Alibaba Underplayed Risks of Military Ties, AI Effort, Suit Says

Aug. 4, 2026, 3:04 PM PDT

Summary by Bloomberg AI

AI Generated

- Alibaba Group Holding Ltd. is accused of misleading US investors about business risks related to its potential designation as a Chinese military company and its AI-development methods.
- The company failed to warn investors about its own risk of being identified as a Chinese military company, and mischaracterized its risk of improperly accessing another company's artificial intelligence model.
- A lawsuit seeks damages on claims for securities fraud, representing a class of those who acquired Alibaba's securities from June 26, 2025 through June 24, 2026.

Alibaba Group Holding Ltd. misled US investors about business risks related to its potential designation as a Chinese military company subject to delisting and other restrictions and to its AI-development methods, according to a proposed class action.

Alibaba named other firms affected by a US crackdown on Chinese military companies , Carl Wistisen says in a lawsuit filed Tuesday in the US District Court for the Southern District of New York. But it failed to warn investors about its own risk in advance of being identified as such a company on a US Defense Department list on June 8 under an expanded definition of Chinese military companies, Wistisen says.

The web marketplace operator also mischaracterized its risk of improperly accessing another company's artificial intelligence model as hypothetical or "inadvertent," he says. Instead, its AI laboratory was deliberately accessing Anthropic PBC's Claude product to "distill" its results and create a low-cost chatbot, the complaint says, citing a June 24 Bloomberg News report on Anthropic's assertions.

Alibaba's American depositary share prices dropped $4.69, or 4%, over two trading days after the DOD updated its list of Chinese military companies, according to the complaint. The stock closed at $115.38 per share on June 10.

And the price of Alibaba's ADSs — a type of share that allows foreign-listed companies to trade on US markets — fell 3% on June 24 and another 5% the following day, closing at $95.07.

Wistisen seeks to represent a class, estimated as numbering in the hundreds or thousands, of those who acquired the securities from June 26, 2025 through June 24, 2026. He seeks damages on his claims for securities fraud.

Alibaba didn't immediately respond to a request for comment submitted through its web portal.

Rosen Law Firm PA represents Wistisen.

The case is Wistisen v. Alibaba Grp. Holding Ltd. , S.D.N.Y., No. 1:26-cv-06654, complaint 8/4/26 .

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BDO Faces AmTrust Investor Class in Suit Claiming Shoddy Audit

Aug. 5, 2026, 9:42 AM PDT

AmTrust Financial Services Inc. investors are entitled to class status on securities fraud claims against BDO USA PC for allegedly misrepresenting its adherence to auditing standards, a federal court ruled.

The decision Tuesday comes as AmTrust, which acknowledged overstating its income, and its underwriters are in the process of settling the investors' allegations against them for $19 million. The claims against the three sets of defendants are in the same lawsuit in the US District Court for the Southern District of New York.

BDO was one of many corporate defendants arguing that individual issues outweigh common issues when it comes to investors' reliance on company statements and damages, preventing class certification.

Judge Lewis A. Kaplan, however, said "common issues of liability predominate and justify class action treatment notwithstanding the need to calculate damages."

Those issues were argued at the US Court of Appeals for the Fifth Circuit on Aug. 3 in a case against Cassava Sciences, shortly after the Fourth Circuit freed Boeing Co. from an investor class on the damages question.

The AmTrust investors alleged its then-auditor BDO vouched for the accuracy of the insurance company's 2013 financials in a Securities and Exchange Commission filing. But BDO hadn't completed its work before signing off on AmTrust's financial statements, they alleged.

The investors leading the suit sought certification of three subclasses. But with settlements pending with Amtrust and the underwriters, Kaplan addressed only those investors with claims against BDO.

The shareholders are entitled to a presumption of reliance because AmTrust's stock traded in an efficient market — quickly responding to company news — and because there's evidence that the stock price dropped after a media report on the company's auditing problems, Kaplan said. "The evidence nearly universally supports the conclusion that the alleged misstatements affected the price of AmTrust stock," he said.

And the plaintiffs' "out-of-pocket" measure of damages is a "well-accepted method," he said. There's "no reason to believe that the calculation of damages, should that prove necessary, would be anything other than formulaic."

The case has already taken a trip to the Second Circuit. After the AmTrust investors' BDO claims were revived on appeal, the auditor in October 2025 lost a bid for US Supreme Court review of the circumstances under which accounting firms can be held liable for shoddy audits.

Kaplan appointed Robbins Geller Rudman & Dowd LLP as class counsel for the BDO subclass. Clark Smith Villazor LLP, Dechert LLP, and McDermott Will & Schulte represent BDO, formerly called BDO USA LLP.

The case is In re AmTrust Fin. Servs. Sec. Litig. , S.D.N.Y., No. 1:17-cv-01545, 8/4/26 .

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Another AI Spending-Related Securities Class Action

dandodiary.com/2026/08/articles/artificial-intelligence/another-ai-spending-related-securities-class-action

Artificial intelligence-related securities litigation continues to accelerate, with plaintiffs increasingly targeting not only alleged misstatements about AI products and capabilities, but also companies' disclosures regarding their investments in AI and the impact of those investments on business operations. A couple of recently filed lawsuits challenge AI-related spending and capital allocation decisions, which may underscore whether growing investor scrutiny of whether management adequately disclosed the financial risks, costs, and tradeoffs associated with aggressive AI initiatives.

Illustrating this emerging line of AI-related securities litigation, a shareholder lawsuit filed on July 29, 2026, against Rackspace Technology, Inc. (Rackspace), its CEO, and CFO in the Southern District of New York alleges that the company failed to disclose the financial and operational consequences of its enterprise AI strategy. As discussed in more detail below, the Rackspace SCA highlights how increasing scrutiny over companies' AI-related spending may have significant impact on D&O underwriters.

A copy of the complaint can be found here.

The Securities Class Action Lawsuit

Rackspace is a cloud computing and managed services company that provides infrastructure, hosting, and cloud management solutions, including services that support enterprise AI workloads. According to the Rackspace SCA, the company's Private Cloud segment, which provides dedicated cloud environments managed by Rackspace, generally generates higher operating margins. By contrast, its Public Cloud segment helps customers deploy and manage workloads on hyperscale cloud platforms, combining providers' infrastructure with Rackspace's managed services and support offerings.

The complaint alleges that, on May 7, 2026, Rackspace announced a memorandum of understanding with Advanced Micro Devices, Inc. (AMD) to create an Enterprise AI Cloud for regulated enterprises and sovereign workloads. Allegedly, the strategy would provide specialized infrastructure, governance controls, and computing power needed to support AI applications in highly secure environments. While consistent with Rackspace's broader cloud-services business, the initiative purportedly represented an effort to expand into AI-focused infrastructure, requiring substantial investments and reallocation of resources from existing business segments.

During Rackspace's related earnings call, company executives expressed confidence in the company's growth outlook and reaffirmed full-year 2026 revenue, EBITDA, and cash-flow guidance. According to the shareholder plaintiffs, subsequent developments revealed the financial and operational consequences of Rackspace's AI strategy.

In June 2026, the company announced an agreement with AMD to deploy AI computing capacity and a workforce reduction affecting approximately 15% of employees as part of a shift toward AI infrastructure and services. Less than a month later, on July 9, 2026, Rackspace allegedly cut its full-year revenue and EBITDA guidance, citing its exit from certain low-margin and legacy offerings, as well as near-term costs associated with AI investments and restructuring.

The complaint alleges that investors reacted negatively to the company's revised guidance and disclosures regarding its AI-related spending, causing Rackspace's share price to decline by 33.6%. The shareholder plaintiffs assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 and seek damages on behalf of the class.

Discussion

The Rackspace SCA is the latest addition to a growing wave of AI-related securities litigation. As *The D&O Diary* recently noted, Cornerstone Research's 2026 Midyear Assessment identified 15 AI-related securities class action filings during the first half of 2026. Including the subsequently filed Wix.com and Rackspace actions would bring the 2026 total to 17. According to Cornerstone AI-related filings represented only 13% of core federal securities class actions during the first half of 2026, but they accounted for a disproportionately large share of investor losses.

Beyond contributing to the growing number of AI-related securities filings, the Rackspace SCA is interesting because it reflects the continuing evolution of the types of claims shareholder plaintiffs are asserting in connection with AI-related disclosures and business decisions. The Rackspace SCA alleges both inadequate disclosures regarding the company's AI strategy and misstatements about its business outlook after heavy AI investment. Cornerstone classifies AI-related defendants into categories such as AI development, AI usage, AI infrastructure and hardware, and data centers, and the Rackspace SCA appears to fit most naturally within the AI infrastructure and data-center categories.

