Amazon Sued by FTC Over Claims It Ripped Off Advertisers (1)

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Summary by Bloomberg AI

AI Generated

- The US Federal Trade Commission and a group of US states sued Amazon.com Inc. over claims the e-commerce giant systematically overcharged advertisers by more than $20 billion since 2019.
- The complaint alleges Amazon misled 1.2 million advertising customers about the pricing and terms of the company's sponsored listings, which users see as the top products when they search its online marketplace.
- The FTC claims Amazon carried out the alleged scheme by manipulating the auction process it uses to set the price of ads on the platform, and the suit could lead to billions of dollars in civil penalties.

The US Federal Trade Commission and a group of US states sued Amazon.com Inc. over claims the e-commerce giant systematically overcharged advertisers by more than $20 billion since 2019.

The complaint filed Monday in Seattle federal court alleges Amazon ultimately misled 1.2 million advertising customers — including more than 500,000 small and medium businesses — about the pricing and terms of the company's so-called sponsored listings, which users see as the top products when they search its online marketplace.

The FTC, which enforces antitrust and consumer laws, and 22 state attorneys general claim Amazon carried out the alleged scheme by manipulating the auction process it uses to set the price of ads on the platform. The suit could lead to billions of dollars in civil penalties.

"Amazon has misrepresented how it calculates the cost of advertising on its platform," California Attorney General Rob Bonta, who joined the suit, said in a statement. "Over the years, Amazon has rigged billions of ad auctions, inflating Amazon's profits at the expense of Americans who rely on Amazon's advertising to generate business."

The FTC, which enforces antitrust and consumer laws, had been drafting the suit since at least June, when Bloomberg reported that an enforcement action was likely. The litigation marks the latest legal clash between Amazon and the FTC, which has been examining the company's business since at least 2019. An FTC official said Monday the probe was a top priority.

The regulator filed the suit after reviewing more than a million internal Amazon documents it obtained through investigatory subpoenas, an FTC official said in a press briefing after the suit was filed. The investigation was aided by Amazon employees' culture of writing everything down, with internal emails and chats showing widespread discussions about the impact of the alleged scheme, the official said.

Read More: Amazon Faces Billions in Penalties From Potential FTC Ad Suit

In an emailed statement, Amazon said the lawsuit presented no evidence of harm to shoppers. Amazon advertising auctions prioritize products relevant to shopper search terms before considering bid amounts, which helps shoppers find what they want and keeps prices down for advertisers, the company said.

The average cost-per-click for Amazon search ads remained flat when adjusted for inflation from 2019 to 2024 while advertising performance increased, the company said. Amazon's auctions have saved advertisers $8 billion during the five-year period ending in 2025, not cost them extra, according to the statement.

"The FTC claims advertisers were harmed because they didn't understand how our auction worked and therefore overpaid," Amazon said. "Not only do we properly describe our pricing and auctions to advertisers, but this claim fundamentally misunderstands how advertisers behave."

At the heart of the lawsuit is the FTC's claim that Amazon falsely claims that the auctions are competitive while inflating the prices for three of its advertising products: Sponsored Products, Sponsored Brands and Sponsored Display.

'Secretly Manipulating'

Amazon since 2012 had used what's known as a "second price" auction process, according to the suit. Under that process, auction participants are typically ranked "by a combination of their bid and relevance to shoppers' searches," and the winning bidder "only pays the minimum amount necessary to beat the second place bidder," typically one cent, the FTC and states say.

Starting in 2018, according to the suit, Amazon allegedly began "secretly manipulating" the auction procedure to increase profits, replacing the price determined by the auction "with a higher price designed to maximize Amazon's profits."

In an internal email cited in the complaint, an unidentified Amazon senior scientist said the company accomplished the alleged manipulation by using "an invented auction participant representing how much Amazon thinks that particular ad slot is worth."

New York Attorney General Letitia James, who also joined the suit, issued a statement blasting Amazon's alleged conduct regarding ad auctions.

“Consumers across the country are likely paying more for everything from groceries to electronics because Amazon has wrongfully inflated its ad prices,” James said. “Deceptive practices like this hurt consumers and small businesses, and we are taking Amazon to court to get justice for those who were harmed.”

Last year, Amazon agreed to pay $2.5 billion to resolve a different probe over its Prime subscription practices. And a trial is slated for early next year over claims that Amazon is illegally monopolizing online retail markets and degrading quality for shoppers and overcharging sellers.

