Appeals court: Meta can’t use user agreement arb clause to beat ads class action

Legal News Line

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Body

CHICAGO — Facebook- and Instagram-parent company Meta can't use a user agreement to thwart lawsuits from local publishers and broadcasters who claim the tech giant has used market data misrepresentations to lure advertisers away from the traditional advertising outlets and onto Facebook, in particular.

On Aug. 27, a three-judge panel of the U.S. Seventh Circuit Court of Appeals sided with Alton-based radio broadcasting company Metroplex Communications, allowing the company's class action lawsuit to move ahead against Meta.

The ruling upheld the decision of southern Illinois federal judge, U.S. District Judge Staci M. Yandle. It was authored by Seventh Circuit Judge Nancy Maldonado. Judges Candace Jackson-Akiwumi and Doris Pryor concurred in the appellate ruling.

In the ruling, the Seventh Circuit judges agreed federal law does not allow Meta to use a user services agreement to defeat any lawsuit filed against the company by anyone who may have ever used Facebook or one of its social media properties.

Metroplex has been in court against Meta since 2022, when it filed a class action lawsuit against the California-based tech company best known for its operation of the Facebook and Instagram social media platforms.

Metroplex is represented in the action by attorneys from the firms of Goldenberg Heller & Antognoli, of Edwardsville; and Margulis Gelfand, of Clayton, Missouri.

Metroplex owns and operates a local news website and three Metro East radio stations, MyMix 94.3 FM; and WBGZ 107.1 FM and 1570 AM, all based in Alton. In addition to selling and publishing advertisements on its website and radio stations, court documents say the company also sells and places ads in local print publications, as well.

However, Metroplex claims Meta has undercut its advertising business by allegedly unfairly luring prospective advertisers away from traditional outlets and onto platforms like Facebook.

Specifically, in its lawsuit, Metroplex claims Meta has engaged in alleged anticompetitive practices in violation of federal antitrust law by allegedly exaggerating the actual market reach of advertisments posted to Facebook and other Meta-owned properties.

Metroplex sought to expand the action to include a class of other small publishers and broadcasters who they say Meta has allegedly similarly wronged.

In response, Meta sought to dismiss the lawsuit, asserting Metroplex can't sue Meta because the dispute actually belongs in private arbitration, and not in court. Meta claimed that outcome is dictated by its user agreement, which generally requires disputes between Meta and social media users into binding arbitration, rather than in court.

Meta asserted that since Metroplex has placed ads on Facebook, it can't now sue Meta over its advertising practices.

However, judges hearing the dispute have said the user agreement's mandatory arbitration provision doesn't apply in this dispute.

In the appellate ruling, Judge Maldonado noted Metroplex did not sue Meta as an advertiser, but rather "as a competitor vying for ad purchasers."

So, the judges agreed that endorsing "Meta's reading" of the arbitration agreement under the law would lead to "absurd results" the courts cannot endorse, including potentially shielding Meta from all lawsuits, no matter the alleged harm committed by Meta.

"Taken to its logical end, Meta’s reading would require any party that has ever advertised on Facebook to arbitrate any claim that touches, however tangentially and indirectly, on Meta’s ad practices," Maldonado wrote in the appellate decision.

"We decline to adopt an interpretation that would transform a commercial terms agreement into a sweeping waiver of judicial recourse for all claims against Meta."

Meta is represented in the action by attorneys from the firm of Latham & Watkins, of Chicago; San Francisco; and Washington, D.C.

Load Date: August 31, 2026

Bloomberg Law

Manage Newsletters

California Business Lobby Notches Win on Antitrust Law Expansion

Aug. 28, 2026, 10:52 AM PDT

Summary by Bloomberg AI

AI Generated

- Business interests scaled back a California proposal to expand the state's antitrust laws, with new amendments stripping out some provisions.
- The core of the measure remains intact, allowing the state attorney general and county district attorneys to sue over the conduct of individual firms if they have substantial market power.
- The bill still needs approval from both houses before the Monday deadline and would need to be sent to Gov. Gavin Newsom's desk, with proponents anticipating it will pass.

Business interests scaled back a California proposalto significantly expand the state's antitrust laws, just days before the legislative deadline on Monday.

AB 1776 aims to broaden the scope of the state Cartwright Act, which focuses on actions of two or more companies, to cover anticompetitive conduct by individual companies. But new amendments added Thursday strip out some provisions that businesses have been railing against, including language that would have prohibited cross-market balancing and required courts to consider both pro-competitive justifications and anticompetitive conduct in the "same relevant market."

The core of the measure remains intact after negotiations. Under the current version, it would still allow the state attorney general and county district attorneys to sue over the conduct of individual firms, but without banning the courts from considering the company's conduct in a related market. They would have to prove in court a company has substantial market power.

Assembly Majority Leader Cecilia Aguiar-Curry (D), the bill's author, didn't immediately respond to a request for comment.

Opponents argued such restrictions are problematic in modern markets in which companies often operate in multiside environments and routinely subsidize one group of users with revenue from another. Without considering the full competitive context, companies could be exposed to antitrust liability even when they generate benefits for consumers in an adjacent market.

The California Chamber of Commerce, which launched a multimillion-dollar lobbying campaign against the bill, moved the measure off of its priority list of bills to kill following this week's amendments. It still opposes the measure.

"The voices of businesses from across the state have been heard loudly and clearly by their representatives in Sacramento. We applaud members of the California Senate, in particular, for working to address our concerns," the chamber said in a statement Friday.

Opponents earlier this month also pushed state senators to remove a provision allowing private parties to sue over actions of a single firm — a major point of contention for businesses.

The bill still needs approval from both houses before the Monday deadline and send them to Gov. Gavin Newsom's (D) desk. Proponents of the bill, who argued it would close a gap in current state rules and provide new tools to crack down on anticompetitive business practices, anticipate it will pass.

The California effort comes as several other states are also pushing to strengthen local antitrust and competition laws. Supporters of the California bill hope it would make it easier for the state attorney to pursue monopolization cases against major tech companies in the state, including Apple Inc., Alphabet Inc., and Nvidia Corp.

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Ninth Circuit gives bad beat to online sports-betting exchanges

courthousenews.com/ninth-circuit-gives-bad-beat-to-online-sports-betting-exchanges

SAN FRANCISCO (CN) — The Ninth Circuit on Friday dealt prediction markets a bad hand, with judges saying they saw little difference between a sports-betting platform and a designated contract market.

In one of three prediction-market cases decided Friday, a three-judge appeals panel affirmed a lower court's decision to dissolve a preliminary injunction that had favored KalshiEX. That injunction had stopped Nevada from regulating KalshiEX's sports- and election-event contracts on its designated contracts market.

KalshiEX, along with the North American Derivatives Exchange and Robinhood Derivatives, argued their sports event contracts fell under the oversight of the Commodity Futures Trading Commission, a federal agency. Nevada said the contracts intruded on state sovereignty, arguing little light existed between the exchanges' sports-event contracts and gambling.

The companies filed separate suits, which the appeals court consolidated for argument.

It appeared likely that the companies might roll snake eyes. In an April hearing, one judge called their arguments "sophistry to the nth degree."

On Friday, the judges showed they were not bluffing.

"We conclude that Kalshi has not shown a likelihood that the [Commodity Exchange Act] preempts state gaming regulations as applied to its sports-event contracts and that the district court did not abuse its discretion by dissolving the injunction," wrote U.S. Circuit Judge Ryan Nelson, a Donald Trump appointee.

The two other rulings, much shorter than the panel's 50-page KalshiEX ruling, also favored Nevada.

In his ruling, Nelson wrote his court has the power to determine what constitutes a "swap," or contract on the exchange. He noted that Nevada isn't challenging a commission decision about KalshiEX's contracts or arguing it violated the Commodity Exchange Act. Instead, the state wants to enforce its own law about what qualifies as a wager.

The act doesn't allow states to regulate swaps traded on a designated commodities market. Still, Nelson wrote that KalshiEX overplayed its hand when it argued state law is subordinate to all transactions on designated contract markets. He said that wasn't accurate, as spot contracts can be traded on those markets and don't fall under the commission's jurisdiction.

"Here, there is no dispute Kalshi's sports event contracts are traded on a DCM," Nelson wrote. "Thus, the dispositive issue is whether the sports event contracts are 'swaps' under the CEA's definition."

"The parties cite various legislative history to define swap. But we do not use legislative history to 'look over the heads of the crowd and pick out [our] friends,'" he added, citing former U.S. Supreme Court Justice Antonin Scalia.

Add to this an advertisement for KalshiEX, in which it calls itself "the first app for legal sports betting in all 50 states." Sports betting is a kind of gambling, Nelson wrote.

"The crucial context that leads us to resist the broadest possible reading is that Kalshi has a gambling problem," Nelson said. "Kalshi describes and markets its sports-event contracts offered on its DCM as 'legal sports betting.' Yet it argues that sports bets and sports-event contracts are different."

Nelson gave two examples: someone making a sports bet at a Las Vegas casino and getting more money than wagered when their team wins by over 7.5 points. He compared that to someone buying an event contract on the KalshiEX app and receiving more money in return if their choice team wins by over 7.5 points.

Both are gambling contracts, he added, meaning sports-event contracts are sports gambling, regardless of what KalshiEX calls them.

Affirming the lower court's decision to dissolve the preliminary injunction that stopped Nevada from enforcing its laws, the appeals panel remanded the state's challenge to KalshiEX's election contracts for consideration consistent with Friday's decision.

"We respectfully disagree with the court's decision today and intend to appeal," a Robinhood spokesperson said in a statement to Courthouse News. "As we've previously shared, every eligible customer should have access to these markets, which are federally regulated by the CFTC and offered through our CFTC-registered Futures Commission Merchant."

The Nevada Attorney General's Office, KalshiEX and North American Derivatives Exchange couldn't be reached for comment.

U.S. Circuit Judges Bridget Bade and Kenneth Lee, also Trump appointees, rounded out the panel.

Sixth Circuit revives tech group’s challenge to Tennessee social media law

courthousenews.com/sixth-circuit-revives-tech-groups-challenge-to-tennessee-social-media-law

(CN) — A Sixth Circuit panel on Friday reinstated a tech industry trade group’s challenge to a Tennessee law requiring age verification and parental consent for minors on social media.

The 2-1 decision by a three-judge panel vacates a Nashville-based federal court’s order denying a preliminary injunction to trade group NetChoice.

Writing for the majority, U.S. Circuit Judge Alice Batchelder said NetChoice claimed injuries — including the cost of compliance with the law and freedom of speech violations — need not be already underway for a party to seek relief.

“The act’s enforcement mechanism, combined with [Tennessee Attorney General Jonathan] Skrmetti’s statements made in the course of this litigation, indicate that NetChoice’s alleged harm — if arising from an actual violation of its members’ rights — is ’likely, not remediable at final judgment, and immediate,’” the George H.W. Bush appointee wrote.

Tennessee’s Protecting Children from Social Media Act, which went into effect in January 2025, requires interactive web platforms to verify user ages and obtain explicit parental consent before allowing users under 18 to create accounts.

The act also requires social media companies provide a minor account holder’s parents with supervision features, including options to view privacy settings, set time limits and implement breaks.

NetChoice — a trade association representing tech giants like Meta, X, Google and TikTok — sued Skrmetti in October 2024 to block the act’s enforcement.

NetChoice argues the mandate infringes on online free speech rights for minors and burdens businesses with compliance costs.

State attorneys have argued in this and in similar cases that NetChoice has no standing to bring legal action on behalf of the rights of children, and Skrmetti has long held that minors’ use of social media has negatively affected their social lives, schoolwork, sleep, sports, reading and other hobbies.

U.S. District Judge Eli Richardson previously denied NetChoice’s motion for a preliminary injunction in June 2025, concluding the group failed to prove that loss of First Amendment liberties or unrecoverable costs constituted an immediate harm.

The Donald Trump appointee dismissed the motion without weighing whether NetChoice was likely to succeed on the merits of its case, which Batchelder said was improper.

The Sixth Circuit panel stopped short of deciding itself whether Tennessee's law should be immediately blocked, instructing the federal court to assess the remaining preliminary injunction factors, including NetChoice's likelihood of success on the merits and public interest.

U.S. Circuit Judge Kevin Ritz, a Joe Biden appointee, joined Batchelder in the majority, while U.S. Circuit Judge Eric Clay dissented, arguing NetChoice failed to demonstrate imminent threat of harm.

"NetChoice has not shown that Tennessee has enforced the act or sent enforcement letters to any member," the Bill Clinton appointee said in his dissent. "NetChoice alludes to Skrmetti's enforcement of a similar law against a member but does not explain why that fact has any bearing on Skrmetti's intentions with respect to this act. The act does not contain a private right of action making enforcement more likely."

Friday's ruling marks the second case before the Sixth Circuit on social media limits for minors. An identical panel ruled 2-1 in June that NetChoice failed to prove a similar law passed in Ohio is unconstitutional.

NetChoice celebrated the ruling in a press release Friday as a clear victory for First Amendment rights.

"Tennesseans should not be forced to hand over their private information simply to access news, watch videos, connect with friends or engage in lawful speech online. We are pleased the Sixth Circuit recognized the serious harms posed by Tennessee's law, and we look forward to defending free speech, privacy and parental rights as our case returns to district court," Paul Taske, Director of the NetChoice Litigation Center, said in the release.

The Tennessee Attorney General's Office did not respond to an initial request for comment.

CVS Must Litigate Investors' AI Prior Authorization Allegations

Aug. 28, 2026, 8:39 AM PDT

Summary by Bloomberg AI

AI Generated

- CVS Health Corp. and former executives must defend against investor fraud accusations that the pharmacy giant hid how artificial-intelligence drove profitability with certain Medicare Advantage recipient coverage denials.
- Investors adequately alleged that CVS and the executives misled them through half-truths about its past use of AI for prior authorization reviews of coverage for post-acute care, the tool's financial impact, and phasing out its use.
- The judge said investors plausibly alleged losses over disclosures that a significant portion of CVS's revenue had come from AI applications to its prior authorization practices.

CVS Health Corp. and former executives must defend against investor fraud accusations that the pharmacy giant hid how artificial-intelligence drove profitability with certain Medicare Advantage recipient coverage denials.

Investors adequately alleged three ex-leaders recklessly omitted how much of a cost-saver AI was for prior authorization review, Judge Margaret M. Garnett said, partially sparing the proposed class action from dismissal.

The shareholders sufficiently pleaded CVS and the executives misled them through half-truths about its past use of AI for these reviews of coverage for post-acute care, the tool's financial impact, and phasing out its use, the judge said Thursday.

"The reasonable inference is that Defendants understandably would be hesitant to admit they were reaping massive cost savings by subjecting senior Americans with post-acute care needs to onerous prior authorization requirements and cutting costs through automation, and similarly would prefer not to highlight that ending those practices would reveal how much the company had profited from them," the US District Court for the Southern District of New York said.

And the investors leading the case, public pension funds and a transit authority, plausibly alleged losses over disclosures that a significant portion of CVS's revenue had come from AI applications to its prior authorization practices, Garnett said.

But the shareholders didn't adequately allege that CVS misrepresented complying with Medicare regulations or that it was using AI responsibly, she said.

None of the allegations suggested CVS illegally subjected too many claims to a prior authorization requirement or denied too many requests, nor that its use of AI was contrary to Medicare regulations, the judge said.

Nor did the investors sufficiently plead that executives knowingly or recklessly used stale patient utilization data in its healthcare benefits unit, which offers Medicare Advantage plans, for its 2024 financial guidance, Garnett said while shedding claims.

The proposed class targets investors who acquired CVS stock from Nov. 2, 2022, to Oct. 17, 2024.

Post-Acute Care

Recipients of Medicare — the government's insurance plan for seniors — may qualify for post-acute care, or recovery support after hospitalization. Private insurers offering Medicare Advantage plans, like CVS, can require that patients obtain prior authorization before providing certain post-acute care benefits.

CVS used AI to deny medically necessary claims and increase profits while misrepresenting the root of its financial success, the investor suit said. And before the federal agency that oversees Medicare implemented tighter requirements for Medicare Advantage providers in 2024, CVS allegedly sunsetted its AI programs.

These misrepresentations purportedly came to light when CVS released disappointing first quarter 2024 earnings that May and after a Senate subcommittee accused Medicare Advantage providers in an October 2024 report of using prior authorization to deny post-acute care coverage and boost profits.

Bleichmar Fonti & Auld LLP and Bernstein Litowitz Berger & Grossmann LLP are lead counsel for the investors. Wachtell, Lipton, Rosen & Katz represents CVS, the three former executives, and the ex-president of insurance subsidiary Aetna. None of these law firms nor CVS immediately responded to emails seeking comment.

The case is La. Sheriffs' Pension v. CVS Health Corp. , S.D.N.Y., No. 24-cv-05303, 8/27/26 .

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Intuit Hit with AI-Related Securities Suit

dandodiary.com/2026/08/articles/artificial-intelligence/intuit-hit-with-ai-related-securities-suit

The securities class action lawsuit filed against Intuit, Inc. on August 17, 2026, represents another notable development in one of the most significant securities litigation trends of the year. According to our count, the Intuit case is the 20th AI-related securities class action filed in 2026, underscoring the continued evolution of AI-related litigation beyond traditional allegations of AI-washing and overstated artificial intelligence capabilities.