In addition, the allegations against Rackspace more closely resemble those asserted in the securities lawsuits filed earlier this year against Microsoft in July and Oracle in February. *D&O Diary* readers may recall that the Microsoft complaint alleges that the company failed to disclose the extent to which its AI strategy would require additional capital investment and the reallocation of CPU and GPU resources from its profitable Azure business to support Copilot and broader AI initiatives.

The Oracle complaint similarly challenges disclosures concerning the substantial capital expenditures, financing needs, and near-term financial pressures associated with the company's AI infrastructure strategy. Like those cases, the Rackspace SCA centers on allegations that investors were not adequately informed about the financial tradeoffs and operational consequences of an aggressive AI investment strategy.

For D&O underwriters, the allegations against Rackspace may reinforce the importance of evaluating whether a company's AI strategy is grounded in realistic assumptions regarding funding, resource allocation, and expected returns. The case also highlights growing expectations that boards and senior management exercise effective oversight of AI-related initiatives and ensure that disclosures, guidance, and internal planning are aligned. As AI-related securities litigation continues to advance, D&O underwriters may want to focus on whether companies have governance and disclosure processes capable of identifying and addressing the financial and operational consequences of significant AI investments.

The Rackspace SCA underscores that AI-related risks may arise not only from what companies say about AI, but also from what they disclose about the costs and consequences of implementing their AI strategies. As AI investments continue to grow, boards, management teams and companies are likely to face increasing scrutiny of the governance and disclosure processes surrounding those initiatives.

Insight

Delaware Keeps Business Filing Edge as Texas Starts Fast Service

Aug. 5, 2026, 1:30 AM PDT

Summary by Bloomberg AI AI Generated

- A debate has unfolded about whether corporations are fleeing Delaware for competing states such as Texas and Nevada due to recent corporate law developments, dubbed "DExit".

- Texas has introduced the "Texas Express" service, which offers same-day or next-day service for business filings, but it still doesn't offer the highly expedited services offered by the Delaware Division of Corporations.

- Delaware provides a superior level of speed, responsiveness, efficiency, and cost for business filings, with options such as one-hour service and electronic requests via its website, making it more attractive to companies.

Over the last few years, a debate has unfolded about whether a number of corporations are fleeing Delaware for competing states such as Texas, Nevada, and others because of recent corporate law developments. Practitioners, law professors, and corporate constituencies have dubbed it "DExit."

Changes in the laws and policies of these competing states make them more attractive as a domicile for companies, with Tesla making the noisiest withdrawal. That includes the recent announcement of the "Texas Express" service from Texas Secretary of State Jane Nelson for business filings, which warrants a comparison to the services currently provided by the Delaware Division of Corporations.

Although the Texas Express service now offers quicker turnaround times for corporate filings, it still doesn't offer the highly expedited services offered by the Delaware Division of Corporations.

Texas vs. Delaware

For various reasons, expedited delivery or processing of corporate documents is often needed. Waiting days or weeks for documents to be processed can cause difficulties for those forming businesses quickly or during fast-moving mergers.

For that reason, Delaware has long provided highly expedited processing of corporate filings — offering certification of filed documents in as quickly as an hour. This is only one of the many benefits touted by those who believe the state will continue to hold its prominence in the corporate world.

Now, companies will be able to get a similar service from Texas. The creation of the Texas Express service, announced on July 14, provides same-day or next-day service. Texas Express can provide same-day processing of business filings for an additional fee of $750 per document, and next-day processing for a fee of $500 per document — in addition to the ordinary filing fees. The intent may be to emulate a similar level of service provided by the Delaware Division of Corporations for processing business filings.

While this announcement is an improvement for Texas entities, the Delaware Division of Corporations provides a superior level of speed, responsiveness, efficiency, and cost.

For example, it doesn't appear that Texas offers the one-hour service that Delaware offers. In Delaware, one can confirm the formation of an entity or receive confirmation of a filing within a matter of hours. The Delaware Division of Corporations will process the request within the requested time (such as one hour) and a filer can request a confirmation email.

Delaware also offers more options for expedited filings, with the most expedited services offered by Delaware being unavailable in Texas. For the two services — same-day and next-day — which are also offered in Texas, Delaware still proves to be less expensive, and easier to actually file.

The Delaware Division of Corporations provides several options to allow entities to request expedited service both for corporate filings or for uniform commercial code filings for a fee in addition to the normal filing fee.

While Delaware offers one-hour service, which can be requested for $1,000, it appears that the same level of expedited service is unavailable in Texas. Delaware also provides two-hour service for an additional fee of $500; Texas doesn't offer two-hour service. Texas also announced that it will charge an additional fee for same day-service and next-day service, which Delaware already provides.

For practitioners in a fast-moving situation, even more impressive is the cut-off time for the receipt of filings by the Delaware Division of Corporations. One-hour service can be completed if the filing is received by 9 p.m. ET, and two-hour service can be accomplished if the filing is received by 7 p.m. ET. Same-day service requires receipt only before 2 p.m. ET. In contrast, Texas requires submission by noon for both same-day and next-day service.

Ease of access is another major difference between Texas and Delaware. Here, Delaware again proves itself to be more user-friendly. While the Texas Business Express service requires that same-day and next-day filings must be submitted in person, the Delaware Division of Corporations allows electronic requests via its website.

To use the new Texas Express service, Texas filers must present themselves in person to the Texas agency or send a courier with their documents, while Delaware filers can easily complete the request from their desks or phones.

Delaware still provides superior and faster business filing services that better suit the needs of today's businesses, as proven by its efficient and responsive service that causes the majority of the Fortune 500 and nearly 70% of new US initial public offerings to choose Delaware as their corporate domicile.

Delaware has long been known for its business friendly policies, and the Division of Corporations' prompt and efficient services are just one part of that ecosphere. Key for practitioners is the flexibility provided by the Division of Corporations' remote filing system, its later filing cut-off times, and its ability to certify filings in as little as one hour. These advantages are invaluable to practitioners and will serve to keep Delaware as a leader in corporate law.

While the Texas Secretary of State is making great strides in implementing its new Texas Express offering, it still doesn't beat the efficiency of service offered by the Delaware Division of Corporations.

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

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Ford Asks 9th Circ. To Revive Lemon Law Fake-Billing Suit

August 04, 2026

Author: Linda Chiem

Summary

Ford Motor Co. has asked the Ninth Circuit to revive its racketeering lawsuit accusing three attorneys affiliated with Knight Law Group LLP of orchestrating a massive fraudulent billing scheme, saying First Amendment protections don't immunize the attorneys' underlying conduct in California lemon law litigation against the automaker.

Body

Ford Motor Co. has asked the Ninth Circuit to revive its racketeering lawsuit accusing three attorneys affiliated with Knight Law Group LLP of orchestrating a massive fraudulent billing scheme, saying First Amendment protections don't immunize the attorneys' underlying conduct in California lemon law litigation against the automaker.

Ford filed an opening brief Monday in its Ninth Circuit bid to reverse U.S. District Judge Michelle Williams Court's dismissal of its Racketeer Influenced and Corrupt Organizations Act lawsuit against Knight Law founding partner and former managing partner Steve B. Mikhov, current managing partner Roger Kirnos and partner Amy Morse. Ford accused the trio of lawyers of overzealous billing and conspiring to dupe unsuspecting clients in product liability and personal injury cases against automakers.

In the Central District of California, Judge Court determined in March that Ford's amended claims against the lawyers were barred by the Noerr-Pennington doctrine, which recognizes a party's right to litigate without fear of reprisal and requires courts to toss claims predicated on underlying litigation activity to avoid chilling the exercise of that right.

Ford argued, "Despite unambiguous language covering the predicate acts of perjury and fraud, the district court reached the startling conclusion that any activities touching upon the judiciary — including perjured declarations and fraudulent billing statements — are protected by Noerr-Pennington."

"That decision stretches this judge-made doctrine beyond its breaking point," Ford said in its brief. "The petition clause protects a party's right to petition the government; it does not provide a right to lie under oath in court or to defraud an opposing party who also has petitioning rights to a fair and effective judicial forum."

"Congress acted well within constitutional bounds when it drafted RICO and the fraud and perjury statutes to impose liability for such conduct," the automaker continued. "The district court lacked the authority to nullify that statutory text. This court should reverse the district court's overbroad misapplication of Noerr-Pennington."

