In-House Counsel

AI Push in Rulemaking Adds New Legal Risks for Federal Agencies

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Summary by Bloomberg AI AI Generated

- The US government's use of AI in rulemaking may lead to actions being overturned in court, according to former federal officials, due to the risk that agencies may not be able to explain how AI reached its conclusions.
- Agencies are required to use reasoned decision-making during the rulemaking process, but current AI systems are often "black boxes" that do not provide transparent explanations for their decisions.
- The use of AI in tasks such as sifting and summarizing public comments may still encounter legal problems, including the potential for AI to be biased in interpreting comments or to miss important nuances.

The US government's experimentation with AI in rulemaking carries the risk that actions associated with the technology may be overturned in court, former federal officials warn.

Several agencies in President Donald Trump's second term are either using or testing AI to help with rulemaking, specifically around the management of the voluminous and burdensome public comment process. That development comes as Trump has pushed officials to roll out AI wherever possible, with his 2025 AI Action Plan calling for faster AI adoption across the government to "serve the public with far greater efficiency and effectiveness."

The Centers for Disease Control and Prevention is using a generative AI tool to analyze public comments, judging whether a given commenter supports, opposes, or is neutral about a proposed rule. The Department of Transportation is using agentic AI to categorize comments and detect their sentiment, according to its AI use plans.

The challenge is that agencies are required under the Administrative Procedure Act to use reasoned decision-making during the rulemaking process. And it's generally not possible to understand how most current AI systems reach their conclusions, according to Hans van Oostrom, director of the AI Academic Initiative Center at the University of Florida.

"A large language model relies on millions of hidden layers, and the name says it all — it's hidden," van Oostrom said. "It's just a black box. You put something in it and something comes out. You don't know why."

An agency that uses AI to generate rulemaking decisions may have a hard time proving it met the rigorous reasoned decision-making test established by the courts, said Lauren McFerran, who chaired the National Labor Relations Board during the Biden administration. That test requires that agencies study all relevant data, show a rational connection between their decisions and the facts, and explain their reasoning.

"You want to be able to understand how the agency reached its decision, and you want to be able to analyze whether its decision was based on any factual errors or whether it was based on sufficient evidence," said McFerran, now executive director of the AFL-CIO Tech Institute. "If an agency can't explain how its decisions were arrived at, I don't see how that can satisfy the requirements of reasoned decision making."

To fully understand how an AI system reached its conclusions, "you would need to know how this particular product was trained, what datasets it was trained on, what information it was using when it did this particular analysis, and what prompts or inputs it was given to do the analysis," McFerran said.

Comment Review

The AI use case inventories, some of which predate the Trump administration, for the Environmental Protection Agency and departments of Health and Human Services, Labor, and Transportation list some sort of public comment review as either a pilot program or a deployed product. The Internal Revenue Service also recently said it's looking into deploying AI to sift through public comments.

But agencies could encounter legal problems even if they use AI for relatively low-level tasks such as sifting and summarizing public comments for staff.

That's partly because comment review includes a "binning" process that sorts submissions based on their similarity to other comments, said Betsy Southerland, a former official in the EPA's water office. But AI may only do surface-level binning, lumping together comments because they resemble others at a superficial level, while missing important but nuanced differences, she said.

The APA requires agencies to consider all relevant comments and respond to all significant issues raised. The IRS already has some software to help identify duplicative comments, but staff members rarely use it, according to the Government Accountability Office.

AI may be biased in interpreting comments based on "what class of person, what kind of organization it's from, or the language used in that comment," leading the technology to improperly group comments together or ignore certain comments altogether, said Jonathan Walter, senior policy counsel at the Leadership Conference on Civil and Human Rights, speaking at a July 27 panel convened by the Coalition for Sensible Safeguards.

The downstream consequences of such biases could be a final rule that ignores anti-discrimination laws or doesn't reflect the amount of participation from a certain group, Walter said.

In at least some cases, federal officials have acknowledged the risks inherent to using AI in rulemaking. Officials in the IRS's legal office also said in the GAO report they're mindful of making sure the use of AI complies with the APA.

Similarly, the EPA says its Denver regional office is testing Azure OpenAI to summarize and write responses to comments, and its Office of Finance and Administration is in the pre-deployment stage of a natural language processing tool for comment review. But an EPA spokesperson said that any time the agency uses AI, human judgment and oversight will "remain central to the agency's decision-making processes."

'Compared to What?'

To Cary Coglianese, a regulatory law professor at the University of Pennsylvania, the question of whether it's appropriate to use AI in rulemaking depends on the context.

"A general question across the board, anytime one is thinking about AI, is, 'Compared to what?'" said Coglianese, speaking at the Coalition for Sensible Safeguards panel.

For example, many agencies used to rely on government contractors to sort, digest, and synthesize public comments, Coglianese said.

"Back in the day, these contractors would literally photocopy comments, clip them out, sort them in different categories, and do what essentially natural language processing tools can do now so quickly," he said.

McFerran said some uses of AI could be appropriate and legally justifiable.

When she was at the NLRB, the agency had software that helped identify duplicative comments, which helped speed up the process, she said.

"Every situation is going to be context-specific, and there may be agencies that are using it more carefully than others, or using it to perform limited functions," she said.

H-1B Workers Would Lose 60-Day Job Loss Grace Period in DHS Plan

Telus International Inc. investors failed to bring actionable securities fraud claims against the telecommunications company over its bumpy pursuit of artificial intelligence-based services, a federal court ruled.

Each of the Telus statements challenged in the proposed class action was forward-looking, an opinion, a mere expression of corporate optimism, or not false when made, Judge Victor Marrero said Wednesday for the US District Court for the Southern District of New York.

The investors also failed to show the necessary level of fraudulent intent on the part of current and former executives who were named as defendants along with the company, Marrero said.

The complaint, filed in January 2025, joined a wave of AI-related lawsuits that has only gotten larger since then. In the first half of 2026, cases involving artificial intelligence piled up at nearly twice the 2025 rate, according to recent reports by Cornerstone Research and National Economic Research Associates.

The investor leading the Telus suit alleged that the company and its top brass overstated the potential upsides from pivoting from high-margin customer experience management for business call centers to AI. The Vancouver-based telecom giant allegedly misled investors in more than 30 public statements until two consecutive quarters showed lackluster margins and prompted stock drops.

The company, a unit of Telus Corp., rebranded itself as Telus Digital in 2024.

None of the allegations supports an actionable claim, Marrero said. Among statements the judge assessed for their falsity, those touting the engineering staff's AI expertise don't lead directly to "a failure to produce AI products," making the allegations "more akin to complaints of mismanagement" than securities fraud, he said.

The allegations don't "change the core fact that TI did, in fact, have AI capabilities," and there's no mention of "any specific AI product or service that TI falsely or misleadingly claimed it had," he said.

Levi & Korsinsky LLP is lead counsel for the investors. Paul, Weiss, Rifkind, Wharton & Garrison LLP represents Telus. The case is Sarria v. TELUS Int'l (CDA) Inc. , 2026 BL 305646, S.D.N.Y., No. 25-cv-889, 8/11/26 .

Wall Street Journal urges judge to toss Binance defamation suit

courthousenews.com/wall-street-journal-urges-judge-to-toss-binance-defamation-suit

MANHATTAN (CN) — The Wall Street Journal asked a federal judge Wednesday afternoon to dismiss a defamation suit over news reports that Binance covered up an internal probe that found money transferred on the platform flowed to sanctioned entities linked to Iranian-backed terror groups.

The Wall Street Journal, a Dow Jones company, argues Binance's March 2026 defamation complaint should be dismissed for failure to plead the newspaper acted with actual malice when it published three articles detailing Binance's supposed obstruction of efforts to prevent illegal transactions, retaliation against compliance personnel, dismantling of internal investigations, weakening of cooperation with law enforcement, and knowingly permitting sanctioned Iranian entities to transact on its platform.

"The crux of Binance's complaint in this action is simple: the Journal knew its reporting was false because Binance sent the Journal self-serving denials prior to the article's publication and again after the article was published," the Wall Street Journal wrote in its motion to dismiss Binance's defamation suit. "The complaint repeats this mantra over and over again. But bare repetition does not transform these inadequate allegations into a defamation claim."

During oral arguments Wednesday afternoon, Wall Street Journal attorney Katherine Bolger from Davis Wright Tremaine argued Binance did not deny the central claims of the three newspaper articles.

"This defamation action springs not from false facts, but from Binance's unhappiness with the way the Journal reported truthful facts. Binance's unhappiness with the Journal's editorial judgments does not constitute a defamation claim, and the claim should be dismissed."

Binance argues in its opposition memo that it plausibly showed defamation-by-implication in connection with the Journal's assertions that Binance fired the relevant investigators because they were investigating Iranian transfers.

Binance attorney Christopher Norman Lavigne with the firm Withers Bergman argued Binance's internal compliance probe was not actually dismantled as reported, and the Journal nevertheless published a sensational headline —"Binance Fired Staff Who Flagged $1 Billion Moving to Sanctioned Iran Entities"— that painted a false picture of law enforcement obstruction and deficient compliance at Binance.

“Here you have an article that starts with a conclusion, ends with the conclusion, and peppered all throughout are the conclusion,” Lavigne said.

Binance claims the articles made statements and implications that are false, defamatory, and reckless.

U.S. District Judge Paul Engelmayer noted the amended complaint lists 22 distinct, “allegedly actionable statements” across the three Wall Street Journal articles.

The Barack Obama appointee pressed Binance’s lawyer to explain how individual statements were factually inaccurate or how they were defamatory.

In particular, Engelmayer grilled Binance why the Wall Street Journal was sued when both The New York Times and Fortune magazine also published articles on the topic of Binance firing top investigators who claimed to have uncovered evidence of Iranian sanctions violations.

Lavigne responded that Wall Street Journal articles went deeper than the other two outlet’s stories, and later claimed the Wall Street Journal was tainted by bias towards Binance.

The Journal says the very existence of those New York Times and Fortune articles negates a finding of actual malice.

“Given this prior reporting from reputable news outlets, the Journal would have no reason to believe that its own article on this subject was false,” the newspaper wrote in a court filing.

Engelmayer did not rule on the motion to dismiss from the bench, taking the matter under submission.

Binance founder and former CEO Changpeng “CZ” Zhao pleaded guilty in 2023 to failing to prevent money laundering at Binance, and was sentenced to four months in prison. He has since been pardoned by President Donald Trump.

At the time Zhao’s pardon, White House press secretary Karoline Leavitt claimed in a statement the Biden administration had prosecuted Zhao out of a “desire to punish the cryptocurrency industry.”

Zhao has significant ties to Trump’s cryptocurrency platform World Liberty Financial, which was co-founded with his sons and announced weeks before the 2024 election.

Reddit, Anthropic clash over copyright preemption at demurrer hearing

DJ dailyjournal.com/articles/393619-reddit-anthropic-clash-over-copyright-preemption-at-demurrer-hearing

Anthropic and Reddit spent nearly two hours Wednesday arguing whether the Copyright Act preempts claims in Reddit's lawsuit accusing the artificial intelligence company of improperly scraping content from its platform.

San Francisco Superior Court Judge Harold E. Kahn heard arguments on Anthropic's demurrer, which contends Reddit's state law causes of action are preempted because they ultimately rest on allegations that Anthropic copied publicly available Reddit content.

Reddit countered that its claims contain additional elements, including unauthorized access underlying its trespass claim, that distinguish them from copyright infringement and prevent preemption.

Kahn asked both sides to identify cases they considered most relevant to the express and conflict preemption issues.

Kahn took the matter under submission. He said he would attempt to issue a ruling within the coming weeks but could take the full 90 days to decide the matter. A case management conference is scheduled for Sept. 30. Reddit, Inc. v. Anthropic, PBC, No. CGC-25-625892 (San Francisco Super. Ct., filed June 4, 2025).

Reddit sued Anthropic in 2025, alleging breach of contract, unjust enrichment, trespass to chattels, tortious interference and unfair competition.

The lawsuit alleges Anthropic scraped content posted by Reddit users to train its artificial intelligence models despite Reddit's restrictions on using its content for commercial purposes without permission.

The suit seeks an injunction barring Anthropic from using data gathered from Reddit for commercial purposes and from licensing or selling products trained using data obtained from Reddit. Reddit also seeks punitive damages, restitution and attorney fees.

Anthropic argued Reddit's causes of action ultimately depend on the same conduct that would support a copyright claim -- the alleged copying or scraping of content -- and therefore are preempted.

Grace Yang of Morrison & Foerster LLP argued that allegations Anthropic obtained a commercial benefit from the content do not add an element that distinguishes Reddit's claims from copyright infringement.

"Commercial benefit, that's just the same as damages in a copyright claim," Yang said.

Yang also argued Reddit's unjust enrichment claim fails and said Anthropic was not a Reddit licensee, challenging Reddit's contention that Anthropic was required to comply with restrictions applicable to licensees under Reddit's public content policies.

She similarly argued that Reddit's tortious interference allegations rest on the scraping of content and therefore do not supply an additional element that would save the claim from express or conflict preemption.

In its July 17 opposition to the demurrer, Reddit argued Anthropic failed to meet its burden of showing that Reddit's claims are expressly preempted by the Copyright Act. Reddit also argued conflict preemption does not bar its claims.

Yang, Ragesh K. Tangri and Whitney R. O'Byrne of Morrison & Foerster LLP represent Anthropic.

Reddit is represented by Worcester, Morgan W. Tovey, John B. Quinn, Kelsey M. Falkenberg and Stefan Berthelsen of Quinn Emanuel Urquhart & Sullivan LLP.

During Wednesday's hearing, Reddit focused in part on its allegation that Anthropic gained unauthorized access to its systems, arguing that the access requirement underlying its trespass claim supplies an element not present in a copyright claim.

"The allegations related to the trespass claim underlie all the other issues," Corey Worcester of Quinn Emanuel Urquhart & Sullivan LLP said. "Those are an extra element. That is the access element and it can't be preempted. Trespass doesn't have the other elements, but it does have the access element. ... That's why they are not challenging it."

The complaint portrays Anthropic as publicly committing not to train its models on personal information while doing the opposite with Reddit users' data.

"Anthropic states that 'it is not our intention to 'train' our models on personal data.' Not so," the complaint states. "Anthropic is in fact intentionally trained on the personal data of Reddit users without ever requesting their consent."

U.S. Department of Justice

Colin M. McDonald
Assistant Attorney General
National Fraud Enforcement Division

Washington, D.C.

13 August 2026

MEMORANDUM

From: Colin M. McDonald
Assistant Attorney General

To: All Fraud Division Personnel

Re: The Fraud Division's Enforcement Priorities

The National Fraud Enforcement Division (the "Fraud Division") has a clear mission: to prosecute fraud in the United States, no matter its size or complexity. This mission is critical to restoring public confidence in the federal government's ability to responsibly steward taxpayer dollars. The Government Accountability Office recently estimated that the federal government loses between $233 billion to $521 billion annually to fraud—with other models showing even higher annual losses. These shocking figures alone are worth our full and complete attention. And there is so much more at stake than simply dollars and cents: unabated fraud inflicts just as much damage to the hearts and souls of Americans as it does to their wallets.

Given the fraud epidemic gripping the country, President Donald J. Trump announced the creation of the Fraud Division earlier this year, calling on us to activate the tools of justice more than ever before to combat fraud. In only a few months, leveraging our broad mandate, an infusion of resources from across government, and state-of-the-art technology, the Fraud Division has stepped forward to lead in the whole-of-government effort to fight fraud. We will continue to work tirelessly and without fear or favor to ensure that fraudsters who undermine the financial integrity of the United States and defraud Americans are rapidly brought to justice. We will not rest until we have restored public confidence that the Department of Justice can and will vigorously protect Americans from fraudsters intent on stealing the wealth of America.