Similar to the securities class action filed against ZoomInfo Technologies on July 13, 2026, the complaint against Intuit alleges that, while the company promoted the benefits of artificial intelligence, it failed to disclose the extent to which AI was simultaneously creating competitive pressures for key parts of its business.

A copy of the complaint filed against Intuit can be found here.

The Intuit Securities Class Action

Intuit is a Software-as-a-Service (SaaS) financial technology company best known for its portfolio of consumer and business software products, including TurboTax, QuickBooks, Credit Karma, and Mailchimp.

On August 17, 2026, a plaintiff filed a securities class action lawsuit against Intuit, Inc. and certain of its current and former executives in the U.S. District Court for the Northern District of California. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, alleging that the defendants made materially false and misleading statements and omissions concerning the company's business, operations, and prospects.

According to the complaint, Intuit repeatedly assured investors that Mailchimp was on track to return to double-digit growth and become a more valuable component of its small-business ecosystem. Plaintiffs allege these statements were misleading because the company failed to disclose the extent to which generative AI was creating competitive pressure on key businesses, particularly TurboTax, while Mailchimp's operational and growth challenges were more severe than publicly acknowledged.

On May 20, 2026, Intuit reported disappointing third-quarter results, disclosed that tax-season performance had fallen short of expectations, and announced a restructuring plan involving approximately 3,000 layoffs and up to $340 million in related charges. The company also said it would scale back investment in Mailchimp after the business failed to achieve projected growth targets.

Plaintiffs allege that these disclosures caused Intuit's stock price to decline by roughly 20%, with additional losses following a Goldman Sachs downgrade that cited rising competitive threats from AI-powered tax preparation services and concerns about Mailchimp's long-term performance. The complaint seeks damages on behalf of investors who purchased Intuit securities during the proposed class period.

Discussion

The lawsuit against Intuit represents another milestone in the rapid evolution of AI-related securities litigation and may provide additional lessons for D&O underwriters. While the first wave of AI-related lawsuits largely targeted alleged misrepresentations about AI capabilities and opportunities, the Intuit complaint advances a different theory: that management failed to disclose how advances in generative AI were creating competitive headwinds for key business lines.

This closely mirrors the recent allegations made against ZoomInfo Technologies and may signal the continued evolution of AI-related securities litigation. In both cases, plaintiffs do not claim that the companies misrepresented their AI strategies. Instead, shareholder plaintiffs allege that management failed to disclose how AI was disrupting existing business models, customer behavior, and competitive dynamics while publicly emphasizing the benefits of their AI initiatives.

The Intuit action is also noteworthy because it targets a company that many investors likely viewed as a beneficiary of AI-driven innovation. According to the complaint, Intuit repeatedly promoted its AI-enabled tools as a competitive advantage while allegedly failing to disclose the extent to which advances in generative AI were simultaneously increasing competition and threatening portions of its established business. Whether courts ultimately embrace that theory remains to be seen, but the complaint represents a logical extension of the approach first seen in the ZoomInfo litigation. Rather than focusing solely on allegations that companies overstated AI capabilities or opportunities, plaintiffs are increasingly scrutinizing whether issuers adequately disclosed AI-related competitive pressures, business risks, and operational impacts.

From a D&O underwriting perspective, the Intuit lawsuit may illustrate an important emerging AI-related risk. Underwriters may have initially focused on corporate disclosures regarding AI capabilities and AI-related opportunities. The Intuit and ZoomInfo complaints suggest that D&O exposure can arise from a different source: not from overstating AI's benefits, but from allegedly failing to disclose AI's adverse effects on the company's existing business. Companies that portray themselves as AI leaders or beneficiaries may face scrutiny if they fail to disclose the ways AI is disrupting customer behavior, pricing dynamics, competitive positioning, or demand for legacy products. As AI becomes increasingly embedded across industries, underwriters may need to evaluate not only a company's AI strategy, but also management's disclosure practices regarding AI-related threats to existing revenue streams and business models.

The case also highlights how AI-related securities litigation continues to expand beyond the initial flurry of "AI-washing" claims. Securities lawsuits filed in 2026 have involved AI infrastructure investments, AI spending and capital allocation decisions, operational execution risks, and broader disclosure issues relating to AI adoption.

For D&O underwriters, the key question may no longer be whether a company is using AI, but whether management is providing investors with a sufficiently complete picture of how AI is affecting the company's business model, competitive position, and future prospects. As AI continues to reshape industries, allegations involving inadequate disclosure of AI-related risks and disruptions may become an increasingly prominent feature of the securities litigation landscape.

It is also worth noting that the AI-related securities class action lawsuit tally discussed above does not include the growing number of AI-related shareholder derivative lawsuits that have been filed against companies and their directors and officers. High-profile derivative actions involving companies such as Adobe, Microsoft, Nvidia, and others reflect a parallel and significant AI-related litigation trend. Although derivative suits differ procedurally from securities class actions and therefore are not included in our count, they nevertheless underscore the breadth of AI-related corporate litigation risk. Any assessment of the overall AI litigation phenomenon should take these derivative actions into account, as they represent an important and increasingly active avenue through which shareholders are seeking to hold corporate leaders accountable for AI-related governance, oversight, and disclosure issues.

Short Squeeze Lawsuit Filed Against Pentwater Capital

dandodiary.com/2026/08/articles/market-manipulation/short-squeeze-lawsuit-filed-against-pentwater-capital

Over the past year, market-manipulation lawsuits have become a growing feature of the securities litigation landscape, with plaintiffs targeting alleged spoofing, short-selling, pump-and-dump schemes, and other trading-related misconduct. The latest such case, filed on July 31, 2026, in the Middle District of Florida, names hedge fund Pentwater Capital Management and its founder, Matthew Halbower, as defendants (Pentwater SCA). The complaint alleges that they manipulated the market for Avis Budget Group (Avis) shares by orchestrating a short squeeze and then selling into the resulting price spike.

Unlike pump-and-dump securities suits premised on allegedly false or misleading statements, the Pentwater SCA is based on the defendants' trading activity itself. The lawsuit arguably represents an example of a growing trend in market-manipulation-related securities class action litigation while underscoring an increasingly important issue for D&O underwriters: securities litigation risk arising not from disclosure deficiencies, but from market-structure and trading-related factors capable of driving extreme stock-price volatility.

A copy of the Pentwater SCA can be found here.

The Pentwater SCA

Plaintiff Khashayar Hakimian filed the Pentwater SCA against Pentwater Capital Management LP and its founder, Chief Executive Officer and Chief Investment Officer Matthew Halbower, on behalf of investors who purchased Avis securities between February 20, 2025, and April 21, 2026. The complaint alleges violations of Sections 9(a) and 10(b) of the Securities Exchange Act of 1934.

According to the complaint, Pentwater accumulated a massive economic interest in Avis during the first several months of 2026. By March 2026, Pentwater allegedly held an economic interest representing approximately 51% of the company through a combination of common stock holdings and cash-settled swaps. The complaint alleges that Pentwater continued purchasing Avis shares even as the company's stock was subject to significant short interest.

The plaintiffs contend that Pentwater's aggressive purchases helped create a classic short squeeze, forcing short sellers to buy shares to cover their positions and driving the stock price even higher. According to the complaint, Avis shares rose from approximately $147 per share on April 1, 2026, to an intraday high of $765.94 on April 21, 2026, despite what the complaint characterizes as disappointing business fundamentals. The complaint further alleges that after the stock reached its peak, Pentwater sold approximately 4.3 million shares on April 22 and April 23, generating roughly $1.75 billion in proceeds. According to the complaint, those sales contributed to a sharp decline in Avis's share price, which fell more than 74% and closed at approximately $182 per share on April 28, 2026.

Notably, the plaintiffs rely, in part, on statements made by Avis. During the company's April 29, 2026, earnings call, Avis CEO Brian Choi allegedly stated that Pentwater's growing ownership position, combined with unusually high short interest in Avis shares, contributed to the short squeeze and that Pentwater's subsequent sale of 4.3 million shares helped drive the stock's decline.

The Pentwater SCA follows a separate dispute between Avis and Pentwater. In June 2026, Avis disclosed that Pentwater had agreed to pay $650 million to settle claims seeking recovery of alleged short-swing profits under Section 16(b) of the Exchange Act. The plaintiffs allege that Pentwater's conduct constituted a market-manipulation scheme and seek damages on behalf of investors who allegedly suffered losses when the stock price later collapsed.

Discussion

By our count, the Pentwater SCA increases the number of market-manipulation-related securities class actions filed in 2026 to 14 and adds a new variation to the trading practices being challenged by plaintiffs. The lawsuit also reflects the growing willingness of plaintiffs to invoke Sections 9(a) and 10(b) of the Exchange Act to challenge allegedly manipulative trading activity as the source of investor harm.

In that respect, the case bears comparison both to the spoofing-related litigation involving Genius Group securities and to recent pump-and-dump and stock-promotion cases involving Megan Holdings, Ostin Technology, ChowChow Cloud, and other low-float issuers. Although the alleged misconduct varies, these cases reflect a common trend of plaintiffs invoking market-manipulation theories to explain stock-price distortions and investor losses.

The Pentwater SCA is distinctive because it focuses on an alleged short squeeze, a theory that has appeared only infrequently in securities litigation despite controversies involving Tesla "funding secured" statements, Overstock-related litigation, and the GameStop trading controversy. As with other market-manipulation claims, plaintiffs here will likely confront difficult questions involving intent, causation, and the distinction between lawful market activity and actionable manipulation.

The timing of the Pentwater SCA is also noteworthy. The day before the complaint was filed, *Bloomberg Law* reported that declining SEC enforcement activity may be elevating the role of private securities litigation in both investor compensation and securities-law enforcement. The report noted declines in SEC enforcement actions and investor distributions while observing that private securities class action recoveries continue to exceed SEC recoveries. Whether or not private litigants are actually filling perceived enforcement gaps, the Pentwater lawsuit arguably illustrates the phenomenon, as private plaintiffs have stepped forward to pursue claims arising from alleged trading activity that traditionally might have attracted greater regulatory attention.

Whether or not one accepts the proposition that private litigants are increasingly filling perceived enforcement gaps, the Pentwater SCA arguably illustrates the phenomenon. At least based on the public record, private plaintiffs, perhaps more so than regulators, have stepped forward this year to pursue claims arising out of alleged trading activity. The case adds another chapter to the recent wave of market-manipulation litigation and reflects plaintiffs' continuing willingness to pursue novel theories involving trading activity, market structure, and price formation.

Another interesting aspect of the case is damages. As noted above, Pentwater previously agreed to pay $650 million to settle Avis' Section 16(b) short-swing profit claims. Because Section 16(b) requires disgorgement of profits to the issuer rather than shareholders, the settlement does not necessarily preclude separate securities fraud or market-manipulation claims. Nevertheless, it may raise significant questions about whether shareholders can demonstrate damages distinct from the profits already recovered on the company's behalf and whether any recovery sought in this action would be duplicative. Those issues could become important battlegrounds as the case proceeds.

From a D&O underwriting perspective, the case may be significant beyond its ultimate merits. Recent lawsuits involving spoofing, short squeezes, pump-and-dump schemes, and low-float issuers suggest that securities litigation increasingly can arise from trading dynamics themselves rather than solely from alleged disclosure failures. As a result, factors such as concentrated ownership, significant short interest, limited public float, and unusual trading activity may become increasingly relevant underwriting considerations.

Whether the Pentwater plaintiffs can overcome the challenges that have historically confronted market-manipulation claims remains to be seen. In addition to proving manipulation, they may face significant questions concerning causation and damages given the earlier Section 16(b) settlement. Nevertheless, the lawsuit may provide an important indication of how courts will approach short-squeeze-related securities claims and how D&O insurers may evaluate market-structure risks going forward.

Google Defeats Class Treatment in Safari Cookie-Placement Suit

Aug. 28, 2026, 12:11 PM PDT

Summary by Bloomberg AI

AI Generated

- Google LLC succeeded in preventing class certification in a lawsuit alleging the company illegally installed DoubleClick data tracking cookies on consumers' browsers without their knowledge or consent.
- The plaintiffs failed to propose a reliable method of identifying people who allegedly received the cookies through the challenged conduct, according to Judge Joshua D. Wolson.
- Wolson denied the plaintiffs' motion for class certification, also denying both parties' motions for sanctions for spoliation of evidence.

Google LLC succeeded in preventing class certification in a long-running lawsuit alleging the tech giant illegally bypassed the default settings in Apple Inc.'sSafari browser and installed its DoubleClick data tracking cookies on consumers' browsers without their knowledge or consent.

The plaintiffs failed — even after years of litigation and extensive discovery — to propose a reliable method of identifying people who allegedly received the cookies through the challenged conduct, Judge Joshua D. Wolson of the US District Court for the District of Delaware said Thursday.

Wolson denied their motion for class certification, while at the same time denying both parties' motions for sanctions for spoliation of evidence.

The lawsuit arose following a 2012 Wall Street Journal article describing Google's placement of its DoubleClick cookies on Safari browsers after it identified a way to bypass the search engine's normal cookie-blocking mechanisms. The report led to investigations by the Federal Trade Commission and several state attorneys general, which were resolved through settlements, Wolson said.

Google's alleged practices also spurred lawsuits around the country, which were consolidated in the District of Delaware. The court initially granted Google's motion to dismiss all of the claims in the consolidated complaint, but the US Court of Appeals for the Third Circuit revived the plaintiffs' claims of intrusion upon seclusion and invasion of privacy under the California Constitution.

The parties then reached a $5.5 million proposed settlement, but Judge Eduardo C. Robreno — the second judge to preside over the case — denied the plaintiffs' motion for final certification of the class after finding they failed to establish the class's ascertainability.

The parties proceeded to a contentious period of discovery on that issue before the plaintiffs filed a new motion for class certification, said Wolson, the third judge to preside over the case following Robreno's retirement.

The plaintiffs conceded that they couldn't adequately identify class members on the current record, but argued they should be excused from the necessity of doing so because Google destroyed evidence that they needed for the task, Wolson said.

But Wolson rejected their argument, adding that they didn't propose a way to distinguish between users who received a DoubleClick cookie through the challenged workaround from those who received a cookie via another mechanism, he said.

"Without evidence identifying users who the challenged conduct affected, plaintiffs cannot prove liability through common evidence," he added.

Strange LLP, Grygiel Law LLP, and Bartimus Frickleton Robertson Rader represent the plaintiffs. Mayer Brown LLP represents Google.

The case is In re Google Inc. Cookie Placement Consumer Privacy Litig. , D. Del., No. 1:12-md-02358, 8/27/26
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Google Privacy Button Case Yields Huge $147 Million Legal Fee

Aug. 28, 2026, 4:52 PM PDT

Summary by Bloomberg AI AI Generated

- A California federal court ruled that three law firms will get $146.7 million in attorneys' fees for their work in a high-stakes privacy class action against Google LLC.

- The fee award amounts to one third of the total $440 million judgment against Google, which was awarded after the firms convinced a jury that Google had violated the privacy rights of 98 million users.

- Judge Richard Seeborg said the fee award is "extraordinary, but it is warranted by the extraordinary nature of the case as well as by the exemplary performance of counsel."

A trio of law firms that defeated Google LLC at trial last year in a high-stakes privacy class action will get $146.7 million in attorneys' fees for their work, a California federal court ruled Friday.

The fee award that will go to Boies Schiller Flexner LLP, Susman Godfrey LLP, and Morgan & Morgan amounts to one third of the of the total $440 million judgment against Google.

The firms, working on contingency throughout the nearly six-year-old case, convinced a jury last year that Google had violated the privacy rights of 98 million users who had turned off a privacy toggle in their account settings.

Judge Richard Seeborg of the US District Court for the Northern District of California said in his order granting the firms' fee request that the figure is "extraordinary, but it is warranted by the extraordinary nature of the case as well as by the exemplary performance of counsel."

"There is some intuitive discomfort with a fee award this large," Seeborg said. "The lawyers are being handsomely rewarded for their success, even as each of the 98 million class members will walk away with less than $5."

But the judge said that is ultimately the nature of the class action mechanism, and the attorneys took on enormous risk by working on the case on a contingency basis.

The case focused on the privacy toggle in Google's account settings that told users that switching the toggle off would stop the company from collecting their data across third-party apps. The jury found that Google broke its promise and continued to collect that data even after turning off the toggle, known as Web & App Activity.

In another ruling issued Friday, Seeborg also denied the plaintiff's request for a new trial on the basis that the jury was instructed improperly on the standard for proving damages. During closing arguments, the plaintiffs asked the jury to award $31 billion.

The judge's ruling also rejected Google's second motion to toss out the case.

The case is Rodriguez v. Google LLC , N.D. Cal., No. 3:20-cv-04688, 8/28/26 .

