The Richest Law Firms Are Looking At Private Equity Cash Because I Guess They Don't Have Enough Money

abovethelaw.com/2026/08/the-richest-law-firms-are-looking-at-private-equity-cash-because-i-guess-they-dont-have-enough-money

Some of the richest law firms on the planet have started quietly asking whether they should sell a piece of themselves to private equity. According to the Financial Times, Paul, Weiss; Quinn Emanuel; and Proskauer have all held preliminary conversations with PE groups or their bankers about taking in outside capital, with White & Case reportedly assigning a group of senior lawyers to study the idea and McDermott Will & Schulte still taking meetings. Paul, Weiss says it listened to a couple of pitches months ago and hasn't followed up. While no one has launched a formal sale process, the fact that it's now in circulation at firms like these tells you something.

Of course, the whole thing hinges on getting around ABA Rule 5.4, the ethics rule that bars non-lawyers from owning law firms. Enter the management services organization — an arrangement where the firm splits itself in two, with the lawyer-owned entity handling the actual lawyering and a separate company owning the back office, the technology, the IP, and the real estate, collecting fees from the law firm and, crucially, accepting all the outside money it wants.

The MSO structure has "worked" before (if by "work" you mean bleeding once trusted professions). This is the same vehicle that private equity used to roll up your veterinary clinic (now with a $4,000 estimate for a limping dog), your dentist (surprise, you need four crowns), the physician practice that used to be independent, and your nursing home. Corporate-practice-of-medicine rules were supposed to keep non-doctors from owning medical care; the MSO was the workaround, and higher prices, consolidation, and pressure to upsell followed close behind.

The interesting aspect of FT's report is that these are not distressed firms. The 2026 saw another orgy of record profits, with Wachtell paying its equity partners north of $12 million each and Quinn Emanuel pulling in roughly $3 billion in revenue. The pitch is that outside capital would fund the AI buildout and let firms throw even more money at rainmaking laterals, as if Biglaw's defining problem in 2026 were a shortage of cash to spend on itself.

To their credit, Biglaw partners so far seem skeptical so far. The smart money says the first real deal comes from a Second Hundred firm with a smaller cap table and a founder ready to cash out, not from a lockstep marquee name.

Exclusive

Aperture Aims for $1 Billion in Litigation Finance Investments

Aug. 12, 2026, 2:00 AM PDT

Summary by Bloomberg AI

AI Generated

- Aperture Investors announced the expansion of its litigation finance platform, with $600 million in assets and up to $1 billion in investment capacity.
- The firm will continue to view the asset class through a private credit lens by offering loans directly to plaintiffs' firms in a variety of sectors rather than funding individual cases.
- Aperture typically lends between $25 and $50 million, with around 25% of the cases in the bankruptcy space, and looks at metrics like established liability or cases that have precedent to determine the stage of a litigation.

Aperture Investors announced Wednesday the expansion of its litigation finance platform, with $600 million in assets and up to $1 billion in investment capacity.

The $6.72 billion alternative investment manager is seeing a large enough demand for capital from plaintiffs' law firms to grow its litigation finance platform. The firm will continue to view the asset class through a private credit lens by offering loans directly to plaintiffs' firms in a variety of sectors rather than funding individual cases.

"It's just good timing and provides us plenty of dry powder to step in and meet some of this demand that we're seeing," said Luke Darkow, litigation finance portfolio manager at Aperture.

Litigation finance, in which investors fund law firms and clients for a share of an award or settlement, is a growing but still niche segment of the alternative asset space. Some investment firms invest ad hocin deals while others, like Aperture, are expanding their desks and making a larger claim on the space.

Luke Darkow
Photo courtesy Aperture Investors

Aperture brought on Darkow nearly two years ago to build the litigation finance platform after he spent nearly a decade at private credit and investment firm Victory Park Capital.

“I joined to stand up, scale and lead Aperture’s litigation finance strategy,” said Darkow. “The past two years we’ve been focusing on obviously capital deployment as well as capital formation on the fundraising side of things.”

Assets

Aperture is an alternative asset manager that was founded in partnership with Generali Group and is part of the Generali Investments platform. It invests across credit and equity asset classes.

The expansion came after an unnamed strategic partner that was already investing in Aperture saw the litigation finance returns and wanted to expand the platform, according to Darkow. It will continue to focus on loan facilities to plaintiffs’ law firms for late stage and post settlement litigation.

Aperture’s current portfolio consists of a little more than 50% of post settlement assets. The law firms typically handle high volume single events such as complex commercial cases, but also class actions, mass tort bankruptcy and wildfire litigation.

“Litigation finance, generally speaking, is characterized by kind of binary outcomes that are relatively illiquid,” said Darkow. “Because we are attaching at such a late stage in the kind of procedural life cycle, we are able to create pretty material liquidity for investors.”

Aperture typically lends between $25 and $50 million. Around 25% of the cases are in the bankruptcy space, typically cases stemming from defendants in mass tort litigation that file for bankruptcy to pay off claimants.

Mass tort cases are notoriously lengthy. Litigation against Johnson & Johnson alleging its talcum powder products caused cancer is rounding out a decade. Identifying what stage a litigation is in can be difficult, Darkow says, but Aperture looks at metrics like established liability or cases that have precedent.

“Within mass torts where these situations can take a decade to resolve,that’s a challenging duration profile for a typical institutional investor,” said Darkow.

There are also law firms that are looking to refinance their original loans if the litigation is still ongoing but the loan has matured. Aperture has stepped in to refinance existing lenders but also funds law firms that have never gotten funding before.

“The one drawback though is this is capacity constrained, because of this narrow focus we’re not going to be able to deploy billions of dollars within this kind of subset of the asset class,” said Darkow. “That’s obviously a trade off that we’re willing to make just given the risk adjusted return profiles that we’re seeing.”

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Apple Sued Over Alleged Privacy Gaps in 'Private Relay' Service

Aug. 11, 2026, 10:25 AM PDT

Summary by Bloomberg AI AI Generated

- A California man sued Apple Inc. claiming it falsely promised users its iCloud Private Relay feature would protect their privacy by hiding their IP addresses and browsing activity from third parties, including Apple itself.
- The complaint alleged that flaws in Apple's WebKit browser engine allowed websites to see users' real IP addresses even when the Private Relay feature was enabled, and that the method the Apple operating system used to handle passkeys bypassed the Private Relay feature altogether.
- The lawsuit seeks damages, punitive damages, statutory penalties, restitution and disgorgement, injunctive relief, attorneys' fees and costs, and pre- and post-judgment interest, and brings claims of fraud, negligent misrepresentation, and violations of California laws.

A California man sued Apple Inc. claiming it falsely promised users its iCloud Private Relay feature would protect their privacy by hiding their IP addresses and browsing activity from third parties, including Apple itself.

Edward Rickman's complaint alleged that flaws in Apple's WebKit browser engine allowed websites to see users' real IP addresses even when the Private Relay feature was enabled.

The company's promise that Private Relay's design made it structurally impossible for any single party to see both a user's identity and the destination of their web traffic "has never been true," the proposed class complaint said.

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

Apple has marketed Private Relay since 2021 as a premium privacy feature available only to iCloud+ subscribers, with plans costing between $0.99 and $59.99 monthly, the complaint said.

The company claimed the feature included two “independently operated relays” that split the user’s identity from the user’s destination so completely that no third party could ever put them back together and “see who you are and what you visit,” the complaint said.

The promise was effective for Apple’s bottom line, inducing around 70% of users of its ecosystem to pay for the service, and helping the company to more than double the revenue from its services division from 2020 to 2025, it said.

But in reality, the method the Apple operating system used to handle passkeys bypassed the Private Relay feature altogether, recreating the harm Apple “told the world it had made impossible,” it said. The weaknesses in the system were also made worse by recent updates, it said.

Rickman seeks to represent a nationwide class and a California subclass of people who paid for Apple’s iCloud+ service and enabled the Private Relay feature.

The complaint brings claims of fraud; negligent misrepresentation; breach of contract; unjust enrichment; and violations of the California Unfair Competition Law, the California False Advertising Law, and the California Consumer Legal Remedies Act.

The lawsuit seeks damages, punitive damages, statutory penalties, restitution and disgorgement, injunctive relief, attorneys’ fees and costs, and pre- and post-judgment interest.

It was filed Aug. 6 in the US District Court for the Northern District of California.

Clarkson Law Firm PC represents Rickman and the proposed class.

The case is Rickman v. Apple Inc. , N.D. Cal., No. 5:26-cv-08218, complaint filed 8/6/26 .

This story was produced by Bloomberg Law Automation.

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Bonta Calls Paramount's Threat to Leave 'Blackmail' (Correct)

Aug. 11, 2026, 7:02 PM PDT

Summary by Bloomberg AI AI Generated

- California Attorney General Rob Bonta called reports that Paramount Skydance Corp. plans to leave the state "blackmail" in a post on social media.
- Paramount's board has approved a possible move from California as early as Oct. 1, with Chief Executive Officer David Ellison putting together a five-year plan to shift most of the film and TV studio's jobs to a new home.
- California and 11 other states sued to block the Warner Bros. deal, alleging the transaction would give the company unfair control of the movie and cable-TV businesses.

California Attorney General Rob Bonta called reports that Paramount Skydance Corp. plans to leave the state if its top lawyer doesn't settle a lawsuit challenging the company's planned merger with Warner Bros. Discovery Inc. "blackmail' in a post on social media Tuesday.

Paramount's board has approved a possible move from California as early as Oct. 1, according to a person familiar with the company's plans. Chief Executive Officer **David Ellison** told senior executives last week that the move would involve headquarters staff first but that he's putting together a five-year plan that would shift most of the film and TV studio's jobs to the new home, according to the person, who asked to not be identified because the internal deliberations aren't public.

The five-year plan could involve a sale of one of the two big studio lots owned by Paramount and Warner Bros. in the Los Angeles area, if the merger ultimately goes through. The states being considered are Tennessee, Georgia, Texas and one other that hasn't been identified. The newsletter Puck and Variety reported earlier on Paramount's plans.

Speaking Tuesday afternoon at a Politico event in Sacramento, Paramount's top lawyer, Makan Delrahim, rejected the blackmail accusation. Ellison is "committed to be in California," Delrahim said. "There's a point though where you have a fiduciary duty to your shareholders."

California and 11 other states with Democratic attorneys general sued to block the Warner Bros. deal last month. The suit alleges the $110 billion transaction would give the company unfair control of the movie and cable-TV businesses.

Speaking earlier in the day at the same event, Bonta said Paramount would like to settle the case.

“I think they are eager to enter those talks and we are very happy with where we are,” the attorney general said. “Literally, in every development in this case, we have won and they have lost.”