Ford maintains that its claims fall under a "sham litigation" exception to Noerr-Pennington immunity. That exception would typically apply in three scenarios: where the lawsuit is objectively baseless and the defendant's motive in bringing it was unlawful; where the conduct involves a series of lawsuits brought pursuant to a policy of starting legal proceedings without regard to the merits and for unlawful purposes; and if the purportedly unlawful conduct consists of making intentional misrepresentations to the court, litigation can be deemed a sham if a party's knowing fraud upon, or its intentional misrepresentations to, the court deprives the litigation of its legitimacy.

Ford argued that all three sham exceptions apply here. It also contends that the district court "made a second critical error when it concluded Ford failed to allege defendants shared a common purpose and thus inadequately pleaded the 'enterprise' element of its RICO claims," according to the brief.

"Common purpose is an element of an association-in-fact enterprise, which is an informal association of individuals alleged to constitute an enterprise based on their common purpose. But Ford alleged a legal-entity enterprise," it argued. "A legal-entity enterprise is established by its formal legal status, and no further showing of common purpose is required."

Ford in-house counsel Doug Lampe said Tuesday in a statement to Law360, "if the district court's opinion is to stand, then it means that there is no civil remedy when lawyers lie, cheat and steal as long as such behavior is done in furtherance of litigation."

"That is not the law — our government created RICO in part to address unlawful conduct in litigation," Lampe said. "That cannot be the law — we live in a society that values the rule of law, and rule of law includes consequence. Ford will continue to expose and reveal the epidemic of unprofessional conduct in the lemon law plaintiffs' bar through this suit and others."

The Knight Law-affiliated attorneys have slammed what they called Ford's attempts to retaliate against them for successfully suing the automaker — and winning prevailing-party fee awards — in numerous cases brought under California's version of the lemon law, the Song-Beverly Consumer Warranty Act.

Ford's original May 2025 lawsuit targeted Knight Law Group, the Altman Law Group and Wirtz Law APC, as well as individuals within the firms. Ford alleged that they schemed "to extract astronomically inflated fee payments based on false and fraudulent billing records in lemon law cases throughout California" that totaled more than $100 million. Ford also alleged that the firms claimed "thousands of hours in wholly fictitious billings for time never worked and created out of thin air well after the alleged work for the cases was completed," according to court documents.

The defendants have rebuked Ford for using what they've described as the "thermonuclear device of the federal RICO statute to chill and punish its litigation adversaries — law firms, lawyers and staff who represent consumers harmed by Ford's defective vehicles and fraudulent conduct."

Judge Court in November dismissed the first amended complaint, saying Ford's claims impermissibly burdened the defendant firms and lawyers' petitioning rights. Ford then filed a beefed-up second amended complaint in January that dropped the law firms as defendants, leaving just the individual Knight Law-affiliated attorneys Mikhov, Kirnos and Morse.

A Knight Law spokesperson said in March, "The district court held that Ford's lawsuit was an impermissible burden on fundamental First Amendment rights, and that even if the unproven allegations in Ford's lawsuit were true, the vast majority of Knight Law's fee requests likely still would have been granted."

"Ford will never distract Knight Law from its mission to protect American consumers, and California's leading auto lemon law firm will never be deterred by attempts to chill its advocacy," the spokesperson.

Representatives for Knight Law could not be immediately reached for comment Tuesday. Counsel for Morse said they had no comment.

Ford is represented by Jessica L. Ellsworth, Jo-Ann Tamila Sagar and J. Andrew Mackenzie of Hogan Lovells Cadwalader US LLP.

Mikhov and Kirnos are represented in the underlying case by Neal K. Katyal and Matthew Laroche of Milbank LLP, by Dane H. Butswinkas, Zachary K. Warren and Hallie Saunders of Williams & Connolly LLP, and by Aaron S. Dyer, Ronald L. Cheng and Lisseth A. Ochoa-Chavarria of Pillsbury Winthrop Shaw Pittman LLP.

Morse is represented in the underlying case by Pamela L. Johnston, Kendall E. Waters and Tam C. Wheat of Foley & Lardner LLP.

The appeal is Ford Motor Co. v. Mikhov et al., case number 26-2317, in the U.S. Court of Appeals for the Ninth Circuit.

--Editing by Karin Roberts.

Update: This story has been updated to include a comment from Ford.

Bloomberg Law

Manage Newsletters

Ibotta Shakes Investor Lawsuit Over Post-IPO Customer Growth

Aug. 4, 2026, 10:50 AM PDT

Summary by Bloomberg AI AI Generated

- Judge Nina Y. Wang dismissed the proposed class action against Ibotta Inc. due to a lack of specific allegations that executives acted with intent or recklessness for securities fraud.
- The investor leading the case, Mark Tcherkezian, failed to present sufficient evidence that CEO Bryan Leach knew about internal issues, such as fraudulent activity on its platforms, based on his management meeting attendance.
- Tcherkezian can request to replead by the end of the month, after the court found that his claims against Ibotta and executives under the 1934 Securities and Exchange Act fell short of surviving a motion to dismiss.

Ibotta Inc. skirted investor allegations that the digital promotions provider hid technological deficiencies and rampant user fraud while touting its client growth trajectory in the lead up to and after its 2024 market debut.

The investor leading the case failed to allege facts raising a cogent inference that a pair of executives acted with intent or recklessness for securities fraud, Judge Nina Y. Wang said, dismissing the proposed class action Monday.

For example, investor Mark Tcherkezian didn't present specific enough allegations that CEO Bryan Leach knew about internal issues — such as persistent fraudulent activity on its platforms — based on his management meeting attendance, the US District Court for the District of Colorado judge said. The complaint references Leach's attendance rarely and didn't point out specific information he learned at these meetings.

"Accepting Plaintiff's argument on this point would require the Court to rely on vague references to 'management' and assume that the information discussed in meetings contradicted Mr. Leach's public statements," Wang said. "Permitting this sort of inferential leap is contrary to the purposes of the PSLRA." The PSLRA, Private Securities Litigation Reform Act, aims to curtail frivolous investor litigation through heightened pleading standards.

Tcherkezian didn't satisfactorily explain how the timing of former Chief Financial Officer Sunit Patel and non-defendant Chief Revenue Officer Chris Jensen's departures were suspicious, Wang said. And he didn't back up allegations of suspicious stock sales with meaningful trading history for Leach and two different board members, among other issues with the pleadings.

The innocent explanation here is that despite struggles with demand growth or clients' budget exhaustion, Leach and Patel were optimistic about the company's potential based on past experience expanding in both areas, Wang said.

Lacking a plausible pleading of intent or recklessness to defraud, the investor's claims against Ibotta and executives under the 1934 Securities and Exchange Act fell short of surviving a motion to dismiss.

Nor did Tcherkezian sufficiently demonstrate he got shares traceable to Ibotta's initial public offering for claims under the act that governs stock issuances, the 1933 Securities Act. Tcherkezian asserted these claims over alleged misrepresentations in its IPO paperwork against Ibotta, certain executives and board members, and its underwriters.

Tcherkezian can request to replead by the end of the month.

Ibotta revealed underwhelming quarterly financial results in releases and earnings calls in 2024 and 2025, unveiling issues about fraudulent activity on its platforms and its ability to grow the number of people who redeemed discounts that weighed on its share prices, the investor suit said.

Scott & Scott Attorneys at Law LLP, which declined to comment, is lead counsel for Tcherkezian.

Wilmer Cutler Pickering Hale & Dorr LLP represents Ibotta and its officers and directors. King & Spalding LLP represents the underwriters — among them units of Goldman Sachs, Citigroup Inc., and Bank of America Corp. Neither of these law firms nor Ibotta immediately responded to emails seeking comment.

The case is Tcherkezian v. Ibotta, Inc. , D. Colo., No. 1:25-cv-01213, 8/3/26 .

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Mealey's Securities/D&O Liability - Elon Musk Appeals Order Mostly Upholding Verdict In Stock-Price Manipulation Case

Mealey's Daily News Update

August 4, 2026

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Body

Elon Musk filed a notice in a California federal court that he was appealing to the Ninth Circuit U.S. Court of Appeals an order mostly upholding a jury's verdict against him in a class action brought by investors in the company formerly known as Twitter who say that Musk attempted to manipulate the company's stock price before his takeover (Giuseppe Pampena, et al. v. Elon Musk, No. 22-5937, N.D. Calif.).

(Musk's notice of appeal available 57-260810-037X)

Musk filed the notice on July 30, appealing an order by U.S. Judge Charles R. Breyer of the Northern District of California on the parties' post-trial motions issued on June 6 after a jury found that a May 13, 2022, tweet and a May 17, 2022, tweet were false and damaged the investing public. In the order, the judge denied the motion for judgment as a matter of law as to the May 13 tweet and denied Musk's motion to decertify the class. The judge granted the investors' motion for prejudgment interest and their motion for approval of the proposed class notice and claims administration procedure. Judge Breyer had granted Musk's motion for judgment as a matter of law only as to Musk's May 17 tweet because the investors failed to provide substantial evidence to support a finding of loss causation with respect to that tweet.