I am excited for the road ahead. Together, we will pursue the worst actors—those who prey on the vulnerable and exploit the generosity of Americans in pursuit of illicit profits. We will aggressively and efficiently prosecute crime, exercising reasoned judgment in pursuit of justice at every turn. We will accomplish this ambitious but surmountable task by targeting frauds that pose the greatest threats to the American public.

I. Leading the Fight Against Fraud

Since launching earlier this year, the Fraud Division has quickly established a nationwide footprint, prosecuting complex crimes representing billions of dollars in fraud. These immediate successes mark the beginnings of a sea change in fraud enforcement by the federal government. The Department is reorganizing substantial resources from other Department components to the Fraud Division, which will increase our headcount to approximately five hundred attorneys and staff by August 24, 2026. The Division will not stop there. With the support of Department leadership, we will continue to rapidly grow for the next two years. I have put in place an aggressive plan to significantly increase the number of Division personnel dedicated to fighting fraud.

As we deploy these considerable resources, we are building the most sophisticated, innovative, and data-driven white-collar law enforcement component in the world, uniquely positioned to fight fraud at every level. I am pleased to announce that the Fraud Division will consist of multiple specialized litigating sections consistent with the attached organizational chart. Fraud Division prosecutors will be supported by asset recovery attorneys and investigators, top-flight appellate counsel, a dedicated privilege review team, corporate enforcement experts, automated litigation support, a cross-disciplinary team of experts in data science, and cutting-edge technology and resources. We are organizing the Division to be lean, flat, and agile, reducing excessive bureaucratic oversight so that the Fraud Division's career prosecutors—deployed across the country to work in concert with United States Attorneys' Offices—can focus on following the facts and charging violations of the law.

Intent on attracting, training, and retaining exceptional white-collar prosecutors, the Fraud Division will have a robust talent development pipeline. New attorneys joining the Division will typically begin their careers with best-in-class training in our National Enforcement Section, where they will prosecute cases across the Division's portfolio. Our task force incubation program will empower and launch emerging leaders who bring new ideas to the fight against fraud.

Leveraging our expertise, we have set national priorities for fraud enforcement, working closely with United States Attorneys, the Civil and Criminal Divisions, federal law enforcement, executive agencies, and state and local partners to ensure the fraud-fighting apparatus is laser-focused on protecting the American people. We have already established new partnerships, breaking down data barriers and eliminating silos in pursuit of more efficient and effective fraud detection and prosecution.

II. Combating Fraud in all its Forms

Fraud schemes exploit a variety of sectors—health care, defense, technology, tax, trade, and many others—harming vulnerable people and undermining trust in the American way of life. Reflecting technological innovation and economic expansion, fraud schemes have grown in complexity. Fraudsters perpetrating these schemes are not just isolated actors; they form criminal conspiracies, often spanning international borders. For the first time in history, the Department of Justice has a division dedicated to one mission: fighting fraud.

To ensure efficiency and maximize the effectiveness of the Division, we will continue to focus resources principally on prosecuting frauds that threaten the health, safety, security, and prosperity of Americans—especially the most vulnerable among us, including children, the elderly, and the sick or disabled. Fraud Division attorneys therefore will prioritize fraud involving (A) public trust and financial integrity, (B) health care, (C) internal revenue, (D) global trade and commerce, and (E) corporate misconduct.

A. Public Trust and Financial Integrity

The United States has the largest economy in the world. It generates enormous wealth and prosperity for its citizens and supports a robust government working to advance their interests. Unfortunately, far too many have abused the trust of the American people, stealing hundreds of billions of dollars a year, if not more. These schemes affect all aspects of daily life—public and private—and threaten our safety and security, draining our wealth and sowing distrust in society. The Fraud Division will work closely with federal law enforcement and other partners across the government to prioritize investigations and prosecutions of organizations and individuals who defraud our government, steal taxpayer dollars, corrupt our economy, or defraud Americans.

Prosecuting government procurement fraud is a critical priority. Contracting fraud schemes, including defective pricing, bid rigging, self-dealing, bribery, product substitution, and billing frauds, corrupt our government, reduce the quality of services provided to the American people, and often threaten our national security and military readiness.

Prosecutors must also focus on protecting the financial integrity of our government programs. Benefit and grant programs—from student loans to child care, veterans' benefits to nutritional supplements, and disaster relief to small business programs—help drive our economy and provide support to our most vulnerable citizens. Fraudsters stealing from these programs, particularly those impacting children, can severely hurt families by reducing access to services, creating financial burdens, and undermining trust in public assistance programs. For too long, lax oversight allowed bad actors—often foreign nationals—to exploit these programs for personal enrichment at the expense of hard-working Americans and their financial security. That era has come to an end.

The Fraud Division will bring to justice those who abuse the public trust for their own benefit. And we will vigorously protect the vibrancy of the American economy, prosecuting those who cheat our markets and compromise the financial integrity of American consumers.

B. Health Care

The United States provides the best and most innovative health care in the world. But health care spending remains a growing financial burden, made much worse by rampant fraud on government and private insurers. National health care expenditures are expected to grow from over $3 trillion a year to over $7 trillion, and estimates are that between 3–10% of that amount is lost to fraud. Home health aide and hospice scams directly impact vulnerable elderly Americans and erode patient care. Kickbacks and companies that cut corners to deceive regulators about the nature of health care services or products deny patients the ability to make informed health care decisions and degrade the dignity of American consumers. The illegal prescribing and dispensing of opioids and other controlled substances results in addiction and devastates American families and communities. These problems are made worse when profiteers put corporate profits above patient care.

The Fraud Division will use cutting-edge data analysis to target exploitative health care fraud schemes, including in telemedicine programs, Medicare or Medicaid fraud, controlled substance diversion, home health and hospice schemes, and companies and individuals that deceptively market unsafe products and services. The Fraud Division will prosecute defendants who orchestrate schemes that result in the loss of hundreds of millions of dollars, the distribution of thousands of controlled substance pills, and complex money laundering, tax, and other associated financial crimes relating to health care. By supercharging the historically successful Health Care Fraud Strike Force model with greater resources, data analytics support, and best-in-class technology, the Fraud Division will prosecute the most significant cases involving health care in the United States.

C. Internal Revenue

Criminal tax enforcement is an integral part of the Fraud Division's mandate to protect the public fisc. The federal government trusts Americans to voluntarily comply with their tax obligations. Yet, unscrupulous actors abuse this trust. For example, unethical return preparers include false claims on individuals' tax returns and often charge higher fees to do so. Others conceal their income or otherwise falsify information on their returns. Abusive promoters line their pockets while selling their unsuspecting clients on illegal tax schemes. In each instance, these wrongdoers lie to the IRS, cheat the federal government out of lawful revenue, and steal money that would otherwise fund national priorities.

Additionally, many fraudsters who steal money from government programs and the American people simultaneously violate our internal revenue laws. The Fraud Division will therefore continue to foster intra-division and interagency coordination to enable seamless collaboration, creating an all-tools response to fraud enforcement.

Moreover, as part of this strengthened posture, the Fraud Division will deploy the full arsenal of criminal tax tools paired with data analytics, financial forensics, and nationwide coordination. This ensures that tax-related fraudsters face swift and certain accountability. The Division will use these capabilities to identify tax misconduct earlier, pursue tax offenders more efficiently, and deliver meaningful deterrence in service of the American taxpayer.

D. Global Trade and Commerce

America is the center of the global economy, connecting the world through trade and foreign commerce. The integrity of our domestic markets and the security of our borders depend on the fair enforcement of our trade laws. When corporations or individuals engage in trade fraud and customs evasion, they undermine American industry, deprive the public fisc of vital external revenue, fund foreign adversaries, and compromise our national values.

To address these vulnerabilities, the Fraud Division will lead the Department's coordinated criminal enforcement strategy, targeting trade and customs violations and supply chains polluted by forced labor. Through the cross-agency Trade Fraud Task Force, prosecutors will focus on systemic, high-impact noncompliance that threatens our economic and national security. This includes prioritizing the investigation and prosecution of, among others, illicit transshipment schemes, country-of-origin fraud, the undervaluation of imported goods designed to evade duties, sanctions evasion, and foreign forced labor schemes.

E. Corporate Misconduct

Businesses frequently engage in fraud and other economic crimes, eager to benefit financially from the criminal conduct of their employees. The Department has long prioritized prosecuting corporate misconduct, and the Fraud Division will treat such wrongdoing no differently, holding accountable organizations that flaunt the law and rewarding those that voluntarily self-disclose, cooperate, and remediate.

The Fraud Division has a strong pipeline of ongoing corporate matters. Prosecutors will prioritize anti-fraud corporate enforcement and work closely with our Corporate Enforcement Section. Corporate enforcement experts will ensure that appropriate resources are committed to combating fraud by corporations and that prosecutors fairly and consistently apply the Department's policies concerning the prosecution of organizations.

III. The Fraud Division Drives a Unified Approach to Combating Fraud

This Administration's whole-of-government approach to combating fraud is critical to advancing U.S. interests. The Fraud Division will continue to leverage its unique position as a leader in this fight to systematically target, prosecute, and imprison fraudsters who dare steal from Americans and their government. With the Division's expansive mission and national presence, we are aggressively and meticulously repairing the damage inflicted on our social fabric by criminal fraudsters. The future of America is bright, and I am excited to work with you in the pursuit of truth, accountability, and justice for the United States.

Anthropic investors bet on $2tn valuation in record IPO

FT **ft.com**/content/840ac156-af1c-4a82-b260-ae791072fcfa

Anthropic investors expect the AI start-up to float at a valuation of $2tn or more in October, a dizzying figure that would eclipse SpaceX and make the AI lab's debut the largest ever initial public offering.

Half a dozen of the company's backers told the FT that Anthropic's rapidly rising revenue would enable it to more than double its current valuation in a planned autumn float.

A listing at that level could unlock billions of dollars in gains for the five-year-old company's early investors but would also test public markets that are growing more nervous about the AI boom.

Anthropic's backers say booming demand for the lab's advanced AI models and tools justifies their lofty expectations. Investors expect the Claude maker's annualised revenue to be between $100bn and $120bn by the end of 2026 — using the start-up's preferred measure, which infers full-year sales from recent performance — up by more than 10 times over the course of 2026.

"If Anthropic is growing 800 per cent a year, you'd think at the incredibly low end they would trade at 30 times [revenue]," said one investor in the group. "That would make them a $3tn company."

Anthropic lacks a publicly listed US peer that would provide a benchmark for its valuation. But companies that are seen as AI beneficiaries, such as data intelligence group Palantir and cloud company Nebius, have traded this year at roughly 55 times revenue.

Several investors said senior Anthropic executives had yet to fix the valuation target for the IPO, even in private conversations. But investors have built their own financial models.

Their bullish projections come despite mounting challenges, including rising competition from Chinese rivals, pressure for AI regulation and a simmering feud with the US government.

Those concerns, particularly the commerce department's temporary ban on Anthropic's best models, contributed to overall revenue growth slowing in the month of June, according to two investors with knowledge of the matter. Even so, they said the company had rebounded and continued to grow at an extraordinary rate even by Silicon Valley standards.

Anthropic declined to comment.

The start-up led by Dario Amodei filed paperwork with the Securities and Exchange Commission in June, putting the company in a quiet period that limits public announcements about its financial performance.

Anthropic has gained ground on rivals OpenAI and Google this year, releasing models that have outperformed competitors while focusing on sales to business customers. The group announced in May that its annualised revenue had surpassed $47bn.

Venture capitalists, sovereign wealth funds and other institutional investors have poured just under $100bn into the company in 2026. Anthropic's valuation leapfrogged OpenAI's for the first time in May, reaching $965bn including the new investment.

But the group also faces considerable uncertainty. It has repeatedly clashed with the Trump administration and remains in active litigation against the US Department of Defense, which labelled Anthropic a supply-chain risk earlier this year.

Anthropic has since been forced to briefly pull its leading models Fable 5 and Mythos 5 after being hit with export controls by the commerce department in June. The episode spooked some customers who rely on Anthropic models.

Customers are also increasingly sensitive to the price of accessing the best models. Faced with spiralling costs, they have in some cases reversed directives for employees to maximise their AI use and opted for less powerful, cheaper models.

Anthropic's market-leading model costs more than two and a half times as much to use as OpenAI's flagship, while Chinese open-weight alternatives, which have also improved dramatically this year, are a fraction of the cost, according to Artificial Analysis, which analyses AI models.

Anthropic increased its market share among US businesses last month, according to data from payments group Ramp. But analysts at the company found that businesses were "hitting their limit on AI spend" and turning to cheaper alternatives.

"It's easy to come up with challenges," said an Anthropic investor who has also backed AI groups including OpenAI and SpaceX, which went public at a $1.77tn valuation in June. "But the company continues to be in first position in performance, positioning and what people want exposure to."

Court Gives Coinbase a Trading Break on Vast Majority of ‘Statutory Seller’ Claims

law.com/newyorklawjournal/2026/08/12/court-gives-coinbase-a-trading-break-on-vast-majority-of-statutory-seller-claims

Coinbase won a key ruling showing most of its trades—matching user orders—do not make it a “seller” under securities law, based on its agreements and operations. Only trades where Coinbase fills orders with its own tokens were considered sales. The case highlights that platforms must carefully document and structure trades to avoid seller liability, focusing on who owns or passes title to tokens. Even small principal trades can create legal risk, and platform design matters.

Coinbase recently won a significant summary judgment victory in a lawsuit alleging that the trades in 60 cryptocurrency tokens listed on its platform constituted sales of unregistered securities by Coinbase. With respect to the vast majority of trades—buy offers filled by tokens from the sell offers of other platform users—the court held that Coinbase does not qualify as a “seller” under the Securities Act.

By contrast, Coinbase was deemed a seller with respect to the very few buy orders it fills with its own tokens, though the court has yet to rule on all issues, including whether the tokens are securities in the first instance. The court’s decision is noteworthy for providing a detailed roadmap for analyzing when a crypto platform’s contracts and trading mechanics make it a seller under the Securities Act.

I. “Statutory Sellers” Under the Securities Act

Section 5 of the Securities Act of 1933 prohibits the offer or sale of unregistered securities unless certain exemptions apply. 15 U.S.C. §77e(a), (c). Section 12(a)(1) provides a private right of action to any person who purchased an unregistered security to sue the “seller” for rescission or damages, and it is a strict-liability provision that does not require scienter or negligence.

The Supreme Court in *Pinter v. Dahl,* 486 U.S. 622 (1988), articulated two prongs under which someone may be a so-called “statutory seller” for purposes of a Section 5 claim. Under the first prong, a defendant is a statutory seller if it “passed title, or other interest in the security, to the buyer for value.” Under the second prong, a defendant qualifies if it “successfully solicit[ed] the purchase [of a security], motivated at least in part by a desire to serve [its] own financial interests or those of the [security’s] owner.”

II. The Summary Judgment Decision

In *Underwood v. Coinbase Glob., Inc*., 2026 WL 2198774 (S.D.N.Y. July 30, 2026), Coinbase traders brought a class action against Coinbase under the Securities Act and analogous state laws alleging that Coinbase sold or solicited unregistered securities.

