on June 24 after it announced a $300 million note offering, concurrent with a share lending agreement, the complaint filed July 24 in the U.S. District Court for the Middle District of Florida says.

Undisclosed liquidity problems?

The proposed class action, filed by Hertz shareholder Cameron Schweitzer, says the company faced financial difficulties in recent years after the pandemic forced it into Chapter 11 bankruptcy in 2020.

After emerging as a reorganized company in 2021, Hertz "bet heavily on electric vehicles" and wrote down large portions of its fleet when EV values declined, the complaint says.

By 2025, activist investor Pershing Square had acquired a 20% stake in Hertz and the company launched a "back to basics" turnaround plan focused on disciplined fleet management and cost control, the suit says.

Schweitzer alleges that Hertz misled investors May 7 when it released first-quarter financial results touting improved metrics and a strong liquidity position.

Hertz Chief Financial Officer Scott M. Haralson stated in a conference call that the company had $837 million in liquidity as of March 31 and expected to have "north of $1.5 billion" by the end of 2026, the complaint says.

A quarterly report filed May 8 with the Securities and Exchange Commission stated that Hertz believed its cash, liquidity facilities and refinancing options "will be sufficient to fund our operating activities and obligations for the next twelve months and for the foreseeable future thereafter," the suit says.

Schweitzer claims those statements were misleading because in fact, Hertz's liquidity was deteriorating and the company faced recurrent softness in the used car market.

The company also concealed the likelihood of "a dilutive, distressed capital raise that would materially harm existing shareholders," the complaint says.

Suit: Dilutive offerings

According to the suit, Hertz shocked investors June 24 when it announced an offering of $300 million in senior notes and a separate offering of $100 million in shares that the company would lend to J.P. Morgan Securities LLC.

Hertz said in a June 24 statement that it would receive "a nominal lending fee" for the borrowed shares, which J.P. Morgan or its affiliates intended to sell.

The bank and the affiliates intend to use the shares to "facilitate transactions by which investors in the notes … may hedge their investments through short sales or privately negotiated derivatives transactions," the statement said.

Hertz also disclosed the same day that losses on the sale of used vehicles in May 2026 would drive down its quarterly adjusted earnings before interest, taxes, depreciation and amortization, the complaint says.

The news caused Hertz's share price to fall more than 40% on June 24, closing at $3, the suit says.

Schweitzer asserts securities fraud claims against Hertz, CEO Wayne G. West and CFO Haralson under Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C.A. § 78j(b), and SEC Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.
West and Haralson are additionally liable as control-persons under Section 20(a) of the Exchange Act, 15 U.S.C.A. § 78t(a), the complaint says.
Schweitzer, represented by Andrew J. Brown of Schall, Brown & Schwartz LLP, seeks certification of a class of investors who acquired Hertz shares between May 7 and June 23, plus unspecified damages, costs and other relief.

FAA Flags Quality Issue Affecting Seats on Hundreds of Boeing MAX Jets

WSJ **wsj.com**/business/airlines/u-s-regulator-says-airlines-should-check-seat-installation-on-some-boeing-models-0ff06e11

The Federal Aviation Administration is asking airlines to inspect hundreds of Boeing 737 MAX passenger jets for improperly installed cabin seats that could prove dangerous in the case of an emergency landing or severe turbulence.

In a proposed airworthiness directive published late Monday, the U.S. regulator said it had received a report that seats on some of the planemaker's MAX jets were incorrectly installed in their tracks. The directive requires a "detailed inspection" of the seat installations across 453 Boeing 737-8 and 737-9 aircraft, the FAA said.

"A track-mounted passenger seat assembly that is installed incorrectly can disengage from the seat tracks if there is an increased load, turbulence, or emergency landing," the FAA said. "This condition, if not addressed, could result in injury to passengers and crew during an emergency landing or could block the aisle, which could slow evacuation."

Boeing said it welcomed the FAA making its guidance to operators on the inspections mandatory. The directive affects around a fifth of the more than 2,300 MAX jets in operation. The company reported financial results for the second quarter on Tuesday.

The new quality issue comes less than two weeks after the FAA handed back authority to Boeing to perform final safety signoffs of its newly produced 737s. The FAA had revoked the privilege in 2019 after two fatal MAX crashes, and had last year started allowing Boeing to resume issuing some of the so-called airworthiness certificates for its jets.