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Kalshi Takes Hit as Appeals Court Says Sports Bets Not Swaps (5)

Aug. 28, 2026, 10:17 AM PDT; Updated: Aug. 28, 2026, 2:51 PM PDT

Summary by Bloomberg AI AI Generated

- An appellate panel said Nevada gaming officials can continue cracking down on sports prediction markets as if they're unlicensed sportsbooks.
- The US Court of Appeals for the Ninth Circuit disagreed with a prediction market company's reading of federal commodity law, affirming a lower court ruling to dissolve a preliminary injunction against cracking down on its sports offerings.
- The decision creates a circuit split that might be reviewed by the Supreme Court as litigation over sports prediction markets escalates nationwide.

Nevada gaming officials can continue cracking down on sports prediction markets as if they're unlicensed sportsbooks, an appellate panel said Friday.

The decision creates a circuit split that might be appetizing to high court justices as litigation over these offerings escalates nationwide.

The US Court of Appeals for the Ninth Circuit said Friday it disagreed with a prediction market company's overly broad reading of federal commodity law, affirming a lower court ruling to dissolve a preliminary injunction against cracking down on its sports offerings. But the court remanded to consider Kalshi Inc.'s election contracts.

"For Kalshi to deny that its sports event contracts are sports bets under a reasonable person's understanding is disingenuous," the opinion by Judge Ryan D. Nelson said. "That sports event contracts are, in reality, sports bets is not just an 'I know it when I see it.' Rather, *everyone*, including Kalshi, knows it when they see it."

Led by Nelson, the panel of President Donald Trump appointees during oral arguments in April seemed wary of the prediction markets' case about the difference between a Las Vegas casino and sports event contracts.

Judges Kenneth Kiyul Lee, who filed a concurring opinion, and Bridget S. Bade also sat on the panel.

In simultaneously released unpublished opinions, the Ninth Circuit additionally upheld US District Court for the District of Nevada preliminary decisions against Crypto.com and Robinhood Markets Inc.

"We respectfully disagree with the court's decision today and intend to appeal," a Robinhood spokesperson said in an emailed statement. "As we've previously shared, every eligible customer should have access to these markets, which are federally regulated by the CFTC and offered through our CFTC-registered Futures Commission Merchant."

The prediction market industry has exploded in recent years, allowing people to put money down on a wide-range of events — will unemployment surpass 8% by 2030, will the Dodgers win tonight's MLB game, will the president post more than 240 times on his social media platform this week?

Supreme Court

The Ninth Circuit is the second federal appellate panel to opine on the nationwide legal debate over regulatory control of the multibillion dollar industry, particularly as it relates to sports prediction markets. The Supreme Court will likely need to weigh in on the sports prediction market issue splitting district courts in preliminary decisions across the country, attorneys say.

States argue sports event contracts are glorified betting subject to their regulations.

"We are pleased with the Ninth Circuit's ruling today in favor of Nevada. This completely vindicates what we have been saying all along. This is sports betting and needs to be properly regulated by the state," Nevada Gaming Control Board Chairman Mike Dreitzer said in a statement.

Prediction market providers with the backing of the US Commodity Futures Trading Commission say their event contracts are a hedging derivative on federally-regulated platforms under the Commodity Exchange Act. The CFTC as amici argued on behalf of the prediction market providers before the Ninth Circuit.

"The Ninth Circuit has now teed up a circuit split that calls out for resolution by the Supreme Court," Zach Fulton, a CFTC spokesman, said as part of an emailed statement.

Third Circuit

The Third Circuit, in a 2-1 decision, said Kalshi was likely to prevail on its arguments that sports event contracts are swaps on CFTC-designated contract markets, putting them under the agency's exclusive jurisdiction. The April decision upheld a preliminary injunction against New Jersey gaming regulators.

"The Ninth Circuit agreed with the Third Circuit on a fundamental point: federal law prevents states from regulating trading on a federally licensed exchange, like Kalshi," said Kalshi spokesperson Dani Lever in an emailed statement. "Despite the Ninth Circuit's opinion, we still believe the CFTC regulations as written do not prohibit sports contracts, and in any event, the CFTC is working to clarify those regulations. We will be seeking further review."

Dissenting, Judge Jane R. Roth said Kalshi's offerings were "virtually indistinguishable" from sportsbooks' products and that New Jersey's laws seemed to complement the Commodity Exchange Act.

New Jersey is expected to seek high court review of the decision, now with a circuit split under its belt.

In the Ninth Circuit, Milbank LLP and Bailey Kennedy LLP represent KalshiEX LLC. Skadden, Arps, Slate, Meagher & Flom LLP; Cleary Gottlieb Steen & Hamilton LLP; and Snell & Wilmer LLP represent Crypto.com's unit North American Derivatives Exchange Inc. Cravath, Swaine & Moore LLP and Pisanelli Bice PLLC represent Robinhood Derivatives LLC. Nevada Attorney General Aaron Ford's office and Mayer Brown LLP represent state gaming officials.

"This is a resounding victory for Nevada and for the other states. We're gratified that the Ninth Circuit decided in Nevada's favor," said Mayer Brown's Nicole Saharsky, who argued for the state before the panel.

"The court recognized that the sports event contracts are sports betting, and that the states regulate sports betting, not the federal CFTC," she said in a phone call.

Crypto.com didn't respond to an email seeking comment.

The cases are KalshiEX, LLC v. Assad , 9th Cir., No. 25-7516, 8/28/26 , N. Am. Derivatives Exch, Inc. v. Nev. , 9th Cir., No. 25-7187, unpublished 8/28/26 , and Robinhood Derivatives, LLC v. Dreitzer , 9th Cir., No. 25-7831, unpublished 8/28/26 .

(Updates with comment from attorney for Nevada in 20th and 21st paragraphs.)

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Large Asset Managers Back Exxon, Dell Texas Reincorporations (1)

Aug. 28, 2026, 8:03 AM PDT; Updated: Aug. 28, 2026, 10:50 AM PDT

Summary by Bloomberg AI AI Generated

- Investment stewardship teams at BlackRock Inc. and State Street Corp., as well as one of the largest passive funds at Vanguard Group Inc., voted in favor of ExxonMobil Holdings Corp. and Dell Technologies Inc. reincorporating to Texas.
- The asset managers' votes broke with recommendations from Institutional Shareholder Services Inc., which advised against the bids due to concerns about new Texas laws that let companies limit certain shareholder actions.
- Asset managers generally assess reincorporation proposals case-by-case, and their support shows that they see the moves creating shareholder value, according to Michael Toth, research director at University of Texas' Civitas Institute.

Investment stewardship teams at BlackRock Inc. and State Street Corp., as well as one of the largest passive funds at Vanguard Group Inc., voted in favor of ExxonMobil Holdings Corp. and Dell Technologies Inc. reincorporating to Texas.

The voting records illuminate some of the largest institutional investors' attitudes toward the increasing number of company bids to leave their longtime legal domiciles – typically Delaware – for the Lone Star State. Texas has ramped up efforts to bring companies under its legal jurisdiction but caught flak from shareholder proponents for the restrictions it allows companies to set on certain lawsuits and investor proposals.

The asset managers' votes broke with recommendations from the world's largest proxy advisory, Institutional Shareholder Services Inc. That firm advised against Dell's and ExxonMobil's bids to move their legal homes off the East Coast, citing concerns about new Texas laws that let companies limit certain shareholder actions.

Vanguard, whose $2.3 trillion Total Stock Market Index Fund is managed by an internal stewardship team, did not immediately respond to requests for comment. BlackRock and State Street declined to comment.

Asset managers generally assess reincorporation proposals case-by-case, said Michael Toth, research director at University of Texas' Civitas Institute. Their support shows that they see the moves creating shareholder value — a north star they've recently recommitted to after the wave of social and environmental corporate activism of the early 2020s, he said.

Large institutional investors are also under new pressure to maintain their passive investor status and avoid the mountain of paperwork that comes with being considered an active investor. Wall Street's chief regulator last winter cracked down on investor activities it said would negate their passive status, including threatening to withhold votes or engaging with management on certain topics.

Thirteen public companies held votes on Texas reincorporations during the first half of this year, according to proxy statements and notices of written consent to shareholders. The largest stewardship team at BlackRock, which is the world's biggest asset manager, backed every Texas proposal except ones at digital asset company Forward Industries Inc. and real estate brokerage AGNT Inc.

Before that, it had backed Tesla Inc.'s move to Texas in 2024 but voted against a similar proposal at Dillard's Inc. in 2025.

BlackRock Investment Stewardship, which can be authorized to vote on behalf of index fund clients at annual meetings, generally supports management proposals when a company has sound corporate governance, according to its January 2026 stewardship policy.

Dell and ExxonMobil have said their Texas moves, which were formalized July 1, align their corporate homes with their headquarters and provide more legal protections. But ISS said in a June 11 report that Dell's decision to set a 3% stock ownership threshold for certain shareholder lawsuits, as allowed by Texas law but not in Delaware, eliminates an important accountability lever. The proxy firm and its counterpart, Glass, Lewis & Co., also denounced ExxonMobil in May for not vowing in governance documents to leave shareholder rights unchanged.

Proxy advisers often weigh proposals' economic benefits against their potential degradation to shareholder rights. But defining those factors is subjective, and asset managers might have different ideas from the advisers about how to vet pros and cons, said Garrett Muzikowski, managing director at FTI Consulting.

"It's probably more of a case-by-case basis" for asset managers, he said. "It might be based upon company history. They might place more weight on the economic benefits of these moves."

(Updated with more context throughout and BlackRock's and State Street's response to comment request in the fourth paragraph.)

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CEO's Alleged Leak, Board Response Created 'Extreme Scenario' Exempt From Safe Harbor, Court Says

law.com/delbizcourt/2026/08/27/ceos-alleged-leak-board-response-created-extreme-scenario-exempt-from-safe-harbor-court-says

The Delaware Court of Chancery has identified a transaction process in which a board member's alleged actions were not fully shielded by the Delaware General Corporation Act's safe harbor provisions at the motion to dismiss stage.

Vice Chancellor Lori Will on Wednesday dismissed claims against the majority of defendants in a shareholder's challenge to Whole Earth Brands Inc.'s 2024 merger but determined breach of fiduciary duty claims against the Chicago-based sweetener company's CEO and one board member can move forward.

The shareholder, Seetal Dodiya, alleges that in early 2023, Michael Franklin, then Whole Earth's CEO, leaked material, nonpublic information to his father, billionaire Martin Franklin, whose company Sababa Holdings later submitted a merger proposal.

A special committee of Whole Earth board members approved a merger with Sababa in early 2024. That June, the company, represented in the case by Greenberg Traurig, filed a proxy statement with the U.S. Securities and Exchange Commission.

Whole Earth stated that Michael Franklin had disclosed material, nonpublic information to Sababa representatives without authorization but that the information was unrelated to the sale process and Franklin hadn't participated in meetings related to the merger.

A majority of Whole Earth shareholders voted to approve the merger with Sababa in July 2024.

The complaint, filed last August, claims Franklin was not separated from the merger process as the company represented to shareholders. The plaintiff is represented by Prickett, Jones & Elliott; Robbins Geller Rudman & Dowd; and Kaskela Law.

Will, in allowing claims to go forward, found the plaintiff had pleaded facts that made it reasonably conceivable the board had acted with gross negligence and the shareholder vote approving the merger had not been fully informed. Thus, the safe harbor provision of Section 144 of the Delaware General Corporation Act did not apply to the pleading.

"These are not the ordinary imperfections of a sale process," Will wrote.

"The complaint describes an extreme scenario where a board acted with reckless indifference to its own safeguards against a known leak, putting the integrity of the process at risk," she added. "It is reasonably conceivable that the board's authorization of the merger was grossly negligent, and that the ensuing stockholder vote was materially misinformed. The safe harbors of Sections 144(a)(1) and (a)(2) are therefore unavailable at this stage."

The decision leaves standing a claim against Michael Franklin as well as Irwin Simon, who was Whole Earth's founder and executive chairman. It dismisses claims against five additional Whole Earth directors, the company itself, Martin Franklin, Sababa and two Sababa affiliates, Ozark Holdings and Sweet Oak Merger Sub.

Will's ruling marks the second time the court has weighed in on the application of amendments to Section 144 that were signed into law last year and gave corporations a road map to safe harbor from shareholder litigation involving conflicted transactions. The other decision interpreting Section 144—also written by Will—was published in June and stated the same method for determining directors' disinterestedness in terms of Section 144 can be applied by the court when looking at demand futility.

Wilmer Cutler Pickering Hale & Dorr and Morris, Nichols, Arsht & Tunnell represent Michael and Martin Franklin, Sababa and its two affiliates. Richards, Layton & Finger represents the six director defendants.

Attorneys involved in the case did not immediately respond to requests for comment.

Securities

Mark Walter’s Defiant Empire Confronts Growing Unease Over Probe

Aug. 28, 2026, 3:48 PM PDT

Mark Walter’s investment empire sought to offer public assurances this week about its dealings as federal investigators probe his businesses: “No one has been harmed, and no one has claimed they were harmed,” said his firm, TWG Global.

Yet signs of unease are bubbling up across the financial world.

Regional lenders Truist Financial Corp. and Fifth Third Bancorp. have paused distribution of products tied to Walter’s biggest insurance company, people with knowledge of the matter said Friday. The US scrutiny has also delayed a landmark deal that’s set to inject $10 billion into TWG, leaving itin limbo more than a year after it was announced.

Mark Walter
Photographer: Kevin Winter/Getty Images

The developments are the latest signs of mounting pressure on Walter's sprawling collection of businesses, as concerns that initially centered on transactions involving his insurers begin to ripple outward. They pose a test for an empire whose growth has relied on access to vast pools of capital and relationships with investors, banks and other financial institutions.

The US Securities and Exchange Commission and Department of Justice are looking at Walter's insurers and Guggenheim Partners, the asset-management firm he helps lead. At the heart of the probe is more than $20 billion of loans on his insurers' balance sheets that should have been labeled as affiliated but weren't until this year.

In a statement Wednesday, TWG defended itself against what it called "multipronged attacks" and pushed back against suggestions of wrongdoing. The company said it already submitted a plan to regulators that will eliminate all of its affiliate exposure. The Delaware Department of Insurance is reviewing that proposal.

"TWG expects significant future growth on the horizon and looks forward to continuing to deploy capital and manage a portfolio of high-quality assets," the company said in the statement, noting "substantial liquidity and capital available across its diversified platform."

Delaware Life

Walter, 66, has been moving rapidly to reshape his business as he addresses the situation. He agreed this month to sell the Los Angeles Lakers at a record $12.5 billion valuation, less than a year after taking control of the basketball team. TWG also unveiled plans to buy as much as $6.5 billion of affiliated assets from Delaware Life Insurance Co., one of the insurers tied to the investigations, in exchange for an equal amount of unaffiliated assets.

The billionaire has spent years assembling an interconnected network of insurers, asset managers and investment vehicles that together oversee hundreds of billions of dollars, picking up legendary sports franchises along the way, including the Los Angeles Dodgers. He has explored selling his stake in Chelsea FC to Clearlake Capital, the majority owner of the London-based football club, to help raise cash.

Read More: Walter Rushes Makeover as DOJ Probes His Empire

TWG said Wednesday that it's "not looking to sell its sports assets at 'fire sale' prices" to raise capital for his insurance operations. The Lakers deal, for instance, was done at a 25% premium to the price Walter paid for the team, according to the statement.


Magic Johnson and Mark Walter during Game 7 of the 2017 World Series in Los Angeles.
Photographer: Kevork Djansezian/Getty Images

There's no indication that Walter's businesses are facing a broad withdrawal of capital. But the moves by Truist and Fifth Third show how the investigation can create complications for how his firms operate.

The lenders are suspending their roles as sales channels for Delaware Life as the probe casts a shadow over its credit ratings, the people with knowledge of the matter said Friday. The banks had made the insurer's products available through branches or adviser networks.

A Delaware Life spokesperson said communications with key distribution partners remain "open and cooperative."

S&P Global Ratings, AM Best and Fitch Ratings lowered their outlook on Delaware Life in July after the surge in disclosed affiliated assets, which can be a precursor to a potential ratings cut.

S&P, which maintained its "A-" rating for the firm, said it could lower that grade if Delaware Life fails to carry out a plan for remediating the situation or the government imposes penalties or takes other steps that significantly weaken the insurer's financials.

A deal between TWG and Mubadala Investment Co., meanwhile, has yet to close amid the probe. The Abu Dhabi-based sovereign-wealth fund agreed to anchor a $10 billion syndicated investment in TWG — part of a broader $15 billion equity capital raise the firm said it would use to make more investments. TWG simultaneously committed $2.5 billion to Mubadala Capital and agreed to acquire a minority stake in the asset manager.

The firms continue to analyze the proposed tie-up, 15 months after its announcement, and no money has changed hands so far. Both sides still expect a deal will get done, said a person close to the matter, who asked not to be identified discussing confidential information.

Other parts of Walter's empire took steps this week that appeared to steady the market for its debt. Guggenheim Investments, the asset-management arm of Guggenheim Partners, told lenders that affiliates were considering buying portions of a $1.18 billion loan that had fallen into distress, calling it "an attractive investment opportunity."