After the Second Circuit reversed in part the district court's 12(b)(6) dismissal, the district court bifurcated discovery to focus solely on the threshold statutory-seller question.

On summary judgment, the court ruled that Coinbase was not a statutory seller with respect to so-called "matched" customer trades (which accounted for 99.97% of trading volume in the sixty tokens at issue during the relevant time period), but that it was a statutory seller for the remaining "inventory" trades (the remaining 0.03%).

A. The Coinbase Trading Platform

During the relevant period, Coinbase trades were executed in one of two ways. In the vast majority of cases, the platform operated as a matchmaker, "matching" buyer orders placed by traders with seller orders placed by other traders through an automated matching engine.

In a small residual category, representing roughly 0.03 percent of the relevant trading volume (but over $178 million for U.S.-based users in absolute terms) Coinbase filled user orders directly with tokens that Coinbase itself owned.

B. Matched Transactions

Under the first *Pinter* prong, the key issue for the court was whether Coinbase "passed title" to token purchasers.

The court's primary basis for granting summary judgment to Coinbase was its user agreements. The court pointed to key language like "Title to Digital Currency shall at all times remain with you and shall not transfer to Coinbase" and found that it was "difficult to imagine more conclusive language to the effect that title in tokens remained with users and did not pass to Coinbase."

Although the court found that "these provisions are decisive," it also analyzed Coinbase's trading operations and found that they "dovetailed" with the terms of the user agreement.

For example, although Coinbase "maintained custody of its users' assets, the tokens themselves remained in Coinbase's omnibus wallets, and the trades were not recorded on tokens' respective public blockchains," Coinbase's contemporaneous internal ledger "recorded whose tokens (or portions thereof) were owned by which customers," a procedure the court observed was "only compatible with" token ownership by customers, not Coinbase.

The court also found further support in comparisons to features of “traditional securities-market intermediaries” that are not treated as statutory sellers.

Custodied assets. Coinbase held the relevant tokens in omnibus wallets to which Coinbase held the cryptographic keys, with the blockchain recording Coinbase, rather than the retail users, as the holder of the tokens. Coinbase transactions are mostly conducted “off chain” (rather than on a public blockchain), and Coinbase tracks these transactions through an internal ledger.

Plaintiffs argued this meant Coinbase “owned” the tokens, but the court disagreed, drawing a direct analogy to traditional securities-market intermediary arrangements under which, “the beneficial owner of a given security holds an account at a brokerage firm, which identifies the security as belonging to the owner—notwithstanding that the [Depository Trust and Clearing Corporation] identifies the broker as holder of the security.”

Although “Coinbase custodies its users’ tokens in omnibus wallets... which contain tokens registered on the blockchain under Coinbase’s name,” like the traditional intermediaries, the court found it significant that “Coinbase’s books and financial statements did not record the tokens as beneficially owned by it.”

Fee structure. The court found the comparison to the “fee structure used by intermediaries in connection with securities trading” to be “instructive.” Those intermediaries charge fees consisting of, for example, “clearance-activity fees, based on the value of transactions cleared” or “usage-tiered, per-item transaction fees.”

The court found Coinbase’s similar “fees undisputedly do not represent compensation for a sale by Coinbase” and, instead, “like the fees paid to traditional intermediaries, they were keyed to the matching and execution process.”

Trading platform. Finally, the court found that “Coinbase’s trading platform is also relevantly akin to traditional markets, such as the NYSE, in that, as to matched transactions, it provides a venue for buyers and sellers themselves to swap title.” Indeed, the plaintiffs’ own expert “likened Coinbase's ledgering process to that of a ‘commercial bank [that] maintains deposit accounts for its customers’ and ‘simply adjusts its internal ledger.’”

Under the second *Pinter* prong, the court found that Coinbase’s publication of token information pages, pricing data, and educational materials did not constitute “solicitation” of specific purchases.

First, the court held that the plaintiffs’ testimony “established that they relied on numerous sources of information that were far more in-depth than the basic overview that Coinbase provided of each token and its price history" and thus "the information that Coinbase provided regarding tokens did not induce plaintiffs to purchase them."

Second, the court held that Coinbase's publication of price information "based on real-time supply and demand, per the company's order books" did not constitute solicitation, likening this to stock prices reported by exchanges or finance publications.

And the information Coinbase provided about particular tokens was merely "high-level and descriptive," rather than solicitation to buy those tokens, and also carried disclaimers that the information was not a recommendation to buy.

C. Inventory Transactions

As for inventory transactions, Coinbase did not dispute that it was a statutory seller because it held title to tokens in its corporate inventory and transferred ownership of those tokens to buyers.

Instead, it argued that it qualified for the "ordinary trading" exemption, which excludes from such liability "transactions by any person other than an issuer, underwriter, or dealer." 15 U.S.C. §77d(a)(1). No party contended that Coinbase was an issuer, but the court held that it was both a dealer and an underwriter with respect to the inventory trades.

Dealer. Under the Securities Act, a dealer is "any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person." 15 U.S.C. §77b(a)(12). The court, rejecting all of Coinbase's arguments, held that the "facts leave no doubt that Coinbase qualified as a dealer" with respect to the inventory transactions.

First, the court found unpersuasive the fact that inventory transactions constituted "a mere 0.03% of all relevant transactions." The court held that the language about any person who engages "part of his time" in these activities is to be read broadly, and noted that even though the inventory trades made up only 0.03% of the overall volume, they still corresponded to $178.2 million in tokens.

Second, Coinbase argued that "it did not seek to profit from" the inventory trades, explaining that its motivation "was to keep its user base satisfied" by filling orders when the matching engine experienced "outages or extreme latency" or when "orders were below Coinbase's minimum order amount for a particular token."

The court reasoned that even if that was the case, "the record supports that Coinbase used corporate inventory to preserve execution quality, user goodwill, and trading volume—thus indirectly increasing Coinbase's revenues."

Underwriter. The Securities Act defines “underwriter” as “any person who has purchased from an issuer with a view to... the distribution of any security.” 15 U.S.C. §77b(a)(11). The court rejected Coinbase’s argument that it did not purchase tokens “with a view to distribute” them because it did not “primarily seek to profit directly from these inventory sales.”

Again citing the statute’s broad language, the court held that Coinbase acquired the tokens “with a view to distribute” them because it “plainly ‘intended to sell’ the tokens to buyers on the other side of these inventory transactions.”

III. Takeaways

Documentation Is the First, but Not the Only, Line of Defense. Coinbase’s clear, consistently maintained user-agreement language, which “powerfully support[ed] that [it] did not take ownership of those tokens,” was the starting point of the court’s analysis. Platforms should ensure that their terms of service unambiguously specify whether title transfers to the platform at any point during the transaction lifecycle.

But the court also reviewed the factual record and found that the transactions at issue aligned with the terms of the agreements, suggesting that platforms’ architecture must follow those provisions.

A platform that calls itself a “marketplace” or “exchange” may still face seller liability if particular transactions involve principal trading. Conversely, a platform involved in principal trading for a small fraction of volume is not thereby converted into a seller for all transactions.

Platforms can manage their exposure by ensuring all user trades are executed without the platform taking a principal position and maintaining clear custodial frameworks with robust internal ledger systems.

Even a Tiny Fraction of Principal Trading Can Matter. The “inventory” transactions constituted only 0.03 percent of Coinbase’s relevant volume, but the court did not find this dispositive under the statute, especially in light of the fact that this represented at least $178 million in token sales. Platforms that trade even a modest number of tokens for operational efficiency should understand that these trades may generate seller liability.

The Ordinary-Trading Exemption Is Narrow. The court’s rejection of the ordinary-trading exemption was in large part due to the broad definitions of “dealer” and “underwriter” under the statute.

Even if a platform is engaging in this activity for reasons not directly tied to turning a profit, the *Underwood* decision makes clear that courts are willing to consider indirect profit to the firm in analyzing this exemption.

IV. The Road Ahead

Underwood leaves the ultimate merits question for another day: whether any of the 60 tokens at issue is a security. Its ruling on seller status, however, has immediate consequences.

The decision makes clear that courts will look past a platform's label and examine how each trade actually works by asking who owns the assets, who passes title, and whether the platform acts as an intermediary or as principal.

That transaction-by-transaction focus is likely to remain important as the SEC considers a tailored offering regime for certain investment contracts involving crypto assets. Regulatory classifications may change, but platform architecture will still matter.

For exchanges, *Underwood's* lesson is straightforward: contracts help, but custody, code, and execution determine where marketplace activity ends and seller liability begins.

Lawsuits Begin to Pile Up Over Foodborne Parasite Outbreak

law.com/corpcounsel/2026/08/13/lawsuits-begin-to-pile-up-over-foodborne-parasite-outbreak

Fast-food chain Taco Bell and produce supplier Taylor Farms are facing a growing wave of lawsuits over this summer's outbreak of the parasite cyclospora, which has been linked to iceberg lettuce.

At least 10 such cases, filed in various courts around the country and picked up by Law.com Radar, demonstrate the potential for liability at multiple points in a food supply chain.

What Happened?

Lawsuits began to pile up after U.S. officials linked the cyclospora outbreak to Taco Bell and specifically to iceberg lettuce from Taylor Farms, one of the country's largest produce suppliers. The claims against the two companies include both economic loss and personal injury claims.

One proposed class action filed by Taco Bell customers in the Northern District of California, for example, does not allege that the customers became sick but seeks to recover the money they paid for products that were "adulterated, unfit for human consumption, and worthless at the point of sale."

The case includes claims for negligence, unjust enrichment and violation of consumer protection laws in the named plaintiffs' home states of West Virginia and Kentucky.

Another lawsuit, in the Northern District of Ohio, claims that the individual plaintiff became sick from eating a Taco Bell meal that contained contaminated lettuce, resulting in "physical illness, pain, and suffering, a diminished working capacity, and other injuries."

It brings claims for breach of warranty and violation of Ohio consumer protection law.

Taco Bell and Taylor Farms did not immediately respond to requests for comment.

How Did We Get Here?

The recent cases are not the first time a foodborne illness outbreak has had legal consequences. One recent example is a criminal case brought by federal prosecutors against the fast-food chain Chipotle following a series of outbreaks, which resulted in a $25 million fine.

A 2022 recall of Jif peanut butter over possible salmonella contamination also resulted in a wave of class action litigation for economic loss, but those cases were dismissed for lack of standing as courts found that plaintiffs could not show actual contamination in products they bought.

What's Next?

Ellisse Thompson, a senior attorney at Plunkett Cooney, said that the cases over the cyclospora outbreak could be more difficult to defend, particularly for Taylor Farms, which has been linked to contaminated produce in the past.
“Pattern evidence is devastating in food safety litigation,” she wrote in an email. She also said that “sheer scale of illness” could support punitive damages arguments. There have been more than 10,000 confirmed cyclospora cases, according to the U.S. Centers for Disease Control and Prevention.

To minimize their risk, Thompson wrote, companies in the food supply chain need to have documented food safety plans, procedures for tracing food and issuing recalls if necessary and audits of their suppliers “with teeth.” They need to take the risk seriously rather than treat it as a “box-checking exercise,” she wrote.

Mealey's Antitrust/Unfair Competition - Judge: Damages Claims In StubHub Pandemic Cancellation Case Go To Arbitration

Mealey's Daily News Update

August 12, 2026

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Dateline: OAKLAND, Calif.

Body

A federal judge in California on Aug. 11 sent to arbitration damages claims under the California Consumers Legal Remedies Act (CLRA) and false advertising law (FAL) that remained following a summary judgment ruling in a putative class action brought by consumers seeking injunctive relief or restitution related to StubHub Inc.'s refund policy changes implemented for events canceled or rescheduled due to the coronavirus pandemic (In re: StubHub Refund Litigation, No. 20-md-2951, *N.D. Calif., 2026 U.S. Dist. LEXIS 179579*).

(Order compelling claims to arbitration available 43-260814-074R)

In the order that followed supplemental briefing, U.S. Judge Haywood S. Gilliam Jr. of the Northern District of California first rejected the consumers' argument that the court was precluded from reconsidering arbitration after first denying it in 2022.

Citing *City of Los Angeles, Harbor Div. v. Santa Monica Baykeeper, 254 F.3d 882 (9th Cir. 2001)*, the judge opined, "The Court has authority to reconsider or modify its interlocutory orders if necessary." The judge continued that in this case, "on a more fulsome record, it is apparent that there are no public injunctive relief claims that would preclude enforcement of the arbitration provision in the UA [StubHub user agreement]."

Further, the judge rejected the plaintiffs' argument that the court's arbitration analysis could not depend on whether the plaintiffs had standing to seek public injunctive relief. "While Plaintiffs are correct that the invocation of McGill [v. *Citibank N.A., 2 Cal. 5th 945 (2017)]* does not require that Plaintiffs ultimately prevail on their request for public injunctive relief, the Ninth Circuit has found that it requires Plaintiffs to have standing to seek such relief," the judge wrote, adding that the record is clear "that this is relief that Plaintiffs are not (and have not been) entitled to seek.

Finally, Judge Gilliam rejected the plaintiffs' argument that the approximately six years of litigation counseled against considering arbitration. "The Court has to hold the parties to their contractual agreement. . . . And here, on a more fulsome record, it is apparent that there are no public injunctive relief claims that would preclude enforcement of the arbitration provision in the UA," the judge wrote.

StubHub MDL

In August 2020, the Judicial Panel on Multidistrict Litigation transferred to the District Court several cases against StubHub concerning its practices as events were canceled across the country starting in spring 2020 due to the pandemic.

Interim class counsel were appointed, and in January 2021, a consolidated amended complaint was filed by more than 50 individuals.

The putative class complaint alleges that before the pandemic, StubHub had its "FanProtect Guarantee," under which ticket buyers would receive full refunds for canceled events. However, in March 2020, StubHub announced that it would issue credits when an event was canceled, the plaintiffs claim.

They argue that StubHub continues to advertise its FanProtect Guarantee and has not explained why it no longer offers refunds.

The plaintiffs, who all purchased tickets for events that were canceled, brought claims under consumer protection laws in California, Arizona, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, Virginia, Washington and Wisconsin. They also bring state law claims for breach of contract.

StubHub moved to compel arbitration, arguing that all of the transactions are governed by its user agreement, which contains an arbitration provision. StubHub alleged that all purchasers, even those who checked out as "guests," agreed to the user agreement.

Arbitration Partially Compelled

In November 2021, Judge Gilliam granted the motion as to those customers who purchased their tickets on the website but denied it as to those who purchased tickets via StubHub's mobile application. Further, the judge denied the arbitration motion as to the California causes of action.

However, the parties disagreed on the scope of the judge's decision, and additional briefing followed.

In April 2022, Judge Gilliam ruled that the claims for violation of California's unfair competition law (UCL), Cal. Bus. & Prof. Code 17200 et seq.; California's Consumers Legal Remedies Act (CLRA), Cal. Civ. Code 1750 et seq.; and the FAL, Cal. Bus. & Prof. Code 17500 et seq., had to be severed in light of *Blair v. Rent-A-Ctr., Inc., 928 F.3d 819 (9th Cir. 2019)*.

In the meantime, StubHub filed a renewed motion in January 2022 to compel arbitration of claims by plaintiffs who purchased their tickets on the mobile app and to dismiss any remaining claims. StubHub filed an amended motion four days later.

In May 2022, Judge Gilliam denied the arbitration request, opining that StubHub failed to show that those eight plaintiffs agreed to arbitrate their claims. As for dismissal, Judge Gilliam stated that only the original motion filed on the last day of the deadline for such a motion was being considered. The judge wrote, "StubHub did not seek leave to file this second-and belated-motion" in which the nature of the motion was "considerably expanded" to include the claims by all plaintiffs in the lawsuit.