The state’s victories include securing a March 2027 date for the trial, later than Paramount wanted, and the company’s commitment to not close the deal until early June.

Paramount has offered two of the largest theater chains, AMC Entertainment Holdings Inc. and Cineworld Group’s Regal Cinemas, written commitments to release at least 30 movies per year in theaters, Bloomberg News reported .

Bonta said the promise of many more films “doesn’t really vibe, in my opinion, with what the market will dictate and what history has shown.”

The lawsuit alleges the deal would harm competition for the distribution of films and cable-TV programming. The attorney general said he’s open to “good faith” proposals from the companies. While Bonta offered few details on what an appropriate settlement would be, he said any negotiation would need to include “real, robust structural remedies that address the concerns in the markets that we’ve identified in our complaint.”

Delrahim, who ran the Justice Department’s antitrust division during the first Trump administration, responded Tuesday: “Everything is on the table. We would be delighted to engage and discuss about any resolution.”

Bonta said he’s not concerned with the loss of jobs should Paramount leave California. “Our efforts to block the merger is what will deliver wins for California,” he said.

Paramount employed about 17,600 people at the end of last year, according to a public filing.

(Corrects presidential administration of Delrahim’s tenure in 12th paragraph.)

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Coverage Dispute Tests Limits of Side C Coverage

dandodiary.com/2026/08/articles/d-o-insurance/coverage-dispute-tests-limits-of-side-c-coverage

The D&O insurance implications of M&A litigation often extend beyond claims against the company and its directors and officers. When financial advisers are drawn into transaction-related litigation, companies that have agreed to indemnify them may be required to reimburse defense costs and settlement payments, raising questions about the extent to which those amounts could be covered under a public company D&O insurance program.

A pending coverage dispute arising out of Cornerstone Building Brands' 2022 take-private transaction highlights those issues. At the center of the dispute is whether amounts a company pays to indemnify its financial adviser for defense costs and settlement payments constitute covered Loss under a public-company D&O policy. Below is a discussion of Cornerstone's coverage complaint, the parties' competing summary judgment arguments, and potential D&O underwriting implications.

Cornerstone Coverage Litigation

On August 25, 2025, Cornerstone filed its complaint in the Eastern District of North Carolina seeking indemnification from certain excess insurers. The complaint alleges that in October 2021, Cornerstone's special committee retained Centerview Partners (Centerview) as its financial adviser in connection with a proposed take-private transaction involving the company's controlling shareholder. Under the engagement agreement, Cornerstone allegedly agreed not only to pay Centerview's advisory fees but also to broadly indemnify Centerview for losses, claims, liabilities, settlements, and litigation expenses arising from the take-private transaction.

After Cornerstone's take-private deal was completed, various shareholder actions relating to the transaction were filed against Cornerstone and other participants in the transaction, including Cornerstone's directors and officers. Centerview was subpoenaed during several of the proceedings and was eventually named as a defendant in aiding-and-abetting claims brought in the Delaware stockholder litigation. According to Cornerstone's complaint, Centerview ultimately incurred $9.8 million in defense costs and settlement payments, which Cornerstone reimbursed pursuant to the indemnification agreement.

In its separate complaint in the coverage litigation, Cornerstone alleges that it sought reimbursement for Centerview's defense costs under its D&O insurance program, but its insurers denied coverage for the amounts paid on Centerview's behalf. Cornerstone argues that payments made on behalf of Centerview constitute covered "Loss" because they were amounts the company became legally obligated to pay on account of a "Securities Claim." Cornerstone also emphasizes that the applicable policies did not contain a contractual liability exclusion.

Cornerstone filed its motion for partial summary judgment on June 5, 2026. It contends that the underlying Delaware stockholder litigation filed against Cornerstone, and which named Centerview, constituted a covered "Securities Claim" arising out of the take-private transaction and that the amounts paid to Centerview qualify as covered Loss because they were amounts the company became legally obligated to pay. Cornerstone further argues that the Delaware litigation and related federal securities actions constitute a single Securities Claim under the policies' related-claims provisions, that Centerview's costs were incurred "on account of" that claim because they would not have arisen absent the underlying shareholder litigation, and that the absence of a contractual liability exclusion confirms coverage.

Cornerstone's excess insurers filed their opposition to Cornerstone's motion for summary on July 10, 2026. The insurers contend that the Delaware stockholder litigation was not a "Securities Claim" made against Cornerstone because the company itself was not named as a defendant, and that claims asserted against directors and officers do not automatically become claims against the corporate entity. The insurers further argue that Centerview is neither the Company nor an Insured Person under the policies and that prior payments by the D&O program related to Cornerstone's indemnification of insured directors and officers do not establish coverage for payments made on behalf of a non-insured third party.

In addition, Cornerstone's excess insurers contend that Cornerstone's payment obligation arose from a separate contractual undertaking contained in the Centerview engagement agreement rather than from a covered "Securities Claim." According to the insurers, the reimbursement therefore represents an uninsured contractual obligation or business debt, and the absence of a contractual liability exclusion is irrelevant because coverage must first exist under the policies' affirmative grant of Side C coverage before any exclusion analysis is reached.

On July 23, 2026, Cornerstone and one of the defendant insurers filed a notice of settlement. The coverage action remains pending as to the other excess insurer defendants.

Discussion

The Cornerstone dispute combines several recurring D&O coverage issues, including the scope of Side C entity coverage, the definition of a Securities Claim, and the impact of contractual indemnification obligations. As *The D&O Diary* has previously discussed, these disputes often turn on whether the underlying claim falls within the policy's grant of coverage and whether the payment at issue is properly characterized as covered Loss.

In the Cornerstone coverage litigation, the central issue is whether a company's payment of its financial adviser's defense costs and settlement pursuant to an indemnification agreement constitutes covered Loss because it arises from a Securities Claim or is instead uncovered because it stems from a separate contractual obligation.

Cornerstone argues that a Texas court previously found coverage in a similar dispute involving its predecessor, NCI Building Systems. According to Cornerstone, the court held that amounts NCI was obligated to pay on behalf of third-party consultants in connection with shareholder litigation constituted covered Loss under materially similar D&O policy language. The insurers, by contrast, contend that the unpublished NCI order is distinguishable and provides little guidance.

Whatever weight the court gives the NCI decision, the dispute highlights the potential consequences of treating adviser indemnification payments as covered Loss. If Cornerstone prevails, D&O insurers may seek to clarify whether Loss includes amounts paid on behalf of non-insured third parties and to more expressly address contractual indemnification obligations through revised policy wording, exclusions, or related Side C provisions.

Conversely, a ruling for the insurers could reinforce the view that Side C coverage applies only to Loss arising from a Securities Claim against the company and not to liabilities assumed through separate contractual obligations. Such a result would preserve the distinction between covered Securities Claim exposure and obligations arising from indemnification agreements with financial advisers and other transaction participants.

Ultimately, the Cornerstone coverage litigation provides a useful example of the tension between broad Side C coverage grants and liabilities assumed through commercial contracts. If the court ultimately issues a substantive ruling, the decision could become an important reference point for future disputes involving financial-adviser indemnification obligations and the scope of Side C coverage in transaction-related litigation.

Endeavor, Silver Lake Shed Investor Suit Over Take-Private Deal

Aug. 12, 2026, 8:55 AM PDT

Summary by Bloomberg AI

AI Generated

- Judge R. Gary Klausner reversed course and tossed a suit by an investor fund accusing Endeavor Group Holdings Inc. and others of low-balling certain values and hiding a "pressure campaign" in a $25 billion buyout.
- The investor fund had accused the talent agency giant and corporate leaders of disclosing undervalued officer equity rollover positions and mischaracterizing the board's special committee as independent.
- Klausner said the investor fund failed to connect alleged misstatements to investors' economic harms and didn't clearly allege how certain omissions would've impacted Endeavor's stock price.

Architects of Endeavor Group Holdings Inc.'s $25 billion buyout by Silver Lake Group LLC routed investor allegations that they low-balled certain values and hid a "pressure campaign" pushing a board committee to recommend the transaction.

Judge R. Gary Klausner reversed course Tuesday from a prior order letting some of the Endeavor investor's claims survive dismissal. The US District Court for the Central District of California judge now says he didn't adequately assess whether three sets of sufficiently alleged misstatements caused the alleged losses — sales of Endeavor shares at a lower value than they were worth — while tossing the suit in full.

The investor fund accused the talent agency giant, private equity firm, and corporate leaders including Endeavor founding partner and Hollywood mogul Ari Emanuel of disclosing undervalued officer equity rollover positions for certain leaders, mischaracterizing the board's special committee as independent, and concealing that a tax-savings amendment diverted value away from unaffiliated shareholders.

Klausner in June said the alleged omissions on these issues would've mattered to reasonable investors, holding the plaintiff sufficiently pleaded a loss-causation theory linking allegedly fraudulent misrepresentations to investors' economic harms.

But statements about the rollovers for Emanuel and Patrick Whitesell, Endeavor's executive chairman at the time, were made after the investor sold shares, and the fund failed to connect how statements about Endeavor's then-President and Chief Operating Officer Mark Shapiro's rollover rate would've impacted the Class A common stock it sold, Klausner said. The investor also didn't clearly allege how an omission about the special committee would've deflated Endeavor's stock price, and hiding a risk about the tax-receivable amendment seemingly would've inflated rather than depressed share prices, he said.

This proposed class action is one of multiple shareholder challenges over Silver Lake's Endeavor buyout. The transaction closed last year, with the PE firm saying it believed it had a combined total enterprise value of $25 billion when consolidating all of UFC and WWE owner TKO Group Holdings' worth via Endeavor's controlling stake.

Entwistle & Cappucci LLP and Susman Godfrey LLP are lead counsel for the proposed class. Latham & Watkins LLP represents Endeavor and executive committee and board members, including Emanuel, Whitesell, Shapiro, and Fawn Weaver. Quinn Emanuel Urquhart & Sullivan LLP also represents Emanuel, Whitesell, and Shapiro. Simpson Thacher & Bartlett LLP and Wachtell, Lipton, Rosen & Katz represent Silver Lake and two of its leaders. Cravath, Swaine & Moore LLP and Manatt, Phelps & Phillips LLP represent two special committee members. These law firms, WME Group — the rebranded version of Endeavor following the merger — and Silver Lake didn't immediately respond to emails seeking comment.

The case is Altshares Event-Driven ETF v. Endeavor Grp. Holdings, Inc. , C.D. Cal., No. 2:26-cv-00526, 8/11/26 .