The U.S. company has also been on the cusp of getting final FAA signoff for two long-delayed versions of the 737 MAX—the smaller MAX 7 and the bigger MAX 10. The certification of those aircraft have been caught up in the planemaker's back-to-back crises, including a January, 2024 incident in which an incorrectly installed door plug blew off the side of a recently-delivered Alaska Airlines jet.

The Alaska incident led to dozens of 737s being temporarily grounded and a proposed fine from the FAA of more than $3 million, the maximum allowed civil penalty, for what the regulator described as "safety violations."

The FAA's latest call for quality inspections affects the three MAX models currently in operation across major U.S. and international carriers. In the U.S., the proposed inspections are estimated to cost operators about $2.7 million in total before any re-installation costs, the FAA said.

Boeing aircraft have been involved in high-profile safety issues of late, including an accident earlier this month when a window dislodged from the side of an older variant of the 737 in Greece led to a passenger being partially sucked out the side of the aircraft. The 61-year-old passenger survived the ordeal, and pilots were able to safely divert the plane.

The incident, onboard a Ryanair flight, mirrored a similar incident onboard a Southwest jet in 2018. The National Transportation Safety Board is currently assisting with the investigation into the cause.

JetBlue Loss Widens Due to Higher Fuel Costs

wsj.com/business/earnings/jetblue-loss-widens-due-to-higher-fuel-costs-136c905f

JetBlue JBLU Airways recorded a bigger loss in the second quarter stemming from higher jet fuel prices, though it blunted about half of that damage with higher fares and strong customer demand.

The carrier posted a loss of $247 million, or 66 cents a share, compared with a loss of $74 million, or 21 cents a share, in the same quarter a year earlier. Analysts polled by FactSet had been expecting a slightly bigger loss of 69 cents a share.

Operating revenue rose 14.5% from a year earlier to $2.7 billion, clearing analyst estimates for $2.69 billion.

Demand strengthened across nearly all of the company's different seat tiers and geographies, JetBlue said. The top-line gains, driven by higher prices and a 3.2% increase in capacity, allowed the company to recapture nearly 50% of the increase in fuel costs during the quarter.

Airlines have been raising fares to mitigate the impact of inflated fuel prices since the war in Iran sent oil prices surging earlier this year. JetBlue said the average price of fuel last quarter was $4.23 a share, a 76% jump from the same quarter in 2025.

The company is expecting fuel prices to remain elevated at an average of $3.49 in the current quarter.

While the fuel inflation battered JetBlue's bottom line last quarter, improvements on the demand front are setting the company up for profitability ahead, Chief Executive Joanna Geraghty said.

The New York-based company on Tuesday set a long-term goal of hitting earnings of $1 a share by 2028, assuming an average jet fuel price of $3 that year and that demand holds steady.

Union Funds Seek Final OK For $180M In Opioid Deals

law360.com/articles/2505737

(July 27, 2026, 9:54 PM EDT)-- Union health and welfare funds have asked the Ohio federal judge overseeing the sprawling national opioid litigation to approve settlements totaling $180 million with CVS, Walgreens, Walmart and three pharmaceutical companies to compensate for the costs of opioid use disorder treatment.

The union funds — referred to in the litigation as third-party payor plaintiffs — asked U.S. District Judge Dan Polster on Friday to sign off on a motion for final approval of the settlement to end their claims against the pharmacy chains and Teva, AbbVie subsidiary Allergan and Johnson & Johnson subsidiary Janssen. The settlement funds will be directed to the costs that the funds incurred for opioids and for the treatment of opioid use disorder, according to the motion.

"The one constant in opioids cases is that the opioids litigation is unique; success — on either side — is invariably uncertain," the union funds said. "This factor has driven and justified every settlement in the opioids litigation to date, and it applies equally here."

Not only does the settlement avoid the obstacles of trying each claim brought by a third-party payor, or TPP, but it assures that the settlement class will be compensated quickly now, given that their claims have been stayed, the funds said.

"Even if individual TPPs achieved successful judgments, the years of delay in achieving that result, on top of the years the TPPs have been stayed from litigating their claims, would only further injure TPP plaintiffs and settlement class members," the union funds said. "Settlement is the more prudent and expeditious route."

Additionally, there are tens of thousands of members in the settlement class, and some are rather small, the third-party payors said. It's likely that their damages would be eclipsed by the costs of litigating against companies the size of the defendants, they said.

The third-party payors noted that the allocation and claims process incorporate previously approved plans from earlier settlements with third-party payors in the opioid litigation.

A **$300 million settlement** between the third-party payors and McKesson Corp., Cardinal Health Inc. and Cencora Inc. won final approval by the court in early 2025.