After trading around 73 cents on the dollar on Monday, the loan from GIH Borrower LLC rallied to 84 cents at the end of the week, according to data compiled by Bloomberg.

--With assistance from Reshmi Basu, Yizhu Wang, Sridhar Natarajan, Katherine Burton and Dinesh Nair.

Mealey's Litigation Procedure - 11th Circuit Grants Mandamus Petition, Vacates Arbitration Order In Binance Class Suit

Mealey's Daily News Update

August 31, 2026

Cite: 2026-9999 Mealey's Daily News Update 1

Section: 2026, 9999

Length: 929 words

Dateline: ATLANTA

Body

Cryptocurrency owners who allege that their holdings were stolen and laundered via a cryptocurrency exchange in violation of RICO and consumer protection laws in California and Massachusetts may proceed with their putative class complaint in a federal court in Florida, an 11th Circuit U.S. Court of Appeals panel ruled, granting the owners' petition for writ of mandamus filed after they were ordered to arbitrate their claims (In re: Philip Martin, et al., No. 26-11695, 11th Cir., 2026 U.S. App. LEXIS 25216).

(Opinion available 43-260904-083Z)

Noting that under Florida law, a "broadly" worded arbitration clause such as the one in Binance Holdings Ltd.'s Terms of Use agreement at issue in this case applies only "to claims that have a 'significant relationship' to the agreement," the appellate panel ruled in the Aug. 19 opinion that such a relationship was not shown.

While the terms allowed Binance, the cryptocurrency exchange, "'to suspend, freeze or cancel' accounts and to collect fees,' . . . those contractual rights do not relate to Plaintiffs' claims. Plaintiffs' claims involved Defendants disregarding duties under federal and state law to screen for and detect financial crimes."

Additionally, granting the petition is appropriate, the panel opined, as the petitioners lack other ways to obtain relief. "Plaintiffs cannot appeal the decision to compel them to arbitrate . . . and the district court's repeated rulings in Defendants' favor evidences that a request to certify the matter for interlocutory review would be futile."

Circuit Judges Robin S. Rosenbaum, Elizabeth L. Branch and Britt C. Grant comprised the panel.

Consolidated Complaints

In April 2025, Hyacinth Ahuruonye, Charles Baratta, Jason Rappaport, Donald Douty and Thomas Viola filed a putative class complaint in the U.S. District Court for the Western District of Washington against Binance, BAM Trading Services Inc. and Changpeng Zhao, who co-founded Binance. They allege, like a number of other complaints around the country against the same parties, that their cryptocurrency was stolen and laundered through Binance accounts due to the defendants' failure to comply with know-your-customer and anti-money laundering protocols.

They bring claims for conversion, aiding and abetting conversion, violations of the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1961-1968, violations of California's unfair competition law, Cal. Bus. & Prof. Code 17200 et seq., and violations of Massachusetts Consumer Protection Act (MCPA), Mass. Gen. Laws ch. 93A, 1-11.

That complaint along with a second one was transferred to the U.S. District Court for the Southern District of Florida due to their similarities with Osterer v. BAM Trading Services Inc., et al., No. 23-22083, S.D. Fla., and consolidated.

Arbitration Granted

The defendants moved to arbitrate, arguing that the consolidated cases were based on the same facts as Osterer, in which arbitration had been granted in July 2024 based on the Binance Terms of Service.

Ahuruonye and the other plaintiffs opposed, arguing that there was no valid arbitration agreement, that equitable estoppel does not apply as their claims arise from the defendants' statutory obligations and that the arbitration agreement was unconscionable, illegal and unenforceable.

Judge Rodolfo A. Ruiz II on March 16, 2026, granted the motion for arbitration, ruling that the inclusion of Zhao as a defendant, who was not named as a defendant in Osterer, and additional claims did not change the outcome.

Petition For Writ

Ahuruonye and the others filed a petition for writ of mandamus in the 11th Circuit in May, arguing that such relief was appropriate given the same arguments they made in the District Court.

Judge Ruiz filed a response stating that he was electing not to participate in the pending mandamus proceedings.

Binance, BAM and Zhao responded, arguing that the petition "is an improper attempt to evade Congress's prohibition on interlocutory appeals of orders compelling arbitration." They alleged that the petitioners can't satisfy the burden of showing that they have no other means of relief as they will still have an opportunity to appeal after the arbitration decision.

Counsel

Ahuruonye, et al. are represented by Joseph D. Daley and Eric I. Niehaus in San Diego and Samuel H. Rudman, Evan J. Kaufman and Jonathan A. Ohlmann in Melville, N.Y., all of Robbins Geller Rudman & Dowd LLP; David C. Silver and Jason S. Miller of Silver Miller in Coral Springs, Fla.; John C. Herman of Herman Jones LLP in Atlanta; and Derek W. Loeser and Chris N. Ryder of Keller Rohrback LLP in Seattle.

Binance is represented by Christopher N. LaVigne of Withers Bergman LLP in New York.

BAM Trading Services is represented by Daniel Stabile of Winston Taylor LLP in Miami.

Zhao is represented by Harold S. Vogel Jr. in Fort Lauderdale, Fla., and Jacob S. Frenkel in Washington, D.C., both of Dickinson Wright PLLC.

(Additional documents available: Ahuruonye, et al's petition for writ of mandamus and attachments 43-260904-084B

Ahuruonye, et al's notice of supplemental authority re: Ya Mon Expeditions, LLC vYATCO, LLC 43-260904-085B

BHL's response to notice re: Ya Mon 43-260904-086B

Judge's Ruiz's response to petition 43-260904-087B

[Mealey's Securities/D&O Liability - 5th Circuit Finds SEC's Denial Of Settlement Modification Not Arbitrary]

Mealey's Daily News Update

August 28, 2026

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Body

A Fifth Circuit U.S. Court of Appeals panel denied a broker-dealer's petition for review of the Securities and Exchange Commission's denial of the broker-dealer's motion to modify a settlement between the SEC and the broker-dealer, finding that while the settlement the parties entered into was more stringent than later similar settlements, the inequality alone does not make the denial arbitrary and capricious (*Apex Clearing Corporation v. Securities and Exchange Commission, No. 25-60330, 5th Cir., 2026 U.S. App. LEXIS 25790*).

(Unpublished opinion available 57-260914-021Z)

Judges Carolyn Dineen King, Leslie H. Southwick and Catharina Haynes issued the unpublished opinion on Aug. 25, finding that the SEC properly considered precedent and applied the appropriate framework when making its decision.

Enforcement Settlement

In 2021, the SEC began an enforcement sweep that targeted the failures of regulated entities to preserve off-channel communications. Between December 2021 and September 2024, it resolved multiple enforcement actions through settled orders as part of the sweep. Apex Clearing Corp. alleged that during the sweep, the SEC insisted on non-negotiable standard settlements because the issues and equitable considerations among the companies were common.

Apex was a party to one of the settlement orders. It submitted an offer of settlement to the SEC in anticipation of public administrative and cease-and-desist proceedings the SEC was to institute against Apex. The SEC accepted the offer in August 2024, and Apex was included in the SEC's August 2024 announcement of charges against, and settlements with, 26 broker-dealers and other regulated entities. Under the terms of the settlement order, Apex was required to comply with penalties and remedial undertakings. As a result, Apex was subjected to heightened supervision by the Financial Industry Regulatory Authority (FINRA).

In January 2025, the SEC announced settlement orders against 12 regulated entities, including three broker-dealers. The orders were less severe than the pre-2025 orders. Among other things, the January 2025 orders did not require the regulated entities to comply with the specified undertakings, and the entities were not subjected to heightened supervision by FINRA.

Apex and other regulated entities that had settled before January 2025 moved the SEC to modify their undertakings pursuant to Rules 200(d)(1), 154, and 100(c) of the Commission's Rules of Practice, *17 C.F.R. 201.200(d)(1)*, *201.154*, *201.200(d)(1)* and *201.100(c)*. In Apex's motion, it sought to equalize its settled order's undertakings with those in the January 2025 orders. Apex argued that requiring it to comply with the prior order undertakings instead of those detailed in the January 2025 orders was inequitable. The SEC Division of Enforcement opposed Apex's motion, arguing that Apex's argument was insufficient to justify vacating the settled order in order to get Apex a better deal.

In April 2025 in a 2-1 vote, the SEC issued an order denying all of the motions to modify brought by Apex and other regulated entities. The agency said the regulated entities had not made the necessary showing to modify the orders. Additionally, the SEC found that the regulated entities relied on inapposite or inapplicable SEC authority. The dissenting commissioner agreed that the regulated entities had not satisfied the standards for relief under Federal Rule of Civil Procedure 60(b)(5), Fed. R. Civ. P. 60(b)(5). However, the dissenting commissioner said Rule of Practice 100(c) provided an avenue for relief. The commissioner further said the undertakings in the January settlements were "'demonstrably less draconian and costly'" and that it appeared the SEC had not explained this different treatment.

Petition For Review

Apex filed a petition for review with the Fifth Circuit challenging the order.

The panel reviewed the SEC's denial of Apex's motion under the Administrative Procedure Act's, *15 U.S.C. 78y(b)(4)*, standards de novo. It stated that "failing to treat like cases alike, standing alone, does not provide an independent basis for an arbitrary and capricious ruling." Quoting *Shenzhen IVPS Tech. Co. Ltd v. FDA, 148 F.4th 306 (5th Cir. 2025)*, the panel stated that "an agency's action can be arbitrary and capricious if it fails to 'provide an adequate explanation to justify treating similarly situated parties differently.'"

It agreed with the SEC that the order under review is the SEC's denial of Apex's motion to modify, not the settled order. The panel found that the SEC "treated Apex's motion to modify similarly to other motions to modify a settlement and provided reasoned explanations for its denial of the motion."

The panel held that the SEC treated Apex like every other party seeking to modify a final order and that "Apex has not shown that its undertakings are unworkable or detrimental to the public interest as a result of the later settlements." Additionally, the panel found that the SEC "reasonably explained why Apex's situation was different from its precedent on when modification of settled orders may be necessary."

"The Commission considered its scant prior precedent on when modification of settled orders may be necessary, borrowed additional substance from caselaw, and applied the resulting framework to Apex," the panel stated.

Quoting *SEC v. Citigroup Glob. Markets, Inc., 752 F.3d 285 (2d Cir. 2014)*, the panel said that while inequity among the regulated entities that settled with the SEC "is undisputed, even in an enforcement sweep the Commission is not required to settle on equal terms because it has 'discretionary authority to settle on a particular set of terms.'"

Counsel

Apex is represented by Christopher R. Mills, David S. Petron and Jeremy D. Rozansky in Washington, D.C., and Philip H. DeVoe in New York, all of Sidley Austin LLP.

The SEC Is represented by Acting General Counsel Jeffrey B. Finnell, Solicitor Tracey A. Hardin, Assistant General Counsel Jeffrey A. Berger and Senior Appellate Counsel Daniel E. Matro of the SEC in Washington.

Mealey's Securities/D&O Liability - SEC Proposes Crypto Asset Investment Contract Regulatory Framework

Mealey's Daily News Update

August 31, 2026

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Dateline: WASHINGTON, D.C.

Body

The Securities and Exchange Commission proposed new rules, titled Regulation Crypto Assets, in a new regulatory framework that would, among other things, establish registration exemptions and a conditional safe harbor for certain investment contracts that involve crypto assets.

(Proposed regulation available 57-260914-019X

Fact sheet available 57-260914-020X)

The SEC announced its proposal on Aug. 18, and the proposed rules were published in the Federal Register on Aug. 21. The proposed rules would be set forth in part 228 of Title 17, Chapter II of the Code of Federal Regulations, 17 C.F.R. 228. The proposed rules' summary states the rules are "intended to facilitate capital formation and accommodate innovation within the crypto asset markets while, at the same time, ensuring that investors are adequately protected and provided with the information they need to make informed investment decisions."

In the proposed rules, the SEC noted that since the advent of Bitcoin, it has relied on the test established by the U.S. Supreme Court in SEC v. W.J. Howey Co., 328 U.S. 293 (1946), to determine whether crypto assets and transactions involving those assets are governed by the federal securities laws. It said this approach had two primary drawbacks. First, the SEC stated that it could "be difficult to apply the Howey test to crypto assets and transactions involving crypto assets." Additionally, the SEC stated that its "existing rules are not fully 'fit-for-purpose' with respect to covered investment contract offerings."

To address these issues, in 2025 the SEC established the Crypto Task Force, and in March 2026, it issued a release titled "Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets."

The proposed rules consists of five subparts. Subpart A contains general rules, and Subparts B and C set forth exemptions from the registration requirements of Section 5 of the Securities Act of 1933, 15 U.S.C. 77e. Subpart D sets forth "a conditional safe harbor from the term 'investment contract' in the definitions of 'security'" in Section 2(a)(1) of the Securities Act, 15 U.S.C. 77b(a)(1), and Section 3(a)(10) of the Exchange Act, 15 U.S.C. 78c(a)(10).

Lastly, Subpart E defines "'qualified purchaser' for purposes of Section 18(b)(3) of the Securities Act[, 15 U.S.C. 77r(b)(3),] such that state securities law registration and qualification requirements would be preempted with respect to offers and sales of covered investment contracts issued pursuant to an exemption in Regulation Crypto Assets; as well as certain secondary market transactions in such covered investment contracts."

Exemptions And Safe Harbor

One of the biggest aspects of the regulation is the two exemptions from the Securities Act's registration requirements. The proposed rules state that the first exemption would allow offerings of up to $ 5 million over a four-year period. It states that under the second exemption, offerings of up to $ 75 million would be permitted during each 12-month period. "Under both exemptions, issuers would be required to make certain principles-based narrative disclosures available to their investors," the proposed rules state. Additionally, under the second exemption, issuers would have to provide financial statements and would need to be subject to ongoing reporting requirements. Issuers that rely on the proposed exemptions would still be subject to the antifraud and antimanipulation provisions of the federal securities laws, the proposed rules state.

Additionally, the proposed rules include a conditional safe harbor. The proposed rules state that "if the conditions of the safe harbor are satisfied, then a covered investment contract will be deemed by the Commission to have ceased to exist, and the crypto asset that was subject to the covered investment contract will be deemed by the Commission not to be subject to such investment contract for purposes of those statutory definitions of 'security.'"

Comments on the proposal are being accepted until Oct. 20.

End of Document

Meta defeats Instagram shopping monopoly lawsuit for now

reuters.com/legal/litigation/meta-defeats-instagram-shopping-monopoly-lawsuit-now-2026-08-31

WASHINGTON, Aug 31 (Reuters) - Meta Platforms persuaded a U.S. federal judge to dismiss a lawsuit that accused the company of illegally monopolizing shopping on Instagram by stealing the business plan of a now-defunct startup.

Here are the details:

- U.S. Magistrate Judge Virginia DeMarchi in San Jose, California, on Friday dismissed, opens new tab claims brought by London-based Ollywan, which had alleged last year that Meta copied its concept for a “tag-based” shopping platform before launching Instagram Shopping in 2016.
- Ollywan alleged Meta violated U.S. antitrust law by integrating Instagram with Instagram Shopping, which lets users buy products tagged in posts. Ollywan in 2016 launched Winstag as a photo-sharing app with product tagging and affiliate shopping features. The startup claimed its chief executive shared a business plan with Meta executives under assurances of confidentiality.
- DeMarchi said Ollywan's antitrust claims were filed too late and failed to plausibly show harm to competition.
- Meta has denied any wrongdoing. “Ollywan seeks to misuse the antitrust laws to blame Meta for the failure of its fledgling app and for succeeding where Ollywan failed,” Meta told the court in a filing.
- The lawsuit also challenged Meta's efforts to prevent Ollywan from using the name "Winstag." DeMarchi said "the antitrust laws do not prohibit Meta from enforcing its trademark rights."
- Meta had argued that the allegations in the lawsuit occurred outside the four-year window for antitrust claims under federal law. DeMarchi said Ollywan did not explain "how filing this action two years after ceasing operations could be considered a prompt filing."
- The judge said she will allow Ollywan to file an amended lawsuit, with limitations.
- Meta faces other antitrust lawsuits, including one from a defunct photo-sharing app that claims Meta drove it out of business. Meta last year defeated a lawsuit by the Federal Trade Commission that sought to force it to restructure or sell Instagram and WhatsApp. The company has denied the allegations in both cases.

The case is Ollywan Limited v Meta Platforms Inc, U.S. District Court, Northern District of California, No. 5:25-cv-08215.

SEC Tees Up Plan to Scrap Shareholder Proxy Proposal Rules

Aug. 31, 2026, 8:16 AM PDT

Summary by Bloomberg AI

AI Generated

- The Securities and Exchange Commission is planning to scrap rules governing how and when public company shareholders can bring proxy proposals.
- The agency is looking to "return the role of regulating shareholder proposals to the States," according to an SEC spokesperson.
- The SEC sent the proposal to the White House's Office of Management and Budget for review, and will vote on the measure and release it to the public for comment after the review is complete.

The Securities and Exchange Commission is planning to scrap rules governing how and when public company shareholders can bring proxy proposals, according to a new post by the Office of Management and Budget.