Turning to the dismissal arguments, Judge Gilliam ruled that the plaintiffs presented sufficient evidence of injury and reliance on misrepresentation to survive a motion to dismiss at this stage.

The judge also denied dismissal of the plaintiffs' negligent misrepresentation and non-California statutory claims.

StubHub Appeal

StubHub appealed, and on Aug. 9, 2023, the Ninth Circuit panel affirmed as to the California statutory claims and reversed regarding the five ticket purchasers who used the mobile app, finding that they all had signed into StubHub's website.

Back in the District Court, two plaintiffs dismissed their individual claims. Then, in June 2024, both sides stipulated to dismissing counts four to 31 of the consolidated class complaint, leaving in place claims under the CLRA, UCL and FAL.

The following month, StubHub moved for summary judgment or, alternatively, summary adjudication.

The consumers opposed.

Summary Judgment

Judge Gilliam partially granted summary judgment in February 2026 as to the CLRA and FAL claims to the extent that they seek injunctive relief or restitution, opining that the consumers lack standing to pursue public injunctive relief as they failed to show any actual or imminent injury. StubHub was fully granted summary judgment as to the UCL claim as "traditional monetary damages are not available under that statute."

However, the judge deferred ruling on claims seeking monetary damages to allow the parties to file briefs about why the claims should or shouldn't be compelled to arbitration

Counsel

The plaintiffs' interim co-lead counsel are Tina Wolfson and Theodore W. Maya in Burbank, Calif., and Bradley K. King in New York, all of Ahdoot & Wolfson PC, and Tiasha Palikovic and Jessica Hunter of Wittels McInturff Palikovic in Armonk, N.Y.

StubHub is represented by William P. Donovan Jr. of Dechert LLP in Los Angeles.

(Additional documents available: StubHub's supplemental brief 43-260814-075B

Plaintiffs' memorandum re: summary judgment order 43-260814-076B

Plaintiffs' reply re: summary judgment order 43-260814-077B

StubHub's reply in support of compelling arbitration 43-260814-078B

Feb5, 2026, summary judgment order 43-260220-034R

Consumers' consolidated complaint 43-211203-040C)

Mealey's Litigation Procedure - Purdue Claimant Claims Excessive Lien Holdbacks, Seeks Class Certification

Mealey's Daily News Update

August 12, 2026

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Dateline: BALTIMORE

Body

A woman who received compensation through Purdue Pharma LP's nationwide opioid settlement filed a putative class action in a Maryland federal court accusing the law firm that represented her of improperly withholding excessive amounts for medical liens in violation of the settlement agreement (Joyce Morrison v. Anne Andrews, et al., No. 26-3124, D. Md.).

(Complaint available 28-260821-014C)

Joyce Morrison on Aug. 7 filed her putative class complaint in the U.S. District Court for the District of Maryland against Andrews & Higgins, a California law firm, and its principal, Anne Andrews. She seeks to represent a nationwide class comprising individuals who had medical lien amounts wrongfully and intentionally withheld by the firm in violation of the settlement agreement.

$ 7.4 Billion Agreement

Bankruptcy Judge Sean Lane of the U.S. Bankruptcy Court for the Southern District of New York on Nov. 18 approved a $ 7.4 billion agreement to settle claims that Purdue Pharma and its owners, the Sackler family, contributed to creating the opioid crisis. As part of the agreement, Purdue agreed to create a fund to settle personal injury claims for individuals harmed by its actions.

Morrison says she submitted a timely claim for compensation through Andrews and Andrews & Higgins. She received a letter from the firm on July 7, detailing her compensation.

"In the July 7th Letter, those Defendants identified a 'Lien Holdback' as 'the amount the Trust is holding back to comply with the court-required medical lien clearance program,'" she says.

She says that she received a gross award of $ 18,746 for her claim against Purdue and that Andrews and the firm identified the "Medical Lien Holdback" as $ 6,561.10, which is 35% of the gross award.

Morrison says the Purdue settlement agreement "included defined procedures and policies" for personal injury claims, explained in a section titled "'Protocols for the Resolution of Healthcare Liens.'" In part, it states that "'The lien offset shall be 30%.'"

Nationwide Class

"Thirty-five percent is therefore an amount not authorized by the Purdue Settlement Agreement," Morrison says, adding that she did not authorize any other agreement allowing Andrews and the firm to withhold any amount outside of the Purdue agreement.

She seeks to represent a nationwide class comprising "All United States persons from whom Defendants wrongfully withheld monies in excess of the amount authorized by the Purdue Settlement Agreements, from August 6, 2023, up to and through the date of trial, and therefore lost the present or then-present day value of those funds and or the funds themselves, through act or omission of Defendant."

She also seeks to represent a subclass of Maryland residents.

$ 5 Million In Damages

Morrison asserts claims for constructive trust, breach of contract, unjust enrichment, conversion and misrepresentation. She asks for $ 5 million in actual damages for each claim for herself and the class. She also seeks punitive damages and demands a jury trial.

Morrison also asks the court to certify the proposed classes and appoint her and her counsel as class representatives and class counsel, respectively.

Morrison is represented by Joshua G. Whitaker and Edward N. Griffin of Adelphi Law in Baltimore.

Mealey's Litigation Procedure - Woman Sues Generic Drugmaker For Unsafe Heart Medication, Seeks Class Certification

Mealey's Daily News Update

August 12, 2026

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Length: 583 words

Dateline: SEATTLE

Body

A woman filed a putative nationwide class action complaint in a Washington federal court against a drugmaker, seeking to represent a class of consumers who purchased a generic drug used to treat high blood pressure and other heart-related disorders that was allegedly unsafe and not therapeutically equivalent to the brand name drug (Sharon Carroll, et al. v. Glenmark Pharmaceuticals Inc. USA, No. 26-327, E.D. Wash.).

(Complaint available 28-260821-001C)

Sharon Carroll sued Glenmark Pharmaceuticals Inc. USA on Aug. 4 in the U.S. District Court for the Eastern District of Washington "relating to Glenmark's manufacture, distribution, and sale of dangerous, unsafe, adulterated, misbranded, and otherwise defective or flawed carvedilol-containing drugs."

Generic Version

Glenmark's carvedilol is a generic version of the branded drug Coreg, which is a beta-blocker. The brand-name medication Coreg was originally developed and introduced by GlaxoSmithKline.

She says that Glenmark's carvedilol "was contaminated with nitrosamine impurities and manufactured in manner that was not compliant with current Good Manufacturing Practices (cGMPs) in violation of various states' laws." Carroll says that "Coreg was a 'blockbuster' branded drug, with annual sales around $ 1 billion at its peak" before generic versions of the drug were approved.

In September 2007, the U.S. Food and Drug Administration granted Glenmark approval to sell its generic carvedilol.

"Glenmark represented and warranted to consumers and TPPs that its Carvedilol was therapeutically equivalent to, and otherwise the same as, the actual FDA-approved brand name drug Coreg. Specifically, Glenmark represented and warranted that its Carvedilol was fit for intended and ordinary uses, merchantable, met the specifications of Glenmark's FDA-approved labeling materials, and that Glenmark manufactured and distributed its Carvedilol in accordance with all applicable laws and regulations, including specifically cGMPs as incorporated by state laws," Carroll says.

FDA Recalls

But she says the drug was not therapeutically equivalent because "Glenmark's Carvedilol contained a dangerous, undisclosed nitrosamine known as N-Nitroso-Carvedilol I. Glenmark's Carvedilol was not manufactured in a cGMP-compliant manner and therefore without any assurance that Carvedilol was of the appropriate quality and properly labeled."

The FDA in March 2025 announced a nationwide recall of more than 732,000 bottles of Glenmark's carvedilol, citing cGMP deviations. The recall was extended in August 2025.

Carroll contends that she and other consumers "paid for contaminated Carvedilol that was illegally placed into the stream of commerce by Glenmark" and sustained "substantial economic damages."

Nationwide Class

Carroll seeks to represent a nationwide class and Washington subclass. She asserts claims for breach of express and implied warranties, violation of the Magnuson-Moss Warranty Act, *15 U.S.C. 2301 et seq.*, fraud, negligent misrepresentation and omission, violations of state consumer protection laws, negligence, negligence per se and unjust enrichment.

She asks the court to certify the classes and appoint her as the class representative. She seeks compensatory and punitive damages and asks for a jury trial.

Carroll is represented by Kim D. Stephens and Cecily C. Jordan of Tousley Brain Stephens PLLC in Seattle and Ruben Honik and David J. Stanoch of Honik LLC in Philadelphia.

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Meta Immunity in Sex-Trafficking Case Weighed at Ninth Circuit

Aug. 12, 2026, 11:16 AM PDT

Summary by Bloomberg AI

AI Generated

- Meta Platforms Inc. lawyers argued the company is immune under Section 230 of the Communications Decency Act in a lawsuit claiming it actively proliferates sex trafficking on its Instagram platform.
- The plaintiff, identified as Jane Doe, claimed she was trafficked through Instagram after connecting with a sex trafficker who used the platform under a false identity and groomed her for trafficking.
- Lawyers for Meta and the plaintiff presented arguments to the Ninth Circuit on the company's liability, with Meta arguing it is protected by Section 230 and the plaintiff arguing that the company's algorithmic recommendations and reporting mechanisms make it liable.

Meta Platforms Inc. lawyers urged the Ninth Circuit on Wednesday not to revive a lawsuit claiming it actively proliferates sex trafficking on its Instagram platform, arguing it's immune under Section 230 of the Communications Decency Act.

Walter Simons of Bracewell LLP, representing a woman who claimed she was trafficked through the social media app, argued Meta wasn't protected under Section 230, a sweeping federal statute shielding social media companies from liability for content published by its users.

The plaintiff, identified as Jane Doe in court filings, claimed in 2017 she connected on Instagram with a sex trafficker who was using the platform under a false identity and groomed her for trafficking through the site. The trafficker made public posts on Instagram openly advertising Doe for sale for sex, and forced her to conduct sexual acts for money.

Wednesday's arguments were just a piece of the wave of lawsuits claiming Meta's social media platforms are harmful, particularly to minors. A New Mexico judge last week found Meta's platforms are a cause of and have substantially contributed to a youth mental health crisis in the state, and ordered the company to pay $567 million and implement changes to its platforms in an effort to make them safer for younger users. Juries in New Mexico and California in March also found Meta liable for consumer protection violations.

US Court of Appeals for the Ninth Circuit Judge Salvador Mendoza Jr. questioned Simons Wednesday on how algorithmic recommendations are a platform's own expressive conduct and not subject to Section 230.

Simons responded that content becomes first-party speech of a website when the platform creates or develops that content in part, pointing to the US Supreme Court's 2024 ruling in *Moody v. NetChoice LLC*. In this case, that would be algorithmic recommendations.

Judge Kenneth Kiyul Lee countered that the outcome of that argument would strip "basically every social media of Section 230 protections" since virtually every platform uses algorithms to curate content.

Simons argued that there's a distinction between the idea of recommending certain content because users might find it interesting, versus connecting users based on "the idea that you should know a person, you should form a relationship with a person."

"But in social media a user is the content, I don't know that you can separate the content from the user," Lee said.

Although a user posts content, a recommendation that a person should know a particular person isn't the same as recommending content, Simons responded.

Kristin Linsley of Gibson Dunn, representing Meta, argued Doe didn't allege she was connected through an algorithm to her trafficker. Doe claimed her trafficker messaged her on the platform and groomed her before luring her into sex trafficking, Linsley said. And even so, the Ninth Circuit has repeatedly rejected the idea that recommendations are outside Section 230 protections, Linsley said.

Reporting Mechanisms

Doe claimed Meta had internal talks about human trafficking issues on Instagram and the use of fake accounts, but failed to provide adequate warnings to users or implement any identity verification tools. The company also depends on user engagement to drive profits, meaning Meta has allegedly benefited from connecting traffickers with victims and uses algorithms to facilitate those connections, she claimed.

Linsley argued Wednesday that the plaintiff's theory that the company's reporting mechanism was defectively designed is squarely barred by the court's precedent and Section 230.

The Ninth Circuit last August found that Section 230 doesn't apply to negligence and defective product claims against X Corp. over its reporting mechanisms, because they didn't arise from the platform's role as a publisher. But Linsley pointed to the Ninth Circuit's more recent April ruling in a separate case against Meta alleging its Facebook platform should've had a better mechanism to report content that incited violence in Myanmar. The court there held that Meta was protected by Section 230 because the plaintiffs were alleging Meta didn't moderate content.

But Lee questioned whether the Meta ruling from April applies to this case, and queried whether the court could parse the reporting claim to the extent it's telling Meta to remove content. If the claim is read more narrowly, that it needs to have a better reporting mechanism, "then maybe it survives" under the court's ruling on X.

Unlike in X, Linsley argued, Doe "alleges literally no facts" to support her reporting claim. She doesn't allege anyone tried to report her trafficker, or that anyone was thwarted in their ability to do so. "Her theory is entirely speculative," Linsley said.

Judge Ana de Alba also sat on the panel.

The case is Doe v. Meta Platforms Inc., 9th Cir., No. 25-2246, oral argument 8/12/26 .

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Lawsuit against Bristol Myers over delayed cancer drug is revived

reuters.com/legal/government/lawsuit-against-bristol-myers-over-delayed-cancer-drug-is-revived-2026-08-13

NEW YORK, Aug 13 (Reuters) - A U.S. federal appeals court said a judge erred in dismissing a $6.7 billion lawsuit accusing Bristol Myers Squibb (BMY.N), opens new tab of cheating former Celgene shareholders by delaying federal approval for three drugs, including the cancer treatment Breyanzi.

In a 3-0 decision on Thursday, the 2nd U.S. Circuit Court of Appeals in Manhattan said UMB Bank (UMBF.O), opens new tab was entitled to represent the Celgene shareholders as a trustee despite an error in how it was appointed.

Bristol Myers and its lawyers did not immediately respond to requests for comment. UMB and its lawyers did not immediately respond to similar requests.

Thursday's decision revived a lawsuit that U.S. District Judge Jesse Furman in Manhattan dismissed in September 2024. It was not immediately clear how the decision affected UMB's similar lawsuit raising several new claims against Bristol Myers, and which Furman let proceed last December.

The case arose from Bristol Myers' purchase of Celgene for $80.3 billion in 2019.

Celgene shareholders who held "contingent value rights" (CVR) were entitled to an extra $9 per share in cash if Bristol Myers won timely U.S. Food and Drug Administration approvals for Liso-cel, which is sold as Breyanzi, and the drugs Ozanimod and Ide-cel.

Some CVR holders grew concerned that Bristol Myers would miss the deadlines to avert a big payout, and hired UMB to replace an earlier trustee.

UMB ultimately accused the drugmaker of failing to use "diligent efforts" to win approvals, and wrongly delisting the CVRs from the New York Stock Exchange before holders could enforce their rights.

Bristol Myers won FDA approval for Breyanzi to treat non-Hodgkin lymphoma on February 5, 2021, five weeks after the relevant deadline.

In a December court filing, the Princeton, New Jersey-based company denied UMB's claims that it slow-rolled the approval process and tried to undermine the CVR holders' rights.

The appeals court said UMB had standing to sue because Bristol Myers, the prior trustee and a majority of the CVRs' "beneficial owners" approved UMB's appointment, though the investors were not "registered" owners as defined in the CVR agreement.