"This settlement, like the previous third party settlements with the three major pharmaceutical distributors and with McKinsey, makes the companies that fueled the crisis reimburse the health care plans that bore its financial costs," Paul Geller of Robbins Geller Rudman & Dowd LLP, co-lead counsel for the union funds, told Law360 on Monday. "The epidemic imposed two enormous costs: a devastating human toll, but also a significant financial one. The multi-billion dollar public settlements reached over the past decade addressed the first; this settlement addresses the second."

Judge Polster granted preliminary approval of the $300 million deal last month.

Under the terms of the deal, $10 million of the settlement funds will come from Allergan, $40 million from Janssen, $45 million from Teva and $85 million from CVS, Walgreens and Walmart.

Counsel for the funds are seeking 20% of the settlement in attorney fees, which they say ranks as modest compared to fees sought by plaintiffs' counsel in other litigation in the Sixth Circuit and nationally. They are also requesting up to $1.5 million in expenses.

"We are pleased to be moving toward final approval on this $180 million settlement for third-party payors in the opioids MDL," Elizabeth J. Cabraser of Lieff Cabraser Heimann & Bernstein LLP, co-lead settlement class counsel, told Law360 on Monday. "We appreciate the court's grant of preliminary approval, the widespread support from the class, and look forward to final approval and distribution of the settlement fund."

Representatives for the other parties didn't immediately respond to requests for comment Monday.

Plaintiffs are represented by Paul J. Geller and Mark J. Dearman of Robbins Geller Rudman & Dowd LLP; Elizabeth J. Cabraser and Eric B. Fastiff of Lieff Cabraser Heimann & Bernstein LLP; James R. Dugan II of The Dugan Law Firm PC; Jayne Conroy of Simmons Hanly Conroy LLP; Joseph F. Rice of Motley Rice LLC; Paul T. Farrell Jr. of Farrell & Fuller LLC; and Peter H. Weinberger of Spangenberg Shibley & Liber LLP.

Allergan is represented by Rebecca Fitzpatrick of Kirkland & Ellis.

Janssen is represented by Charles Lifland and Daniel Suvor of O'Melveny & Myers LLP.

Teva is represented by Eric Sitarchuk of Morgan Lewis & Bockius LLP.

CVS, Walmart and Walgreens are represented by Zuckerman Spaeder LLP, Jones Day, Bartlit Beck LLP, Morgan Lewis & Bockius LLP, Marcus & Shapira LLP, and Dechert LLP.

The case is In re: National Prescription Opiate Litigation, case number 1:17-md-02804, in the U.S. District Court for the Northern District of Ohio.

Health Data Co. Inks $4.8M Settlement To End Investor Suit

law360.com/articles/2505743/health-data-co-inks-4-8m-settlement-to-end-investor-suit

(July 27, 2026, 5:39 PM EDT)-- The health diagnostics company formerly known as Sema4 has reached a $4.8 million settlement with investors accusing the company of misleading them about a nonexistent, artificial intelligence-driven data platform it claimed to operate.

The plaintiffs said on Friday that the settlement is a "highly favorable result" and represents a recovery amount between 11.8% and 13.6% of the maximum damages potentially available, which is over two-and-a-half times the median recovery in similar cases.

The parties last year **agreed to private mediation** while actively engaging in discovery, and accepted a double-blind mediator's $4.8 million settlement proposal in February, the **settlement notice** states.

Lead counsel for the investors will seek up to $1.6 million, or one-third of the settlement fund, in fees, and expenses to be determined at a later date.

If approved, the deal would end claims brought by investor Nabil Helo on behalf of anyone who purchased securities of the company, which is now known as GeneDx Holdings Corp., between Jan. 18, 2022, and Aug. 15, 2022.

According to the second amended complaint filed in September 2024, Sema4 announced in May 2022 that it had completed a $623 million acquisition of disease diagnostics company GeneDx Inc. The company told investors the transaction would significantly enhance the power of its AI-driven data and analytics platform, Centrellis, "by adding more than 2.1 million expertly curated phenotypes and over 300,000 clinical exomes GeneDx has generated."

But in August 2022, Sema4 announced it would cut about 250 employees and hire two new research and development directors, causing shares to fall over 33%, according to the suit. The company represented at the time that it would shift its strategy for Centrellis, but former employees cited in the suit claim the platform never existed.