Possible Fines

While there are limits on the FTC’s ability to obtain monetary penalties, state consumer protection and unfair competition laws allow for tens of thousands of dollars in daily fines. With the vast number of ads shown on Amazon’s website, those numbers add up fast.

The suit targets a key area of growth for Amazon. Advertising has become a lucrative and fast-growing line of business, bringing in $68.6 billion in revenue last year, company filings show. That includes search ads — the sponsored listings that appear within Amazon’s marketplace — as well as video ads and online display advertising shown around the web.

Digital advertising has gradually overtaken other forms as companies with vast troves of consumer data say they can better target people online who are interested in making purchases. Alphabet Inc.’s Google remains the market leader, while Amazon is the third-largest online ad company.

Advertisers have few alternatives to Amazon’s consumer reach, according to EMarketer Inc., which estimates Amazon’s advertising revenue will grow 21.4% this year to $83.3 billion.

“The FTC case is unlikely to knock that business off course anytime soon, but it could still leave a mark,” EMarketer analyst Zak Stambor said. “The allegations raise uncomfortable questions about how transparent Amazon is with advertisers, and whether they were paying more than they realized.”

The case is FTC v. Amazon, 26-cv-3097, US District Court, Western District of Washington (Seattle).

(Updates with detail from the lawsuit, statements from attorneys general in California and New York, online advertising analyst.)

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Anthropic's Mega-IPO Plan Looms Over Packed US Listing Calendar

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Summary by Bloomberg AI

AI Generated

- Anthropic PBC's IPO is expected to raise as much as SpaceX's record $86.2 billion debut and is casting a long shadow over companies' US listing plans.
- Some firms are finding it hard to get the attention of investors with the prospect of an Anthropic IPO imminent, and companies may decide to list before or after Anthropic to avoid competition.
- The coming months will be busy for IPOs, with companies such as Nscale, Oura Health Oy, and SB Energy expected to list, and bankers warning that non-thematic IPOs may struggle to garner attention in a market focused on AI and other big themes.

Anthropic PBC 's IPO is casting a long shadow over companies' US listing plans, as they try to find room for their deals to grab attention after the Sept. 7 Labor Day holiday.

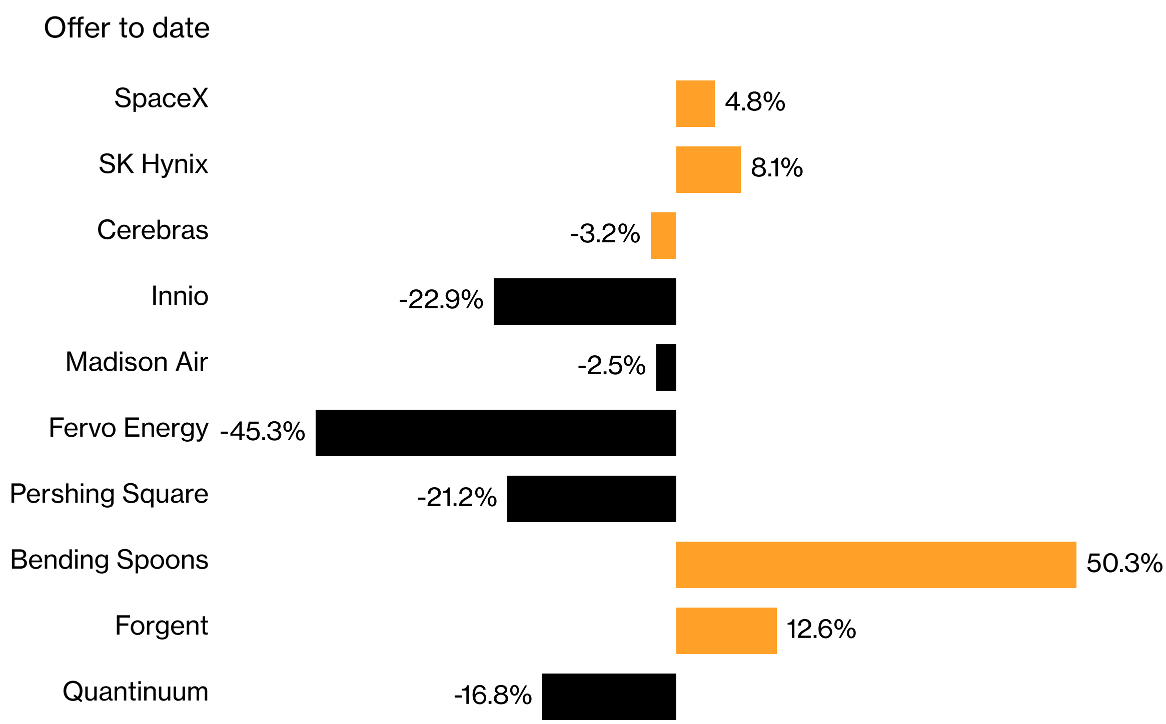
The Claude developer is preparing to file publicly for an initial public offering that's expected to raise as much as SpaceX's record $86.2 billion debut, if not more, in the coming weeks.