The agency sent the proposal to the White House's OMB for review last week, according to a notice published Monday. It marks the latest step in SEC Chairman **Paul Atkins**' push to change the dynamics of the shareholder and corporate management relationship for publicly-traded companies.

"Since his time as a commissioner, Chairman Atkins has highlighted concerns that the SEC's Rule 14a-8 on shareholder proposals exceeds the commission's authority and infringes upon state laws," an SEC spokesperson said in an email.

The agency is looking to "return the role of regulating shareholder proposals to the States," the spokesperson said.

Atkins has long criticized existing proxy rules for allowing for "the tyranny of the minority" of shareholders to seek changes in corporate governance, management or other business operations. His remarks have been most pointed toward to shareholders seeking changes in corporate environmental or social practices.

An analysis of the 2025 proxy season by law firm Freshfields found that social issues were by far the most prevalent topic of shareholder proposals, comprising 43% of the overall filings examined.

In a July speech delivered at a corporate governance conference, Atkins said that states that are competing to become the leading choice for corporate domestication should revise their corporate laws to disallow "the politicization of shareholder meetings."

The markets regulator sent another proposal, impacting proxy solicitation measures, to the White House's OMB for review as well, according to another update also published Monday. That measure would overhaul the proxy solicitation process "to reflect advancement in technology and current realities of shareholder communications," the spokesperson said.

Once the White House completes its review and returns the item to the agency, the current three-member commission will vote on the measure and release it to the public for comment. The agency typically gives 60 days to take feedback on a proposal before incorporating it into a final version of the rule. That must also be approved by the commission before it can go into effect.

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[Settlement Approval Sought To Resolve Government Entities' 23andMe Claims]

Mealey's(R) Data Privacy Report

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Body

After 41 states and the District of Columbia (the governmental entities) filed proofs of claim seeking nearly $100 billion in damages arising from the 2023 23andMe Inc. data breach, the trust administering the company's bankruptcy plan asked a Missouri federal bankruptcy court to issue an order permitting entry into a stipulation that would provide the governmental entities with individual shares of an $18 million settlement (In re: Chrome Holding Co. [f/k/a 23andMe Holding Co.], No. 25-40976-357, E.D. Mo. Bkcy.).

(Motion for entry of an order authorizing and approving stipulation 97-260724-090M)

The trust filed the motion on July 14 in the U.S. Bankruptcy Court for the Eastern District of Missouri on behalf of Wind-Down Debtor Chrome Holding Co., f/k/a 23andMe Holding Co. If the Bankruptcy Court approves the stipulation, the governmental entities will resolve their claims upon receipt of their allotted shares of the settlement.

Pending approval, Alabama would receive $260,817; Alaska, $165,447; Arizona, $612,269; Arkansas, $431,937; Colorado, $394,324; Connecticut, $887,729; Delaware, $159,654; the District of Columbia, $161,919; Florida, $1,111,206; Georgia, $452,232; Idaho, $201,386; Illinois, $501,539; Indiana, $979,424; Iowa, $429,767; Kansas, $225,814; Kentucky, $259,375; Louisiana, $258,668; Maine, $181,046; Maryland, $518,491; Massachusetts, $387,218; Michigan, $436,605; and Minnesota, $514,871.

New Hampshire would receive $187,490; New Jersey, $409,588; New Mexico, $200,308; New York, $705,976; North Carolina, $666,242; North Dakota, $150,380; Ohio, $473,828; Oklahoma, $276,435; Oregon, $576,707; Pennsylvania, $491,902; South Carolina, $280,173; South Dakota, $149,339; Tennessee, $348,687; Texas, $1,266,860; Utah, $461,688; Vermont, $154,065; Virginia, $662,649; Washington, $547,350; West Virginia, $181,778; and Wisconsin, $276,817.

The $18 million settlement would resolve the governmental entities' bankruptcy proofs of claim seeking payment for alleged liabilities arising from the data breach. It is separate from previously approved consumer data breach settlements.

California is the lone state claimant to not join the settlement. In May, California filed a lawsuit against Chrome Holding in the San Francisco County Superior Court, People of the State of California v. Chrome Holding Co. (f/k/a 23andMe Holding Co.), No. CGC-26-636891, Calif. Super., San Francisco Co., in which the state's attorney general alleges violations of the California Genetic Information Privacy Act (GIPA), Cal. Civ. Code 56.18 et seq., the California Consumer Privacy Act (CCPA), Cal. Civ. Code 1798.100 et seq., the unfair competition law (UCL), Cal. Bus. & Prof. Code 17200 et seq., and the California false advertising law (FAL), Cal. Bus. & Prof. Code 17500 et seq.

California seeks civil penalties of $1,000 per violation of the GIPA, $2,500 per violation of the CCPA or $7,500 per violation of the CCPA that was intentional or involved a minor, $2,500 per violation of the UCL, plus $2,500 per UCL violation against a senior citizen, and $2,500 per violation of the FAL.

Lawsuits And Sale

In October 2023, lawsuits began to be filed against 23andMe Inc., 23andMe Pharmacy Holdings Inc. and 23andMe Holding Co. (collectively, 23andMe) for a data breach believed to have occurred in August 2023. In April 2024, the suits were consolidated in the U.S. District Court for the Northern District of California as a multidistrict litigation, In Re: 23andMe, Inc., Customer Data Security Breach Litigation, No. 24-md-3098, N.D. Calif. In a June 2024 consolidated class complaint, the plaintiffs alleged claims for negligence, invasion of privacy, breach of express and implied contract, unjust enrichment and violation of various states' consumer protection laws.

On Dec. 4, 2024, Judge Edward M. Chen preliminarily approved a settlement between the parties that provided for a $30 million nonreversionary settlement fund.

On March 26, 2025, 23andMe filed three voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, *11 U.S.C. 101 et seq.*, in the Bankruptcy Court. After an auction, the winning bidder of 23andMe's assets was TTAM Research Institute, a nonprofit organization headed by 23andMe's founder and former CEO Ann Wojcicki, which bid $305 million.

On June 9, 2025, an adversary proceeding was filed by 27 states, the District of Columbia and the National Association of Attorneys General (NAAG) in Bankruptcy Court opposing the sale of 23andMe's assets, data and PII.

On June 27, Bankruptcy Judge Brian Walsh approved both the sale of 23andMe to TTAM and the transfer of customers' genetic data to the purchaser. He found that the sale would fund the settlement of the data breach lawsuit and voiced his confidence in privacy enhancements the purchaser pledged to enact.

The sale to TTAM closed July 14.

The states and NAAG voluntarily dismissed the adversary proceeding on July 30, citing an agreement with TTAM that it would implement "additional consumer protections and privacy protections" (In re: 23andMe Holding Co., et al. [NAAG Client States, et al. v. 23andMe Holding Co., et al.], No. 25-40976, Adv. No. 25-4035, E.D. Mo. Bkcy.).

MDL Dismissed

The MDL plaintiffs had filed a joint status report on Feb. 2, 2026, informing the court that they would seek to dismiss the MDL after final approval of the settlement in favor of a class of U.S. data breach plaintiffs worth up to $50 million and not less than $30 million.

The final approval was granted Jan. 30 by Bankruptcy Judge Walsh. In the same order the bankruptcy judge granted a motion by the plaintiffs' attorneys for attorney fees amounting to 25% of the final amount of the settlement fund. The attorneys sought a fee based on percentage, not a fixed-amount fee.

The settlement class comprises nearly 6.4 million members, with more than 99.99% of them not objecting to the settlement. The settlement fund will provide benefits including up to $10,000 in monetary reimbursement for "Extraordinary Claims" involving unreimbursed losses such as identity fraud, installation of security systems and professional mental health treatment; cash payments for the statutory subclass comprising residents of states with genetic privacy laws that provide for statutory damages; cash payments for members whose health information was compromised; and five years of privacy and data monitoring services for all class members who enroll in the services.

The order of dismissal of the MDL was entered Feb. 18, 2026, by Judge Chen pursuant to a stipulation by the parties.

"[T]his action is hereby dismissed with prejudice, with all parties to bear their own fees and costs, including but not limited to attorneys' fees," Judge Chen said in the order.

Counsel

Chrome Holding Co. is represented in the bankruptcy case by Thomas H. Riske, Nathan R. Wallace and Samuel S. Brand of Carmody MacDonald PC in St. Louis and Paul M. Basta, Christopher Hopkins, Jessica I. Choi and Grace C. Hotz of Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York.

The governmental entities are represented by their respective attorneys general.

23andMe was represented by in the MDL by Rebekah S. Guyon in Los Angeles, Stephen L. Saxl in New York, Ian C. Ballon in East Palo Alto, Calif., and Kristin O'Carroll in San Francisco, all of Greenberg Traurig LLP.

(Additional documents available: California's complaint against Chrome Holding 58-260616-030C

Order of dismissal in MDL 58-260317-001R

Bankruptcy Court's Oct2, 2025, order of preliminary approval with settlement agreement attached 58-260218-028R

Bankruptcy Court's June 27 opinion approving sale 97-250725-020Z)

Do you have news to share? Are you interested in writing a commentary article? Email the Mealey's News Desk at *Mealeys@LexisNexis.com*

Load Date: August 28, 2026

End of Document

AI company, ex-CEO settle SEC suit over 'unfounded' revenue forecasts | Secondary Sources | National

(August 28, 2026) - The Securities and Exchange Commission has filed settled charges against an artificial intelligence startup and its co-founder and former CEO, alleging they misleadingly claimed that the company would generate $250 million in annual revenue by 2024.

Securities and Exchange Commission v. GenesisAI Corp. et al., No. 26-cv-25837, *complaint filed* (S.D. Fla. Aug. 26, 2026).

GenesisAI Corp. and Archil Cheishvili raised more than $5.3 million from over 4,000 investors between December 2019 and December 2024 while concealing that its planned AI marketplace was never commercially viable, the SEC's complaint, filed Aug. 26 in the U.S. District Court for the Southern District of Florida, says.

The agency alleges violations of the anti-fraud provision in Section 17(a)(2) of the Securities Act of 1933, 15 U.S.C.A. § 77q(a)(2).
Both defendants consented to permanent injunctions against future violations of that provision without admitting the allegations, the SEC said in a statement the same day.

Cheishvili also agreed to pay $50,000 in disgorgement, $9,184 in prejudgment interest and a $50,000 civil penalty. The final judgments require court approval.

GenesisAI announced Jan. 2, 2025, that it would stop developing products and that its co-founder, Cheishvili, was stepping down as CEO, the suit says.

SEC: Forecasts had no basis

According to the complaint, Cheishvili co-founded GenesisAI in 2018 to build a marketplace connecting businesses that needed AI services with developers looking to monetize the technology.

GenesisAI conducted offerings under SEC Regulation Crowdfunding and Regulation A, soliciting investors through social media, mass email campaigns and a sidewalk advertisement, the suit says.

In a December 2019 email to a prospective investor, Cheishvili projected $1 million in revenue for 2020 and $8 million for 2021, the SEC says. A slide deck on the company's Wefunder crowdfunding page charted revenue rising to $250 million by 2024, according to the suit.

The SEC says these projections were "unfounded" because the company lacked customers and its marketplace was in the beta phase of development.

GenesisAI earned no revenue from 2018 through 2021, and by 2024, it had taken in only about $57,000, mostly from an email marketing tool and an AI conference the company hosted in Miami, according to the suit.

However, the company's stated valuation climbed from $7.5 million in 2019 to $204 million by July 2022, the suit says. Cheishvili set those figures by comparing GenesisAI to companies that had substantial customers, more developed products or venture backing, according to the SEC.

Cheishvili also touted that GenesisAI had "over 25 partnerships" in 2020 and 2021 to create the misleading impression of business agreements, the complaint says.

But the company had only "non-binding memoranda of understanding" from AI developers, some of which had expired by 2021, the complaint says.

SEC attorney Russell Koonin represents the agency.

Data breach roundup: Lawsuits strike construction, healthcare sectors | Secondary Sources | National

(August 28, 2026) - Westlaw Today recaps some of the past week's most significant data breach class-action developments, from suits against a major construction company and a registered agent services firm to complaints targeting healthcare technology and financial services companies.

Construction

General contracting company **Turner Construction Co.** faces a proposed class action filed Aug. 21 in the U.S. District Court for the Southern District of New York. The complaint alleges the company failed to protect current and former employees' personally identifiable information from unauthorized access between July 2 and July 15. The compromised PII included names, birthdates, salary information, bank account information, home addresses and Social Security numbers, the suit says. Sonal Jain, Tanner R. Hilton and Tyler J. Bean of Siri & Glimstad LLP represent the plaintiff. *Dias v. Turner Construction Co.,* No. 26-cv-7131, *complaint filed* (S.D.N.Y. Aug. 21, 2026).

Healthcare

Midwest Spine & Brain Institute LLC and its third-party IT vendor, **3C Care Systems LLC,** face a proposed class action filed Aug. 21 in the U.S. District Court for the District of Minnesota. The complaint alleges that in November 2024, an unauthorized actor gained access to 3C Care's network. On June 18, MSBI discovered that the pilfered PII and protected health information included names, birthdates, medical information and health insurance information, the suit says. Raina C. Borrelli of Strauss Borrelli PLLC and Tyler A. Litke and Melissa G. Meyer of Levi & Korsinsky LLP represent the plaintiff. *Williams v. 3C Care Systems LLC,* No. 26-cv-3730, *complaint filed* (D. Minn. Aug. 21, 2026).

Quest Health Solutions LLC, a Florida-based medical equipment company that provides diabetes-management services, faces a proposed class action filed Aug. 25 in the U.S. District Court for the Southern District of Florida. The complaint alleges the company failed to protect patients' personal information from a third party that gained access to its systems on or around June 24. The ransomware group Anubis claimed responsibility for the breach, the suit says. The compromised data may include Social Security numbers and PHI. Tonyia J.

Johnson of Shamis & Gentile PA and Mariya Weekes of Milberg PLLC represent the plaintiff. *Thompson v. Quest Health Solutions LLC*, No. 26-cv-62348, *complaint filed* (S.D. Fla. Aug. 25, 2026).

Photon Health Inc., a New York-based healthcare technology company that provides prescription infrastructure, faces a proposed class action filed Aug. 25 in the U.S. District Court for the Southern District of New York. The complaint alleges the company experienced a data breach on or around Aug. 20, for which the cybercriminal group DireWolf claimed responsibility. The company has yet to formally notify those affected, the suit says. Mark K. Svensson of Milberg PLLC and Leanna A. Loginov of Shamis & Gentile PA represent the plaintiff. *Carey v. Photon Health Inc.,* No. 26-cv-7242, *complaint filed* (S.D.N.Y. Aug. 25, 2026).

Registered agent services

Corporation Service Co., a Wilmington, Delaware-based company that offers registered agent services, faces a proposed class action filed Aug. 26 in the U.S. District Court for the District of Delaware. The complaint alleges an unauthorized actor gained access to a third-party hosted database between Aug. 10 and Aug. 25, 2025. Compromised data included Social Security numbers and driver's license numbers, the suit says. Dean R. Roland of Cooch and Taylor PA and Tyler J. Bean and Kennedy M. Brian of Siri & Glimstad LLP represent the plaintiff. *Vassalotti v. Corporation Service Co*., No. 26-cv-1085, *complaint filed* (D. Del. Aug. 26, 2026).

Financial services

Longhorn III Investments LLC, a Dallas-based lender that provides short-term financing to real-estate investors, faces a proposed class action filed Aug. 25 in the U.S. District Court for the Northern District of Texas. On or around Aug. 22, the ransomware group CoinbaseCartel claimed responsibility for a data breach at the company, the suit says. The compromised PII included birthdates, Social Security numbers, addresses, credit information and real estate transaction information. Leanna A. Loginov of Shamis & Gentile PA represents the plaintiff. *Breland v. Longhorn III Investments LLC*, No. 26-cv-2858, *complaint filed* (N.D. Tex. Aug. 25, 2026).

Forrestall CPAs LLC, an Atlanta-area public accounting firm, faces a proposed class action filed Aug. 25 in the U.S. District Court for the Northern District of Georgia. The complaint alleges cybercriminals gained access to the firm's computer system between approximately Dec. 22 and Dec. 30, 2025. The compromised PII included names, Social Security numbers, driver's license numbers, state identification card numbers and financial account information, the suit says. The firm delayed notifying those affected until around Aug. 18, according to the complaint. Casondra Turner of Milberg PLLC and William B. Federman of Federman & Sherwood represent the plaintiff. *Suarez v. Forrestall CPAs LLC*, No. 26-cv-272, *complaint filed* (N.D. Ga. Aug. 25, 2026).

Benefits technology

Paylogix LLC, a New York-based company that provides technology solutions for voluntary benefits administration, faces a proposed class action filed Aug. 21 in the U.S. District Court for the Eastern District of New York. The complaint alleges an intruder gained entry to the company's database between Nov. 13 and Nov. 18, 2025, and exfiltrated PII including names and Social Security numbers. On Jan. 15, the ransomware group Akira claimed responsibility, the suit says. The company did not notify affected individuals until Aug. 14, according to the complaint. Rachel Nicole Dapeer of Dapeer Law PA represents the plaintiff. *Eckhardt v. Paylogix LLC*, No. 26-cv-5176, *complaint filed* (E.D.N.Y. Aug. 21, 2026).