"Bristol Myers was not confused about the status of the investors who purported to appoint UMB," Circuit Judge Beth Robinson wrote.

In his December ruling, Furman allowed Kansas City, Missouri-based UMB to pursue some claims against Bristol Myers, including breach of contract and failure to act in good faith.

Lilly sues six companies over alleged illegal sales of experimental obesity drug retatrutide

reuters.com/legal/litigation/lilly-sues-six-companies-over-alleged-illegal-sales-experimental-obesity-drug-2026-08-12

SAN FRANCISCO, Aug 12 (Reuters) - Eli Lilly (LLY.N), opens new tab on Wednesday said it had filed six lawsuits against U.S. companies it accuses of illegally selling black-market versions of its experimental obesity drug retatrutide, escalating its campaign against unauthorized sellers before the medicine has won regulatory approval.

The Indianapolis-based drugmaker said the lawsuits target a range of businesses, including compounding pharmacies, medical spas and online sellers that allegedly marketed retatrutide products to consumers despite the drug remaining under clinical development.

Retatrutide is still in Phase 3 clinical trials for obesity, type 2 diabetes and other related conditions. No regulators have approved the compound for human use, Lilly said.

In June, the U.S. Food and Drug Administration stated that sales of retatrutide and other unapproved versions of GLP-1 products to consumers are illegal and cannot lawfully be compounded.

"What is being sold on the black market is not a medicine – it is entirely unverified, unapproved and not worth the risk," Lilly Chief Medical Officer Dr. David Hyman said in a statement.

Demand for obesity treatments has fueled a thriving online market for products claiming to contain weight-loss drugs. Some sellers have marketed retatrutide through websites, social media posts and businesses presenting themselves as medical providers, despite sourcing products from unregulated manufacturers, Lilly said.

The company said it has referred more than 200 individuals and entities to the FDA, the U.S. Justice Department, state attorneys general, law enforcement agencies and professional licensing boards.

In addition to the lawsuits, Lilly called on social media and e-commerce platforms, payment processors, credit card companies, shipping firms and regulators to take stronger action against sellers of unapproved retatrutide products.

U.S. Customs and Border Protection told Reuters the agency intercepted over 690 shipments - totaling more than 31,000 units - of illicit GLP-1 drugs during fiscal year 2025. In the month of July, those figures more than doubled, with over 1,400 seizures and nearly 90,000 vials intercepted.

"Every single time that someone takes one of these, they're exposing themselves to a huge amount of risk," said Lilly's Dr. Max Denning, Associate Vice President, Therapeutic Area Lead – Global Patient Safety Cardiometabolic Health. The six lawsuits were filed against Aesthetic Envy Cosmetic Centers, Astra LLC, Legendary Peptides, Striker Pharmacy, Texas Peptides and Lone Star Peptide Co, according to Lilly.

Class Action

Manage Newsletters

Revance's $17 Million Investor Settlement Earns Court Approval

Aug. 12, 2026, 9:56 AM PDT

Revance Therapeutics Inc.'s $17 million investor accord garnered a federal judge's final assent, resolving allegations that the anti-wrinkle injection developer hid it might be in breach of a dermal-filler contract before being bought out.

The settlement class covers those who acquired Revance securities from Feb. 29, 2024, through the close of its acquisition by Crown Laboratories Inc. on Feb. 6, 2025, Judge Eli Richardson said Tuesday. The investors' counsel will get 30% of the sum — $5.1 million — in attorneys' fees and more than $173,000 for litigation expenses, plus interest, the US District Court for the Middle District of Tennessee judge said.

Investors sued last year, alleging Revance concealed that partner Teoxane SA raised issues over their distribution agreement and that Crown, as a result, would likely lower its acquisition offer

"We think this is an extraordinary result for the class and we appreciate the Court's efforts throughout," Andrew J. Entwistle of Entwistle & Cappucci LLP, co-lead counsel for the investors along with Saxena White PA, said in an email

Kirkland & Ellis LLP and Riley & Jacobson PLC represent Revance. Skadden, Arps, Slate, Meagher & Flom LLP and Baker, Donelson, Bearman, Caldwell & Berkowitz PC represent former Revance executives. These law firms and since-combined Revance didn't immediately respond to emails seeking comment.

The case is In re Revance Therapeutics, Inc. Sec. Litig. , M.D. Tenn., No. 3:25-cv-00018, final judgment 8/11/26 .

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SEC settles charges over SpaceX, Klarna, pre-IPO share fraud | Business Information & News | FE

Aug 10 (Reuters) - The U.S. Securities and Exchange Commission on Monday brought settled charges of fraud against Adit Ventures Management, its founder and three partners in connection with pre-IPO investments in companies including Klarna and SpaceX, the agency said in a release.

The SEC alleged that the investment adviser had used "false claims and promises" to solicit investments in Adit-managed funds and used client money for the firm's own benefit, including by taking unsecured loans on favorable terms without disclosure to clients.

Adit Ventures, without admitting the allegations, agreed to a consent order which would include payments of disgorgement and a civil penalty, the SEC said. The consent order requires approval by a federal judge. Adit Ventures CIO and founder Eric Munson denied the charges in a statement.

Demand for shares in private markets, which are not subject to the same scrutiny as public exchanges, is increasing as companies grow bigger and more prominent before they eventually list. Investors bought what they believed to be shares of SpaceX through unusually complex arrangements before its blockbuster IPO this year, leaving some unsure of what exactly they owned.

The SEC's complaint said that Munson had solicited an investor by falsely claiming that a fund owned shares of stock of a private, pre-IPO company. The agency also alleged that the defendants bought pre-IPO shares and then caused client funds to buy those shares at a higher price, misrepresenting their true cost.

In his statement, Munson said, "Let me be unequivocal: I have delivered for my investors, and I reject these allegations completely." He added: "I am settling this matter because fighting it will not result in any benefit for me or for the investors I have spent my professional life serving."

The SEC declined to comment further.

Last December, a New York investment manager was indicted for allegedly promising clients exposure to nonpublic shares of drone maker Anduril Industries, raising millions of dollars despite having no access to the company's stock. Three sales executives were arrested the previous February on charges brought by the Eastern District of New York relating to an alleged pre-IPO fraud scheme.

Artificial-intelligence company Anthropic said earlier this year it was aware of investment funds that claim to offer indirect access to its stock, and wanted "to help protect individuals from potentially invalid transfers or investment fraud." The startup said any sale or transfer of its stock that had not been approved by its board was void, and any offer to invest in its past or future financing rounds through special purpose vehicles was prohibited.

UnitedHealth Investor Suit Alleges Security, Governance Lapses

Aug. 13, 2026, 4:00 AM PDT

Summary by Bloomberg AI AI Generated

- A shareholder lawsuit alleges that UnitedHealth Group Inc. board members ignored governance and oversight risks for years, leading to catastrophic failures and billions in losses for investors.
- The lawsuit claims that UnitedHealth shut down an internal audit program that showed problems in its Medicare billing and ignored cybersecurity risks, including those related to its acquisition of Change Healthcare.
- The complaint alleges that board members, including current CEO and board chair Stephen Hemsley, missed red flags of "misconduct and serious regulatory concerns, yet took no action to ensure compliance" and asks a judge to order the company to improve its corporate governance and implement compliance programs.

UnitedHealth Group Inc. board members ignored a raft of governance and oversight risks for years before catastrophic failures triggered billions in losses for investors, a shareholder lawsuit alleges.

An amended complaint filed Aug. 7 in a Minnesota federal court reveals new information from former insiders about how UnitedHealth handled cybersecurity after an acquisition of a company that would later suffer the largest US healthcare data breach on record.

It also alleged that UnitedHealth, which owns the largest US health insurer, shut down an internal audit program that showed problems in its Medicare billing. UnitedHealth has previously faced allegations from whistleblowers and government watchdogs that it inflated Medicare payments, and the US Department of Justice has opened criminal and civil investigations into its Medicare practices.

A UnitedHealth representative declined to comment on the allegations. Attorneys for the defendants didn't respond to a request for comment.

The healthcare conglomerate, based in Eden Prairie, Minn., and Washington, D.C., is fending off multiple lawsuits from shareholders who incurred losses as the company's stock price cratered from a record high in 2024. A separate securities fraud lawsuit led by the California Public Employees' Retirement System is awaiting a judge's decision on whether to dismiss the claim.

The cases broadly allege that UnitedHealth misled investors about the strength of its business and ignored risks from regulators, even as negative press reports mounted. They center on allegations that it improperly gamed payments from Medicare, neglected cybersecurity risks, inappropriately denied care, and used opaque deals to meet earnings targets and mask the underlying weakness in its operations.

Much of the conduct described in the lawsuits has been reported in media, including the Wall Street Journal, Stat News, and Bloomberg News. UnitedHealth has defended itself and refuted negative claims. Still, the company has said it's taken about two dozen actions in response to company-sponsored reviews that found problems, including repeated regulatory violations.

UnitedHealth Shares Collapsed After 2024 Peak

Investors took steep losses after the company pulled its outlook

Source: Data compiled by Bloomberg

Bloomberg

The latest filing comes from shareholders including Rhode Island's public employee retirement system and the Swedish asset manager Länsförsäkringar Fondförvaltning AB, which owns more than $123 million in UnitedHealth stock, according to the complaint. They're suing board members on behalf of the company, claiming directors and officers missed red flags of "misconduct and serious regulatory concerns, yet took no action to ensure compliance." Before filing the latest complaint, shareholders reviewed company books and records, but the revised complaint redacted many of those details from the public version.

History of Allegations

The amended complaint expands on allegations first made in a lawsuit filed in 2024.

Some of the claims draw on the accounts of former Change Healthcare employees identified as confidential witnesses. Two people spoke about lax cybersecurity practices following UnitedHealth's $7.8 billion acquisition of health data and payments company Change Healthcare.

Change was targeted by a cyberattack in 2024 that snarled payments across the healthcare system, cost the company billions and exposed private data of 190 million Americans in the largest US health data breach.

The accounts of insiders cited in the revised complaint suggest that was avoidable.

The company wanted to integrate Change Healthcare swiftly after its 2022 victory in an antitrust lawsuit brought by the US so that it would be tough to unwind the deal if the company lost on appeal, according to one witness. The person was identified in the complaint as Change Healthcare's director of risk management before and after the deal. That rush left the company blind to the risks involved and unable to address the cyber defenses it needed, the witness said, according to the complaint.

Another executive, identified as Change Healthcare's director of information services for a dozen years, said UnitedHealth leaders were aware of impaired security systems at Change that led to the data breach.

The company dropped protection from cybersecurity firm CrowdStrike in favor of a service from Microsoft Corp. that the witness considered inferior, the complaint says. This witness also described legacy businesses acquired in the Change deal that had security risks, including lack of multi-factor authentication, and said that management wouldn't provide significant funding to fix these problems, according to the complaint.

The hack was ultimately attributed to an account that was left unprotected by multi-factor authentication, a basic cybersecurity precaution. "We're trying to dig through exactly why that server had not been protected," **Andrew Witty**, UnitedHealth's chief executive officer at the time, told Congress in 2024.

Witty, who left the CEO role and the board last year following a collapse in the company's profits, is among 12 former and current directors and officers named in the lawsuit. It also names current CEO and board chair **Stephen Hemsley**, who chaired the board for the period covered by the litigation.

Medicare Payment Issues

The complaint also alleges that UnitedHealth shut down an internal audit program that showed it submitted claims for $200 million in Medicare payments that weren't supported by patients' diagnoses. The lawsuit blames Hemsley for the decision.

"Rather than remediate this damning finding and demand compliance, Defendant Hemsley supported the decision to eliminate an audit program entirely, ensuring that the fraud could continue undetected," according to the complaint. The complaint doesn't offer additional details on the Medicare claims or the audit program.

UnitedHealth has faced extensive criticism over its payments from Medicare. Reports from a federal inspector general, whistle blower lawsuits and congressional inquiries have alleged that the company overstated how sick members were to inflate reimbursements from the government.

The company has disputed these claims and defended its practices. In one pending civil case, a court-appointed expert found the US Department of Justice lacked evidence to support its case and recommended ruling in favor of the company. The Justice Department has separate civil and criminal inquiries into UnitedHealth's Medicare practices, the company has disclosed.

The lawsuit also alleges that the board knew a federal policy change meant to rein in payments to insurers would cost the company billions of dollars years before it disclosed the size of the financial hit.

The change was a new version of the federal "risk model" that determines how much Medicare pays insurers for patients based on their illnesses.

In 2025, after UnitedHealth's profit collapsed, the company disclosed that those changes would cost about $11 billion over three years. That figure, according to the lawsuit, was "an impact the Board had been quantifying internally since 2023."

The lawsuit, known as a derivative complaint, accuses board members of ignoring warning signs for years, damaging the company and wiping out billions in market value. It asks a judge to order the company to improve its corporate governance, implement compliance programs on its Medicare Advantage programs, establish cybersecurity controls that meet industry standards and bar the defendants from serving as officers or directors.

"The Board received specific internal warnings, government reports, and extensive media coverage – all of which created actual knowledge or constituted red flags putting the Board on notice of the Company's systematic violation of law," the plaintiffs wrote.

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WALT DISNEY: DISH Network Breach of Contract Case Pending

Lloyd's Corporate Litigation Reporter

August 13, 2026

Section: Vol. 20; No. 28

Length: 295 words

Body

The breach of contract lawsuit filed by The Walt Disney Company against DISH Network L.L.C. is pending, according to the Company's Form 10-Q filing with the U.S. Securities and Exchange Commission for the quarter ended December 27, 2025.

On January 2, 2026, in litigation filed by the Company on August 28, 2025 asserting breach of contract claims against DISH Network L.L.C. in the U.S. District Court for the Southern District of New York, DISH filed antitrust counterclaims against the Company. DISH asserts a tying claim under Sherman Act Sec. 1 and New York's Donnelly Act challenging certain provisions in the Company's carriage agreement with DISH; claims under Sherman Act Sec. 1 challenging an ESPN/Fox One bundle, the creation of Fubo Sports, and the Company's acquisition of a controlling share of Fubo; a claim under Clayton Act Sec. 7 challenging the Company's acquisition of a controlling share of Fubo; and a claim under Sherman Act Sec. 2 alleging the Company engaged in a pattern of conduct in an attempt to monopolize an alleged market for skinny sports bundles. DISH also asserts breach-of-contract counterclaims, contending that Company-affiliated entities violated their obligations under certain most-favored-nation provisions in the operative carriage agreement. The Company's response to these counterclaims is due on February 20, 2026. The Company intends to prosecute its claims and defend against these counterclaims vigorously. The lawsuit is in its early stages, and at this time we cannot reasonably estimate the amount of any potential loss.

The Walt Disney Company, commonly known as Disney, is an American diversified multinational mass media and entertainment conglomerate headquartered at the Walt Disney Studios in Burbank, California.

Load Date: August 13, 2026

Column

Yankees' Apollo Deal Offers Glimpse of Big Law's Sports Thesis

Aug. 13, 2026, 2:30 AM PDT

Summary by Bloomberg AI

AI Generated

- Big Law firms are involved in professional sports as their private equity clients invest in prominent leagues and franchises, with Apollo Sports Capital announcing a $2.6 billion financing agreement with the New York Yankees.
- The Apollo-Yankees deal represents a relatively innovative approach to financing a major sports franchise, with the details being sparse but appearing to be "a mix of credit and equity," known as a "hybrid."
- The deal is seen as proof that similar deals could be on the way, with private equity funds being "as creative as possible to try to fit their investment thesis within what the league rules are," according to Daniel Render, a partner at Katten Muchin Rosenman.