The appeal has been filed in the Ninth Circuit as No. 26-4928.

Musk's Tweets

In October 2022, Twitter investor Giuseppe Pampena sued Musk in the District Court. Later, investors Steve Garrett, Nancy Price, John Garrett and Brian Belgrave were collectively named lead plaintiffs, and they filed the operative amended complaint in June 2023.

In the months before Musk purchased Twitter and rebranded it X Corp., Musk entered into a merger agreement with Twitter in April 2022. Musk agreed to waive conditions requiring financing or business due diligence. Musk initially planned to finance his acquisition of Twitter with shares of Tesla Inc., but Tesla's share value dropped dramatically after Twitter and Musk announced the acquisition.

In the days after the announcement, Musk posted a series of tweets on his personal Twitter account about the deal. On May 13, 2022, he tweeted that the deal was on hold as he awaited information from Twitter about the number of fake accounts run by "bots" on the website. On May 17, he tweeted that as many as 20% of the accounts could be fake, and the day after that he tweeted that the deal could not go forward unless the company could show that fewer than 5% of accounts were fake. The investors also cited several other tweets from Musk and said Musk continued to make false statements about the merger, including further statements about backing out of the purchase.

The investors say Musk was attempting to artificially lower the price of Twitter shares to force Twitter to lower the price of the acquisition. The investors say Musk violated Section 10(b) of the Securities Exchange Act of 1934, *15 U.S.C. 78j(b)*, and Securities and Exchange Commission Rule 10b-5, *17 C.F.R. 240.10b-5*, promulgated thereunder.

Motion To Dismiss

Musk moved to dismiss the complaint in its entirety in July 2023. In December, Judge Breyer denied the motion in part but granted it in part.

The judge held, "Plaintiffs plausibly allege their Section 10(b) claim as to the May 13 tweet that the deal was 'temporarily on hold,' the May 17 statement that fake and spam accounts make up at least 20% of Twitter's users, and the May 17 tweet." The judge noted in part that Musk had waived business due diligence, which meant that the deal could not have been predicated on the number of fake accounts.

However, the judge granted Musk's motion as to all other alleged misstatements, finding that the investors failed to show the falsity of those statements.

On March 26, 2024, Musk moved for judgment on the pleadings, which automatically triggered a stay of discovery under the Private Securities Litigation Reform Act (PSLRA), *15 U.S.C. 78u-4*. On Aug. 5, 2024, Judge Breyer denied Musk's motion for judgment on the pleadings, finding that Musk made nearly identical arguments to those he made in the motion to dismiss. By denying the motion, the stay required by the PSLRA was automatically lifted, and Judge Breyer thus denied the investors' motion to lift the stay as moot. As part of his motion for judgment on the pleadings, Musk requested that the court take judicial notice of a number of documents, but the judge did not explicitly reference the request in his ruling.

Further Activity And Trial

On Sept. 27, 2024, the judge certified a class of all sellers of Twitter stock between May 13, 2022, and Oct. 4, 2022. On Oct. 15, 2025, Judge Breyer denied the investors' motion for partial summary judgment and Musk's motion for summary judgment. In the one-page order, the judge stated that after carefully considering the parties' arguments, he found there were genuine issues of material fact.

A two-week trial was held in March 2026, and the jury on March 20 unanimously found that the two tweets were false. Judgment was handed down April 3, awarding damages to the plaintiffs and the class "in an amount calculated pursuant to the out-of-pocket measure of damages in which the number of Twitter shares or call options sold or put options purchased by each Class Member on a given day during the Class Period is multiplied by the amount of damages per share or per opinion awarded by the jury for that day," as calculated by the claims administrator.

After the verdict and judgment, Musk sought to set aside the verdict, moving for judgment as a matter of law or, alternatively, for a new trial. He also moved to decertify the class. The plaintiffs filed motions for an award of prejudgment interest and approval of their class notice of the verdict.

Judgment As A Matter Of Law

Judge Breyer granted Musk's motion for judgment as a matter of law as to loss causation for Musk's May 17, 2022, tweet, but denied it in all other respects.

First addressing the arguments regarding the May 13, 2022, tweet, the judge noted that investors' expert, Dr. David Tabak, "testified that there was direct evidence that the May 13 tweet caused an immediate, significant drop in Twitter's share price." While Musk argued there was no evidence that the false statement caused the stock drop, Judge Breyer noted that Tabak testified that he evaluated news stories and analyst reports about the tweet and that they were 'generally in accord' that Musk's 'declaring the deal temporarily on hold[]' was causing the price decline." The judge also disagreed with Musk's argument "that there was insufficient evidence of loss causation because the market knew the truth that the deal was not actually on hold." Judge Breyer also agreed with the investors that they did not need to prove a corrective disclosure in a seller case and that they did prove one.

Judge Breyer denied Musk's motion as to material falsity, finding that his arguments as to the falsity of the May 13 tweet "primarily go to his view of the evidence, rather than its sufficiency." The judge also found that the evidence at trial supported a jury finding of scienter because "[a] jury could conclude that Musk had a motive to get out of the existing deal and used bots as a pretext to do so."

As to the May 17, 2022, tweet, the judge agreed with Musk's argument that the lack of market reaction to this tweet meant that no loss causation was attributable to it. Judge Breyer noted that "Dr. Tabak did not provide an expert opinion on price maintenance" and that "[w]ithout an expert opinion on price maintenance, Plaintiffs lack substantial evidence to support a finding of loss causation with respect to the May 17 tweet."

The judge also found there were no errors at trial and that "[t]he only instance of prejudice the Court found was Plaintiffs' counsel's statement during closing argument, which the Court explained was insufficient to trigger a new trial." The judge denied the motion for a new trial.

Motion To Decertify Class

The judge also denied Musk's motion to decertify the class, noting that Federal Rule of Civil Procedure 23(c)(1)(C), Fed. R. Civ. P. 23(c)(1)(C), permits a judge to decertify a class before final judgment and that Judge Breyer entered final judgment on April 3.

"Moreover, as discussed regarding Musk's motion for a judgment as a matter of law, the Court concluded that Plaintiffs properly invoked the fraud-on-the-market presumption and Musk failed to present evidence that could have rebutted it," the judge stated.

The judge found that "there was no evidence of individual reliance during trial."

Investors' Motions

Judge Breyer granted the investors' motions, first granting the investors' motion for prejudgment interest. The investors sought "prejudgment interest based on the rate set by [*Title 26 Section 6621(a)(2) of the U.S. Code*, *26 U.S.C. 6621(a)(2)*], compounded daily from October 4, 2022 (the end of the Class Period) to April 3, 2026 (the entry of final judgment)."

The judge noted that all factors from *Osterneck v. Ernst & Whinney, 489 U.S. 169 (1989)*, "are applicable and support an award of prejudgment interest." First, the judge held that "prejudgment interest is needed to fully compensate the class members," noting that class members had been deprived of the use of their money for about four years. Judge Breyer also held that "Musk's fraudulent conduct favors an award."

Rather than applying Section 6621, Judge Breyer chose the Treasury bill rate pursuant to *Title 28, Section 1961 of the U.S. Code*, *28 U.S.C. 1961*, agreeing with Musk that this is the appropriate rate. The judge said the Section 6621 rate is generally applied by the Internal Revenue Service, while "the Section 1961 rate is in line with the 'default rule in the Ninth Circuit' for securities actions."

The judge also granted the investors' motion for approval of their notice of verdict and claims administration process.

Counsel

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Musk is represented by Alex Spiro, Ellyde R. Thompson and Jesse A. Bernstein in New York and Michael T. Lifrak, Stephen A. Broome and Alex Bergjans in Los Angeles, all of Quinn Emanuel Urquhart & Sullivan LLP.

(Additional documents available: June 6 order 57-260713-061R

Judgment 57-260713-074X

Verdict 57-260713-075X

Oct15, 2025, order denying motions for summary judgment 57-260713-076R

Aug5 2024, order denying motion to dismiss 57-240812-139R

Pampena, et al's amended complaint 57-240812-150C)

End of Document

Bloomberg Law

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Paramount-Warner Bros. Merger Set for Trial in March (2)

Aug. 4, 2026, 3:17 PM PDT

A California federal judge scheduled a 12-day trial early next year in a pair of lawsuits seeking to block Paramount Skydance Corp.'s $110 billion proposed acquisition of Warner Bros. Discovery Inc.