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Bloomberg Law

Manage Newsletters

Google Defeats Valtrus Patent Suit Over Search Engine Technology

Aug. 11, 2026, 12:52 PM PDT

Summary by Bloomberg AI

AI Generated

- A California federal judge dismissed Valtrus Innovations Ltd.'s lawsuit accusing Google LLC of infringing patents covering methods of consolidating and ranking search engine results.
- The judge said the inventions outline ineligible, abstract ideas and none recite an inventive concept that would avoid an invalidity finding.
- The decision follows a March dismissal of an earlier Valtrus suit against Google over the same patents, in which the judge ruled Valtrus didn't have grounds to sue.

A California federal judge dismissed Valtrus Innovations Ltd.'s lawsuit accusing Google LLC of infringing patents covering methods of consolidating and ranking search engine results.

The inventions – US Patent Nos. 6,728,704, 6,816,809 and 7,346,604 – outline ineligible, abstract ideas, and none recite an inventive concept that would avoid an invalidity finding, Judge P. Casey Pitts said Monday. He dismissed the case without leave for Valtrus to amend "because the asserted claims' patent ineligibility is apparent from the face of the claim language."

The decision follows Pitts' March dismissal of an earlier Valtrus suit against Google over the three patents and three additional inventions in the US District Court for the Northern District of California. There, he ruled the patent licensing firm didn't have grounds to sue because its parent – Key Patent Innovations Ltd. – held exclusive enforcement authority. Days later, Valtrus filed the present suit and listed KPI as a plaintiff.

The '704 and '604 patents describe ways to merge and rank search results from multiple search engines, while the '809 patent details a method of tracking when a computer processor is busy.

Google argued the patents merely recite performing on a computer what humans can do, like a librarian gathering books from multiple libraries and compiling one list or taking notes of and totaling the times that a customer is talking on the phone.

Pitts agreed, saying the patents recite familiar processes such as collecting, triaging, and collating information. They fail to sufficiently describe how any of the methods are implemented. He rejected Valtrus' argument that the '604 patent is "too groundbreaking to be subject-matter ineligible."

Irell & Manella LLP represents Valtrus. Hogan Lovells Cadwalader US LLP represents Google.

The case is Valtrus Innovations Ltd. v. Google LLC , N.D. Cal., No. 5:26-cv-02379, 8/10/26 .

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SEC accuses crowdfunding firm Netcapital of inflating revenue by 345 percent

IN investmentnews.com/regulation-legal-compliance/sec-accuses-crowdfunding-firm-netcapital-of-inflating-revenue-by-345-percent/267776

The startups paying millions in consulting fees were secretly controlled by one insider, the SEC alleges.

The SEC says crowdfunding firm Netcapital booked nearly $14 million from consulting deals with startups that an insider secretly controlled.

That is the heart of a complaint the Securities and Exchange Commission filed on August 10, 2026, in federal court in Massachusetts. The defendants are Netcapital Inc., a Nasdaq-listed company that runs an SEC-registered portal for small businesses raising money online, along with five people tied to it.

Here is how the filing tells it. Netcapital has a consulting arm, Netcapital Advisors, that helps startups prepare for crowdfunding raises - logos, pitch decks, websites, business-plan advice, investor introductions. The SEC alleges the arm signed deals with at least eleven startups, each agreeing to pay between $1 million and $2 million, paid in equity because the startups had little cash. The complaint alleges those startups were secretly controlled by John Fanning, who the SEC says acted as a Netcapital officer while the company labeled him only an "advisor."

The catch, according to the filing: the SEC calls the agreements "shams." It alleges they produced no real revenue, that some were forged, and that all were backdated. Booking that revenue, the complaint alleges, "inflated Netcapital's Relevant Period revenue by approximately 345 percent."

For anyone running a practice, the revenue-recognition piece is the one to sit with. The SEC alleges Netcapital started counting revenue from the date printed on each agreement even when the agreement did not yet exist - in some cases booked months before a signature. About $5.1 million of the roughly $13.9 million in consulting revenue, the complaint alleges, was recognized in periods when no agreement existed at all.

The related-party thread matters just as much. The filing alleges Fanning is married to Netcapital's chief financial officer and controlled the startups through intermediary companies, which it says typically each stayed below the 20 percent ownership line that would have triggered a disclosure requirement under the crowdfunding rules known as Reg. CF. The SEC alleges the company never told investors the consulting revenue came from related-party deals involving Fanning.

The complaint centers on a handful of roles: the chief financial officer, two people who served as chief executive over the period, and a certified public accountant who the SEC says ran revenue recognition and prepared the financial statements. The filing alleges the CFO, the CPA, and one CEO knew of or recklessly ignored the alleged scheme, and that the earlier CEO was negligent.

Then there is the records trail. The filing alleges Fanning used the encrypted app Signal for company business and did not hand those messages to the Commission despite a subpoena. It also alleges one CEO deleted Signal from his phone in 2025 while aware that FINRA and the SEC were investigating.

The SEC says investors put more than $25.6 million into Netcapital's public and private offerings while the revenue was overstated. It is seeking permanent injunctions, repayment of alleged gains with interest, civil penalties, and bars on serving as an officer or director for several defendants.

The allegations have not been tested in court. The defendants have not filed a response, and no court has ruled. The complaint reflects the SEC's allegations.

Ken Moelis, Archer SPAC Backers Settle Flying Taxi Deal Case

Aug. 11, 2026, 8:05 AM PDT

Summary by Bloomberg AI

AI Generated

- Billionaire investment banker Ken Moelis and other architects of Archer Aviation Inc.'s blank-check merger have agreed to a $15 million settlement ending litigation over the transaction.
- The settlement requires the approval of the presiding judge, Vice Chancellor Lori W. Will, and doesn't constitute an admission of "fault, duty, liability, wrongdoing, or damages whatsoever," according to the document.
- The accord was disclosed the same day Archer announced its acquisition of air taxi and drone units from Boeing Co., which took a 20% stake in the smaller firm.

Billionaire investment banker Ken Moelis and other architects of Archer Aviation Inc.'s blank-check merger have agreed to a $15 million settlement ending litigation over the transaction that took the flying taxi startup public.

The dealmakers defending the case and the investors leading it disclosed their agreement Monday, the same day Archer announced its acquisition of air taxi and drone units from Boeing Co., which took a 20% stake in the smaller firm. Archer's shares climbed about 12% on Monday to close at $6.26, while the aerospace giant fell less than 1% to $232.79.

The settlement, filed in Delaware's Chancery Court, requires the approval of the presiding judge, Vice Chancellor Lori W. Will. The accord doesn't constitute an admission of "fault, duty, liability, wrongdoing, or damages whatsoever," according to the document.

Archer's tie-up with a special purpose acquisition company backed by Moelis was part of a pandemic-era craze for SPAC deals, which give early-stage businesses a shortcut to public markets by combining them with a shell entity already listed on a stock exchange. Huge numbers of the companies underperformed or failed, leading the frenzy to fizzle amid an avalanche of investor lawsuits alleging rampant self-dealing tied to lopsided incentives.

The Archer litigation was one of dozens of similar disputes to land in Delaware's chief business tribunal, which specializes in M&A fights. Like many of the other cases, the lawsuit said Moelis and his allies were driven to dupe shareholders into a doomed deal by "founder shares" set to balloon in value if the merger closed or become worthless if it didn't.

Executives allegedly showed "sham" prototype footage to investors in the SPAC — who were entitled to opt out of the transaction — while manipulating Archer's valuations to match the SPAC's fluctuating cash on hand. The judge let the case advance in 2025, though she narrowed its legal theories.

No DExit

With the Delaware court holding Archer's feet to the fire, it was among the first wave of companies last year eager to take Elon Musk up on his calls for a mass "DExit" from the state, corporate home to two-thirds of the Fortune 500. But Archer's shareholders earlier this year rejected its bid to follow the world's richest person to Texas, which recently set up a rival business court and a competing slate of management-friendly accountability rules.

Moelis, too, has made a major mark on the US corporate capital in recent years. An investor lawsuit challenging his veto and board rights at his namesake bank led to a landmark court ruling rejecting many kinds of side deals between companies and their insiders, a popular governance arrangement across the Silicon Valley venture capital ecosystem. Delaware's lawmakers responded with a swift, controversial push to overturn that decision.

Grant & Eisenhofer PA, Robbins Geller Rudman & Dowd LLP, Robbins LLP, and Bronstin, Gewirtz & Grossman LLC are counsel for the retail investors leading the Archer lawsuit. Moelis and another former director of his SPAC are represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP. The other board members are represented by Ross Aronstam & Moritz LLP.

The case is In re Archer Aviation Inc. S'holder Litig. , Del. Ch., No. 2024-0527, settlement filed 8/10/26 .

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Lincoln, Connecticut General's $147 Million Class Deal Undone

Aug. 11, 2026, 10:05 AM PDT

Summary by Bloomberg AI AI Generated

- A federal appeals court undid a $147.5 million settlement between two life insurance companies and policyholders after concluding that the class representatives' claims weren't typical of those of other class members.
- The court reversed the class certification order, vacated the settlement, and sent the case back to the lower court for further proceedings, with Judge William J. Nardini writing that the representatives didn't face "the same uphill battle" to prove liability as the class.
- The class representatives' claims weren't typical of the class because they couldn't establish privity of contract with the same companies as the class members, according to the court.

A federal appeals court on Tuesday undid a $147.5 million settlement between two life insurance companies and policyholders after concluding that the class representatives' claims weren't typical of those of other class members.

The named plaintiffs – who claimed Lincoln National Life Insurance Co. improperly deducted cost of insurance charges from policies it had issued directly or acquired from Connecticut General Life Insurance Co. – couldn't adequately represent class members who held policies originally issued by other companies, like Lincoln Life & Annuity Co. of New York and First Penn-Pacific Life Insurance Co., Judge William J. Nardini wrote for a unanimous US Court of Appeals for the Second Circuit panel.

The representatives didn't face "the same uphill battle" to prove liability as the class, Nardini said as the court reversed the class certification order, vacated the settlement, and sent the case back to the lower court for further proceedings.

Privity of contract is an essential element of a breach of contract claim, Nardini said. And, while one of the class representatives, John Warehime, could prove he was in privity with Lincoln because he directly acquired his policy from it, the class members who objected to the global settlement couldn't because they'd acquired their policies from other companies, he said. As such, Warehime's claims weren't typical of the class, meaning he failed the requirement of demonstrating that the disputed issues of law or fact were the same as or as central for him as the rest of the class.

Class representative Pauline Glover could establish privity with Connecticut General, but would have to establish privity with Lincoln another way, such as by introducing evidence establishing the relationship between the companies, Nardini said. But that evidence wouldn't help class members who didn't hold Connecticut General-issued policies, who'd have to show the relationship between their issuers and Lincoln, he said. Her claims also weren't typical of the class.