Last June, U.S. District Judge Vernon D. Oliver denied a motion to dismiss the case and said that in each of the allegedly forward-looking statements, the "speaker necessarily represents that Centrellis presently exists."

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

The investors are represented by Ex Kano S. Sams II and Christopher Fallon of Glancy Prongay & Murray LLP and David A. Slossberg, Erica O. Nolan and Timothy Cowan of Hurwitz Sagarin Slossberg & Knuff LLC.

GeneDx is represented by Dean S. Kristy, Giulia S. Rubin, Hamdi Soysal and Catherine D. Kevane of Fenwick & West LLP and Joseph W. Martini of Spears Manning & Martini LLC.

The case is Helo v. Sema4 Holdings Corp. et al., case number 3:22-cv-01131, in the U.S. District Court for the District of Connecticut.

Pepsi, Frito-Lay Accuse Sugar Companies Of Price Fixing

law360.com/articles/2506154

(July 27, 2026, 7:04 PM EDT)-- Prominent food and beverage companies including Pepsi, Quaker Oats, Bimbo Bakeries and Frito-Lay filed an antitrust lawsuit in Minnesota federal court Friday alleging that major sugar refineries and producers have been involved in a price-fixing scheme since 2019.

Bimbo Bakeries is the producer of several brands of baked goods including Thomas' English Muffins, Sara Lee, Entenmann's, Brownberry, and Ball Park

The **complaint** alleges that the sugar companies shared information about pricing and supplies through Louis Dreyfus Co. LLC and Commodity Information Inc., which are also named in the suit with Commodity principal Richard Wistisen. Information does not have to be exchanged directly between competitors, the complaint says, in order to be a violation of antitrust laws.

"It does not matter whether the exchange is direct or through an intermediary, such as Commodity," the plaintiffs said in the complaint.

The plaintiffs allege Wistisen acted as a conduit for the price-fixing scheme by collecting and distributing sensitive pricing and inventory information.

The food and beverage companies called the actions of the sugar companies "cartel activity" and alleged they have "conspired to artificially inflate prices of refined sugar" since Jan. 1, 2019. The plaintiffs allege that the price-fixing scheme was implemented by exchanging "detailed, competitively sensitive, nonpublic information about refined sugar prices, capacity, sales volume, supply and demand through Commodity.

The plaintiffs allege unlawful price fixing and unlawful information exchanges in violation of the Sherman Act and the Clayton Act.

All the food and beverage producer plaintiffs use a large amount of refined sugar to make their products and the refineries named in the suit are described in the complaint as the nation's largest producers of refined sugar in the United States. The complaint alleges that although they are direct competitors, the companies conspired to inflate sugar prices and keep them at a high level, despite there being no supply or inventory issues.

Food and beverage producers that buy refined sugar, the complaint says, are not able to easily switch to a different sweetener if sugar prices spike, making demand inelastic.

"An industrial food or beverage customer that uses refined sugar in its products is unlikely to switch to using another sweetener because it would require changing recipes, production methods and product labeling," the plaintiffs state in the complaint.

The complaint alleges that the defendants were "colluding rather than responding" to the market and developed standardized pricing formulas that were used to fix the prices of refined sugar and "maintain artificially high price levels."

Prices of both refined beet sugar and cane sugar increased from 2019 to 2024, the complaint alleges, with the per-pound cost of beet sugar rising 37% and cane sugar 57%.

"For more than 80 years, the industry has been marked by repeated violations of the antitrust laws, including conduct similar to the conduct alleged here," the plaintiffs said in their complaint.

Representatives for the plaintiffs did not immediately respond to requests for comment.

The plaintiffs are represented by Ryan W. Marth, Deborah E. Arbabi, Laura Song and William V. Reiss of Crowell & Moring LLP.

No information was available Monday afternoon about representatives for the defendants.

The case is McLane Co. Inc. et al. v. ASR Group International Inc. et al., case number 0:26-cv-03412 in U.S. District Court for Minnesota.

7th Circ. Revives Suit Over Chobani's 'Sugar Free' Labeling

law360.com/articles/2506435/7th-circ-revives-suit-over-chobani-s-sugar-free-labeling

(July 27, 2026, 11:52 PM EDT)-- The Seventh Circuit Monday resurrected a proposed class action claiming Chobani misled customers by labeling its yogurt as "sugar free," ruling that the naturally occurring sweetener in the yogurt constitutes a sugar under federal regulation and thus the customers have plausibly alleged consumer deception.