Welcome back to the Big Law Business column . I'm Roy Strom, and today we look at an innovative sports financing transaction. Sign up for Business & Practice , a free morning newsletter from Bloomberg Law.

Big Law firms are piling into professional sports, a story that highlights how their private equity clients are poised to become meaningful investors in the country's most prominent leagues and franchises.

The story came to life this week in deals involving two of the country's most prominent teams.

First, Apollo Sports Capital announced a $2.6 billion financing agreement with Major League Baseball's New York Yankees. Then, the Los Angeles Lakers were sold for the second time in as many years; this time Josh Kushner and Bob Iger landed the National Basketball Association franchise for $12.5 billion.

This column focuses on the Yankees deal, because my deadline is in the middle of the day Wednesday, when the Lakers news was just breaking. So, on we go.

The details around the Apollo-Yankees deal were sparse, but it appears to represent a relatively innovative approach to financing a major sports franchise. That's important to the "private equity is coming for sports" story because professional leagues have tight rules around team ownership structures and how much debt they can carry. Those rules have already been adjusted to the benefit of investors and the Big Law firms that advise them.

"It shows an example of a huge, diversified private equity fund being able to fit within a league that has real, well-thought-out, complicated rules," said Daniel Render, a partner at Katten Muchin Rosenman who served as regulatory counsel for Apollo.

Chicago-founded Katten has a longstanding sports practice. It was developed by partner Adam Klein and boosted by the firm's relationship with Jerry Reinsdorf, who once worked as a tax lawyer at the firm before becoming the owner of the Chicago Bulls and White Sox.

Katten's sports group has broadened significantly since then, with Render advising teams across the four major sports leagues.

He worked as a "teammate" to the Paul Weiss lawyers advising Apollo on the deal, providing expertise on MLB rules. He couldn't discuss the deal's specifics, but he said it is "theoretically" proof that similar deals could be on the way.

"The PE funds are being as creative as possible to try to fit their investment thesis within what the league rules are," he said.

Paul Weiss declined to comment, and so did Gibson Dunn, who advised the Yankees.

How is Apollo's deal with the Yankees actually structured?

Just about the only detail provided about the Yankees deal was that it was "a mix of credit and equity," the press release said. In the industry jargon, that's known as a "hybrid." The money will support "continued growth of the Yankees franchise as well as refinancing of existing debt."

Apollo in a December white paper said it sees "particular appeal" to hybrid structures that blend aspects of credit and equity. Those deals can generate credit-like returns in the high-single digits to low-double digits, the Apollo paper says.

But the real attraction to investing in sports teams is the skyrocketing growth of franchise equity valuations. That's what has attracted numerous private equity firms to make direct purchases of minority ownership stakes in franchises across all four major sports leagues.

Hybrid deals can provide investors a slice of "long-term franchise appreciation" through profit participation or warrant payments, Apollo says. You could envision a deal where Apollo gets a payout if the team's franchise value rises above a certain threshold.

Investors in these types of deals are positioned near the top of the capital stack and can constrain teams from taking on more debt, or more senior debt, according to Apollo.

The white paper's authors included the two Apollo executives quoted in the Yankees press release: Al Tylis, the chief executive of Apollo Sports Capital, and Apollo partner Robert Givone.

"As the market matures and financing models normalize, we believe capital structures will deepen, valuations will recalibrate, and returns will accrue to investors positioned across the full stack—from senior debt to structured equity," Apollo wrote.

Whether or not that happens, you can bet Big Law lawyers will be along for the ride.

Worth Your Time

On Litigation Finance: Aperture Investors is expanding its litigation finance platform, Emily Siegel reports, with $600 million in assets and up to $1 billion in investment capacity.

On Immigration Law: A Houston law firm with strong ties to the Trump administration indicated it is dropping out of a proposed agreement with the Department of Health and Human Services to provide legal aid to unaccompanied minors, Alexis Waiss reports.

On Gagging Lawyers: Donald Trump can block his outside legal advisers from divulging their communications with the president to courts and Congress, a new Justice Department memo argues. The opinion will impact a lawsuit involving the American Bar Association and the deals Trump made with Big Law firms, as well as future fights over testimony between the White House and Congress, a team at Bloomberg Law reports.

That's it for this week! Thanks for reading and please send me your thoughts, critiques, and tips.

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Aperture Expands Litigation Finance Platform To $1B

August 12, 2026

Author: Ryan Boysen

Summary

Alternative asset manager Aperture Investors is expanding its litigation finance platform to $1 billion in total investment capacity, mostly deployed as direct loans to plaintiffs firms.

Body

Alternative asset manager Aperture Investors is expanding its litigation finance platform to $1 billion in total investment capacity, mostly deployed as direct loans to plaintiffs firms.

In a news release Wednesday, Aperture said the expansion of its existing litigation finance platform, which has $600 million in assets under management currently, will focus on private credit-like loans made directly to plaintiffs firms, rather than investments in cases themselves.

Those loans will be backed by legal fee receivables from "post-settlement, procedurally mature, near-settlement and short-duration legal cases."

On its website, Aperture said of litigation finance: "This is an emerging asset class in the U.S. that is generally underbanked, inefficient and uncorrelated to other asset classes."

In Wednesday's news release, portfolio manager Luke Darkow said he plans to maintain a "disciplined focus on collateral quality, borrower diversification and downside protection."

"Plaintiffs law firms' ability to access traditional debt and equity financing solutions remains relatively constrained, while investors are looking for sources of return that are less dependent on traditional market cycles," Darkow said. "We believe litigation finance sits at the intersection of those two trends, and the launch of this strategy will allow us to provide investors with more flexible, ongoing access to this opportunity set."

"Our focus is narrow by design, which is why we primarily intend to lend against short-duration and procedurally mature cases where we can better evaluate and mitigate risk," he added.

Many recent mass tort cases, especially the sprawling multidistrict litigation against Johnson & Johnson over allegedly tainted talcum powder, have dragged on for years longer than expected.

Delays in reaching settlement have put immense strain on some plaintiffs firms that took out loans to sustain themselves. In 2024, for instance, one leading plaintiffs firm sued another, claiming that it had sold out its clients by supporting a subpar settlement agreement in order to pay off "litigation funding loans perhaps as high as $240 million."

Once cases have reached settlement, firms and funders often have a clearer idea of when money might actually be paid out, but even then, the post-settlement process can sometimes take years.

Aperture was founded in partnership with insurance and asset management conglomerate Generali Group and is part of the Generali Investments platform. Wednesday's release said Aperture has roughly $6.72 billion in assets under management.

Aperture's other investment classes include global corporate credit, structured credit and several different types of equity.

On its website, Aperture said its "distinctive edge comes from its broad network of law firms and legal service providers, allowing for unique sourcing and deal origination."

Wednesday's release said that network consists of more than 250 legal service providers across "a range of legal claim types."

--Editing by Karin Roberts.

Zillow Investors Urge Justices To Reject Post-Goldman Case

law360.com/articles/2512566/zillow-investors-urge-justices-to-reject-post-goldman-case

(August 12, 2026, 5:34 PM EDT) -- Zillow investors have asked the U.S. Supreme Court not to hear a lawsuit over the company's shuttered homebuying business, arguing that the justices should reject Zillow's request to apply a "new, stricter rule" for certifying shareholder class actions.

Investors submitted their **brief** to the high court Tuesday, arguing that Zillow's bid to overturn a Ninth Circuit ruling that upheld their class certification rests on a "false premise" that a circuit split has emerged following the Supreme Court's 2021 ruling in Goldman Sachs v. Arkansas Teacher Retirement System.

In Goldman, the court ruled that defendants could defeat class certification in securities cases by proving that any alleged misstatements by the company or its executives were too generic to have inflated the company's stock price.

Zillow is asking the highcourt to return to the issue by deciding whether corporate defendants can argue that their alleged misstatements didn't impact their company's stock price because there is a mismatch between the content of those statements and later, corrective disclosures.

The company argued in a brief to the Supreme Court in June that the Ninth and Third circuits have split with the Second Circuit on what constitutes a "mismatch" under the Goldman standard.

The Third and Ninth circuits "will rubber-stamp an inflation maintenance class action if the front- and back-end statements are about the same general subject and a stock price drop follows the back-end statements — factors present in virtually all securities fraud actions that advance past the pleading stage," Zillow told the justices.

But investors responded Tuesday that Zillow was asking the court to adopt a "new, stricter rule" post-Goldman so that it could have "an edge in its third bite at the class certification apple."

"Under the status quo, securities defendants already have ample, meaningful opportunities to rebut price impact, succeeding — in whole or in part — in nearly half of cases where defendants have argued mismatch," the investors told the court.

Zillow's arguments for Supreme Court review "all rest on a single, demonstrably false premise — that the Ninth Circuit reduced price impact to a categorical 'general subject matter' match," investors argue.

Investors sued Zillow in 2021, accusing the real estate listing site of doubling its home acquisitions earlier that year after telling shareholders that the company's pricing models had improved. Three months later, the company shuttered its homebuying business and wrote down $568 million in inventory because the pricing models were not accurate, according to investors.

But the company said that it did not mislead investors by making generic statements prior to the write-down about improving its home pricing model. It added that its homebuying program encountered unexpected difficulties as the real estate market began to cool off in the summer of 2021.

Further, Zillow said its statements about ending the homebuying program don't mention its adoption of manual pricing adjustments or its home renovation policies, facts that investors allege were improperly withheld and led to the inflation of the company's stock price.

"Put differently, Zillow explained that none of the back-end statements 'actually corrected' the front-end statements, meaning the statements were too mismatched to use the inflation maintenance theory under this court's decision in Goldman," the company told the justices.

The Supreme Court is scheduled to decide whether to hear the case during its Sept. 28 conference.

Neither an attorney for Zillow nor an attorney for the investors immediately responded to a request for comment Wednesday.

Zillow is represented by Shay Dvoretzky, Peter Morrison, Virginia Milstead, Winston Hsiao and Parker Rider-Longmaid of Skadden Arps Slate Meagher & Flom LLP.

The investors are represented by Steve Berman, Sean Matt, Catherine Y.N. Gannon, Raffi Melanson, Lucas Gilmore and Reed Kathrein of Hagens Berman Sobol Shapiro LLP and Stacey Kaplan of Kessler Topaz Meltzer & Check LLP.

The case is Zillow Group Inc. v. Jaeger, case number 25-1365, before the U.S. Supreme Court.

--Editing by Daniel King.

Canadian Tech Co. Beats Investor Suit Over Alleged AI Hype

(August 12, 2026, 8:37 PM EDT) -- Canadian technology services firm Telus Digital has escaped a suit accusing it of misleading investors about its artificial intelligence capabilities, with a New York federal judge finding that the suit's challenged statements are inactionable.

U.S. District Judge Victor Marrero issued a **decision and order** Tuesday finding that none of the challenged statements in the suit are false or misleading.

Investors sued Telus International Inc. in January 2025 claiming the company's stock price fell 80% over a year and a half as the company struggled to pivot to an AI-centric business model. The investors say the company, which traditionally offered customer service support for call centers, shifted its focus to AI after buying Lionbridge Technologies Inc. in 2020.

Lionbridge provided an AI-based data annotation service, but Telus didn't have the personnel with the knowledge or expertise to actually develop the product or any other AI product the company wished to offer, the investors claim.

The employees were also diverted from working on Telus' traditional money-making products, like its customer service support, the investors contend. They argue all of this was going on behind the scenes while Telus' executives were publicly touting its "next-generation" AI solutions.

In arguing for dismissal last October, Telus **said** the suit fails to identify any fraud and is "fatally defective" because the company does, in fact, sell some AI products.

On Tuesday, Judge Marrero found that five of the suit's challenged statements are forward-looking and protected by the safe harbor provision of the Private Securities Litigation Reform Act since they are "merely disclosures of Telus' business and operational risks."

"The statements are not merely accompanied by meaningful cautionary language but instead constitute that cautionary language," the order stated. "As defendants argue, finding those statements actionable would convert the 'cautionary language into the fraud itself.'"

Next, the judge found that eight of the challenged statements in the complaint are inactionable because they are statements of opinion.

"For example, statements such as 'we have AI enablement competencies of consequence, and we are better positioned than most'… [and] 'we see meaningful opportunities being amplified by generated AI adoption'… express 'inherently subjective' assessments rather than facts," the order said.

The court also found several challenged statements to be corporate puffery and said other statements made about Telus' talent and personnel, its financial and business outlook, its AI capabilities and its cost-cutting initiatives were neither misleading nor false.

Judge Marrero also rejected the suit's claims that Telus' top brass knowingly made the alleged misleading and false statements, or acted with scienter.

For instance, the judge said, there is nothing suggesting Telus' former CEO Jeffrey Puritt knew or had access to information indicating his statements about the company's AI capabilities were false or misleading.

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

The investors are represented by Shannon L. Hopkins, Gregory M. Potrepka and Andrew E. Lencyk of Levi & Korsinsky LLP.

Telus and the individual defendants are represented by Audra J. Soloway and Emily M. Miller of Paul Weiss Rifkind Wharton & Garrison LLP. The case is Sarria v. Telus International (Cda) Inc. et al., case number 1:25-cv-00889, in the U.S. District Court for the Southern District of New York.

Jury Picked For Meta Social Media Addiction Trial

(August 12, 2026, 10:17 PM EDT) -- A landmark federal trial in California over allegations that Meta social media platforms harm children's mental health is ready to begin after a jury was impaneled Wednesday — a selection process in which no prospective juror would say that Facebook or Instagram are safe for kids.

U.S. District Judge Yvonne Gonzalez Rogers of the Northern District of California swore in the jury at the end of the daylong jury selection process in Oakland, California. Opening statements in the potentially trillion-dollar trial are scheduled for Tuesday.

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

The **high-stakes** court challenge involves **state-specific** consumer protection claims brought by four states against Meta: Kentucky, California, Colorado and New Jersey. Additionally, attorneys general from 29 states claim Meta violated the federal Children's Online Privacy Protection Act.

The jury's role is advisory, and the judge told the parties Wednesday morning, outside the presence of the prospective jurors, that she had not yet decided whether the jury will also determine potential penalties.

"The trial concerns two kinds of claims against Meta, which operates Facebook and Instagram," Judge Gonzalez Rogers told the group of about 70 prospective jurors.

All 29 states accuse Meta of violating COPPA by improperly collecting personal information from children under 13 without parental consent, the judge told the jury candidates. In addition, California, Colorado, Kentucky and New Jersey claim that Meta made deceptive statements about its platforms likely to mislead consumers and that its actions related to features on the platforms constitute unfair and unconscionable tactics.

"Meta claims it did satisfy COPPA and denied the statements the AGs are suing over are deceptive or are likely to mislead," the judge told the prospective jurors, "and deny that any of its actions related to [the platforms'] features are either unfair or unconscionable."

For the first portion of the morning, Judge Gonzalez Rogers asked prospective jurors about potential hardships to jury service, their use of Facebook and Instagram, whether they owned individual stock in Meta, and if they'd heard about any of the previous lawsuits against the social media giant. She also asked jurors for their thoughts on social media and its impact on adolescents and whether they had views on whether the social media platforms should be limiting or installing programs to limit how children use them.

Then Judge Gonzalez Rogers let a lawyer for the state and one for Meta ask follow-up questions.

"They would love to have hours with all of you," the judge said. "They're not getting it. They're getting 15 minutes [each]."