Senior Judge Amalya L. Kearse and Judge Beth Robinson joined the opinion.

Susman Godfrey LLP represents the objecting class members. Stueve Siegel Hanson LLP and Schirger Feierabend LLC represent the class representatives. Boies Schiller Flexner LLP and Centricity Law PLLC represent Lincoln. Robinson & Cole LLP represents Connecticut General.

The case is Glover v. Conn. Gen. Life Ins. Co. , 2d Cir., No. 25-1760, 8/11/26 .

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Medical Outfitter FIGS Freed From Investor Demand Suit on Appeal

Aug. 11, 2026, 11:56 AM PDT

Summary by Bloomberg AI

AI Generated

- FIGS Inc. investors lost their bid to revive a proposed class action alleging the medical apparel company misled them on its ability to predict demand through data analytics and risks of ballooning inventory.
- The US Court of Appeals for the Ninth Circuit said the investors failed to sufficiently allege any objectively false or misleading statements in FIGS' initial and secondary public offering paperwork.
- The court affirmed the suit's 2025 dismissal, ruling that the investors did not satisfactorily plead that FIGS executives had access to internal reports or data contrasting public statements.

FIGS Inc. investors lost their bid to revive a proposed class action alleging the medical apparel company misled them on its ability to predict demand through data analytics and risks of ballooning inventory.

The investors failed to sufficiently allege any objectively false or misleading statements in FIGS' initial and secondary public offering paperwork, the US Court of Appeals for the Ninth Circuit said in an unpublished memorandum Tuesday. The investors' theory of falsity "presents a muddled picture of alternatively asserting that FIGS did not have a data analytics system, or that its system was not sufficiently advanced or was not proprietary," it said.

Nor did they satisfactorily plead that FIGS executives had access to internal reports, data, or disputed information contrasting public statements for the level of intent or recklessness to defraud, a three-judge panel ruled, affirming the suit's 2025 dismissal.

District Judge Judge Otis D. Wright II correctly applied heightened pleading standards to the investors' claims under the act that governs stock issuances, the 1933 Securities Act, because they sounded in fraud, the panel said. The allegations were nearly identical to their fraud claims under the 1934 Securities Exchange Act.

Nor did the US District Court for the Central District of California err in tossing claims against VC firm Tulco LLC — then a significant FIGS stakeholder — given the investors failed to plead any false or misleading statements for securities fraud claims, the panel said.

FIGS misled investors by hiding it had expanded its business beyond its core offerings and lacked the data-analysis capabilities to foresee desire for other products, the suit said.

Judges Johnnie B. Rawlinson, Gabriel P. Sanchez, and Eric C. Tung sat on the panel.

Robbins Geller Rudman & Dowd LLP and Levi & Korsinsky LLP were co-lead counsel for the investors. Cooley LLP represented FIGS and executives. Skadden, Arps, Slate, Meagher & Flom LLP represented Tulco. Morgan, Lewis & Bockius LLP represented underwriters of FIGS' public offerings, among them units of Goldman Sachs and Morgan Stanley. None of these law firms nor FIGS immediately respond to emails seeking comment.

The case is Hoch v. FIGS, Inc. , 9th Cir., No. 25-902, unpublished 8/11/26 .

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Bloomberg Law

Manage Newsletters

New York City Probes Kalshi and Polymarket Over Social Harms

Aug. 12, 2026, 3:00 AM PDT

Summary by Bloomberg AI

AI Generated

- The New York City Council is probing the advertising practices of four major prediction market platforms as part of a legislative inquiry.
- The council is examining whether current city laws adequately protect residents from false or deceptive marketing and is also looking at creating policies to address products offered to people who might engage in compulsive wagering.
- The platforms have been asked to provide information on their users, advertising practices, and marketing effectiveness, with the council planning to hold public hearings on the topic.

The New York City Council is probing the advertising practices of four major prediction market platforms, creating a new front in the legal battles facing the booming industry.

New York City Council Speaker **Julie Menin** sent a lengthy list of questions to Polymarket, Kalshi, Coinbase Global Inc. and Gemini Space Station Inc.'s prediction market platform, Titan, as part of a so-called legislative inquiry examining whether current city laws adequately protect residents from false or deceptive marketing from the new platforms.

The council is also looking at creating policies to address products offered to people who might "engage in compulsive wagering on event contracts."

"The Council is investigating allegations involving Polymarket and, critically, the extent to which similar marketing practices are prevalent within the prediction market industry more broadly, and related social harms to City residents," the letter to Polymarket said.

"We look forward to engaging with The New York City Council on this matter," a spokesperson for Polymarket said.

The other firms didn't immediately respond to requests for comment.

The inquiries come as prediction markets have grown into a multi-billion dollar industry by offering financial contracts tied to everything from celebrity news to when the Strait of Hormuz will reopen. Wagers on sports dominate prediction market trades and stand at the center of a wide-ranging fight over how to regulate the industry.

The platforms and the Commodity Futures Trading Commission , the federal regulator that oversees derivatives trading, have argued that event contracts are financial instruments that are fundamentally different from gambling and should fall under federal oversight. States, including New York , have disputed that idea and sued the firms, alleging the platforms amount to illegal, unlicensed gambling operations.

The CFTC on Tuesday ordered Kalshi to continue operating in New York despite the state's effort to shut down its operations.

The CFTC is conducting its own investigation of Polymarket, looking at the firm's social media activity and other issues, Bloomberg has reported. The Wall Street Journal reported in June that the company hired dozens of mostly college-aged social media creators to film themselves making fake profitable trades that were used to attract users to the platform.

The New York City Council letter references "troubling" news reports alleging Polymarket conspired with influencers and marketing agents to "target young adults – and thus potentially minors – with false, deceptive, and unconscionable advertising."

The platforms are being asked to provide information going back to Jan. 1, 2025 on the number of users in the state, the age and demographics of customers and how much money New York City residents have won or lost. Other questions focus on how the firms advertise to New Yorkers, how much they pay influencers and how effective their marketing has been in capturing younger users.

The firms were given 14 days to respond. The council said it also plans to hold public hearings on the topic.

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Bloomberg Law

Manage Newsletters

Tariff Lawsuits Surge as Importers See Path to Blocked Refunds

Aug. 11, 2026, 11:43 AM PDT

Summary by Bloomberg AI

AI Generated

- Hundreds of US importers have filed refund lawsuits at the US Court of International Trade to get their money back.
- The government says it can't issue refunds for entries finalized by the agency more than 80 days ago without a lawsuit, which accounts for roughly 7% of dollars paid under the struck-down duties.
- Importers have been suing for International Emergency Economic Powers Act tariff refunds, with the trade court judge overseeing tariff refunds starting to issue court orders to plaintiffs in July.

Hundreds of US importers frozen out of securing certain tariff refunds have gone to court in the past few weeks to get their money back.

Importers have filed more than 200 refund lawsuits at the US Court of International Trade since July 20, according to a Bloomberg Law analysis, compared to roughly 35 per week or fewer through most of June.

Companies can get money back for most of their imports, known as entries, by going through US Customs and Border Protection's dedicated system. But the government says it can't issue refunds for entries finalized by the agency more than 80 days ago without a lawsuit. That group accounts for roughly 7% of dollars paid under the struck-down duties.

Two developments are in play: First, the trade court in July began issuing the court orders the government says importers in this third phase of the tariff refund effort will need. Second, Customs is working on opening its refund request system to the group of entries in question, though the agency missed a targeted late-July launch.

"As it became apparent that there was an advantage to being a litigant if you had finally liquidated entries," people started filing, said Greg Husisian, a partner at Foley & Lardner and chair of the firm's international trade and national security practice.

However, litigation could end up being unnecessary for affected importers. That depends on the outcome of a separate legal fight playing out at the US Court of Appeals for the Federal Circuit over the trade court's power — and it could be months before the litigation is resolved.

"Even if you assume the US government will lose, it could take a year" to get a resolution on the question, Husisian said. Some companies would rather have their money sooner, which helps explain the current "mini-surge" in refund cases, he said.

Phased Refunds

The government has said the group of importers told they must sue represents roughly $10 billion to $11 billion in duties paid out of roughly $166 billion in total. It hasn't disclosed the total number of affected importers.

Customs says those entries fall past the point in the agency's normal administrative timeline when they can still be reopened and changed without a court order.

Importers have been suing for International Emergency Economic Powers Act tariff refunds since a surge last winter. There were many case leading up to and following February's Supreme Court decision overturning Trump's emergency powers tariffs, when "everyone didn't know what was going on," Husisian said.

Those suits tailed off once the government announced how importers could request refunds in the first phases of its Consolidated Administration and Processing of Entries tool, or CAPE. Customs launched the tool on April 20, and has been issuing refunds for many entries — but not all.

In response to the government's argument that importers with post-final entries will need to sue, the trade court judge overseeing tariff refunds started issuing court orders to plaintiffs in July. Now the lawsuits are ticking back up.

"The timing fits" for a surge in lawsuits, said James Kim, a partner at ArentFox Schiff. "The court is now, in a sense, playing ball with the government."

Importers and trade attorneys are meanwhile watching for the government to clarify some key details when it opens CAPE to these final-liquidation entries, said Lian Yang, a partner at Alston & Bird. She pointed to one key question: What happens to importers who adopted a "belt and suspenders" approach and both sued and filed a protest through Customs?

Who's Not Suing?

The government estimates that around 330,000 importers paid the IEEPA duties President Donald Trump imposed in multiple waves last year. Only a very small portion have filed suits: The trade court said July 15 that it had about 3,700 refund suits, with a few hundred filed since.

That number is small compared to the total in part because many importers don't have entries in the contested, post-finalization group, so they don't need to sue.

It's also because both large importers and their smaller counterparts face other pressures, attorneys said.

Some big companies that have entries tied up in phase three are still waiting to see if the outcome of the appeals court litigation means they can get access to CAPE without filing suits.

"I think there are a number of players out there that haven't come forward yet," said Rick Van Arnam, a partner at Barnes, Richardson & Colburn.

For a multibillion-dollar company with some outstanding phase-three refunds, the cost-benefit analysis may reward waiting and keeping a low profile for now, Van Arnam said.

Other large companies with the means to bring suit could be holding off for reputational reasons: They don't want to appear to be in protracted litigation against the US government.

"Once there's comfort that there's not really litigation behind this," and it becomes more of an administrative process, "then I think you'll see that group willing to dip their toe," Van Arnam said.

Meanwhile, smaller importers may have had Customs brokers handle their earlier refunds, which were merely an administrative exercise, and not realize they need a lawyer to file a suit for this third phrase — or be able to hire one.