The three-judge panel **reversed** an Illinois federal court's dismissal of the case, which was brought under dozens of state consumer protection laws. The panel disagreed with the lower court that the sweetener, called allulose, isn't regulated by the Federal Food Drug and Cosmetic Act.

"The federal requirements at issue are plain — food products cannot be labeled sugar free unless they have less than half a gram of sugar, and sugars include every monosaccharide, including allulose," the Seventh Circuit said.

Named plaintiffs Jason and Abigail Franco said in their suit that they bought Chobani based on its promise that the yogurt was sugar-free. Under federal regulations, that means the yogurt would contain less than a half gram of sugar, they said. However, Chobani's yogurt included 4 grams per serving of allulose, a naturally occurring sweetener, according to the Seventh Circuit's opinion.

The lower court held that the Francos' claims were preempted, deferring to enforcement guidance from the U.S. Food and Drug Administration. Chobani argued that the dismissal was correct, not just because the Francos' claims were preempted but also because they were unreasonably interpreting the labels.

The Seventh Circuit said the FDA has expressed a view about allulose's status "on several occasions." The agency has also issued guidance on it, according to the panel, and that's the guidance Chobani has pointed to. The Seventh Circuit noted that it asked the FDA to weigh in on the case as well.

The panel said there's no dispute that allulose is what's called a "monosaccharide," which is included in the regulation's definition of sugar. And while the lower court found the controlling law ambiguous, that was an error, the panel said.

The FDA's guidance on allulose wasn't an official agency position entitled to "controlling weight," the Seventh Circuit said.

"The allulose guidance was a statement about enforcement discretion, and the agency hasn't engaged in further rulemaking, which means its original definition of sugar remains in force," the panel said. "And the fact that one sovereign (the United States) indicated that it would not enforce its labeling requirements with respect to allulose should not have led Chobani to believe that the states would take a similar approach."

Beyond that, while Chobani believed its federal marketing permit kept it safe from federal enforcement, it "said nothing about state law consumer protection suits," the Seventh Circuit said.

"Chobani is a sophisticated actor and should have been aware that the FDA's decisions about its enforcement priorities would not immunize the company from suits based on state law," it said.

It added that, at this stage in the litigation, proof is not required. All the Francos must do is plausibly allege consumer deception, the panel said. They did, it said.

Last month, a proposed class of yogurt buyers **filed another labeling suit** accusing Chobani of inflating the serving size on the 32-ounce packages of its yogurt so it can claim it has "20g protein" per serving, in violation of federal regulations.

According to that suit, Chobani has been unable to make dairy products that can legitimately compete in the market for high-protein yogurt — with one attempt being discontinued after customers reported it was "horrible," "thick," "syrupy," "sour" and like "goo" — but is still seeking to cash in on that market by misleading consumers.

Chobani and counsel for the customers didn't immediately respond to requests for comment late Monday.

U.S. Circuit Judges Ilana Diamond Rovner, Thomas L. Kirsch II and Nancy L. Maldonado sat on the panel for the Seventh Circuit.

The customers are represented by Alexander H. Burke of Burke Law Offices LLC and Yates M. French of Rathje Woodward LLC.

Chobani is represented by Andrew S. Tulumello, Arianna Scavetti and Sebastian Laguna of Weil Gotshal & Manges LLP.

The case is Jason Franco et al. v. Chobani LLC, case number 25-2087, in the U.S. Court of Appeals for the Seventh Circuit.

Cigna Must Face Pa. Suit Over Portal Health Data Tracking

law360.com/articles/2506378/cigna-must-face-pa-suit-over-portal-health-data-tracking

(July 27, 2026, 9:37 PM EDT)-- A Pennsylvania federal judge on Monday allowed a group of Cigna health plan participants to pursue most of their claims alleging the company unlawfully disclosed their protected health information for marketing purposes by using an Adobe tracking pixel.

A proposed class of Cigna insureds plausibly alleged that Cigna lacked their consent to send information on their health conditions and treatments to analytics provider Adobe Inc. — which is not a defendant in the suit — through a tracking pixel embedded on Cigna's medical and dental portals, U.S. District Judge Wendy Beetlestone held in a 30-page **opinion**.

The ruling comes after plaintiffs — a group of Cigna health plan participants in California, Massachusetts, New York and Ohio — saw most of their previous complaint **dismissed** in February on the grounds that they consented to the disclosures.

Under Monday's order, plaintiffs can pursue their common law unjust enrichment and breach of fiduciary duty claims against Cigna as well as their claims under the Federal Wiretap Act and Pennsylvania Wiretapping and Electronic Surveillance Control Act, or FWA and WESCA.