In an order Tuesday, US District Judge **Araceli Martínez-Olguín** in Oakland, California, said she will hear cases brought separately by a group of states and the Writers Guild of America in a single trial starting March 2, 2027. Both lawsuits allege that allowing the media companies to combine operations would hurt competition in film and television production and distribution.

Paramount said in a statement that it believes the merger is "lawful, pro-competitive, and raises no antitrust concerns." On a conference call with analysts on Tuesday, Chief Executive Officer **David Ellison** said he would consider some sort of settlement.

"We're absolutely open to finding a solution out of court, but we also really believe that we will win at trial," he said.

Paramount had sought a trial in November in the hopes of minimizing the cost of delays in the closing the transaction. Under the merger agreement, the company agreed to pay roughly $7 million a day to Warner Bros. shareholders beginning Oct. 1, until the deal is finalized. That could total more than $1.6 billion by June.

The companies have until June 4 to close the deal, according to the merger agreement, before either side can back out. If the deal is abandoned at that time, Paramount will owe $7 billion to Warner Bros.

(Updates with Ellison's comment in third paragraph.)

--With assistance from **Hannah Miller**.

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SpaceX investors face potentially irresistible opportunity to cash out

reuters.com/legal/government/lockup-expiry-will-offer-next-test-investor-appetite-spacex-shares-2026-08-05

PROVIDENCE, Rhode Island, Aug 5 (Reuters) - Many employees and early investors in SpaceX (SPCX.O), opens new tab could seize a maybe irresistible opportunity on Thursday - cashing out on huge gains from the stock as the company's first share lockup expires. Brokers expect a rush to realize those profits.

Insiders who acquired stakes in the space and AI company months or years before its June listing at a fraction of the $135 per share IPO price stand to make big gains with the lockup expiring, but their sales could add fresh pressure on the stock, which has slumped 49% from its June high.

Heavy selling is expected, but determining who is getting out or trimming stakes will be key to market sentiment on the company's prospects, fund managers, brokers and analysts said.

"This has to be the most talked-about lockup in the history of IPO lockups," said Robert Hackel, CEO of institutional brokerage firm R.F. Lafferty & Co.

He has been fielding calls from pre-IPO investors eager to use the opportunity to sell some of their SpaceX holdings in order to snap up privately traded stock in other IPO candidates such as AI giants Anthropic and OpenAI and defence technology startup Anduril Industries.

"You are going to see a lot of exits," he said.

SpaceX's employees and early investors are "sitting on such massive gains that they'll have a very strong incentive to realize a return and diversify their holdings," said Matt Kennedy, senior strategist at Renaissance Capital, a provider of IPO-focused research and investment funds.

While CEO Elon Musk owns about a 42% stake in the company, he is barred from selling his shares until one year after the IPO under a separate lockup agreement. Musk did not immediately respond to a request for comment.

Many employees will be able to sell shares beginning Thursday, but the company's executive officers remain subject to longer lockup agreements that generally do not begin to expire until after fourth-quarter results.

On Wednesday, SpaceX shares fell about 8.5% after it reported a stronger-than-expected 92% jump in revenue for the second quarter. They continued to trade lower even though CEO Bret Johnsen said on the earnings call that the company is on track to record annualized revenue of $100 billion by the end of the year.

The lockup expiry may be to blame, said Brian Mulberry, chief market strategist for Zacks Investment Management.

The selloff "seems more sentiment driven, as media reports are that many insiders will look to sell on the strong results this week as their shares become fully vested," Mulberry said.
SpaceX did not immediately respond to a request for comment on the expected selling following the first lockup expiry.

ALL EYES ON WHO SELLS DOWN THEIR STAKES

Lockups are common after IPOs, preventing insiders from selling shares for a set period. But SpaceX's is unusual because the banks staggered the releases over nearly a year rather than allowing billions of shares to become eligible on a single day. On Thursday, as many as 912 million of SpaceX's roughly 13.6 billion outstanding shares will become eligible for sale, more than doubling the company's current public float.
By the time the process is over in the middle of next year, an additional 12.9 billion shares will be freed up for trading.
The current float is so small that the first lockup expiry alone could more than double the number of shares available for trading, and if a price-based early-release provision is triggered, it could more than triple the public float.
"This time, it's a multiple of the shares outstanding that will make their way onto the market, not a fraction, so these lockups will be an interesting test of the commitment of early investors to stand by the company for the long haul," said Andrew Chanin, CEO of Procure AM, who manages the Procure Space ETF (UFO.O), opens new tab. The fund is tied to an industry index that invests about 6% of its assets in SpaceX.

A large sale by an early backer could send a strong sign about the level of confidence in SpaceX's outlook, said Lukas Muehlbauer, a research associate at IPOX.
Founders Fund, Craft Ventures, board member Antonio Gracias's Valor Equity Fund and Alphabet (GOOGL.O), opens new tab were among its early backers, according to PitchBook data at the time of SpaceX's IPO and their websites. They did not immediately respond to requests for comment.
To gauge the likelihood of a heavy selldown, Gabriel Shahin, founder of Falcon Wealth Planning, is tapping contacts among SpaceX insiders and employees. His takeaway: none appear eager to sell.
"They're long-term believers in SpaceX, and as a result we tend to be more bullish on insiders also not selling and what that says about the stock," he said.
But Shahin acknowledges that each of the upcoming lockup expiry dates is likely to make trading more turbulent. Already, SpaceX's volatility is making it difficult for many investors who want to protect themselves from any further declines to hedge as options prices reach levels that are "sheer insanity," Shahin said.

Securities

Exclusive

SEC Steps Up Accounting, Audit Firepower With Investigative Team

Aug. 5, 2026, 12:15 PM PDT

The SEC has launched a new unit dedicated to investigating corporate accounting fraud, financial reporting lapses, and audit failures — some of the most complex cases the Wall Street watchdog handles.

The team of accountants and attorneys will focus on intentional misconduct that poses significant harm to investors, David Woodcock, enforcement director at the Securities and Exchange Commission, said Wednesday.

The initiative is intended to put more firepower into core financial reporting cases that remain a priority for the SEC under Chair Paul Atkins even as enforcement has plunged and the agency has shed hundreds of employees.

Pooling staff with technical accounting and auditing skills will ensure the regulator has the capacity to pursue those cases even as priorities may shift, Woodcock said.

“It’s about bringing that expertise together and allowing them to focus on those things that frankly are hard,” Woodcock said in an interview with Bloomberg Tax. “Making us better and smarter at them is really the goal here.”

Timothy Zimmerman, who joined the commission in May as Woodcock’s senior adviser, will run the unit. He joined the SEC after spending a year as deputy general counsel at RSM US LLP, the fifth largest US accounting firm, and was previously a securities enforcement lawyer at Gibson, Dunn & Crutcher, according to his LinkedIn profile.

Accounting and audit enforcement cases fell as the agency shifted priorities and grappled with a government shutdown and the loss of hundreds of staff through government downsizing. Among the cases finalized this year, the SEC reached a $40 million accounting fraud settlement with Archer-Daniel-Midlands Co. and hit EisnerAmper LLP with a non-financial censure for audit violations related to asset valuations.

Job losses over the past 18 months have been “disruptive,” Woodcock said. Since rejoining the commission in May, he focused on balancing cases with staffing and putting people where they are needed, he said.

Financial reporting is an area that would benefit from a dedicated team, he said.

Such cases are especially thorny: They require SEC staff to unwind judgments about asset valuations or when to book impairment charges — wading through technical accounting and audit standards. Expert witnesses are often needed.

Two teams of attorneys and another team of accountants will be assigned to the unit, pulling from existing SEC staff, along with new hires.

Woodcock broadened the group’s remit from an initiative first publicized in March that targeted “bad actors” in the audit profession. That effort raised questions about the fate of the US audit board’s enforcement arm, which also has the authority to discipline public company auditors.

The Public Company Accounting Oversight Board has pledged to work with the SEC to formalize how the two regulators cooperate and divvy up auditor cases. The board has produced the vast majority of auditor actions since 2018. Meanwhile, the SEC has focused on marquee cases, like one that shuttered BF Borgers for rubber-stamping audits and another that levied a $100 million fine against Ernst & Young LLP over ethics violations.

The new unit will coordinate closely with the PCAOB, along with other offices within the SEC, but it wouldn’t take over the board’s own enforcement caseload, Woodcock said.

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July Securities Litigation Brief: Class Cert Gets Harder, Settlements Hit New Highs | Business Information & News | FE

Developments in securities litigation move fast, and not all of them matter equally. Each month, Alto Litigation curates and summarizes the cases, rulings, and regulatory actions most likely to shape risk and strategy in the months ahead.