Manufacturing

Leviton Manufacturing Co. Inc., a firm specializing in electrical wiring devices, faces a proposed class action filed Aug. 26 in the U.S. District Court for the Eastern District of New York. The complaint alleges the ransomware group Dark Project announced on or around Aug. 5 that it had accessed the company's computer network and exfiltrated approximately 1.4 terabytes of PII including internal financial records, proprietary project documents and employee personal data. The company has yet to provide direct notice to those affected, the suit says. Mark K. Svensson and Mariya Weekes of Milberg PLLC represent the plaintiff. *Child v. Leviton Manufacturing Co. Inc.,* No. 26-cv-5256, *complaint filed* (E.D.N.Y. Aug. 26, 2026).

Travel

CTS Journey Holdings LLC, which operates as **Corporate Travel Service**, a travel agency based in Northville, Michigan, faces a proposed class action filed Aug. 21 in the U.S. District Court for the Eastern District of Michigan. The complaint alleges cybercriminals gained access to the company's computer system between approximately Dec. 3 and Dec. 11, 2025. The compromised PII and PHI included names, Social Security numbers, driver's license numbers, financial information and medical information, the suit says. The company delayed notifying those affected until around Aug. 10, according to the complaint. David J. Shea and Ashley D. Shea of Shea Law PLLC and William B. Federman of Federman & Sherwood represent the plaintiff. *Camp v. CTS Journey Holdings LLC*, No. 26-cv-12988, *complaint filed* (E.D. Mich. Aug. 21, 2026).

Foodservice

Restaurant Depot LLC, a wholesale foodservice supplier, faces a proposed class action filed Aug. 21 in the U.S. District Court for the Eastern District of New York. The complaint, citing a July 23 report by ransomware.live, says the company's data systems were compromised in a breach that is believed to include private and personal data, clients' documents, budget, payroll, identification cards, tax information, financial information, Social Security numbers, email addresses, phone numbers, names and addresses. Christian Levis and Amanda G. Fiorilla of Lowey Dannenberg PC represent the plaintiffs. *Harris v. Restaurant Depot LLC*, No. 26-cv-5152, *complaint filed* (E.D.N.Y. Aug. 21, 2026).

Equal sweetener maker's ex-CEO, chair must face take-private fiduciary claims | Secondary Sources | National

(August 31, 2026) - A Delaware Chancery Court judge has allowed breach-of-fiduciary duty claims to proceed against the former CEO and executive chairman of Whole Earth Brands Inc. in a stockholder challenge to its take-private merger.

It is reasonably conceivable that the Whole Earth board was grossly negligent for failing to stop former CEO Michael E. Franklin from leaking confidential information to his father's acquiring company, Vice Chancellor Lori W. Will said Aug. 26.

The judge dismissed claims against the sugar substitute manufacturer's other five directors.

Tainted sale process alleged

Whole Earth shareholder Seetal Dodiya filed a proposed class-action lawsuit in August 2025 alleging that the take-private deal resulted from a conflicted process tainted by Franklin's actions.

The suit alleges that then-CEO Franklin secretly gave his father, acquirer Sir Martin E. Franklin, a confidential valuation report that estimated Whole Earth's fair value at $9.73 per share, but the company had been trading at $3.84 per share.

Armed with this information, Martin Franklin's entity, Sababa Holdings Free LLC, made an initial offer of $4 per share, the complaint says.

The suit alleges that the board ran a "sham" process designed to deliver the company to Martin Franklin, entrusting negotiations to a conflicted special committee and a conflicted financial adviser, Jefferies LLC.

The deal ultimately closed in 2024 with Sababa Holdings acquiring the company for $4.875 per share.

Directors argued statutory safe harbors apply

In their motion to dismiss, the director and Sababa defendants argued that the safe harbors of Section 144 of the Delaware General Corporation Law, Del. Code Ann. tit. 8, § 144, protected

the transaction.
They contended that the deal was approved by a disinterested special committee and ratified by an informed, uncoerced supermajority of unaffiliated stockholders.

The defendants argued that any information Michael Franklin shared was stale and immaterial by the time of the merger negotiations and that he had recused himself from the process.

They asserted that the board had acted in good faith, forming a special committee, hiring a financial adviser, conducting a market check of over 60 parties and negotiating the price up from the initial offer.

Court finds gross negligence conceivable

In largely denying the dismissal motion, Vice Chancellor Will said the statutory safe harbors were unavailable at the pleading stage because it is reasonably conceivable that the board's authorization of the merger was grossly negligent and the stockholder vote was uninformed.

She said that the board's failure to protect the company's confidential information after learning of the leak and Michael Franklin's refusal to sign a nondisclosure agreement revealed a "profound deficiency in their process."

"By permitting a deeply conflicted fiduciary to access sensitive process-related materials without any mechanism to prevent or detect further disclosures, the board was recklessly indifferent to the risk that confidential information would reach the buyer," Vice Chancellor Will wrote.

She also concluded that the stockholder vote was not informed because the proxy "affirmatively misstated" that Michael Franklin had been walled off from the process, when board materials showed he continued to receive updates.

Section 203, conversion claims dismissed

Vice Chancellor Will dismissed claims against the other five directors, finding they were disinterested and not alleged to have acted in bad faith.

She also dismissed the claim that the merger violated Section 203 of the DGCL, Del. Code Ann. tit. 8, § 203, which governs business combinations with interested stockholders.
The plaintiff argues that the stockholder vote was invalid because it was uninformed, but the statute's "plain and unambiguous text" does not require an informed vote for compliance, the judge said. Attorneys from Robbins Geller Rudman & Dowd LLP represent the plaintiff, while Wilmer Cutler Pickering Hale & Dorr LLP represents the defendants.

FDIC defeats $1.71 billion claim over Silicon Valley Bank collapse, US judge rules | Business Information & News | FE

Aug 31 (Reuters) - A U.S. judge said the former parent of Silicon Valley Bank cannot pursue a $1.71 billion claim against the FDIC stemming from the bank's March 2023 collapse, one of the largest U.S. bank failures.

In a 206-page decision on Friday, U.S. District Judge Beth Labson Freeman in San Jose, California, held that a trust that took over the parent's claims was responsible for former executives' ill-fated decisions to try boosting profit by investing heavily in long-term government bonds and mortgage-backed securities.

Silicon Valley Bank collapsed after rising interest rates caused at least $4.52 billion of losses in the bank's investment portfolio, sparking a bank run that disrupted many technology startups whose deposits it held.

Most of the bank's deposits were uninsured. The bank's demise presaged the collapses of two other large lenders in 2023, Signature Bank and First Republic Bank.

Silicon Valley Bank's holding company has been succeeded by SVB Financial Trust. Lawyers for the trust did not immediately respond to requests for comment on Monday. The Federal Deposit Insurance Corp and its lawyers did not immediately respond to similar requests.

'LIVE WITH THE CONSEQUENCES'

Freeman said the bank's chief financial officer, treasurer and others acted negligently by taking excessive interest rate and liquidity risks, with encouragement from the board of directors.

She rejected the trust's arguments that it was protected because directors exercised their business judgment in authorizing the investments, and the losses occurred only because the FDIC sold the securities at a loss.

"The holding company chose to run the bank through holding company officers in accordance with the global, enterprise-wide policies, limits, and metrics that the holding company established," Freeman wrote. "Having made this choice, it must live with the consequences."

Freeman ruled after a 12-day, non-jury trial.

Silicon Valley Bank had about $209 billion of assets before it failed.

The FDIC is also suing 17 of the bank's former executives and directors, including onetime Chief Executive Gregory Becker, to recover billions of dollars for alleged gross negligence and breaches of fiduciary duty.

Washington Mutual is the largest traditional U.S. bank or thrift by assets to fail, collapsing in 2008. First Republic, Silicon Valley Bank and Signature rank second, third and fourth.

Massive Applebee's, Pizza Hut franchisee sued over data breach | Secondary Sources | National

(August 28, 2026) - The largest U.S. franchisee of Applebee's and Pizza Hut restaurants failed to protect its employees' personal data from an April data breach, a proposed class action alleges.

King et al. v. Flynn Group LP et al., No. 26-cv-9006, *complaint filed* (N.D. Cal. Aug. 26, 2026).

Former employees Brandon King and Landon Hinrichs filed the lawsuit Aug. 26 in the U.S. District Court for the Northern District of California against San Francisco-based Flynn Group LP and its subsidiaries.

Franchise operator Flynn Group owns and runs thousands of Applebee's, Pizza Hut, Taco Bell, Panera, Arby's and Wendy's locations in the U.S., Australia and New Zealand. The company's website says it has more than 78,000 employees working at more than 2,900 "units."

The suit alleges that an unauthorized actor accessed the company's servers on April 8 and 9 and stole a trove of current and former employees' personally identifiable information including names, Social Security numbers, driver's license numbers and financial account information.

Flynn Group began notifying those affected in August. The notice for Apple American Group and Apple American Group II, the Applebee's operators, went out around Aug. 18, while Hut American Group, the Pizza Hut operator, sent its notice around Aug. 21, the suit says.

King, a Virginia resident, worked at a Flynn-operated Applebee's, while Hinrichs, a Kansas resident, worked at one of its Pizza Hut restaurants, the suit says. Both plaintiffs say they have suffered injuries including an increase in spam calls and texts since the breach.

The lawsuit claims the breach was a direct result of Flynn Group's failure to implement adequate cybersecurity procedures and adds that the company's offer of 12 months of credit monitoring is inadequate given the lifetime risk of identity theft posed by the breach.

King and Hinrichs, represented by attorneys from Kopelowitz Ostrow PA and Milberg PLLC, bring claims of negligence, breach of implied contract and unjust enrichment. They seek class certification, damages, and an order requiring Flynn Group to improve its data security practices.

NYC healthcare system faces suit in data breach affecting up to 12 million | Secondary Sources | National

(August 28, 2026) - The nation's largest municipal healthcare system, New York City Health and Hospitals Corp., was negligent and violated federal and state laws by not implementing basic security measures, leaving it open to a massive data breach, a proposed class action alleges.

Rose v. New York City Health and Hospitals Corp., No. 26-cv-6819, *complaint filed* (S.D.N.Y. Aug. 10, 2026).

The lawsuit, filed Aug. 10 by patient Steven Rose in the U.S. District Court for the Southern District of New York, says the highly sensitive data is available on the dark web.

NYC Health serves patients in over 70 locations and generates over $12 billion in annual revenue, the complaint says.

The breach, carried out by the ransomware group LeakNet, lasted from November 2025 until February. While NYC Health publicly reported that the hack affected 1.8 million people, analysis of the leaked documents show the number to be between 8 million and 12 million, the suit says.

In addition to personally identifiable information such as names, addresses, birthdates and Social Security numbers, the pilfered data includes protected health information such as HIV diagnoses, confidential abortion records, a transgender patient registry and treatment records for patients who had attempted suicide.

The breach was preventable, the complaint argues, because NYC Health ignored years of warnings from the U.S. Department of Health and Human Services and the FBI about a growing cyberattack threat against healthcare providers. NYC Health also failed to enact basic security measures to protect data, including multifactor authentication, requiring strong passwords and arranging for backup data to be stored in a safe location, the complaint says.

The lawsuit brings claims of negligence, breach of implied contract and unjust enrichment. It also alleges violations of the Health Insurance Portability and Accountability Act and the New York general business law. Rose, represented by Hausfeld LLP, seeks to represent a nationwide class of all patients and employees whose data was compromised. The suit requests damages, injunctive relief to strengthen the healthcare system's security and lifetime credit monitoring for class members.

Securities law developments for the week ending Aug. 28, 2026 | Secondary Sources | National

(August 28, 2026) - Westlaw Today recaps the past week's securities law developments, from Securities and Exchange Commission enforcement actions against a free-riding trader and an AI startup to a 6th Circuit revival of an 18-year-old Freddie Mac fraud suit.

6th Circuit revives 18-year-old Freddie Mac subprime fraud suit

An Ohio pension fund has persuaded a federal appeals panel to revive an 18-year-old securities fraud class action alleging the Federal Home Loan Mortgage Corp. concealed its exposure to risky mortgages.

AI company, ex-CEO settle SEC suit over 'unfounded' revenue forecasts

The SEC has filed settled charges against an artificial intelligence startup and its co-founder and former CEO, alleging they misleadingly claimed that the company would generate $250 million in annual revenue by 2024.

SEC seeks to settle 'free-riding' fraud suit against tech engineer

A North Carolina engineer has agreed to pay nearly $58,000 to resolve SEC allegations that he traded more than $1.4 million in securities using bank transfers from accounts with insufficient funds.

Super Micro shareholder targets board over China server diversion

Super Micro Computer Inc.'s directors and officers concealed a scheme to divert artificial intelligence servers to China that inflated the company's sales and enabled more than $50 million in insider trading, according to a shareholder lawsuit.

U.S. SEC investigating Situational Awareness trades that led to July meltdown, source says

The SEC is investigating the timing of trades that led to steep losses at AI-focused hedge fund Situational Awareness, a source familiar with the matter told Reuters on Aug. 24.

Read more: https://bit.ly/4xs9lnG

Peloton wins dismissal of shareholder lawsuit over post-pandemic outlook

A federal judge dismissed a lawsuit on Aug. 27 accusing Peloton of defrauding shareholders by concealing excess inventory of its home exercise equipment as the worst of the COVID-19 pandemic passed.

Read more: https://bit.ly/46dWFoN

Mark Walter's TWG is working with regulators, says 'no fraud'

Billionaire Mark Walter's holding company, TWG Global, is working with U.S. regulators to address concerns over related-party investments on the books of his insurance companies, the firm said in a statement on Aug. 26, adding there had been "no fraud."

Read more: https://bit.ly/4qEB4Pq

Judge rejects First Brands' plan to pay down debts by pursuing lawsuits

A U.S. bankruptcy judge on Aug. 24 rejected auto parts maker First Brands' proposal to pay back creditors by pursuing litigation against insiders, instead converting the case to a more straightforward Chapter 7 liquidation.

Read more: https://bit.ly/4xs9o2Q

Trump bought shares in Elon Musk's SpaceX in June, financial disclosure shows

Trump invested as much as $50,000 in Elon Musk's SpaceX in June, according to a public financial disclosure, giving him a financial stake in a major government contractor run by his former adviser.

Read more: https://bit.ly/4y2yEwv

Cryptocurrency chief facing extradition from UK to U.S. on fraud charges

The British-based chief executive of a cryptocurrency company who is wanted in the United States on charges of wire fraud and market manipulation faces being sent to the U.S. to stand trial after he lost his fight against extradition on Aug. 19.

Read more: https://bit.ly/4xs9kjC

How Shein had to make peace with China to finally go public

When Shein makes its market debut on Sept. 1, it will be in Hong Kong and not New York or London like it once dreamed — symbolic of the long journey the fast-fashion online retailer has had to make to embrace its identity as a Chinese company.

Read more: https://bit.ly/4xs9jMA

Prediction markets take a swing at hedging for U.S. small businesses

Mark Murrell, founder of Get Maine Lobster of Portland, Maine, has an irritating business problem that he has been struggling to solve: offering discounts is costly and, well, "it feels so boring."

Read more: https://bit.ly/4grr09i

German broker Scalable opens investment platform to major AI chatbots

The German broker Scalable Capital on Aug. 25 said its account holders could now use major artificial intelligence platforms like ChatGPT and Claude to conduct trades and analyze their portfolios.

Read more: https://bit.ly/4d9gt06

Bloomberg Law

Manage Newsletters

Trump Backlash Adds New Risks to the Stocks the Government Owns

Aug. 29, 2026, 6:00 AM PDT

Summary by Bloomberg AI

AI Generated

- Traders have made money following President Donald Trump as the US government takes ownership stakes in publicly traded companies, but market strategists see rising risks of the administration's equity positions facing scrutiny.
- The government's involvement has lifted the stock prices of companies in which it has taken stakes, but those numbers have largely come in bursts and some stocks have given up their gains.
- The risks to investors from litigation and a potential Democratic majority in Congress may reverse the momentum driving these stocks, with some experts warning that the government's strategy could erode shareholder value over the long term.

Traders have made a bundle over the past year following President Donald Trump as the US government pursues an unprecedented strategy of taking ownership stakes in publicly traded companies.

But with the deeply polarized midterm elections approaching and polls suggesting the Democratic Party is likely to win a majority in at least one house of Congress, market strategists see rising risks of the administration's equity positions facing scrutiny in Washington and the courts. And that could reverse much of the momentum driving these stocks.

"There is a sort of interventionist approach that is not fully litigated and mediated in the American system yet," said **Matt Gertken**, who leads geopolitical and US political analysis for BCA Research. "So there's going to be ups and downs in that process."

There's no doubt that the government's involvement has lifted the stock prices of many of the companies in which it has taken stakes. The trend kicked off a rush among investors, particularly mom-and-pop traders, to identify potential investments before they were announced, as the correct pick all but guaranteed at least an initial surge and pointed to longer-term upside.