For the smallest importers, the cost of legal fees to file the suit may be untenable, or even outweigh the refund they hope to get back. Those importers may never see their refunds at all.

— With assistance from Andrew Ramonas

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Thoma Bravo's Everbridge Settles Investor Suit for $85 Million

Aug. 11, 2026, 9:49 AM PDT

Everbridge Inc. has agreed to pay $85 million to investors who owned shares that tumbled in price before Thoma Bravo LLC took the software company private, according to a federal court filing.

The US District Court for the Central District of California should grant preliminary approval to the deal to resolve class claims that Everbridge misrepresented its revenue and its integration of acquired companies, the investors leading the lawsuit said Monday. The amount represents about 5% to 6% of maximum damages — $1.38 billion to $1.76 billion — as estimated by the plaintiffs' expert economist, the investors said. But damages could easily be halved if just two alleged misstatements were taken out of the case, putting the settlement in the range of a 10% to 13% recovery, they said.

The investors allege Everbridge used acquired companies' revenue to prop up the appearance of growth in its own revenue, and that its failure to successfully integrate those companies undermined its long-term growth

The revelation of these problems allegedly caused significant stock-price drops in late 2021 and early 2022, before technology-focused private equity firm Thoma Bravo purchased Everbridge in 2024

Judge Fred W. Slaughter previously dismissed the proposed class action, but the US Court of Appeals for the Ninth Circuit revived it in July 2025

Counsel for the investors includes Labaton Keller Sucharow LLP and Robbins Geller Rudman & Dowd LLP. Cooley LLP and Kirkland & Ellis LLP represent Everbridge.

The case is Sylebra Cap. Partners Master Fund Ltd. v. Everbridge, Inc. , C.D. Cal., No. 2:22-cv-02249, motion 8/10/26 .

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Meta, 29 states head to court in biggest test yet of youth social media litigation | Business Information & News | FE

Aug 12 (Reuters) - Meta Platforms will face a coalition of state attorneys general in a California federal court trial beginning on Wednesday over claims it engineered Facebook and Instagram to be addictive to children, a case that could expose the company to massive damages and force it to make sweeping changes to its platforms.

The trial in Oakland, expected to last seven weeks, will test Colorado, Kentucky, California and New Jersey's allegations that Meta designed its platforms to keep young users hooked and misled consumers about their safety. It will also address claims by 29 states that the company illegally collected and used children's data in violation of federal law.

Jury selection is on Wednesday, with opening statements slated to begin August 18. Meta founder and CEO Mark Zuckerberg is expected to testify, as is Instagram head Adam Mosseri.

In terms of potential damages and implications for Meta, the trial is the biggest test yet of youth social media litigation and comes amid a broader reckoning across the globe over social media's effects on young users.

Meta has said the damages could be as high as $1.4 trillion, near the company's market cap of $1.5 trillion, though the attorneys general have not publicly disclosed how much they may seek.

The attorneys general of Colorado, Kentucky, California and New Jersey are also asking the judge to issue an order forcing the company to implement age restrictions, eliminate infinite scroll and make other changes to its platforms.

A Meta spokesperson said the company strongly disagreed with the allegations and was confident evidence would show its longstanding commitment to supporting young people.

"We've listened to parents, worked with experts and law enforcement, and conducted in-depth research to understand the issues that matter most," the spokesperson said in a statement.

BROADER RECKONING

The states' lawsuit, which was filed in 2023, stemmed from a multistate investigation into Instagram and Facebook's impact on young users. The investigation was announced following disclosures by Meta whistleblower Frances Haugen, who testified before a U.S. Senate committee in 2021 that the company knew its products could harm young users and how to make them safer, but chose not to make those changes in favor of pursuing higher profits.

"Meta knows its platforms are harming children and teens but continues to keep kids addicted, as we've alleged in our lawsuit," New Jersey Attorney General Jennifer Davenport said in a statement ahead of the trial. "Our kids are not data points to be monetized."

A Reuters/Ipsos poll last week found an overwhelming majority of Americans — 85% — think social media can be addictive for children, with 61% of respondents saying social media companies need firmer oversight.

Meta and other social media companies are facing growing pressure from lawmakers and in the courts. Wednesday's trial is among thousands of cases filed by states, municipalities, school districts and individuals over allegations that their products harm young users.

Meta has said the flood of litigation could seriously impact its business and financial results.

Trials in the two cases that have already gone to juries resulted in verdicts against Meta, and last week a New Mexico judge ordered the company to pay $567 million and make changes to its platforms after finding the company responsible for fueling a children's mental health crisis in the state. The company also settled a lawsuit brought by a Kentucky school district that had been slated for trial in June.

Meta has broadly denied the allegations in the cases, saying it has worked to protect children on its platforms. The company has argued it could not have misled consumers about whether its platforms were addictive because "social media addiction" is not a recognized psychiatric condition.

Legal experts said the latest trial could be a pivotal moment for Meta, with recent courtroom losses increasing the pressure on the company.

"Big damage awards and judicial dictates about features both potentially pose existential threats to social media defendants," said Eric Goldman, a professor and co-director of the High Tech Law Institute at Santa Clara University School of Law.

AN UNUSUAL TRIAL

Meta on Monday lost a last-ditch effort to delay the trial and halt thousands of other lawsuits it is facing after a U.S. court dismissed its appeal of rulings that allowed the cases to move forward, saying it was brought too early.

U.S. District Judge Yvonne Gonzalez Rogers, who also presided over Elon Musk's lawsuit against OpenAI and its CEO Sam Altman, will oversee the trial and issue her decision after it concludes in October. Rogers made the unusual decision to empanel an advisory jury to issue a decision on specific questions that she will use to guide her ruling. Advisory juries, which are very rarely used, give verdicts on specific issues selected by the judge — but the judge is free to disregard their findings in her ruling.

In addition to monetary damages, the states are asking Rogers to order the platforms to make changes nationwide. The states want Meta to implement age restrictions on users, delete all algorithms and AI models made with children's data, and eliminate features like infinite scroll and notifications. They also are asking the court to direct Meta to alter the algorithm it uses to promote content to prioritize well-being instead of engagement, and set strict time limits for young users, among many other changes.

The lawsuit is one of more than 3,000 lawsuits filed by school districts, individuals and others in federal court against Meta, Snap Inc, YouTube parent Alphabet and TikTok parent ByteDance that have been centralized before Rogers. A second group of more than 3,300 lawsuits brought largely by individuals against the companies is pending in Los Angeles state court.

Deep Dive

Trump’s Regulators Ready to Step In as Crypto Bill Stalls (1)

Aug. 11, 2026, 9:35 AM PDT; Updated: Aug. 11, 2026, 1:18 PM PDT

Summary by Bloomberg AI

AI Generated

- Federal enforcers are signaling they’re poised to dial up oversight of digital assets if lawmakers don’t pass a cryptocurrency regulatory overhaul.

- SEC Chairman Paul Atkins and CFTC Chairman Michael Selig said their agencies are ready to issue rules to tackle issues targeted in the Clarity Act legislation if Congress doesn’t pass the bill.

- Regulators are likely to “accelerate and not retreat” if the Clarity Act isn’t in place, and will move on to actual rulemaking to put in effect the rules they think the marketplace needs.

As Congress enters a do-or-die stretch on efforts to pass a cryptocurrency regulatory overhaul, federal enforcers are signaling they’re poised to dial up oversight if lawmakers stumble.

Senators adjourned for their August recess without reaching a compromise on the Clarity Act (H.R. 3633), a landmark measure that would give the Securities and Exchange Commission and the Commodity Futures Trading Commission fresh power to regulate digital assets.

Majority Leader John Thune (R-S.D.) teed up a vote to proceed to the measure when the chamber returns in mid-September. But with time dwindling to strike a deal ahead of the November elections and some negotiators already forecasting diminishing odds of passage, President Donald Trump’s financial regulators indicated they’re preparing to fill any gaps.

“If we don’t get a bill, we’re ready to go with our rules and regulations because the American people deserve clarity,” CFTC Chairman Michael Selig, who represented digital asset firms in private practice before joining the government, said at an event last week. “We can give it to them whether it’s through legislation or rulemaking.”

SEC Chairman Paul Atkins, who previously served as co-chair of a pro-crypto advocacy initiative, similarly told CNBC in late July that while he's "optimistic" Congress will convert on the bill, the agency is "ready, willing and able to come out with rules" to tackle the same issues targeted in the legislation. His agency is slated to meet Aug. 14 to consider issuing a proposal that would create a "tailored offering regime" for some investment contracts involving crypto assets.

The SEC is also planning to unveil an "innovation exemption" for trading digital versions of securities, Bloomberg News reported Tuesday, citing people familiar with the agency's plans.

White House crypto adviser Patrick Witt, in a social media post Monday, said the Trump administration remains "fully committed to getting the Clarity Act across the finish line" but that "we also can't afford to wait forever."

Some crypto industry leaders have expressed an openness to letting Wall Street cops craft their own rules in the short-term in lieu of congressional action, particularly given the Trump administration's more hands-off approach to the sector. Both Atkins and Selig have embraced Trump's call to make the US the "crypto capital of the world," including through a joint initiative called Project Crypto, citing concerns that the industry could move offshore without federal action.

But with broad agreement in Washington on the need for new federal standards, agency rulemaking without a legislative framework could eventually leave actors across the political spectrum dissatisfied.

Sen. Cynthia Lummis (R-Wyo.), one of the lawmakers driving efforts to advance the Clarity Act, said in an interview she'd be concerned "if the Democrats took control of the SEC again, especially people like Elizabeth Warren's acolytes, and were to find ways to make sure that the digital asset industry goes offshore."

Sen. Cynthia Lummis (R-Wyo.) is one of the biggest backers of crypto legislation in that chamber.
Photographer: Ting Shen/Bloomberg via Getty Images

'Future-Proof' Rules

"The CFTC and SEC are not waiting around for the Clarity Act to be enacted in order to advance what they can do with respect to digital assets," said Stacie Hartman, a partner at Morgan, Lewis & Bockius LLP who has represented clients in CFTC enforcement proceedings. "They've established both guidance and set up a number of proposed rulemakings in order to stand up what they can of a framework for digital assets to be regulated."

One key policy the agencies put forth, Hartman said, was joint "token taxonomy" guidance issued in March laying out which types of digital assets the regulators deem to be securities, as they seek to establish jurisdictional bounds between them.

Regulators are likely to "accelerate and not retreat" if the Clarity Act isn't in place, said Mark Lander Williams, a partner at Williams & Serio and former SEC trial attorney.

"I expect both SEC and CFTC will essentially give up looking to Congress for guidance," Williams said, and move on from expressing how the current securities laws should be enforced to "actual rulemaking that is putting in effect the rules they think the marketplace needs."