Jason Slothouber of the Colorado Attorney General's Office, first asked whether any juror had a concern about states filing lawsuits to enforce their consumer protection laws or COPPA. No one raised their hand. He later reminded the jury candidates that the case is about kids.

"No one here is trying to change the way you adults use your Instagram or Facebook in any way," Slothouber said.

He then asked if anyone held the opinion that "Instagram and Facebook are safe for kids." Again, no one raised their hand.

The Colorado attorney then noted that some prospective jurors had expressed the opinion that if a child is having problems with social media, there's shared responsibility between their parents and the company.

"I don't think anybody here is going to disagree with that," Slothouber said. "Is there anybody who thinks that if a kid is having problems with social media that it's only their parent's responsibility?"

One man raised his hand.

"Who thinks it's the majority, the parents' responsibility, if the kid has problems with social media?" Slothouber asked. This time about a dozen people raised their hands.

One man said while Meta has some responsibility, it was up to parents "to be in tune with our children; it's not your job to raise my kid."

The man was not selected for the jury.

Another man said parents should be responsible for their kids' behaviors but called it a challenge, citing social media and peer pressure as being powerful influences on kids.

Meta and other social media platforms can "make it easier for us to manage our kids," the father said.

He was later selected for the jury.

A lawyer for Meta, Brian Stekloff of Wilkinson Stekloff LLP, told the prospective jurors that Meta took its safety responsibilities seriously.

"One thing that will not be in dispute is that Meta has a responsibility for the safety of its platforms," Stekloff said.

The lawyer for Meta used his 15 minutes to target questions at jurors who had expressed strong opinions against Meta or a belief that youth mental health concerns could be linked to social media.

One parent of a teenager said he'd have a hard time setting aside the latter thought.

"I have a teenager, and I think about this a lot," the man said. "So I have a very strong opinion based on personal experience."

He was not selected for the jury. Another man who did not make the cut said he had concerns that Meta operates in a way that disseminates disinformation and suppresses information.

Several prospective jurors said they felt Meta was more responsible for adolescent mental health concerns than other factors.

Stekloff concluded by telling the prospective jurors if they were chosen, they needed to remember that the attorneys general have the burden to prove their claims. He added that the states would get to present their evidence first and that it could be weeks before Meta could present its defense.

"There are two sides to every story," the Meta lawyer said.

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

During a pretrial hearing last month, Judge Gonzalez Rogers found fault with both sides' **penalty estimates**, saying the states' $1.4 trillion proposal is "unreasonable" but Meta's $4 million estimate "is not even a slap on the hand."

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

On Monday, the Ninth Circuit **rejected a bid**by Meta and TikTok 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 was not persuaded.

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."

On Tuesday, 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," the company said. "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."

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

Albertsons Judge Hears Testimony On Rx Opioid, Abuse Link

law360.com/articles/2512727

(August 12, 2026, 10:35 PM EDT) -- An "undeniable" causal link exists between excess prescription opioids and problem use of drugs such as heroin and fentanyl, an expert witness testified during a bench trial Wednesday in Washington's lawsuit accusing Albertsons of fueling the state's overdose crisis by irresponsibly dispensing opioids.

"My evaluation of the literature as well as the consensus of the field overall," said Columbia University epidemiology professor Katherine Keyes, "is that the supply of prescription opioids was the dominant driver and the instigator of the epidemic of opioid use disorder and opioid-related overdose in Washington."

Keyes spoke on Day 19 of a trial in which Washington is trying to prove its **2022 claims** that Albertsons Cos. Inc. and subsidiary Safeway Inc. exacerbated the state's overdose epidemic by failing to appropriately investigate and report suspicious opioid prescriptions.

While Washington's overdose deaths began spiking around 2019, Keyes said the state's surfeit of prescription opioids dating to the early 2000s was a main contributor to what she described as a "three-wave epidemic" that killed tens of thousands of Washingtonians.

What began as "a rapid proliferation and distribution of prescription opioids" in the 2000s subsequently led to an increase in heroin-related deaths as users sought out non-prescription alternatives, the professor testified. That heroin epidemic then "transitioned into a synthetic opioid epidemic," she said, with people turning to fentanyl and related drugs in the mid-2010s.

"So really what we have is an intertwined, three-wave epidemic that began with and was catalyzed by the proliferation and distribution and oversupply of opioids into communities like Washington state," Keyes said.

"There was an oversupply of prescription opioids to Washington state that contributed to a wide range of harms to the community that remain ongoing," the witness concluded.

Cross-examining Keyes on behalf of Albertsons, attorney Jennifer Wicht of Williams & Connolly LLP pressed the epidemiologist about other risk factors related to problem drug use, such as historical use of other illicit drugs, past trauma, people's genetic vulnerability to opioid addiction and the diversion of prescription pills by family members and drug dealers.

"Sure, there's a whole range of environmental factors," Keyes replied. "But prescription opioid use is a causal risk factor for heroin use."

Wicht also asked the state's witness about how doctors and pharmaceutical companies may have contributed to the opioid crisis.

"One of the forces that caused the increase in opioid prescribing was a shift in treatment approaches within the medical community, correct?" the lawyer asked, noting that opioid prescribing became more common in the early 2000s for ailments like chronic and acute pain.

"Yes, as new medications became marketed and available, there were shifting treatment plans," acknowledged Keyes. She further agreed that the proliferation of opioid prescriptions contributed to the overdose epidemic.

"The volume of opioids that entered these communities occurred through the prescribing and distribution of opioids," the witness continued. "But I would agree with you that it begins with prescribing."

Keyes additionally agreed with Wicht's suggestion that a patient's prescriber "exclusively controls" the dosage and number of pills a prescription is written for.

Albertsons has argued that its filling of opioid prescriptions reflected doctors' own prescribing patterns, as the medical community first embraced opioids as a tool for treating pain but then later pulled back amid the growing overdose epidemic.

"As a pharmacy, we are a mirror of what the doctors are doing," the company's counsel said during **opening statements on July 13**. "We reflect it, we don't drive it."

Lawyers for Washington, however, have portrayed Albertsons and Safeway pharmacies as overworked and **critically understaffed**. The company was also **slow to identify and cut off patients and prescribers** despite red flags, the state has said.

King County Superior Court Judge Janet Helson **ruled in June** that Albertsons and Safeway had a duty to verify the legitimacy of opioid prescriptions given their role as dispensers of controlled substances. She also denied the companies' efforts to dismiss Washington's public nuisance and state Consumer Protection Act claims.

At trial, Washington is aiming to prove that the pharmacies were substantial factors in causing the overdose epidemic. The state is seeking damages to abate what it says are **community harms** stemming from the opioid crisis.

Washington is represented by Kelsey E. Endres, Jonathan J. Guss, Alison E. Cordova and Jonathan Tebbs of the Washington Attorney General's Office, Russell W. Budd, Christine C. Mansour, Michael Thakur, Daniel Alberstone, Mark Pifko, Peter Klausner, Evan Zucker, Jay Lichter, Elizabeth Smiley, Sterling Cluff, Catherine H. Dorsey and Marco A. Palmieri of Baron & Budd PC, Peter J. Mougey and Jeffrey R. Gaddy of Levin Papantonio Proctor Buchanan O'Brien Barr & Mougey PA, Kathleen Clark, Amy Quezon and Allan J. Elkins Jr. of McHugh Fuller Law Group, Anthony J. Majestro, Christina L. Smith and Graham B. Platz of Powell & Majestro PLLC, and Mildred S. Conroy of Simmons Hanly Conroy LLP.

Albertsons Cos. Inc. and Safeway Inc. are represented by Mary Re Knack and Alexandrea M. Smith of Ogden Murphy Wallace PLLC, George A. Borden, Olivia L. Campbell, Richard S. Cleary Jr., Sarah S. Gallant, William Hawkins, Loryn Helfmann, Enu A. Mainigi, Carl Metz, Steven M. Pyser, Jennifer Wicht and Jack H. Danon of Williams & Connolly LLP, and Francis A. Citera, Gretchen Miller, Emily Mankowski, Brett Doran, Meredith Mandell, Linda Ricci, Bryan Harrison, Akiesha Sainvil and Christopher Torres of Greenberg Traurig LLP.

The case is Washington v. Rite Aid Corp. et al., case number 22-2-20910-1, in King County Superior Court.

--Additional reporting by Lauren Berg. Editing by Emily Kokoll.

Cloudflare Investors Seek Block On Founder Control Plan

law360.com/articles/2512413

(August 12, 2026, 9:57 PM EDT) -- Cloudflare stockholders urged the Delaware Chancery Court on Wednesday to block a recapitalization that would let the technology company's co-founders sell billions of dollars in stock while retaining voting control, while the company argued the plan is a fair effort to keep its longtime leaders engaged.

During a hearing, plaintiffs' attorney Edward G. Timlin of Johnson van Kwawegen LLP told Vice Chancellor J. Travis Laster that the plan gives co-founders Matthew Prince and Michelle Zatlyn a valuable benefit at the expense of public stockholders and resulted from a flawed special committee process.

"The result is a transaction that, at trial, we will prove is the product of a non-independent process struck at an unfair price," Timlin said.

Brad D. Sorrels of Wilson Sonsini Goodrich & Rosati PC countered for Cloudflare and other defendants that the committee was independent, negotiated meaningful concessions and reasonably concluded keeping the founders involved was important to the company's future.

Cloudflare went public in 2019 with Class A shares carrying one vote each and Class B shares carrying 10 votes each. As Prince and Zatlyn converted and sold Class B stock, their voting power declined. The challenged recapitalization would replace substantially all of their Class B shares with Class A stock and Series FF preferred shares carrying nine votes each, while also creating nonvoting Class C shares. Stockholders sued in June to stop the plan.

Plaintiffs say the new structure would dramatically expand how much stock the founders can sell without surrendering control. Their briefing says Prince and Zatlyn could sell more than $4.7 billion in shares without losing majority control under the recapitalization, compared with about $449 million under the existing structure. Roughly 80% of unaffiliated stockholders who voted opposed the plan, according to the plaintiffs.

At Wednesday's hearing, Timlin focused heavily on Delaware's recently amended Section 144, arguing its protections do not apply because the recapitalization was designed to delay or prevent a change of control. He also challenged the independence of special committee members Scott Sandell and Karim Lakhani, citing their professional relationships with the founders, and argued the committee failed to extract enough value in return for extending the founders' control.

The plaintiffs also pointed to communications conducted through automatically deleting Signal channels after litigation was anticipated. Their briefing says messages concerning pressure Prince placed on the committee were lost, and Timlin argued the missing evidence strengthens the stockholders' case for an injunction.

Sorrels said the evidence instead showed a months-long process by an independent committee trying to solve a legitimate business problem: retaining Prince and Zatlyn as Cloudflare entered what directors viewed as a critical period for artificial intelligence. He noted Cloudflare's stock rose from its $15 IPO price to about $315 Wednesday and argued directors reasonably attributed much of that success to the founders.

Sorrels also rejected attacks on the committee members' independence, describing their ties to the founders as ordinary professional relationships. He argued Section 144 applies and creates a heightened presumption of independence that plaintiffs had not overcome.

"There's no evidence that this impedes a passage of control to public stockholders," Sorrels said. "What we're talking about is replacing the existing sunset with a different set of sunsets that better meet the company's objectives."

Vice Chancellor Laster repeatedly questioned counsel about how the amended Section 144 should work, including what lawmakers meant by a "heightened presumption" of director independence and what evidentiary burden applies at the preliminary-injunction stage.

The court also heard argument on cross-motions for summary judgment over a separate charter question. Stockholders contend the recapitalization is "inconsistent" with Cloudflare's existing dual-class structure and therefore requires a two-thirds vote under Article 10 of the company's charter. That issue received less argument Wednesday than the injunction fight.

Vice Chancellor Laster did not rule from the bench on the motions.

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

The stockholders are represented by Jeroen van Kwawegen, Daniel E. Meyer, Margaret Rockey, Edward G. Timlin, Christopher J. Orrico and Aasiya Mirza Glover of Johnson van Kwawegen LLP, Jason Leviton, Micah McCreary, Kimberly A. Evans, Lindsay K. Faccenda, Robert Erikson and Daniel M. Baker of Block & Leviton LLP, John Vielandi, Ned Weinberger, Brendan W. Sullivan and Ryan C. Stieve of Labaton Keller Sucharow LLP, Jeremy Friedman and David Tejtel of Friedman Oster & Tejtel PLLC and D. Seamus Kaskela and Adrienne Bell of Kaskela Law LLC.

The defendants are represented by Brad D. Sorrels, Andrew D. Cordo, Nora M. Crawford, Mallory V. Phillips, Jacqueline G. Conner and Jillian Patterson of Wilson Sonsini Goodrich & Rosati PC, Charles P. Wood, Michael A. Pittenger, T. Brad Davey, Christopher N. Kelly and Samuel G. Gustafson of Potter Anderson & Corroon LLP and Alexandra M. Cumings, Ryan D. Stottmann, Nicholas Gottemoller and Elaine M. McCabe of Morris Nichols Arsht & Tunnell LLP.

The case is In re: Cloudflare Inc. Stockholders Litigation, case number 2026-0772, in the Delaware Chancery Court.

--Editing by Marygrace Anderson.

Apple Gets Brief Pause In App Store Case From High Court

(August 12, 2026, 7:33 PM EDT) -- The U.S. Supreme Court issued a brief stay Wednesday in a case from Epic Games targeting Apple's App Store policies, after the district court refused to put the case on hold while the justices review a contempt order against Apple.

Justice Elena Kagan issued an order Wednesday imposing an administrative stay in the case until 5 p.m. ET Thursday. The order did not provide any explanation or rationale.

Apple filed an emergency application earlier Wednesday asking Justice Kagan to stay the proceedings in California federal court, pending an outcome on the Supreme Court's review of the contempt order.

The justices agreed in June to take up Apple's challenge of a contempt order issued for allegedly violating a ban on policies that prevent app developers from steering users to outside payment options by charging a commission on purchases made through links.

Apple's application for a stay said U.S. District Judge Yvonne Gonzalez Rogers refused to pause the case following a brief hearing Tuesday and ordered Apple to justify the commission it charges for outside purchases by Wednesday night.

"Apple therefore has been left with no practical choice but to file this emergency application directly with this court to ensure that this court can complete its review of the threshold question presented before any remand proceedings under the Ninth Circuit's decision commence," Wednesday's application said.

Apple said the Supreme Court granted its petition to address whether the Ninth Circuit applied the right standard when it found Apple acted in contempt by charging a "prohibitive" commission on linked purchases.

The district court, meanwhile, is forcing Apple to submit to an evidentiary hearing to amend the contempt order and set the commission rate, under a framework decided by the Ninth Circuit ruling that's being challenged, the application said.

"These extraordinary circumstances warrant immediate intervention from this court," Wednesday's application said. "If this court reverses the Ninth Circuit's decision affirming the district court's contempt finding, there will be no justification for any remand proceeding to set Apple's commission rate."

Judge Gonzalez Rogers issued a two-page order Tuesday, saying the Supreme Court's grant will not "substantially impact the factual issues" that need to be resolved to ensure compliance with the injunction.

"A stay prejudices plaintiff and others, while allowing Apple to continue to frustrate the injunction," the order said. "There is relatively little harm to Apple."

Judge Gonzalez Rogers added that fact-finding mandated by the Ninth Circuit will take place regardless of the Supreme Court's ruling, so a stay would not save a significant amount of judicial resources.

She also noted Apple's "propensity to delay," saying the phase will likely take time and that "further delay is unwarranted."