Intel Corp. headquarters in Santa Clara, California.
Photographer: David Paul Morris/Bloomberg

Intel Corp.shares have soared over 300% in the year since the initial report that the Trump administration was in talks to take an ownership stake in the chipmaker. MP Materials Corp. is up 87% since last July, when the Department of Defense made a $400 million equity investment in the rare earth minerals upstart. And Trilogy Metals Inc. has gained 73% since October, when the US government agreed to take a 10% stake in the Canadian minerals exploration company in a deal that included approval for an Alaska road project that was essential to accessing areas where it has mining claims.

However, those numbers have largely come in bursts. Trilogy Metals' US shares jumped from $2.09 a share to a high of $10.60 within days of the deal announcement, then they quickly gave up those gains and are now trading for $3.62. MP Materials soared more than 150% within five weeks of the government taking a stake, but it's down nearly 27% in the year since then.

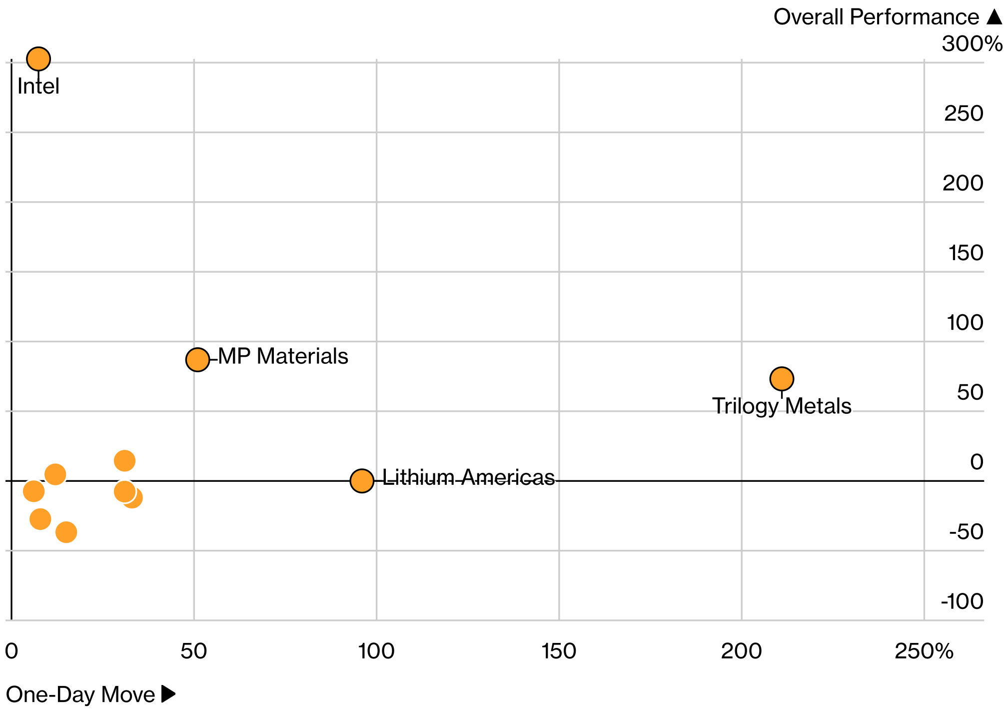
Intel is a slightly different case because it's also caught up in the mania for chip stocks as spending on artificial intelligence creates extreme demand for semiconductors. The stock rose steadily as earnings improved, peaking in June after Trump said Apple Inc. will work with the company to design and produce semiconductors in the US. But it's down 37% since then, the fifth worst performance in the S&P 500 Index over that stretch.

Read More: Intel Rallies to Record After Trump Touts Apple Chip Deal

Part of the skepticism surrounding Intel involves a shareholder lawsuit against the company's board, the US Department of Commerce and Commerce Secretary Howard Lutnick, seeking to unwind the government's ownership position. If it's successful, investors will have to assess the durability of the administration's entire portfolio.

"It is really the government investment that really turned it around, and it's certainly what I think is a factor in keeping the stock where it is right now," said **Mark Malek**, chief investment officer of Siebert Financial, which owns Intel shares. "If you pull that away, the question is then what happens? That is why we haven't increased our investment at all."

US Investment Creates Early Gains
Stocks rally on first day, while longer-term performance is mixed



Note: Share move after a stake was announced or a potential stake was reported.
Source: Bloomberg

Bloomberg

The more conventional concern about the stocks is the highly partisan environment in DC. If the Democrats gain control of the Senate or House of Representatives they can hold hearings and subpoena witnesses. Democratic Senator Elizabeth Warren, who's in line to chair the Senate Banking Committee if the party wins the chamber, has already written Lutnick questioning the Intel investment. And party leaders are laying the groundwork to investigate companies with ties to the Trump administration and the president's family.

The Democrats are "going to want to punch at the president as often as possible for as long as possible," said Henrietta Treyz , co-founder of the research firm Veda Partners.

She expects Democratic-run committees to summon corporate executives and administration officials to Capitol Hill, creating risks for the companies' brands and share prices. "That's one of the most important takeaways for investors right now," Treyz said.

Read More: Top House Democrat Probes 1789 Capital Over Trump Family Ties

Intel, Trilogy Metals and another investment recipient USA Rare Earth Inc. declined to comment. Trilogy cited the process of closing its deal with the government. The Commerce Department and other companies mentioned in this story did not respond to requests for comment.

The risks to investors from litigation may be even bigger than the elections. The Intel shareholder suit argues that the Chips Act doesn't give the government authority to demand an equity position as a condition of receiving a grant. It alleges that the deal was a breach of the board's fiduciary duties and amounts to an "extortionary" seizure.

Lutnick has asked the court to dismiss the case , saying that the arrangement was authorized under federal law and is important for the US defense industrial base. Intel Chief Executive Officer Lip-Bu Tan and other board members have also moved to dismiss the case.

“If the courts end up deciding that the Chips Act does not give the Commerce Department authority to do what they did with Intel, that has broad ramifications for a lot of these deals,” said Josh Lipsky , senior director of the Atlantic Council’s GeoEconomics Center.

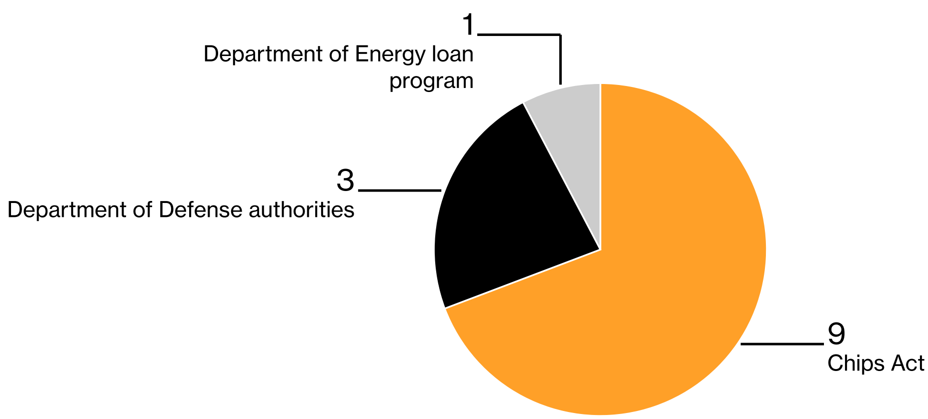
Such a decision would call into question other equity investments made under the Chips Act, according to University of Colorado law professor **Ann Lipton**. The Commerce Department has used funding from the bill to invest in several other companies, including International Business Machines Corp. and GlobalFoundries Inc.

Read More: IBM Shares Soar on US Funding for $2 Billion Quantum Push

The Trump administration’s strategy has subverted the reason the government has typically gotten involved in private enterprise, and with it Wall Street’s reaction to the moves. In the past, these deals were rare and usually done to rescue companies, as was the case with General Motors Co. , which was forced into bankruptcy during the global financial crisis.

Chips Act Undergirds Public Company Investments

Many government stakes rely on authority challenged in Intel shareholder suit



Note: Includes closed and planned equity investments.
Source: Bloomberg

Bloomberg

In 2009, the US Treasury Department took a roughly 60% stake in the troubled automaker to help it emerge from Chapter 11, and by 2013 had sold all of it . The Bush and Obama administrations were heavily criticized by Republicans for the bailout, spurring on the nascent Tea Party movement with complaints of government overreach into the free market.

Now, the state is essentially picking winners, not rescuing big US companies that are deemed critical to the economy. The stock gains reflect the view “that you now have a customer and a spokesperson in the government that is going to make your company successful,” said **Aniket Shah**, global head of Washington, sustainability, and transition strategy at Jefferies.

Of course, the ultimate risk for owning these stocks is familiar to all investors, namely the vagaries of the market itself. If the government gains control over businesses’ decisions and investment dollars chase political trends, that will erode shareholder value over the long term, according to Gina Martin Adams , chief market strategist at HB Wealth Management.

"The risks of government 'backing' have always been there," she said in a text message. "It may have positively influenced stock prices, but that is likely due (at least in part) to investors chasing politics, and that makes the stock price momentum quite vulnerable."

--With assistance from **Caitlin Reilly** and Michael Leonard.

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Securities

Vnet Investor Accord Over Founder Loan Gets Final Court Nod (1)

Aug. 28, 2026, 9:43 AM PDT; Updated: Aug. 28, 2026, 11:44 AM PDT

Summary by Bloomberg AI

AI Generated

- The settlement class includes those who acquired Vnet American depositary shares from March 23, 2022, to Feb. 17, 2023, Judge Dale E. Ho said Thursday.
- The deal's final approval resolves claims China-based Vnet knew but covered up founder Josh Sheng Chen defaulting on a loan agreement and that this threatened his controlling voting stake, potentially risking change of control provisions that could spur the company's demise
- "We appreciate the Court's final approval of an exemplary settlement that provides a strong recovery for investors," said Christopher Tourek of Pomerantz LLP, lead counsel for the investors, in an email

Vnet Group Inc.'s nearly $5.88 million settlement earned a federal judge's blessing to end an investor lawsuit accusing the cloud services company of hiding a controlling shareholder's loan default and the default's potential effect.

The settlement class includes those who acquired Vnet American depositary shares from March 23, 2022, to Feb. 17, 2023, Judge Dale E. Ho said Thursday. The investors' counsel will get a third of the sum — almost $1.96 million — and close to $57,000 for litigation expenses, plus interest, the US District Court for the Southern District of New York judge said.

- The deal's final approval resolves claims China-based Vnet knew but covered up founder Josh Sheng Chen defaulting on a loan agreement and that this threatened his controlling voting stake, potentially risking change of control provisions that could spur the company's demise
- US investors adequately alleged statements about the loan agreement were misleading and the level of intent by executives for securities fraud claims, Ho said last year, mostly letting the allegations proceed past a dismissal bid
- "We appreciate the Court's final approval of an exemplary settlement that provides a strong recovery for investors," said Christopher Tourek of Pomerantz LLP, lead counsel for the investors, in an email

Skadden, Arps, Slate, Meagher & Flom LLP represents Vnet, which denied wrongdoing through the settlement. Neither Skadden nor Vnet immediately responded to emails seeking comment.

The case is In re VNET Grp., Inc. Sec. Litig., S.D.N.Y., No. 1:23-cv-11187, final approval order 8/27/26.

(Updates with investor attorney comment in fifth paragraph.)

Aon Strikes Roughly $17 Billion Deal for Insurance Brokerage USI

WSJ wsj.com/finance/aon-nears-roughly-17-billion-deal-for-insurance-brokerage-usi-fcc9fba9

Aon agreed to buy insurance brokerage USI Insurance from private-equity firm KKR for roughly $17 billion, including debt.

The companies unveiled the deal Monday, after The Wall Street Journal reported Sunday the deal was imminent.

The details

USI, based in Valhalla, N.Y., is an insurance brokerage and consulting firm. It helps businesses and individuals find policies and build benefit plans, among other things, and has roughly $3 billion in annual revenue, according to its website.

KKR acquired USI from the private-equity firm Onex in 2017 alongside the Canadian investment firm CDPQ for $4.3 billion. KKR has since made additional investments to increase its ownership stake in the business and become the largest shareholder.

Aon, a large insurance broker and consultancy, has long specialized in helping businesses manage risk, healthcare benefits and retirement wealth. The acquisition would expand Aon's capabilities in helping midsize businesses and is expected to increase earnings per share by 2028, the company said.

"We see this having a financial impact almost immediately," Aon CEO Greg Case said in an interview. "We're taking content that Aon already has and we're scaling it into the middle market."

The context

The deal is the latest in a string of big exits for KKR at a time when the private-equity industry has been struggling to unload assets. The firm reported its best-ever quarterly asset sales in the latest period, at $1.29 billion.

Recent exits include the sale of the data-center cooling business CoolIT, on which it made about 15 times the equity it invested, and the sale of the commercial and defense aerospace unit of pump-and-valve maker Circor.

Earlier this year, KKR closed a $23 billion fund focused on private-equity investments in North America, bringing the total amount of capital raised across the most recent vintages of KKR's flagship regional funds to $46 billion, the firm has said.

Aon had a market value of around $75 billion as of Friday. The company has reported rising demand for its commercial risk and reinsurance businesses.

In a similar deal, Aon bought NFP, a middle-market property and casualty insurance broker, for about $13 billion in cash and stock from Madison Dearborn and HPS Investment Partners in 2024. Madison Dearborn last year bought back most of Aon's NFP wealth business for around $2.7 billion.

Aon's chief financial officer, Edmund Reese, stepped down earlier this month. The company said at the time he plans to pursue outside opportunities and will advise Case through August 2027.

Securities

Prediction Market Law Keeps Veering, Inviting the Supreme Court

Aug. 31, 2026, 12:46 PM PDT

The Ninth Circuit opened a circuit split over whether sports prediction markets are closer to casinos or to Wall Street, slicing through a muddle of lower court decisions over control of the multibillion-dollar industry and suggesting the Supreme Court will step in.

A panel of President Donald Trump appointees said last week that Kalshi Inc.'s reading of a type of hedging tool was overly broad and that its sports event contracts contained all the hallmarks of betting.

Congress didn’t mean to make the US derivatives regulator the gambling police through an amendment to federal commodity law, the court also said.

The opinion starkly differed with an April one from the US Court of Appeals for the Third Circuit, which said a “swap” encompasses sports event contracts.

“This decision reflects the zig-zag of rulings on this space, given the early win by Kalshi before a reversal by the same judge in the same lower court,” said Morgan, Lewis & Bockius LLP’s Stacie Hartman, who has defended clients before the CFTC.

The Ninth Circuit affirmed a district court’s unwinding of a preliminary injunction in an order unfavorable to Kalshi, which has been along for most of the ride as trial court judges try to figure out whether sports prediction markets belong under the sole regulatory purview of the US Commodity Futures Trading Commission or can be regulated by states treating them like sportsbooks.

Nevada Rulings

The Ninth Circuit, which also put out unpublished decisions affecting Crypto.com and Robinhood Markets Inc., allowed Nevada gaming regulators to continue cracking down on sports prediction markets as if they’re unlicensed sportsbooks.

Kalshi is one of three prediction market operators at least temporarily barred from offering sports and other event contracts in Nevada, home of the US gambling capital, under state court order. Crypto.com and Robinhood last year agreed to pause offering them.

The US District Court for the District of Nevada judge last year teed up the decision after he first granted Kalshi a preliminary injunction.

Judge Andrew P. Gordon then reversed course, denied Crypto.com and Robinhood's requests, and dismantled Kalshi's, holding that its sports event contracts weren't hedging tools called swaps under the federal Commodity Exchange Act.

Prediction market operators and the Trump administration say the CEA preempts state regulations. States counter that sports event contracts are glorified betting tools subject to their laws.

"The Ninth Circuit's decision zeroes in on precisely the most significant clash point in prediction market litigation — whether the words of the Commodity Exchange Act are to be given their literal meaning, or if external signals like Congress' regulation of gaming under other laws will determine the statute's scope," said Morgan Lewis' Rob Schwartz, a former CFTC general counsel.

"We now have a circuit split on exactly that question, and the Supreme Court will have to intervene," he said.

Lower Courts

New Jersey gambling regulators have a Sept. 3 deadline to file for US Supreme Court review of the Third Circuit's 2-1 April decision. The New Jersey attorney general office didn't respond to a request for comment.

The Third Circuit said Kalshi was likely to succeed in its argument that sports event contracts are swaps on solely CFTC-regulated markets, affirming a lower court's grant of a preliminary injunction tying up New Jersey gaming regulators.

The split with the Ninth on the fundamental question of whether sports event contracts are swaps, plus a messy slew of lower court rulings, could entice justices to pick up the case.

"Having a split like this does give it a little bit more priority," said Katten Muchin Rosenman LLP's Carl Kennedy, a former CFTC regulator.

Lower court preliminary injunction rulings overall have swung toward the states in the nationwide legal entanglement with prediction market providers and the Trump administration's CFTC over sports offerings. The Fourth and Sixth circuits heard similar arguments earlier this year.