Passing the Clarity Act, though, could minimize Republican and industry concerns that a future administration will pursue more aggressive enforcement, as was the case under Biden-era SEC Chairman Gary Gensler. Crypto groups repeatedly derided what they called Gensler's "regulation by enforcement" approach to crypto.

Atkins, Trump's SEC chairman, said in his July interview that the "certainty of a statute" was ultimately the only way to "future-proof" crypto regulation.

Sticking Points

Democratic crypto skeptics, for their part, have blasted Trump's regulators and called into question their ability to rein in an industry where the president is deeply invested. Trump last year earned more than $1.4 billion from crypto-related ventures, according to disclosure filings.

"The president's people are regulators in name only," Sen. Elizabeth Warren (D-Mass.), one of Congress' most outspoken crypto critics and the ranking member of the Senate Banking Committee, said in an interview. "They are clearly working to grease the skids so that Donald Trump and others in the administration can make even more money out of crypto. That's one of the reasons we need good regulation here in Congress."

"While the Democrats play politics, President Trump remains focused on securing America's advantage over China and ensuring the United States remains the crypto capital of the world," White House spokesperson Liz Huston said in response.

GOP leaders will need support from at least some Democratic senators to meet the 60-vote threshold for advancing the Clarity Act when the chamber returns next month. They'll have a narrow window this year to hash out sticking points over how the bill tackles illicit finance, financial incentives, and ethics.

Sen. Angela Alsobrooks (D-Md.), a key Senate negotiator on crypto, said Congress will need to act to adequately tackle the issues surrounding federal oversight of digital assets.

"We need regulations, so that's why we've worked so hard," Alsobrooks said. "We need to make sure we have a law in place that addresses our concerns."

(Adds details in sixth paragraph about forthcoming SEC regulations.)

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Atty Can't Represent His Securities Class Claims, Judge Says

law360.com/articles/2512010/atty-can-t-represent-his-securities-class-claims-judge-says

(August 11, 2026, 8:35 PM EDT) -- A New Jersey federal court has prohibited an attorney from serving as class counsel in his proposed class action accusing a group of financial services companies of running a scheme driven by high commissions and undisclosed conflicts of interest, saying the suit can only be refiled if new class counsel is brought in.

In the order signed on Monday, U.S. District Judge Christine O'Hearn determined that precedent from the 1976 Third Circuit decision in Kramer v. Scientific Control Corp. bars plaintiff Matthew Kalman from leading his suit against Acadia Wealth Management LLC, its owners Aaron P. Sevigny and Tennille Sevigny, United Planners' Financial Services of America and others. The judge gave Kalman 30 days to find alternative counsel.

The defendants argued in a **motion** in May that the Kramer decision "controls the present disqualification issue" and clearly says that an attorney may not serve as both class counsel and lead representative in the same case. They added that the Kramer decision further held that the prohibition applies even if the attorney agrees not to take attorney fees.

Judge O'Hearn sided with the financial services firms on Monday, saying Kramer "firmly establishes" that a plaintiff class representative cannot serve as class counsel in a class action that could result in a fund from which attorney fees might be paid.

Kalman, a licensed attorney in New Jersey and Pennsylvania, filed his proposed class action against Acadia, the Sevignys, United Planners' Financial Services of America, Tenaron LLC — a holding company controlled by the Sevignys — and the estate of Tennille Sevigny's father in January.

Kalman alleges that the defendants engaged in a systematic scheme to solicit investments from retirees and conservative clients, recommending and selling high-risk alternative investments.

He claims that the Sevignys and Acadia held themselves out to be trusted fiduciaries but routinely directed their clients into speculative investments that led to "catastrophic losses, tax liabilities, penalties, and illiquidity."

United Planners' Financial Services of America, which was the Sevignys' supervised FINRA-member broker-dealer, failed to adequately supervise Aaron Sevigny despite several red flags, Kalman alleged. And Aaron Sevigny's father-in-law, the late Leo J. Hertzog Jr., convinced Kalman to use Sevigny's services despite the risks involved, the suit said.

Kalman claims that he entrusted his retirement savings with Acadia in 2015 after Hertzog's recommendation, and the investments made have resulted in "substantial losses, far below prudent benchmarks, due to high fees, illiquidity, outright fraud, and unforeseen tax liabilities."

The proposed class action alleges racketeering and Exchange Act violations, violations of the New Jersey Consumer Fraud Act, common law fraud and breach of fiduciary duty, among other causes of action.

He is seeking to represent all persons who invested funds with or through the defendants in unsuitable alternative investments from Jan. 1, 2013, to the present. Kalman is also seeking $2 million in unliquidated damages and $5 million in the aggregate, as well as treble damages under the Racketeer Influenced and Corrupt Organizations Act and the New Jersey Consumer Fraud Act, punitive damages and counsel fees.

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

Kalman is representing himself.

Acadia, the Sevignys, Tenaron and United Planners' Financial Services are represented by Samuel E. Cohen of Marshall Dennehey Warner Coleman & Goggin.

The case is Kalman v. Sevigny et al., case number 1:26-cv-00619, in the U.S. District Court for the District of New Jersey.

AI Voice Co. Execs Sold $19M In Inflated Stock, Investor Says

law360.com/articles/2512077/ai-voice-co-execs-sold-19m-in-inflated-stock-investor-says

(August 11, 2026, 10:20 PM EDT) -- Top executives at voice recognition and synthesis firm SoundHound AI Inc. lied about the company's performance in U.S. Securities and Exchange Commission disclosures, alleges an investor's derivative lawsuit filed Monday in California federal court, and that allowed the leaders to sell their stock holdings at "artificially inflated" prices.

SoundHound's board of directors also ignored plaintiff William Rodick's January demand that the company's top brass be investigated, Rodick said in his complaint. He sued two company co-founders, its chief financial officer and three members of its board of directors.

Rodick's suit targets comments SoundHound's leaders made about the company's internal controls over financial reporting after they acknowledged shortcomings in the reporting practices in 2023.

"While the individual defendants were telling investors that the company was remediating the material weaknesses in its ICFR," the plaintiff said, "the truth, which would not be fully revealed until March 2025, was that the company was not in fact remediating such material weaknesses."

The alleged misconduct occurred following a strategic pivot by SoundHound after the company went public in 2022. Facing competition in the voice artificial intelligence space from tech giants such as OpenAI, Apple, Amazon, Meta and Google, Rodick claimed, the company opted to use its cash reserves to acquire other AI companies.

In August 2024, the company announced its acquisition of Amelia Holdings Inc., which, the suit said, had its own internal accounting problems that "closely mirrored" SoundHound's.

"For example," Rodick said, "Amelia did not employ enough personnel with appropriate accounting expertise, lacked automated processes for closing its books at month-end or quarter-end, and failed to implement adequate segregation of duties controls."

After the merger, SoundHound was required to report how the acquisition affected its internal controls over financial reporting, but company leadership "failed to properly report such impact and the resulting additional material weaknesses," the suit said.

For example, in a March 2024 annual report, company leaders said SoundHound had recently "implemented measures designed to improve our internal control over financial reporting to remediate the material weaknesses," according to the complaint.

The suit alleged that in the filing — and in subsequent reports issued in May 2024, August 2024 and November 2024 — the company claimed it had "completed a segregation of duties assessment identifying key conflicts and mitigating controls."

The November 2024 report, the suit said, also claimed that leaders "completed the implementation of an automated month and quarter-end" accounting tool "to facilitate the review and support of key financial close process controls."

But those assurances were false, Rodick alleged. In a separate **securities class action** against the company, a Northern District of California judge found that SoundHound had not, in fact, completed its claimed "segregation of duties assessment," Rodick noted.

U.S. District Judge Rita F. Lin also found that the company's statement about implementing "an automated month and quarter-end accounting close workflow tool" was misleading, according to the new derivative suit.

The suit said the judge also ruled that two other statements related to SoundHound's internal controls over financial reporting were misleading to investors.

What Rodick called "the truth" emerged in March 2025, when leaders allegedly told the SEC and investors that they'd be late to file an annual report because of complications around SoundHound's acquisitions of Amelia and another company, Synq3 Inc.

"The company has identified material weaknesses in its internal control over financial reporting," SoundHound said at the time, according to the suit. "These material weaknesses continue to exist as of December 31, 2024."

The initial revelation caused SoundHound's share price to fall nearly 6%, the suit said. The suit claimed a subsequent filing, in which the leadership "disclosed, for the first time, that the company's ineffective internal controls were impairing its ability to properly account for corporate acquisitions," led the stock to further tumble by more than 15%.

Ahead of the share price declines, SoundHound's board allegedly greenlighted sales of company stock by company co-founder and CEO Keyvan Mohajer and Chief Financial Officer Nitesh Sharan. Of more than $19 million in allegedly unlawful sales, Mohajer dumped more than $18.1 million in SoundHound stock during December 2024, Rodick claimed.

"Mohajer and Sharan schemed to take advantage of the company's artificially inflated stock price by selling significant amounts of stock at highly suspicious times in proximity to and during the disclosure violations alleged herein," the plaintiff said. "Both the size and timing of the sales," he added, support the inference that the executives sold their shares based on material, nonpublic information.

Rodick brought claims against the individual defendants under the federal Securities Exchange Act, alleging they caused the company to file materially misleading reports to regulators and investors. SoundHound's executives and board of directors also broke their fiduciary duties to the company and its shareholders, the plaintiff alleged.

The suit asks the court to declare that the corporate leadership acted illegally and in violation of their duties and to order the defendants to forfeit their profits and other compensation related to the alleged wrongdoing. Rodick is also seeking an award of unspecified damages and restitution to the company.

SoundHound AI representatives did not immediately respond to a request for comment Tuesday. Counsel for Rodick also did not immediately respond to a request for comment.

Rodick is represented by Frank J. Johnson, Brett M. Middleton and Jonathan M. Scott of Johnson Fistel PLLP.

Counsel information for the SoundHound defendants was not immediately available.

The case is Rodick v. Mohajer et al., case number 3:26-cv-08304, in the U.S. District Court for the Northern District of California.

--Additional reporting by Emilie Ruscoe. Editing by Nick Siwek.

Microsoft Heads Accused Of Lying To Investors On AI Strategy

law360.com/articles/2512313/microsoft-heads-accused-of-lying-to-investors-on-ai-strategy

(August 11, 2026, 10:54 PM EDT) -- Microsoft leadership routinely touted the success of the company's artificial intelligence products and its multibillion-dollar partnership with OpenAI even as the tech giant violated copyright laws to train its large language models and fell behind other AI developers, according to a shareholder stock-drop suit filed Monday in Washington federal court.