Fourth Circuit Rejects Class Certification

Once upon a time, courts tended to rubber-stamp class certification, a critical step in any securities class action lawsuit. But no more. As one example, the Fourth Circuit Court of Appeals, citing Supreme Court precedent, rejected class certification in a securities action against The Boeing Company because the plaintiffs failed to provide evidence showing how damages were calculable on a class-wide basis that was consistent with their theory of liability and was not speculative.

In any securities class action, a critical hurdle for the plaintiff is obtaining class certification, in which a court certifies that the members of the purported plaintiff class may be represented by those individuals serving as class representatives. It is a large plaintiff class that generates the substantial possible damages that make the lawsuit attractive for a law firm to handle the matter on a contingent fee basis; otherwise, damages could be claimed only by the named plaintiffs. A class action also is the most efficient resolution of disputes involving common questions, as opposed to hundreds or even thousands of individual suits. But for class certification to be approved, a plaintiff must satisfy the requirements of Rule 23 of the Federal Rules of Civil Procedure. The critical issue often is whether the members of the alleged class share identical questions of law and fact.

In State of Rhode Island Office of the General Treasurer v. The Boeing Company, decided on July 20, plaintiffs alleged that the company misrepresented its safety performance after two deadly crashes. But, plaintiffs asserted, another in-flight incident and subsequent disclosures revealed the "truth" about Boeing's safety record, resulting in a sharp price drop. Plaintiffs alleged that Boeing violated the anti-fraud provisions of the securities laws and proposed a class period running from September 2019 through May 2024. But in reversing the district court's decision to certify the class, the Court of Appeals held that under Comcast Corp. v. Behrend, 569 U.S. 27 (2013), a district court must undertake a rigorous analysis of damages methodologies even if they overlap with an examination of the underlying merits. Here, the plaintiffs' expert did not offer a settled damages methodology that showed how damages could be measured on a class-wide basis, but instead offered only "maybe[s], "perhap[es]" and "what ifs." Plaintiffs also failed to offer a theory of liability supporting the damages claim, but only provided vague, generic allegations that defendants made false and misleading statements. These arguments did not satisfy the Comcast standard.

Why It Matters: Boeing represents a trend by the Supreme Court and Circuit Courts raising the bar for class certification. Instead of being a perfunctory exercise, a motion for class certification may now present a serious challenge for plaintiffs, which in turn means that defendants are more likely to oppose class action lawsuits at least through an appeal of any class certification decision. Plaintiffs could seek to avoid these challenges by choosing shorter class periods with lower alleged damages. But that also could encourage defendants to litigate. Other cases addressing class certification are pending before the Circuit Courts of Appeal and Zillow Group, Inc. has petitioned the Supreme Court to hear an appeal from the Ninth Circuit affirming class certification.

Delaware Supreme Court Rejects Jarkesy-Style Jury Challenge

In 2024, the U.S. Supreme Court ruled in SEC v. Jarkesy that actions brought by the Securities and Exchange Commission seeking penalties for alleged securities fraud require jury trials under the 7th Amendment to the Constitution, rather than such cases being adjudicated by an in-house administrative proceeding. Since the Jarkesy decision, there has been an effort to convince state courts to apply the ruling to state regulatory proceedings.

In Swan Energy Inc. v. Investor Protection Unit of the Delaware Department of Justice, issued on July 16, the Delaware Supreme Court rejected such arguments. In Swan, Delaware's Investor Protection Unit (IPU) brought an administrative proceeding against a corporation and four individuals, charging them with securities fraud. The respondents brought an action seeking a declaratory judgment that, among other things, the action violated their right to a jury trial under the Delaware Constitution.

In affirming the decision of the Superior Court denying the challenge, the Delaware Supreme Court held that the Delaware Legislature did not require jury trials in actions brought by the IPU under the Delaware Securities Act. The Delaware Constitution guaranteed the right to a jury trial only as it existed at common law, and the IPU's action was not analogous to a common law claim, given that there was no requirement to prove scienter or reliance. The respondents acknowledged that Jarkesy was grounded in the Seventh Amendment, which has not been incorporated and applied to the states through the Fourteenth Amendment. Nonetheless, they argued that just as Jarkesy found a close relationship between securities fraud and common law fraud, a similar finding should be made for ICU actions. But the

Delaware Supreme Court held that Delaware historically had recognized a distinction between common law and statutory actions.

Why It Matters: The Jarkesy decision has provided a playbook for demanding jury trials in state administrative proceedings. For example, there are challenges to the ability of regulatory agencies in Arizona and Pennsylvania to impose civil penalties through administrative proceedings without a jury trial. But because Delaware is considered the leader in corporate and securities law, the Swan decision rejecting a Jarkesy-style challenge serves as an important precedent.

Securities Settlements Top $2.2B in First Half of 2026

An analysis by Cornerstone Research revealed that in the first half of 2026, there were 39 securities class action settlements totaling $2.2 billion. Further, according to the analysis, if the pace continued into the second half of the year, 2026 would exceed 2025 both in the number of settled cases and the total settlement amount, with the projected settlement dollars being the highest since 2020. The median settlement of $20 million in the first half of 2026 was greater than the historical typical median settlement size, which ranged from $7.7 million to $17.6 million in the prior nine years. There were four mega settlements of $100 million or greater accounting for 10% of settled cases.

One factor in the greater settlement amounts was that median plaintiff-style damages in settlements with claims under Section 10(b) of the Securities Exchange Act of 1934 was $660 million, larger than the annual medians in the prior nine years. Settlement amounts also tended to be greater in cases involving accounting irregularities, criminal charges, accompanying derivative claims or an institutional investor as lead or co-lead plaintiff.

Why It Matters: Congress enacted the Private Securities Litigation Reform Act of 1995 to increase the difficulty of bringing securities class actions, and a series of Supreme Court decisions also have imposed burdens on securities plaintiffs, both in pleading requirements and class certification. Yet the plaintiffs' bar has adjusted to these developments and continues filing securities class actions that result in substantial settlements. The health care industry accounted for many of the settlements in the first half of 2026. But will the AI industry or some other industry become the next focus of the class action bar?

Starbucks Wins Dismissal on Rule 12(c) Motion

In a typical federal securities class action lawsuit, defendants will file a motion to dismiss the complaint pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. But a less utilized approach is a Motion for Judgment on the Pleadings pursuant to Rule 12(c) of the Federal

Rules of Civil Procedure. That avenue recently proved successful in a securities class action suit against Starbucks Corporation.

In Garbaccio v. Starbucks Corporation, filed in the U.S. District Court for the Western District of Washington, defendants initially filed a Motion to Dismiss the Complaint, which the court granted in part and denied in part. Defendants then filed an Answer. After several months of discovery, Defendants filed a motion requesting that the court grant judgment on the pleadings and dismiss the remaining claims.

In its opinion issued on July 15, the court first held that a Rule12(b)(6) motion did not preclude a subsequent Rule 12(c) motion. Nor were Defendants precluded from raising a failure-to-state-claim, even if it could have been raised in the Motion to Dismiss. However, the court stated that it would not revisit arguments – here, falsity and certain aspects of scienter – that were made and rejected in the Rule 12(b)(6) motion. But defendants made an argument concerning scienter that had not been previously made, which was that a defendant's challenged conduct had a plausible and innocent alternative explanation. After re-evaluating scienter based on defendants' newly proffered argument, the court concluded that plaintiffs had not adequately alleged scienter and therefore dismissed the remaining claims.

Why It Matters: This case demonstrates that a Rule 12(c) motion can be effective to raise a compelling argument that was not raised on a Motion to Dismiss. It did not matter that there had been some discovery because the Rule 12(c) motion was not threatening to interfere with the trial. Nor did it matter that the court already had considered and rejected several arguments challenging scienter; the court was willing to re-evaluate its prior decision and dismiss the claims based on a new argument concerning scienter.

New Mexico creates bar exam alternative for lawyers | Business Information & News | FE

Aug 4 (Reuters) - New Mexico is the latest U.S. state to establish an alternative pathway for lawyer licensing that bypasses the traditional bar exam, joining six others with similar programs.

The New Mexico Supreme Court on Tuesday announced the creation of a new process for law school graduates to become licensed after completing 675 hours of legal work under the supervision of a qualified attorney or host organization.

Law grads may still opt to take the bar exam, but court officials said the new pathway emphasizes real-world legal skills and could bolster the number of lawyers outside urban areas.