The judge tossed for good, however, plaintiffs' common law intrusion upon seclusion claim, finding it failed because their second amended complaint demonstrated Cigna was the intended recipient of their information. That deficiency cannot be cured through an amendment, she said.

"We're pleased the court found that the bulk of our claims will move forward," Andrew Schlichter, an attorney for plaintiffs, told Law360 in a Monday email. "Insureds are entitled to expect that their private health information will be protected, and we look forward to proving the case at trial."

Through their second amended complaint, plaintiffs seek to represent a proposed class of every current and former insured of Cigna whose website communications were captured from May 2023 onward through the use of tracking pixels allegedly supplied by Adobe, Meta, Google and other third-party vendors.

Judge Beetlestone's Monday analysis focused on pixels deployed on Cigna's secure user portals that allegedly transmitted information to a domain owned by Adobe. She noted that plaintiffs' second amended complaint failed to "describe in any detail" their interactions with Cigna's public-facing webpages that they alleged transmitted information to the other third-party party vendors.

Plaintiffs' second amended complaint plausibly alleged Cigna failed to obtain consent to disclosure their protected health information as required via the terms of a notice pertaining to the Health Insurance Portability and Accountability Act, or HIPAA, Judge Beetlestone ruled. The HIPAA notice required Cigna to obtain written, signed authorization when disclosing insureds' protected health information for marketing purposes, she recounted.

In support of that finding, the judge pointed to plaintiffs' allegations that they used Cigna's portals to find providers and search for prescriptions. She also noted allegations that the sharing of their data helps third-parties like Adobe "segment" insureds into target audiences tied to their health conditions and can inform automated auctions used to determine which advertisement appears for a specific user.

"Defendants maintain that Plaintiffs conclusorily allege that their PHI was shared specifically for marketing purposes. Hardly so," the opinion said. "The entire theory of Plaintiffs' case is that insureds' health data has immense commercial value insofar as it reveals traits — namely, their medical history — indicating that they are most likely to be interested in a particular product or service."

That the disclosures were allegedly unauthorized matters "across the board ... though in different ways" to plaintiffs' unjust enrichment, FWA and WESCA claims, the ruling said.

Specifically, the judge said the allegedly unauthorized disclosures plausibly fall under a "crime-tort-exception" to the FWA, which otherwise permits interceptions when one of the parties to the communications has given prior consent. The "crime-tort-exception" plausibly applies because plaintiffs alleged Cigna knowingly deployed the tracking pixel to improve marketing practices and reap a financial benefit, she said.

Meanwhile, the allegedly unauthorized disclosures are relevant to Pennsylvania's WESCA because that law's consent exception requires all parties to consent to the interception of communications in order for it to apply, the judge noted.

She also rejected Cigna's argument that plaintiffs couldn't bring a claim under WESCA due to their residence outside Pennsylvania, noting that such a finding would be "premature" because neither party has briefed the "threshold issue of whether there is even a conflict between the WESCA and the wiretapping statutes of plaintiffs' home states."

Turning to plaintiffs' unjust enrichment claim, Judge Beetlestone held that nonbinding authorities cited in Cigna's dismissal motion were either "irrelevant" or "easily distinguishable" from plaintiffs' allegations that their health information was commoditized for marketing purposes and that they paid premiums for insurance coverage that was wrongly represented as HIPAA-compliant.

Finally, plaintiffs' breach of fiduciary duty claim survived because the second amended complaint contains the "same material allegations" on that claim that the judge allowed to stand in her February ruling, the order said.

Representatives of Cigna did not immediately respond to a Monday request for comment.

The plaintiffs are represented by Andrew J. Schlichter, Alexander L. Braitberg, Chen Kasher, Jerome J. Schlichter, Nathan D. Stump, Scott A. Bumb and Zoe E. Seaman-Grant of Schlichter Bogard LLC.

The Cigna Group and Cigna Corporate Services LLC are represented by Tiffany Cheung, Alberto Corona, Eduardo Figueroa, Katherine E. Driscoll, Adam J. Hunt, Dillon J. Kraus and Laura Hill of Morrison & Foerster LLP and by Joe Nguyen and Bridget C. Giroud of Stradley Ronon Stevens & Young LLP.

The case is Adair et al. v. Cigna Corporate Services LLC et al., case number 2:25-cv-02384, in the U.S. District Court for the Eastern District of Pennsylvania.