The Supreme Court is already examining an order was issued by Judge Gonzalez Rogers after she found last year that the technology giant had failed to comply with an earlier ruling that prevented it from charging "prohibitive" commissions on out-of-app purchases steered from in-app links.

Epic has also brought federal antitrust claims against Apple, including that it charged a 30% commission on most in-app purchases, but Judge Gonzalez Rogers **rejected** them following a bench trial, while finding that the antisteering rules violated California's Unfair Competition Law.

The Supreme Court **declined petitions** from both companies contesting aspects of the original ruling in January 2024, after the Ninth Circuit largely affirmed the district court's findings.

Judge Gonzalez Rogers found last year that Apple **violated her order** barring the antisteering rules by imposing new restrictions and a 27% commission on purchases made through links. She then **referred the case** to the U.S. Attorney's Office for the Northern District of California to investigate whether the violation should be met with criminal contempt proceedings.

A Ninth Circuit panel **mostly upheld** a new injunction, but the judges agreed with Apple that certain restrictions, including a ban on commissions for linked purchases, were punitive and overbroad. The panel then directed the lower court to modify the injunction, including by determining a nonprohibitive commission.

The Ninth Circuit initially agreed to stay its mandate but **reversed course**. The Supreme Court then **refused to stay** the mandate.

Apple said in Wednesday's application that the justices have now agreed to review the contempt standard applied by the Ninth Circuit and argued that the contempt findings are the only basis for the court's current effort to determine a reasonable commission rate. That means if the court finds the contempt order was improper, Apple said there will be no basis for the remand proceedings at all.

"The district court should not be permitted to leapfrog this court's merits review to undertake a complex — and potentially unnecessary — remand proceeding," Wednesday's application said. "A stay is urgently warranted."

Apple also pushed back against contentions that it has been delaying enforcement of the injunction, calling the accusations "distorted."

"All Apple has done is exercise its right to appellate review of a serious sanction that jeopardized an important part of its business," the application said.

Representatives for Apple and Epic Games did not immediately respond to requests for comment Wednesday.

Apple is represented by Gregory G. Garre, Roman Martinez, Sarah M. Ray, Ben Harris and Soren J. Schmidt of Latham & Watkins LLP.

Epic Games is represented by Gary A. Bornstein, Yonatan Even, Lauren A. Moskowitz, Michael J. Zaken and M. Brent Byars of Cravath Swaine & Moore LLP, Paul J. Riehle of Faegre Drinker Biddle & Reath LLP, and Kevin Russell and Daniel Woofter of Russell & Woofter LLC.

The case is Epic Games Inc. v. Apple Inc., case number 4:20-cv-05640, in the U.S. District Court for the Northern District of California.

The application for a stay is Apple Inc. v. Epic Games Inc., case number 26A194, in the U.S. Supreme Court.

--Additional reporting by Bryan Koenig, Lauren Berg, Dorothy Atkins and Craig Clough. Editing by Jay Jackson Jr.

NCAA Age Rule Illegally Cuts Athletes' Careers, Suit Says

law360.com/articles/2512222/ncaa-age-rule-illegally-cuts-athletes-careers-suit-says

(August 12, 2026, 7:56 PM EDT) -- Three Division I athletes alleged the NCAA's new age-based eligibility rule unlawfully cuts short some athletes' eligibility to compete, according to a proposed class action filed in Colorado federal court.

DeJuan Campbell, Laila Jewett and Sebastian Mexico **said** in the suit filed Monday that the rule, adopted in June, violates the Sherman Act by restraining competition and protecting the NCAA's monopsony power over Division I athletes' services.

The athletes say the NCAA controls the market in which Division I players compete for roster spots and compensation. They allege the rule shuts some athletes out of a fifth season and the scholarships, name, image and likeness deals and revenue-sharing payments that can come with it.

"The age-based rule thus bans athletes from competing not because of injury, misconduct, or academic ineligibility, but because of limits unilaterally and arbitrarily imposed by the NCAA," the athletes said.

The rule allows five seasons of competition within a five-year window that begins at first full-time college enrollment or the academic year after the athlete turns 19, whichever comes first. It allows exceptions for pregnancy, an official religious mission or similar service commitment, and active military duty, the complaint said.

The athletes alleged the rule eliminates hardship waivers and medical redshirting, meaning athletes cannot extend their eligibility for such reasons as season-ending injuries, serious family circumstances or financial difficulties. They contend the exceptions the NCAA retained undermine any justification for an age-based cutoff.

Under transition provisions, athletes with eligibility remaining after the 2025-26 academic year and those enrolling during the 2026-27 school year may abide by whichever rule is more beneficial. But athletes who completed their fourth season by spring 2026 are not entitled to a fifth season because the new rule is not retroactive, according to the complaint.

A Colorado federal judge preliminarily blocked the NCAA on July 31 from enforcing the rule against athletes who began competing in 2022-23 and completed four seasons by the end of 2025-26. The NCAA appealed Aug. 3.

Campbell belongs to the class covered by that injunction, but his school, University of California, Berkeley, said it would await the appeal's outcome before acting, according to the complaint. He was also told the NCAA does not plan to open the transfer portal, leaving athletes who missed the April 2026 deadline unable to seek a fifth season elsewhere.

Campbell, who began his collegiate career with Western Carolina University, finished his fourth season of Division I basketball and graduated in 2026.

Jewett played basketball at the University of Central Florida and Georgetown University for four seasons over a five-year period. Now a University of Florida graduate student, she says the school has promised her a roster spot, full scholarship and significant revenue-sharing compensation if she is declared eligible for 2026-27.

Mexico, a Division I baseball player with [Fordham University] and Louisiana Tech University, did not enroll for 2023-24, instead working full-time to pay for his education and training at a baseball development facility, before exhausting four seasons of eligibility by the end of 2025-26, the complaint said.

The athletes seek to represent a damages class of students nationwide who exhausted four years of Division I eligibility by the end of 2025-26 and are barred from a fifth season. They also proposed a narrower injunctive class covering similarly situated athletes who began college competition before 2022-23, designed to avoid overlap with the class covered by the July 31 injunction.

The complaint seeks actual and treble damages and an order barring the NCAA from enforcing the challenged restrictions, including opening the transfer portal for eligible athletes.

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

Counsel for the NCAA was not immediately available Wednesday.

The athletes are represented by Justin N. Boley of Wexler Boley & Elgersma LLP.

The case is Campbell et al. v. National Collegiate Athletic Association, case number 1:26-cv-03635, in the U.S. District Court for the District of Colorado.

--Editing by Bruce Goldman.

PayPal Wins Final Dismissal Of Merchant Rules Antitrust Suit

law360.com/articles/2512730/paypal-wins-final-dismissal-of-merchant-rules-antitrust-suit

Sydney Price

(August 12, 2026, 6:52 PM EDT) -- PayPal on Wednesday beat for good a proposed class action over its alleged restrictive merchant agreements, with a California federal judge finding that the third version of the suit still fails to establish the consumers' standing to bring antitrust claims.

U.S. District Judge Jeffrey S. White said in the order dismissing the suit with prejudice that the plaintiffs still have not shown their alleged injuries are "sufficiently direct and nonspeculative."

Plaintiffs Christian Sabol and Samanthia Russell first launched their suit against PayPal more than two years ago, saying it is the dominant U.S. e-commerce payments provider and charges the highest transaction fees in the industry, around 3.5%. But its agreements "strictly prohibit" retailers from offering customers a discount if they use another, lower-fee payment method, the suit says.

Judge White **previously determined** that since the consumers did not include any information about PayPal's rival platforms, the court cannot reasonably infer that PayPal is the dominant payment platform in that market.

Additionally, to make a claim under the Sherman Act, the suit must show the significance of the passed-on transaction fees "relative to the other numerous pricing factors for any goods or services plaintiffs allegedly purchased," Wednesday's order said. But the recent amendments to the suit do not remedy the pleading deficiencies, Judge White said.

"[A]s the court previously stated, at least some of the sources cited by plaintiffs in the [second amended complaint] about the ecommerce market suggest other costs may be as high or higher than transaction fees," the order stated.

The suit targeted merchant agreements with countless online retailers that accept PayPal or Venmo, the mobile wallet app PayPal also owns. The consumers sought to represent a national class and subclasses of consumers who used a payment method other than PayPal to make a purchase from merchants that accepted PayPal as one means of payment.

PayPal argues in a January **motion to dismiss** the suit that the consumers did not explain how their alleged injuries stemmed from PayPal's purported conduct, and that they did not identify which products or services they purchased, what the prices were or from where they bought them.

Judge White sided with PayPal again Wednesday, saying the plaintiffs have failed to sufficiently describe the overcharges they claim they were subject to, which is necessary to establish jurisdiction under the Class Action Fairness Act.

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

The consumers are represented by Ben M. Harrington, Abby R. Wolf and Barbara A. Mahoney of Hagens Berman Sobol Shapiro LLP, and Brian D. Clark and Arielle S. Wagner of Lockridge Grindal Nauen PLLP.

PayPal is represented by Patrick T. Hein, Adam S. Hakki and Richard Schwed of Allen Overy Shearman Sterling.

The case is Christian Sabol et al. v. PayPal Holdings Inc. et al., case number 4:23-cv-05100, in the U.S. District Court for the Northern District of California.

--Editing by Kristen Becker.

Spotify Urges Permanent Toss Of Rapper's Bot-Streaming Suit

law360.com/articles/2512544/spotify-urges-permanent-toss-of-rapper-s-bot-streaming-suit-

(August 12, 2026, 6:14 PM EDT) -- A rapper alleging that Spotify allows fraudulent bots to manipulate streaming data once again failed to show how his commercial association with the platform ascends to a "special relationship" under California law, Spotify said in a motion to permanently dismiss the amended complaint filed Tuesday.

The streaming platform **told a California federal judge** it was never involved a direct, contractual relationship that would allow Eric Dwayne Collins, the rapper bringing the suit who goes by RBX, to pursue his claims that Spotify allows bots to artificially beef up streaming data for established artists, giving them inflated royalties over lesser known acts.

"Spotify's superior access to streaming data and control over its platform does not, by itself, create the dependence and vulnerability required to establish a duty creating a special relationship," the platform said.

Spotify said it cannot prevent the third-party bots from infiltrating its platform and is not obligated to protect artists with a financial interest in their stream numbers from the consequences of the inaccurate data.

"Spotify has no control over the bad actors that are responsible for artificial streaming, let alone the high degree of control required to give rise to a duty to protect third parties from them," the platform said.

Collins said Spotify's inadequate attempts to rid the platform of these bots shorted him on revenue from his streams because the bots favor A-list celebrities, violating California's Unfair Competition Law.

The streaming service urged U.S. District Judge Josephine L. Staton to dismiss the "filler, conclusory arguments, and legally immature factual asserts" brought in the revised complaint, saying Collins' "allegations were not good enough before, and they are no better now."

Spotify pointed to Judge Staton's previous ruling dismissing the case with room to amend, which found Spotify's hypothetical ability to extinguish the bots from its platform and enforce its terms of service doesn't establish a "special relationship" with the rapper.

The motion cited a separate California case, Jackson v. Airbnb Inc., that found negligence claims could not be brought against the rental service after a crime was committed at an Airbnb property, ruling a "special relationship" was not formed if the platform only provided an opportunity for misconduct without engaging with it directly.

Spotify also said statements it made about its efforts to combat artificial streams are not false or misleading simply because fake streams still occur on the platform, as Collins claims, and the amended complaint "leaps to the conclusion" that "Spotify's statements and efforts to detect and neutralize the downstream effects of artificial streaming are false."

Spotify said Collins' claims invite "the court to fill in the gaps by imagining that, because Spotify has stated that it engages in efforts to reduce fraud ... Spotify should be understood to promise that its efforts to combat artificial streaming are 100% effective."

In an emailed statement, Collins' counsel Mark Pifko of Baron & Budd PC said Spotify's "motion recycles the arguments from its initial motion to dismiss and ignores the substantial additional allegations provided in plaintiff's amended complaint, which addressed the issues identified in the court's ruling. We look forward to filing our opposition briefs in the coming weeks and, ultimately, addressing the massive fraudulent scheme at issue in this case."

But Spotify said Collins should "not now be afforded a third chance at the same goal."

A representative for Spotify did not immediately respond to request for comment Wednesday.

Collins is represented by Daniel Alberstone, Mark Pifko, Marco A. Palmieri and Peter Klausner of Baron & Budd PC and Anthony Irpino and Pearl Robertson of Irpino Law Firm LLC.

Spotify is represented by Matthew D Ingber, Michael Anthony Calvanico and Allison M. Aviki of Mayer Brown LLP, Daniel E Jones and Archis A. Parasharami of Skadden Arps Slate Meagher and Flom LLP and David Aaron Grossman of Loeb & Loeb LLP.

The case is Eric Dwayne Collins aka RBX v. Spotify et al., case number 2:25-cv-10525, in the U.S. District Court for the Central District of California.

--Editing by Stephen Berg.

Deal Reached In Class Action Over Botched Calif. Bar Exam

(August 12, 2026, 2:04 PM EDT) -- A settlement has been reached in a proposed nationwide class action brought by bar applicants against the proctor of the botched February 2025 California bar exam, one month after the California State Bar settled its claims against the proctor.

U.S. District Judge Jon S. Tigar stayed the case Tuesday, after the bar applicants and ProctorU Inc., which does business as Meazure Learning, told the U.S. District Court for the Northern District of California they had reached an agreement in principle to end claims for compensatory damages filed in the immediate wake of the exam.

Test-takers Laura Perjanik, Samuel McClain and Victoria Tulsidas **first launched** their lawsuit in February 2025, with additional named plaintiffs Katrina McDowell, Jenny Ayoub, Tamir Sukkary and Edino Cole later joining the action. They sought to represent those who sat for the exam, alleging it was marked by technical failures, including server crashes, malfunctioning processor tools, confusing or erroneous questions, and unprofessional proctoring.

The bar applicants' case has **been paused** since April 2026, when the proposed class and Meazure entered mediation.

The mediation was successful, and the two sides are "currently memorializing their agreement" and "intend to move for preliminary approval" within the next few weeks, according to the **joint stipulation**.

Details of the potential settlement were not immediately available.

On July 13, the State Bar of California **agreed to end** its breach of contract and fraud claims against Meazure, after the proctor agreed to pay the state bar $5.25 million and waive an outstanding invoice of $1.36 million.

Both deals follow the publication of a report by the California state auditor, **which found** the remote exam, instituted as a cost-saving measure, ended up costing the state bar millions of dollars more than previous exams. The report indicated issues with the exam could be traced back to a shortened deadline for hiring a contractor to draft questions and the bar's failure to independently verify if Meazure was up to the task.

In his order Tuesday, Judge Tigar gave the two sides until Sept. 11 to finalize their settlement and file for preliminary approval.

Counsel for the proposed class and Meazure did not immediately respond to requests for comment Wednesday.

ProctorU is represented by Christopher J. Esbrook, Stephen R. Brown and Laura Newcomer Cohen of Esbrook PC and Emma Leheny of Potomac Law Group PLLC.

The test-takers are represented by Katherine M. Aizpuru, Lavanya Prabhakar and Annick M. Persinger of Tycko & Zavareei LLP and Joseph G. Sauder and Joseph B. Kenney of Sauder Schelkopf LLC.

The case is In re: ProctorU California Bar Exam Litigation, case number 4:25-cv-02095, in the U.S. District Court for the Northern District of California.

--Additional reporting by Matt Perez and Andrea Keckley. Editing by Covey Son.