"This new option for admission to the practice of law also has the potential to increase the number of attorneys in New Mexico to address unmet legal needs, particularly in rural areas where it is difficult to find a lawyer," New Mexico Chief Justice Julie Vargas said in a statement.

The court said that two-thirds of New Mexico's counties have fewer than one lawyer per every 1,000 residents, making them what the American Bar Association has dubbed "legal deserts."

Oregon jump-started the current licensure reform movement in 2023 when it adopted an apprenticeship pathway for law school graduates that does not require taking the bar. Washington followed with a similar approach in 2024, the same year Arizona put a plan in motion that lets law grads who fail the bar exam obtain a license through a practical skills program.

South Dakota in 2025 adopted a pilot program that allows a limited number of graduates from in-state law schools to become licensed without the bar exam after working under supervision, provided they commit to public service careers. Utah last year also launched a supervised practice-based alternative licensure pathway. Nevada has implemented a new licensing system that combines shorter exams and supervised practice, much of which can be completed during law school. A committee formed by the New Mexico Supreme Court to study alternative licensing concluded that the bar exam doesn't accurately test legal skills and that it raises the cost for people who pay for prep courses. Under the new program, participants will have a year to complete their 675 hours of supervised work. They will submit a portfolio of work to be evaluated by the state's Board of Bar Examiners. The program is expected to begin in 2027, according to the court.

Representative Claims Under the New Jersey Wage and Hour Law and Prevailing Wage Act Do Not Require Class Certification | Business Information & News | FE

Seyfarth Synopsis: The New Jersey Appellate Division held that representative claims under the New Jersey Wage and Hour Law ("WHL") and Prevailing Wage Act ("PWA") do not require class certification and established a two-year look-back period to WHL and Earned Sick Leave Law ("ESLL") claims predating the 2019 amendment.

In a significant decision that will affect the scope of representative actions under the WHL and PWA, the New Jersey Appellate Division held that representative actions under the WHL and PWA do not require class certification under Rule 4:32-1—significantly expanding the ability of workers to bring representative actions under New Jersey law.

This case involved a lawsuit brought by an employee of T. Slack Environmental Services, Inc. ("T. Slack") alleging various WHL, PWA, and ESLL violations. Plaintiff initiated the lawsuit as a representative action, a procedural mechanism authorized by the WHL and PWA that permits an employee to pursue claims on behalf of similarly situated employees. Unlike a class action, which derives its authority from New Jersey Court Rule 4:32-1, a representative action derives its authority directly from the statute. The court evaluated two key issues in its decision: (1) whether a representative action brought pursuant to the WHL and PWA requires class action certification and (2) the applicable statute of limitations for WHL, PWA, and ESLL lawsuits for conduct that occurred prior to the 2019 WHL amendments.

Regarding class certification, the Appellate Division held that representative actions under the WHL and PWA are "independent of Rule 4:32-1 and therefore [do] not require class certification." The court also held that representative actions should not be guided by the standards governing the Fair Labor Standards Act. Instead, the court held that a plaintiff only needs to allege the existence of similarly situated employees in the complaint to pursue a representative action and need not make an evidentiary showing comparable to the certification process for class actions. As such, a lawsuit may proceed as a representative action under the WHL and PWA without satisfying numerosity, adequacy, or other certification requirements traditionally associated with class actions. The court relied heavily on the "remedial nature" of the WHL and PWA as well as the holding in Cano v. County Concrete Corp., 483 N.J. Super. 459 (App. Div. 2026), that representative actions under the WHL and PWA do not require class certification.

The Appellate Division also reversed the lower court and established a two-year look-back period for WHL and ESLL claims for conduct arising before the WHL 2019 amendments. Because the "alleged violation of the PWA is a claim for breach of contract" and the fact that the PWA does not establish a look-back period, the court held that the lower court correctly established a six-year statute of limitation for PWA claims.

This ruling will have far reaching consequences for New Jersey employers because it dramatically lowers the requirements for employees to proceed with representative actions under state wage laws. All New Jersey employers should review their compliance with state law to avoid the heightened risk of defending against costly representative actions.

Wise Group hit with investor suit over failed bank charter bid | Secondary Sources | National

(August 04, 2026) - Financial technology company Wise Group PLC is facing a proposed class action alleging it misled investors about its anti-money laundering compliance before a U.S. regulator denied its application for a national bank charter.

Daugherty v. Wise Group PLC et al., No. 26-cv-6582, *complaint filed* (S.D.N.Y. July 31, 2026).

Shareholder Daniel Daugherty filed the complaint July 31 in the U.S. District Court for the Southern District of New York, saying Wise concealed significant regulatory risks to ensure a successful debut on the U.S. stock market in May.

Wise CEO Kristo Käärmann and Chief Financial Officer Emmanuel Thomassin are also named as defendants.

'Pervasive' regulatory issues

The suit says Wise has been "beset by regulatory setbacks" since it transferred its primary listing from the London Stock Exchange to the Nasdaq on May 11.

The London-based company touted the U.S. as the "biggest market opportunity for our products," which help customers move and manage their money between countries, according to the suit.

The complaint says Wise filed a registration statement with the Securities and Exchange Commission on May 11 that described its Class A ordinary shares and risks related to its business.

The registration statement disclosed that Wise had applied to the U.S. Office of the Comptroller of the Currency in June 2025 to establish a national trust bank charter, the suit says. It also cautioned that a denial from the OCC could impact the company's ability to scale U.S. operations and lead to operational and cost inefficiencies, according to the complaint.

Daugherty claims that the registration statement materially understated the regulatory risks facing Wise, which was then "under active investigation by Belgian authorities."

The defendants concealed "longstanding, material and pervasive concerns" with Wise's anti-money laundering protocols that created a significant risk the OCC would deny its U.S. bank charter application, the suit says.

AML questions emerge

Wise's share price fell more than 5% on June 1 after Reuters reported the Belgian investigation of potential money laundering violations, the complaint says.

The Wall Street Journal reported July 24 that the OCC denied Wise's application based on "significant supervisory and compliance concerns" and long-standing deficiencies in its AML and counter-terrorism financing practices, the complaint says.

Wise's share price fell more than 6% that day, closing at $11.33, according to the suit.

Daugherty asserts that the defendants violated the anti-fraud provisions in 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.
The individual defendants are also liable as control-persons under Section 20(a) of the Exchange Act, 15 U.S.C.A. § 78t(a), the complaint says.
Daugherty, represented by the Rosen Law Firm PA, seeks to represent a class of investors who purchased Wise securities between May 11 and July 23, inclusive.
He also requests unspecified damages plus interest, costs and other relief.

Shareholders Seek OK Of Deal On Inflated Weedmaps Metrics

law360.com/articles/2508966/shareholders-seek-ok-of-deal-on-inflated-weedmaps-metrics-

(August 5, 2026, 1:41 PM EDT) -- Shareholders leading a derivative action against executives and directors of the online cannabis marketplace Weedmaps' parent company are asking a California federal court to approve a settlement to end claims the executives inflated user numbers to bump up the stock price.

In a **motion** for preliminary approval filed Friday, the shareholders, led by Ryan DeGennaro and Toby Pearson, said the deal would ensure changes to WM Technology Inc. governance and address the issues that brought about the suit and **a fine** from the U.S. Securities and Exchange Commission.

Only after an agreement in principle was reached did the parties negotiate a $695,000 payment for attorney fees, and the executives have agreed not to oppose a request for $2,500 service awards for the named plaintiffs.

DeGennaro initiated the shareholder derivative action **two years ago** on behalf of WM, the nominal defendant, alleging that the executives breached their fiduciary duties by overcounting monthly active users, inflating the stock price until the truth came out.

According to the motion, DeGennaro's suit was consolidated with Pearson's, and the parties asked the court to stay the action pending the resolution of a shareholder suit filed by Seret Ishak. That case received **preliminary approval** of a $7.5 million settlement last month.

The plaintiffs in the derivative action argued on Friday that the settlement provides substantial benefits to WM and its stockholders by adopting limits on directors' terms and the number of boards on which they can serve, establishing employee training on compliance, and publicly posting the company's governance documents and whistleblower policy.

Under the new policy, no independent director can serve as a board member for more than 15 years, and can sit on no more than three other public company boards without board approval.

The settlement also requires updating the duties of the company's general counsel to include reporting material risks related to compliance or disclosures.

According to the motion, WM has acknowledged that these changes — as well as its appointment of three new directors to the board this year and enhancements to its compensation committee — are the result of the filing and pendency of the derivative lawsuit.

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

The plaintiffs are represented by Alex J. Tramontano, Gina M. Serra and Herbert W. Mondros of Rigrodsky Law PA, Betsy C. Manifold of Wolf Haldenstein Adler Freeman & Herz LLP, and Robert C. Moest and Saadia Hashmi of The Brown Law Firm.