Top brass at Microsoft Corp. also repeatedly downplayed investors' concerns around the company's AI practices, the Vladimir Gusinsky Revocable Trust claimed in its **derivative complaint**. For example, when shareholders raised worries of copyright infringement in 2024 and 2025, the company allegedly responded with assurances that it operated in "a manner consistent with global copyright law."

The alleged misrepresentations caused Microsoft's stock price to climb to a high of more than $551 per share in July 2025, the trust said. But as problems became public during the early months of 2026, the plaintiff claimed, Microsoft's share prices tumbled nearly 30%, falling to $380 on March 20.

The suit names as defendants Microsoft CEO Satya Nadella, Chief Financial Officer Amy Hood and two other corporate executives, as well as 10 members of the company's board of directors.

Not only did Microsoft's leadership know that they were lying to investors, the trust claimed, but some executives also profited handsomely. The complaint points to CEO Nadella's alleged sale of more than $75 million worth of Microsoft stock "at prices substantially above the price to which Microsoft stock fell after disclosure of the truth in 2026."

The defendants breached their fiduciary duties to Microsoft and violated federal securities laws, the trust alleged. It's seeking unspecified damages and a court order directing Microsoft "to take all necessary actions to reform and improve its corporate governance, internal controls, and policies" and "to ensure that the company addresses copyright infringement in any form."

Monday's suit echoes a similar shareholder derivative action **filed June 30** by individual investor Eric Anderson. The law firm Cotchett Pitre & McCarthy LLP represents the plaintiffs in both matters.

The trust claimed in the new lawsuit that Microsoft leaders failed to disclose adverse facts about the company, including that it "violated federal copyright laws in the formulation of its AI strategy and its partnership with AI companies like OpenAI" and that it violated an Illinois data privacy act by using the voices of real people to train its AI models.

And despite boasting of Microsoft's "best in class AI capabilities," the trust alleged, the defendants concealed what the suit calls "major undisclosed problems" around user experience, computational capacity and other systemic obstacles to its Copilot chatbot and other AI products.

"Microsoft's proprietary AI model was performing well below competitors on a number of benchmark tests," the plaintiff said. In order to improve the competitiveness of its software, the trust added, "Microsoft needed to increase its capital expenditures by billions of dollars" and divert processing resources away from its services that were turning a profit.

The failure to publicly acknowledge issues around development and customer adoption of its AI models violated U.S. Securities and Exchange Commission regulations, the suit says, "because these undisclosed facts were known to defendants and would (and did) have an unfavorable impact on the company's sales, revenues, and income."

"Indeed, the risk disclosures contained in Microsoft's periodic SEC filings were themselves materially misleading," the trust claimed, "presenting potential, future contingent risks as mere possibilities … while concealing adverse developments in Microsoft's Copilot products and services and other AI-related offerings that had already occurred."

Microsoft's leaders were aware of the risks in part due to the numerous lawsuits that had been filed alleging that the company and its partners violated copyright laws in training their AI models, according to the complaint. Beginning in September 2023, numerous authors, publishers and other copyright holders **filed** **multiple** **lawsuits** alleging that Microsoft and its partners' AI companies copied hundreds of thousands of copyrighted books without permission.

"These complaints allege that Microsoft was far from a passive investor," the trust said, claiming that Microsoft knew copyrighted books were being used by its partners, such as OpenAI, and that the company supplied its Azure computing infrastructure to train the AI models.

Microsoft was also sued in **February** and **May** under the Illinois' Biometric Information Privacy Act on allegations it obtained and used voice data in Microsoft Teams meetings to train its AI models without obtaining participants' consent, the trust pointed out in its suit.

"This misconduct has caused substantial damage to Microsoft and its shareholders," the plaintiff claimed in Monday's complaint. "Moreover, the wrongdoing was directly committed or approved by the most senior executive officers and directors of Microsoft."

Microsoft said in a statement Tuesday that it's aware of the allegations and believes the shareholder's suit is without merit.

"Microsoft stands by the integrity of its public statements and its responsible approach to AI innovation," a spokesperson said, "and we will vigorously defend against these allegations in court."

Counsel for the Vladimir Gusinsky Revocable Trust did not immediately respond to a request for comment Tuesday.

The trust is represented by Karin B. Swope of Cotchett Pitre & McCarthy LLP.

Counsel information for the Microsoft defendants was not immediately available. The case is Vladimir Gusinsky Revocable Trust v. Satya Nadella et al., case number 2:26-cv-02837, in the U.S. District Court for the Western District of Washington.

Meta Must Produce Collaborator Metadata In Addiction Suits

law360.com/articles/2512337/meta-must-produce-collaborator-metadata-in-addiction-suits

(August 11, 2026, 11:53 PM EDT) -- A California federal magistrate judge Monday ordered Meta Platforms Inc. to produce the "collaborator" and "viewer" metadata for dozens of trial exhibits ahead of a potential trillion dollar bellwether trial in social media addiction multidistrict litigation.

U.S. Magistrate Judge Peter H. Kang granted in part states' motion to compel Meta to produce the metadata. The states, led by California, had requested the metadata for 300 documents the company produced during discovery for which the metadata indicated there was no custodian for each such document, according to the opinion. They argued that Meta has refused to stipulate to the authenticity or admissibility of those documents, thus, metadata is required and relevant.

Judge Kang partly agreed, noting that 236 of those exhibits do identify custodians, and six others have the names of Meta employees "on their face." That means only 43 trial exhibits are truly "non-custodial," or rather, for which the metadata only identifies "Meta Platforms" as the custodian, he said.

"Fundamentally, the court finds that, as to these 43 exhibits, there is no readily available other information for identifying persons authorized to access the documents and, despite the states' failure to take steps earlier in the case, the request as to these documents is proportional to the needs of the case," the judge said.

At the same time, "requiring Meta to produce the requested additional metadata for all the remaining 242 or so trial exhibits is not proportional because either the metadata produced already identifies other custodian(s) for each such document or the face of the document identifies Meta employees (or both)," Judge Kang said.

Meta has until close of business Aug. 13 to hand over the additional metadata, the judge said.

The trial is **set to kick off** with jury selection Wednesday followed by opening statements slated for Aug. 18. The states, a school district and personal injury plaintiffs claim that Meta's social media platforms harm the mental health of children and are intentionally designed to get kids hooked.

Meta has already been hit with back-to-back verdicts in separate state trials earlier this year in suits brought over the allegedly addictive design of their platforms and the mental health ills to minors. The social media giant is appealing both losses.

In this case, the states have requested **$1.4 trillion in damages**.

Last month, U.S. District Judge Yvonne Gonzalez Rogers **denied Meta's bid to exclude testimony** from damages expert Carl Saba, finding that many of the company's arguments speak to the merits of Saba's testimony rather than to its admissibility. The judge also partially granted the states' bid to limit testimony from Meta's rebuttal expert, Justin McCrary, finding that he could not offer substantive opinions on third-party research outside his expertise and that, as a rebuttal expert, he could not testify about causation.

Meta, the California attorney general office and counsel for the school district and personal injury plaintiffs didn't immediately respond to requests for comment late Tuesday.

The states are represented by their respective attorneys general.

The school district and personal injury plaintiffs are represented by Lexi Hazam of Lieff Cabraser Heimann & Bernstein LLP and Previn Warren of Motley Rice LLC.

Meta is represented by Ashley M. Simonsen, Paul W. Schmidt, Timothy C. Hester and Christian J. Pistilli of Covington & Burling LLP.

The MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, in the U.S. District Court for the Northern District of California.

Stakes Are High In Meta Bellwether Social Media Trial

law360.com/articles/2512379/stakes-are-high-in-meta-bellwether-social-media-trial

(August 11, 2026, 11:45 PM EDT) -- A potential trillion-dollar bellwether trial slated to begin Wednesday over states' claims that Meta's social media platforms harm the mental health of children and are intentionally designed to be addictive puts a lot on the line, with one legal expert calling the fight "existential" to the social media industry.

The federal trial in Oakland, California, before U.S. District Judge Yvonne Gonzalez Rogers will kick off with jury selection, followed by opening statements slated for Aug. 18.

Santa Clara University School of Law professor Eric Goldman, co-director of the school's Datta Center for High Tech Law, said the stakes for this trial "are potentially enormous."

"The state [attorneys general] have requested **$1.4 trillion** in damages, which signals that they think the harms being caused by social media may exceed the companies' net worth. As a result, the potential damages pose an existential threat to the social media industry," Goldman said.

Meta has already been hit with back-to-back verdicts in separate state trials earlier this year in suits brought over the allegedly addictive design of their platforms and the mental health ills to minors. The social media giant is appealing both losses.

In March, a jury in Los Angeles found Meta and Google liable for harming the mental health of a woman who claimed she became hooked on their social media platforms as a child, awarding her **$6 million.**

The day before, a New Mexico jury found that Meta must pay **$375 million** in a suit from that state's attorney general alleging the Facebook parent company hid the full breadth of mental health harm that its apps were causing to minor users. Last week, the New Mexico judge put Meta on the hook for an additional **$567 million** and determined that Meta must take measures to protect its youngest users.

The New Mexico judge ordered Meta to change how it operates its business, Goldman said.

"If the state AGs in the MDL can get similar remedies, that too could dramatically change how consumers interact with social media," Goldman said.

Stanford Law School professor Nora Freeman Engstrom said the implications of this trial go beyond this case.

"Meta isn't just defending itself in one trial," Engstrom said. "It's trying to fend off a legal theory that, if successful, could be replicated nationwide."

The upcoming trial is about what Meta knew about risks to children and whether, in the face of that information, the company opted to protect young users — "or look out for its bottom line," Engstrom said.

What's at stake goes well beyond the size of the judgment, according to the Stanford law professor.

"A loss here could hand other states, school districts and private plaintiffs a blueprint for future litigation," Engstrom said.

University of California, Irvine School of Law professor Ari Waldman, the director of the school's Center for Technology & Justice, said the case could catalyze even more lawsuits.

"Meta used every dollar, every trick, and every motion it could to get this case tossed," Waldman said. "That tells us a lot about how Meta thinks of this case, even if it's all part marketing ploy, part legal strategy."

The landmark court challenge involves **state-specific** consumer protection claims by state attorneys general from Kentucky, California, Colorado and New Jersey against Meta, with the jury having an advisory role and Judge Gonzalez Rogers deciding on any penalties, if Meta is found liable. The judge previously said she would likely decide the states' federal Children's Online Privacy Protection Act claims herself.

Penn State Dickinson Law professor Daryl Lim said this case tests whether consumer protection laws can function as a form of governance over social media platforms.