Prediction markets allow users to put money on yes-no outcomes of just about anything — will the Clarity Act become law by the end of the year, will the Red Sox win today, will federal regulators approve Eli Lilly's investigational weight-loss drug retatrutide by January?

Third Circuit

The Ninth Circuit held — similar to the Third Circuit — that the CEA preempts state regulation of swaps traded on federally designated contract markets. But sports bets aren't swaps, and the CFTC's own rules bar listing gaming contracts, the Ninth Circuit said.

"I thought the court did a good job of explaining why the majority in the Third Circuit was wrong and in calling out the CFTC for the indisputable fact that it's been willfully ignoring the clear language of its own regulation," said Zuckerman Spaeder LLP's Aitan Goelman, a former CFTC enforcement director who helped file an amicus brief on behalf of its ex-chairman Gary Gensler against the prediction markets' claims.

The Trump CFTC under sole commissioner and Chairman Michael Selig has proposed a prediction market regulatory framework that would narrowly prohibit contracts over gaming and allow for many currently traded sports contracts. Trump has family ties to the industry.

"The Ninth Circuit is correct that the Commodity Exchange Act's grant of exclusive jurisdiction to the CFTC expressly preempts state regulation of swaps," CFTC spokesman Zach Fulton said in an email. "Unfortunately, the Ninth Circuit misreads both our statute and our regulations when it comes to swaps and the Special Rule."

Fulton said a derivative contract is a swap regardless of the underlying subject, barring statutory exceptions for onions and movie box office receipts.

Kalshi and Robinhood both vowed to seek review of the Ninth Circuit's decision. Crypto.com didn't respond to a request for comment.

"Despite the Ninth Circuit's opinion, we still believe the CFTC regulations as written do not prohibit sports contracts, and in any event, the CFTC is working to clarify those regulations," Kalshi spokesperson Dani Lever said in an emailed statement.

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Shareholders Say Generator Co. Overhyped Data Center Deal

By **Isaac Monterose**

Law360 (August 31, 2026, 2:19 PM EDT) -- A shareholder in Hyliion Holdings Corp. is accusing the linear generator manufacturer in Texas federal court of exaggerating the potential success of its business partnership with an AI infrastructure company that specializes in data centers.

In a proposed class action filed Friday, plaintiff Josh Draftz says that Hyliion misled shareholders when it announced its partnership with VFG Holdings LLC in May. According to Draftz, Hyliion announced that it had agreed to a nonbinding deal to make power modules for VFG's "advanced next-generation data center applications."

During the next five years, the company is supposed to build 250 power modules that can generate 50 megawatts of power, according to the complaint.

However, according to Draftz, Hyliion's May announcement exaggerated how successful the partnership could be.

"The statements in [the press release] were materially false and misleading at the time they were made because they materially overstated the potential prospects of the VFG partnership, considering that VFG was only formed in January 2026, appears to have only around four employees, and has not publicized any business activity aside from announcing the partnership with Hyliion," the complaint states.

Additionally, Hyliion CEO and founder Thomas Healy overhyped the VFG partnership during a May earnings call, Draftz alleges. Healy described VFG as a company that employs "industry veterans from some of the largest data center companies," and said that VFG "is planning multiple gigawatts of power production in the years ahead," according to the shareholder.

The shareholder claims that Healy's statements were "materially false and misleading" for the same reasons that Hyliion's initial announcement was.

He further claims that Hyliion's executives "timed the VFG [letter of intent] announcement to reap unjust financial rewards with strategically timed stock sales, which were to occur within a few days of the VFG announcement."

"This indicates that defendants' positive statements about the prospects of Hyliion's partnership with VFG were knowingly false at the time they were made, because defendants timed the sales before it was reasonably likely for third parties to investigate VFG and whether the relationship between VFG and Hyliion was likely to bear material financial results for Hyliion," the complaint says.

According to Draftz, Hyliion executives used 10b5-1 plans, which are predetermined plans for trading stock, to sell off company stock after the VFG announcement. For example, the complaint says, Healy sold 30,000 shares that were worth $125,000 in total.

Then, on June 23, financial research firm Pelican Way Research put out a report that slammed Hyliion's VFG partnership, Draftz said.

"The report stated that Pelican Way believed the announced LOI with VFG 'is a sham because the counterparty (VFG Holdings, or legally VFG Tech Holdings, LLC) does not appear to have any substance,'" the complaint states. "The report noted that the 'VFG entity was registered just a few months ago in January 2026.'

"The report further noted that VFG's 'website contains just two pages, a home page and a contact form, with no listed address,'" the complaint states. "The undersigned counsel checked VFG's website and confirmed that, as of July 20, 2026, that statement is accurate."

Pelican Way's report made other criticisms, including that VFG co-founder and CEO Jason Green is currently "running multiple companies at the same time" and that it seems "unlikely" that he'll be able to pay "hundreds of millions" to Hyliion because his other business seemed to be worth only $2.8 million, according to the complaint.

On June 23, the day the report came out, the company's stock dropped to $6.10 per share, and then it dropped to $4.92 per share on the next day, according to the complaint.

Class counsel and Hyliion didn't immediately respond to requests for comment Monday. Hyliion's counsel information wasn't immediately available.

The plaintiff is represented by Stuart L. Cochran of Condon Tobin Sladek Sparks Nerenberg PLLC, and Laurence Rosen and Phillip Kim of The Rosen Law Firm PA.

The case is Draftz v. Hyliion Holdings Corporation et al., case number: 1:26-cv-02369, in the U.S. District Court for the Western District of Texas.

--Editing by Amy French.

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9th Circ. Rules Against Kalshi In Sports Wager Circuit Split

By **Aislinn Keely**

Law360 (August 28, 2026, 6:06 PM EDT) -- The Ninth Circuit on Friday backed a Nevada federal court decision that cleared the way for the state's gambling regulators to pursue Kalshi's sports offerings, creating a circuit split in the sprawling litigation over prediction market regulation.

The court said the "substance" of Kalshi's sports event contracts is sports gambling despite Kalshi's claims that the offerings are swaps subject to the sole oversight of the CFTC. (AP Photo/David Banks)

A three-judge panel affirmed a district court's decision to dissolve a preliminary injunction shielding KalshiEX LLC's sports event contracts from the state's gambling regulators. The opinion by U.S. Circuit Judge Ryan D. Nelson said that the "substance" of Kalshi's sports event contracts is sports gambling despite Kalshi's claims that the offerings are swaps subject to the sole oversight of the U.S. Commodity Futures Trading Commission.

"For Kalshi to deny that its sports event contracts are sports bets under a reasonable person's understanding is disingenuous," wrote Judge Nelson. "That Kalshi's sports event contracts are, in reality, sports bets is not just an 'I know it when I see it' issue. Rather, everyone, including Kalshi, knows it when they see it."

However, the panel remanded challenges to Kalshi's election contracts to the lower court.

Kalshi **sued** Nevada's Gaming Control Board in March 2025 after receiving a cease-and-desist directive asserting that the platform should have registered its sports and election contracts as wagers, and it later **appealed** the dissolution of a preliminary injunction that kept potential state enforcement actions at bay.

The parties met before the Ninth Circuit at April **oral arguments** that consolidated Kalshi's challenge with a similar appeal from prediction market operator Crypto.com. The panel appeared skeptical of the platforms' attempts to distinguish sports event contracts from sports gambling, with Judge Nelson calling Crypto.com's argument "sophistry to the nth degree."

Swaps are agreements for a purchase or sale dependent on the occurrence, nonoccurrence or extent of an event with potential financial consequences. Kalshi has argued for a broad interpretation of the definition to encompass contracts on outcomes, like how many points are scored in a game or who wins a match, rather than only whether a match occurs. It's also argued that these contracts can have indirect financial impacts, like tourism and ticket sales, while states have argued that in-game events or outcomes of sports matches don't have a clear economic consequence to make them swaps.

Judge Nelson wrote in the Friday opinion that while Kalshi's broad reading of the Commodity Exchange Act as amended by the Dodd-Frank Act paints its sports wagers as swaps, the platform itself has advertised its sports offerings as legal sports betting. It's also unlikely that Congress "intended to upend its decades of careful regulation of gambling based on broad definitions of the words used in a Wall Street reform bill," wrote Judge Nelson.

"The crucial context that leads us to resist the broadest possible reading is that Kalshi has a gambling problem," the judge wrote.

Mayer Brown LLP partner Nicole Saharsky, who represented Nevada before the circuit, said in an interview with Law360 that the opinion was "an emphatic decision in Nevada's favor."

"The court recognized that the sports event contracts are sports betting, and that states regulate sports betting, not the CFTC," she said.

While the Ninth Circuit decision has a broader impact on the landscape of prediction market litigation, the win is particularly important to Nevada given the state's significant gaming industry, said Saharsky.

"This is a huge issue for the case," she said. "Gaming is such a huge part of the state economy. It's really existential to the state to make sure that its sovereign interest in regulating sports betting is recognized."

The Ninth Circuit decision creates a split from the Third Circuit, **which in April found** Kalshi's sports event contracts were swaps and beyond the reach of New Jersey gambling regulators.

U.S. Circuit Judge Kenneth K. Lee wrote in a concurrence to Friday's opinion that the Ninth Circuit weighed the context surrounding the statutes and Kalshi's offerings, while the Third Circuit took a more "literalist" approach.

"The majority opinion rightfully avoids the Third Circuit's more literalist approach to textualism ... and instead interprets the text under its ordinary meaning and within the statutory context," wrote Judge Lee.

A Kalshi spokesperson pointed out in a statement to Law360 that the Ninth Circuit and Third Circuit opinions both held that the Commodity Exchange Act prevents states from regulating futures trading on CFTC-regulated exchanges.

However, the Ninth Circuit made clear that this preemption is dependent on the contracts being swaps. While the Third Circuit found the sports offerings met the swap definition, the Ninth Circuit did not.

"Despite the Ninth Circuit's opinion, we still believe the CFTC regulations as written do not prohibit sports contracts, and in any event, the CFTC is working to clarify those regulations," a Kalshi spokesperson said. "We will be seeking further review."

The issue could soon head to the U.S. Supreme Court, with Kalshi's plans to seek further review of the Ninth Circuit decision and New Jersey's intention to petition the high court for review of the Third Circuit decision. Kalshi and Maryland regulators are **awaiting a decision** in a similar dispute from the Fourth Circuit, and the Sixth Circuit is **mulling a consolidated battle** between Kalshi and Ohio and Tennessee regulators. A circuit split could make the issue of prediction market regulation ripe for high court review, particularly as states and prediction markets continue to clash in courts across the country.

U.S. Circuit Judges Ryan D. Nelson, Bridget S. Bade and Kenneth K. Lee sat on the panel for the Ninth Circuit.

Kalshi is represented by William E. Havemann, Joshua B. Sterling, Samantha K. Ilagan, Neal K. Katyal, Grant R. Mainland, Davis B. Campbell and Andrew L. Porter of Milbank LLP and Paul C. Williams and Dennis L. Kennedy of Bailey Kennedy LLP.

Nevada is represented by Nicole A. Saharsky, Minh Nguyen-Dang, Wajdi C. Mallat, Matthew Bisanz, Alexander S. Mendelson, Rory K. Schneider and Preston R. Michelson of Mayer Brown LLP and Abigail L. Pace, Sabrena K. Clinton, Devin A. Oliver, Jessica E. Whelan and Heidi P. Stern of the Office of the Nevada Attorney General.

The case is KalshiEX LLC v. Assad et al., case number 25-7516, in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Dorothy Atkins and Alex Lawson. Editing by Jay Jackson Jr.

Update: This article has been updated with comments from Nevada's counsel.

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Walmart Pays $50M To End DOJ's Suit Over Opioid Crisis

By **Rae Ann Varona**

Law360 (August 28, 2026, 8:46 PM EDT) -- Walmart has agreed to pay $50 million to settle the U.S. Department of Justice's nearly 6-year-old lawsuit in Delaware federal court alleging the big-box retailer helped spur the nationwide opioid crisis by unlawfully dispensing controlled drugs from its pharmacies, the department announced Friday.

Walmart also entered into a memorandum of agreement with the U.S. Drug Enforcement Administration to establish a hotline that employees and patients can call to report suspected illegal dispensing of controlled substances, the DOJ said. And the company agreed to proactively monitor its pharmacies' dispensing patterns and establish a process for evaluating prescribers suspected of illegally issuing prescriptions.

"Congress enacted laws to promote responsibility and accountability for companies who dispense controlled substances to protect Americans," Associate Attorney General Stanley Woodward said in a statement on Friday. "This department will never shy away from vigorously enforcing pharmacies' obligations to comply with those protections, ensuring that potential profits never justify aiding our nation's opioid epidemic."

A Walmart spokesperson told Law360 on Friday, "We are pleased to resolve this matter and will continue supporting the exceptional work our pharmacists do every day to provide outstanding patient care."

Walmart and the DOJ had filed a **stipulation** Thursday in Delaware federal court agreeing to dismiss the suit with prejudice.

The DOJ sued in December 2020, accusing Walmart of helping drive the country's opioid addiction crisis by **violating its gatekeeping duties** under the Controlled Substances Act and knowingly filling thousands of prescriptions for controlled substances that were not written for legitimate medical needs. Walmart also failed to report hundreds of thousands of suspicious orders to the DEA, it said.

In October 2022, the DOJ filed an **amended complaint**, months after the U.S. Supreme Court handed down a ruling in Ruan v. U.S. holding that prosecutions under the Controlled Substances Act concerning excessive prescribing of opioids and other addictive drugs must show that physicians "knowingly or intentionally" acted in an unauthorized manner.

The DOJ alleged in its amended complaint that Walmart's compliance team, for instance, knew that the company's pharmacists were receiving and filling prescriptions that "pill-mill prescribers practicing outside the usual course of professional practice" wrote. Walmart also allegedly knew that its policies and procedures were causing it not to report many suspicious orders, according to the department.

In 2024, a judge trimmed the suit, ruling that Walmart could be held liable for filling **illegitimate prescriptions** its compliance officers had allegedly failed to flag.

In dismissing two of the DOJ's Controlled Substances Act claims, U.S. District Judge Colm F. Connolly said that the company did not break the law by not keeping records and dispensing reputedly valid prescriptions.

Walmart's May 29 quarterly filing with the U.S. Securities and Exchange Commission listed the DOJ's civil opioid litigation as among pending opioid-related litigation, stating that trial was slated for

November 2027.

The government is represented by Benjamin L. Wallace and Dylan J. Steinberg of the U.S. Department of Justice's Civil Division.

Walmart is represented by Robert W. Whetzel and Kelly E. Farnan of Richards Layton & Finger PA and Karen P. Hewitt, Jason S. Varnado, Andrew J. Junker, William G. Laxton Jr., James W. Carlson and Laura Jane Durfee of Jones Day.

The case is U.S. v. Walmart Inc. et al., case number 1:20-cv-01744, in the U.S. District Court for the District of Delaware.

--Additional reporting by Emily Field, Jeff Overley and Peter McGuire. Editing by Adam LoBelia.

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Law360 Pulse Spotlight On Mid-Law Work

By **Emma Cueto**

Law360 (August 28, 2026, 4:30 PM EDT) -- Hinckley Allen's challenge to Rhode Island's "Taylor Swift tax" and Benesch's advising on the acquisition of a Southeast law firm lead this edition of Law360 Pulse's Spotlight on Mid-Law Work, recapping the top matters for Mid-Law firms from Aug. 14 to 28.

Taking on the "Taylor Swift Tax"

Hinckley Allen & Snyder LLP is **challenging** a Rhode Island tax on second homes valued at over $1 million, nicknamed the "Taylor Swift tax." In an Aug 19 complaint, dozens of homeowners alleged that the tax was unconstitutional under both the U.S. and state constitutions because it is unfairly targeted at out-of-state property owners.

The tax requires property owners to pay $2.50 for every $500 of assessed value over $1 million for homes not occupied by an owner or tenant for the majority of the year.

Debt Collection Consolidation

Creditors' rights and collections firm Weltman Weinberg & Reis Co. LPA relied on Benesch Friedlander Coplan & Aronoff LLP to advise it during its acquisition of Southeast debt collection firm Nathan & Nathan PC. The merger will allow Weltman Weinberg, which has been in business since 1930, to expand its reach to Alabama, Mississippi, Georgia and Tennessee.

Shake Company Shake-Up

Investors in consumer packaged health foods company Simply Good Foods are **relying on** Robbins Geller Rudman & Dowd LLP in challenging a $280 million acquisition they called an "abject failure." The purchase of plant-based protein shake company OWYN in 2024 not only failed to provide the promised benefits, an Aug 14 complaint alleged, it instead caused a cascade of issues that resulted in a decline in its stock price.

Data Center Dispute

Honigman LLP and Bodman PLC are representing two companies, Cal Realty LLC and Raeden Acquisitions LLC, **challenging a moratorium** on data center construction in Gibraltar, Michigan. The companies, which had planned a 42-acre data center project for the city, said in a complaint filed Aug. 17 that their plans were unjustly derailed by a city council resolution to prevent construction on data center projects for one year.

--Additional reporting by Michael Nunes, Isaac Monterose and Katryna Perera. Editing by Bruce Goldman.