Nominal defendant WM Technology Inc. and defendants Douglas Francis, Scott Gordon, Christopher Beals, Arden Lee, Susan Echard, Mary Hoitt and Justin Hartfield are represented by Alexandra R. Mayhugh, Nicholas R. Orr and Linh K. Nguyen of Cooley LLP.

Defendants Tony Aquila, Anthony Bay, Brenda Freeman, Olga Gonzalez and Fiona Tan are represented by Dan Gold and Adam Hakki of Allen Overy Shearman Sterling US LLP.

The case is In Re WM Technology Inc. Derivative Litigation, case number 8:24-cv-02454, in the U.S. District Court for the Central District of California.

--Additional reporting by Emilie Ruscoe. Editing by Robert Rudinger.

Alibaba Investor Says E-Com Giant Hid China Military, AI Risks

(August 4, 2026, 11:45 PM EDT) -- Chinese e-commerce company Alibaba was hit Tuesday with a suit accusing it of misleading shareholders about both its status as a Chinese military company in the eyes of the U.S. government and about its allegedly ongoing illicit activity tied toaccessing third-party artificial intelligence models.

Alibaba shareholder Carl Wistisen filed a **complaint** against the company and its CEO, Eddie Yongming Wu, on behalf of a proposed class of all individuals and entities that purchased or acquired Alibaba securities between June 26, 2025, and June 24, 2026.

According to the complaint, Alibaba failed to warn investors of the risk it faced as a "Chinese military company" after former President Joe Biden signed the National Defense Authorization Act into law in December 2024.

This provision defines "Chinese military company" to include any entity that is directly or indirectly controlled or affiliated with the Chinese Ministry of Industry and Information Technology, which regulates, develops and plans the country's industrial, manufacturing, telecommunications and software sectors, the complaint states. Companies like Alibaba must obtain a license from the MIIT to operate, and therefore, under the language of the NDAA, it qualifies as a Chinese military company, according to Wistisen.

The complaint states that on the first day of the class period, Alibaba filed its annual report with the U.S. Securities and Exchange Commission. The report contained a risk disclosure stating that the federal government was targeting Chinese military companies through the NDAA and had issued executive orders prohibiting investments in these companies by U.S. individuals, according to the complaint.

However, Alibaba failed to warn of the risk it faced, the suit says.

"Indeed, the risk disclosure named other Chinese companies that were affected by the U.S.'s crackdown on Chinese military companies, but failed to warn investors of the risks it faced," the complaint states.

The misleading statements regarding artificial intelligence models were made the following year, in May 2026, when Alibaba again filed its annual report, Wistisen says. This reportcontained a risk disclosure stating that during the training of its AI models, "sensitive business or personal information" may be "inadvertently" accessed, and "unauthorized distillation of third-party [AI] models" may occur.

Wistisen alleges these statements were false and misleading because they "couched the company's distillation of third-party models as a mere hypothetical or 'inadvertent', when in fact [Alibaba] was in the middle of carrying out such distillation attacks against Anthropic PBC's Claude AI model."

The complaint says the truth began to emerge on June 8, when the U.S. Department of Defense released an updated list of Chinese military companies that included Alibaba.

Wistisen says that on this news, Alibaba's share price dropped $4.69, or approximately 3.9%, over two trading days to close at $115.38 on June 10.

On June 24, the complaint states that Bloomberg published an article in which Anthropic accused Alibaba of "waging a large-scale effort to 'illicitly' access its Claude artificial intelligence model using thousands of fraudulent accounts that undermine the U.S. AI developer's decision to keep its products out of China."

Anthropic also warned in the article that Alibaba and other Chinese companies were "making systematic and unauthorized use of results from leading U.S. [AI] models to develop a rival generation of chatbots at a fraction of the cost via a practice known as adversarial distillation," according to the complaint.

"[Anthropic] cautioned that AI systems built using this method often lack safety guardrails, and the firm urged the Trump administration to step up efforts to halt the practice," the complaint states.

On this news, Alibaba's share price fell $2.80 per share, or 2.7%, to close at $99.80 on June 24, the complaint states, and it fell again the next day by $4.73 per share, or 4.7%, to close at $95.07.

The suit seeks damages, attorney fees and a jury trial. Representatives for the parties did not immediately respond to requests for comment Tuesday.

Wistisen is represented by Phillip Kim and Laurence M. Rosen of The Rosen Law Firm PA.

Counsel information for the defendants was not immediately available.

The case is Wistisen v. Alibaba Group Holding Ltd. et al., case number 1:26-cv-06654, in the U.S. District Court for the Southern District of New York.

--Editing by Jay Jackson Jr.

Google £5B Search Ads Class Action Gets Green Light

law360.com/articles/2509865

(August 5, 2026, 6:09 PM BST) -- Google will face an estimated £5 billion ($7 billion) opt-out class action over allegations it inflated search advertising prices, as the Competition Appeal Tribunal ruled Wednesday that the case can proceed on behalf of almost 900,000 U.K. advertisers.

The Competition Appeal Tribunal has given the green light to an opt-out class action over allegations that Google inflated search advertising prices. (iStock.com/jetcityimage)

The tribunal certified the claim on an opt-out basis, rejecting Google's arguments that advertisers should instead have to actively join the litigation. The panel said potential class members would be less likely to participate if they had to opt in, but would likely accept compensation if the claim ultimately succeeds.

"The balance is very clearly in favor of opt-out certification," the panel said. "There is almost nothing to be said in favor of opt-in, by contrast. This assessment is not based on any presumption; in so far as there is a presumption in favor of opt-in, it is comfortably displaced on the facts"

The class, represented by Or Brook, a competition law professor at the University of Oxford, alleges that Google has **abused its dominance** in mobile phone operating systems, app stores for its Android operating system, general digital search and search engine management services.

These abuses meant that competitors in the search and search advertising markets were shut out of reaching the scale to compete with Google. That meant the search giant could overcharge advertisers and reduce the value other businesses received from adverts, the claim alleges.

Brook argued in July that the action should be brought as an opt-out claim, as class members might believe it was not **"worth the candle"** to take on the administrative burden if they had to actively join the claim. Google estimates the class to contain around 880,000 members.

The panel, consisting of High Court Judge Richard Meade, Robert Herga and John Davies, said that if funds are distributed in the future, it expects a relatively high proportion of class members to accept them because the claim's administrators will be able to contact class members directly.

The panel acknowledged that some businesses would inevitably be difficult to contact because of the passage of time or because they no longer use Google's advertising services. But the panel did not expect those businesses to represent a significant share of the class.

Google was unlikely to retaliate against businesses that joined the claim, but many advertisers would nevertheless be reluctant to become active participants in litigation against a key commercial partner, the tribunal found.

The tribunal separately criticized the £6.4 million in legal costs incurred in the case at a relatively early stage. While the case was complex and a lot of analytical work had already been completed, the costs were "extremely high," the panel said.

But this was not a reason to not certify the case, the panel said, adding that costs should be controlled in the future.

The panel also ruled that Google was not liable for the class' costs in a dispute with a similar claim. Brook's action had clashed with a **£25 billion claim** against Google alleging that its agreements with device manufacturers to make it the default search engine had inflated advertising prices.

That claim's **proposed class representative** was Roger Kaye KC, a former deputy High Court judge who later agreed to stay his action when he reached a settlement with Brook's claim.

Brook said Wednesday that the tribunal decision is "an important step toward securing compensation for the many thousands of U.K. businesses and organizations that have been overcharged for using Google's search advertising services."

Representatives for Google did not respond to a request for comment before publication on Wednesday.

The European Commission handed Google a **€4.3 billion fine** ($4.9 billion) in 2018. The commission found that Google required smartphone makers to pre-install its Google Search app and Chrome browser and make it the phone's default search engine as a condition of gaining access to the Play Store and other applications.

Brook is represented by Kieron Beal KC of Blackstone Chambers and Ali Al-Karim of Brick Court Chambers, instructed by KP Law Ltd. and Damien Geradin, Patrick Teague and Anthony Ojukwu of Geradin Partners Ltd.

Google is represented by Sarah Abram KC of Brick Court Chambers, Alfred Artley of Monckton Chambers and Edmund Eustace of 8 New Square, instructed by Simmons & Simmons LLP.

The case is Or Brook Class Representative Ltd. v. Google Inc. and others, case number 1720/7/7/25, in the Competition Appeal Tribunal.

--Additional reporting by William Janes and Matthew Perlman. Editing by Kathleen Hennessy.