"The states are asking whether specific product design features were unfair, and whether Meta's public assurances about safety and addictiveness were misleading given what the company knew internally," Lim said. "If those theories succeed, state attorneys general may have a powerful way to scrutinize platform design without waiting for Congress to enact a new social media regulatory regime."

However, the judge will still consider the jury's conclusions about the alleged deception and other disputed facts.

While the jury's findings will not bind Judge Gonzalez Rogers in the same way as an ordinary jury verdict, its assessment of the alleged deception and other disputed facts "could carry considerable practical and public significance," Lim said.

Lim said this trial is also distinct because it delves into accusations of deception or unfair business practices, not whether social media actually caused or contributed to a particular plaintiff's psychiatric injury.

Like Stanford's Engstrom, Lim said the consumer protection claims over the allegations that its products harm kids puts weight on what Meta "knew what it said publicly, whether those representations were misleading or material, and what it did with that knowledge."

University of Miami School of Law professor Thomas Elias Kadri said the stakes in this trial extend beyond the particular state-law claims before the jury.

"At a broader level, the case tests whether longstanding consumer-protection doctrines can meaningfully constrain the way major technology companies design and operate products that allegedly create serious risks for young users," Kadri said.

It will be important to distinguish between any harm caused by the content users see on social media and harm caused by the platforms themselves through design choices, such as their use of algorithms and engagement features meant to keep people using the platform, according to Kadri.

"That distinction could have significant consequences for the broader wave of litigation against social-media companies," Kadri said.

The advisory nature of the jury's role doesn't reduce the importance of the trial, he said.

"The evidence that emerges, and the court's treatment of competing theories about product design, consumer protection, causation, and responsibility could help shape how similar cases are litigated around the country," Kadri said.

Villanova University's Charles Widger School of Law professor Peter Ormerod said the case could have a profound effect on social media platforms, especially for minor users.

"The amount of detailed, damaging evidence that has been elicited in discovery I think is going to end up having dividends in other cases as well," Ormerod said.

Expert reports filed in the case have provided insight into the companies' thinking, according to the Villanova University professor.

"Their own engineers are talking about how they're trying to 'hook users young,'" Ormerod said. "And analogizing the news feed and Reels on Instagram to being a slot machine, and employing intermittent variable rewards."

On Monday, the Ninth Circuit **rejected a bid** by Meta and TikTok seeking to overturn rulings from Judge Gonzalez Rogers refusing to dismiss the thousands of lawsuits filed in the multidistrict litigation, denying the companies' interlocutory appeals. The companies had argued that Section 230 of the Communications Decency Act, which shields internet companies from civil liability over users' posts, should stop the litigation in its tracks. The Ninth Circuit didn't see it that way.

Ormerod said he expects the companies to keep pushing that argument in other cases to produce a circuit split and potentially get U.S. Supreme Court review.

Back in May, Meta Platforms Inc., Snap Inc., TikTok Inc. and YouTube **agreed to settle** an earlier case set for a bellwether trial over a school district's claims.

Ormerod said he's not so sure Meta will do that this time around. The tech behemoth is under pressure from investors related to its spending on artificial intelligence, according to the Villanova University professor.

"They need for their core business to continue producing an enormous amount of cash because that's the only way that they can finance their AI ambitions," Ormerod said. "And so I don't see them shying away from [this] fight. If they were to sort of concede, that is going to go a long way in diminishing the profitability of their business."

University of Akron School of Law professor Jess Miers said a judgment against Meta could serve as a roadmap for future plaintiffs that would allow their cases to wrongly bypass Section 230 and First Amendment defenses and force settlements.

"A loss for Meta will also further encourage social media services toward aggressive age verification methods," Miers said. "Young people are already losing online communities and information they cannot find elsewhere; adults who refuse invasive verification may be locked out too."

Christopher J. Ferguson, professor and co-chair of psychology at Stetson University, approached the litigation with a different point of view, saying he believes Meta and other social media companies will have difficulty getting a fair trial.

"Generally speaking the scientific data do not even find a correlation between time spent on social media and youth mental health," Ferguson said. "That's particularly true when other factors in a youth life are controlled appropriately in scientific studies."

Julie Scelfo, founder and executive director of Mothers Against Media Addiction, said companies like Meta have been reaping extraordinary profits while hijacking children's attention.

"We hope that, as in other recent court cases that have uncovered all the details of Meta's corporate malfeasance, this trial will hold the company legally and financially accountable for caring more about profits than the safety of children," Scelfo said.

Meta provided a statement, rejecting the claims lobbed by the states.

"We strongly disagree with these allegations and are confident the evidence will show our longstanding commitment to supporting young people. We've listened to parents, worked with experts and law enforcement, and conducted in-depth research to understand the issues that matter most. We're proud of the progress we've made, and we're always working to do better."

On Tuesday, California Attorney General Rob Bonta issued a statement after the Ninth Circuit's ruling, saying that Meta can't escape the claims of the attorneys general.

"Meta designed a dangerous product for young users, knew it to be dangerous, and then lied to children, families, and the community about how dangerous it was," Bonta said. "We are ready to hold Meta accountable for its role in fueling the mental health crisis of American children and look forward to trial."

In addition to claims by the states, the MDL includes claims by personal injury plaintiffs, as well as Native American tribes and more than 1,200 school districts.

The plaintiffs generally accuse the social media giants of designing their multibillion-dollar revenue-generating platforms with addictive features, such as infinite scroll, autoplay, notifications and reward systems, to the detriment of minors' health and livelihoods.

Meta is represented by Antonio J. Perez-Marques, James P. Rouhandeh, Caroline Stern and Corey M. Meyer of Davis Polk & Wardwell LLP, and Ashley M. Simonsen, Paul W. Schmidt and Phyllis A. Jones of Covington & Burling LLP.

The states are represented by their respective attorneys general.

The school district and personal injury plaintiffs are represented by co-lead counsel Lexi Hazam of Lieff Cabraser Heimann & Bernstein LLP and Previn Warren of Motley Rice LLC.

The MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, in the U.S. District Court for the Northern District of California. The instant case is People of the State of California et al. v. Meta Platforms Inc., case number 4:23-cv-05448, in the U.S. District Court for the Northern District of California.

--Additional reporting by Dorothy Atkins, Craig Clough, Lauren Berg, Cara Salvatore, Allison Grande, Emily Field and Mike Curley. Editing by Emily Kokoll and Michael Watanabe.

Electric Aircraft Biz Investors Settle SPAC Suit For $15M

law360.com/articles/2511882/electric-aircraft-biz-investors-settle-spac-suit-for-15m

(August 11, 2026, 1:37 PM EDT) -- Archer Aviation stockholders have reached a $15 million settlement in the Delaware Chancery Court to resolve litigation accusing the backers of the SPAC that took the electric-aircraft venture public of misleading investors about Archer's prospects and unfairly steering them into a $1.7 billion merger.

The proposed deal, filed on Monday, would end claims against billionaire Ken Moelis and other former Atlas Crest Investment Corp. officials after the case survived in large part a dismissal bid last year. The settlement requires court approval and would create a non-opt-out class of Atlas Crest investors who held shares at the September 2021 redemption deadline and chose not to cash out some or all of them.

"Plaintiffs and plaintiffs' counsel continue to believe that the claims asserted have merit, but also believe that the settlement set forth herein provides substantial and immediate benefits for the class," the stockholders said in the settlement stipulation.

The litigation stems from Atlas Crest's merger with Archer Aviation Inc., a developer of electric aircraft. Atlas Crest agreed to the combination in February 2021, and stockholders approved it on Sept. 14, 2021. The deal closed two days later, with Atlas Crest becoming Archer Aviation Inc.

Before the merger, Atlas Crest investors could redeem their shares rather than participate in the deal. Holders of about 24.2 million shares, or roughly 48.5% of Atlas Crest's public shares, did so. Stockholders Sonal Singh, Saheem Kundapur and Josh Wortman later challenged the transaction, accusing the defendants of breaches of fiduciary duty, aiding and abetting, and unjust enrichment.

Vice Chancellor Lori W. Will in July 2025 **largely refused to dismiss the case**, allowing claims to proceed against Moelis and several others. The stockholders alleged investors were given misleading information about Archer's aircraft development and financial outlook that prevented them from making a fully informed decision about whether to redeem their shares.

The parties proceeded to discovery, with the defendants and third parties producing 3,294 documents spanning about 67,000 pages. They attended mediation on June 4 before David Murphy of Phillips ADR Enterprises. Although that session ended without a deal, negotiations continued, and the parties accepted a double-blind mediator's proposal on June 5 to settle the litigation.

Under the agreement, the settling defendants Moelis, Michael Spellacy, Emanuel Pearlman, David Fox and Eileen Murray will pay or cause their insurers or indemnitors to fund the $15 million settlement. The payment is divided into an initial $1 million and a remaining $14 million, with the latter due after the court enters final judgment approving the deal.

After taxes, administrative expenses, attorney fees and other approved costs are deducted, the remaining money will be distributed to eligible class members under a court-approved allocation plan. Plaintiffs' counsel plans to seek fees and expenses of up to 20% of the $15 million fund, or as much as $3 million, and may request service awards of up to $2,500 for each named plaintiff.

The plaintiffs said they agreed to settle after weighing the uncertainty of continued litigation, the difficulty of proving liability and damages, the defendants' defenses, and the time and expense of taking the dispute through trial and potential appeals.

The defendants continue to deny wrongdoing, including allegations that the merger was unfair or that they breached duties owed to Atlas Crest stockholders. They said settlement would avoid the burden and cost of further litigation.

If approved, the settlement will dismiss the litigation with prejudice and release claims tied to the merger, its disclosures and the alleged impairment of Atlas Crest stockholders' redemption rights.

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

The plaintiffs are represented by Christine M. Mackintosh, Rebecca A. Musarra and Demetrius Davi of Grant & Eisenhofer PA, Randall J. Baron, Erik W. Luedeke, Jason M. Avellino and Christopher H. Lyons of Robbins Geller Rudman & Dowd LLP, Gregory E. Del Gaizo and Mario D. Valdovinos of Robbins LLP, and Peretz Bronstein and Eitan Kimelman of Bronstein Gewirtz & Grossman LLC.

Settling defendants Kenneth Moelis and Michael Spellacy are represented by Andrew Gordon, Jaren Janghorbani, Marques Tracy and Daniel A. Mason of Paul Weiss Rifkind Wharton & Garrison LLP.

Settling defendants Emanuel Pearlman, David Fox and Eileen Murray are represented by David E. Ross and S. Michael Sirkin of Ross Aronstam & Moritz LLP.

The case is In re Archer Aviation Stockholder Litigation, case number 2024-0527, in the Delaware Chancery Court.

--Additional reporting by Jeff Montgomery. Editing by Philip Shea.