Some firms and their backers are finding it hard to get the attention of long-term-oriented investors and sovereign wealth funds when the prospect of an Anthropic IPO is imminent, according to people familiar with the preparations.

The rush to get out ahead of a giant IPO feels familiar. A similar dynamic unfolded in the run-up to SpaceX's listing, when 14 sizable companies went public in the month before Elon Musk's rocket, satellite and AI firm debuted. Those hurried entries haven't paid off, with the companies posting a weighted average loss of 9.5%, data compiled by Bloomberg show.

Year's Biggest IPOs Mostly Disappoint

Few standout price gains among top 10 US deals



Source: Bloomberg

Bloomberg

The coming stretch leaves IPO candidates even less room for scheduling than usual, thanks to November's mid-term elections. Add hotter than expected inflation to the mix, and companies may decide it's better to dance around Anthropic's timing than stay on the sidelines.

“It’s a little bit trickier here which is why I expect a very busy September and creeping into October,” said **Rob Stowe**, head of Americas equity capital markets at Barclays Plc, who cited hurdles including a mid-September Federal Reserve meeting, followed by the election in early November.

“There will be a lot of activity but it will be concentrated into a few windows,” he said.

The companies briefing money managers on their IPO plans in recent weeks are heavily tilted toward AI themes, with cloud computing firm Nscale joining Anthropic in the queue. A notable exception is Oura Health Oy , a maker of smart rings that track health, fitness and sleep, which may raise billions of dollars in an IPO as soon as next month.

Tapping into data centers’ thirst for power, private equity-backed temporary power provider Aggreko Plc and CoVolt Power Inc., a solar and battery storage company, both filed IPO paperwork publicly in August and could go before Anthropic.

SoftBank Group Corp. -backed digital infrastructure firm SB Energy is expected to target an IPO that will raise more than $5 billion while Roark Capital -owned Inspire Brands Inc. could test the market before November’s elections.

Earlier this month, Switch Inc. filed confidentially for a listing that could take place as soon as November; Bloomberg reported in July that the company had kicked off a new funding round in which it could seek a valuation approaching $50 billion including debt.

Flavor of the Month

Bankers say it’s not going to be a free-for-all for every company with IPO dreams when AI is the flavor of the month, however.

“Non-thematic IPOs have been trickier,” said **Eddie Molloy**, co-head of global equity capital markets at Morgan Stanley. “There’s so much capital around these big themes — the broader AI infrastructure ecosystem and aerospace and defense — so if you’re a small or mid-cap issuer not around these mega trends, it’s been harder to garner buyside focus.”

The wave of larger companies chasing enormous sums also makes it tough for smaller deals to get noticed.

“If a company is on the smaller side, one has to advise a bit more caution,” said **J.D. Moriarty**, vice chairman and global head of technology ECM at Bank of America Corp. “The tendency of the market to be indifferent is high because there are so many big deals to choose from.”

Should they stumble, they can console themselves with the knowledge that this year’s IPOs haven’t been roaring successes in the after-market.

The weighted-average return for US listings this year is 5.6%, markedly lagging a 13% return for the S&P 500 and a 17% gain for the tech-heavy Nasdaq 100.

What Bloomberg Intelligence Says:

Biotech IPOs are a barometer of sector health, and the $329 million average raised in the US in 2026 – the highest since 2018 and well above recent banner years – points to a strong year-end, with 30 listings within reach.

– **Sam Fazeli** and **Cindy Wu**, analysts

Read the report here .

The year's larger deals have on the whole been worse performers. The 16 companies that raised at least $1 billion have seen shares rise 4.2% on a weighted-average basis, data compiled by Bloomberg show. Even worse, six of the ten biggest deals are below their offer price.

SpaceX is up less than 5% after its soaring debut was met with volatility while SK Hynix Inc.'s record-setting listing has been even more choppy though the stock is up roughly 8% through Aug. 28. Both have been linked to investors' changing moods regarding the AI trade.

Still, with optimism returning, the S&P 500 has snapped back to rise 5.4% from a July low and the Nasdaq 100 has increased more than 8% over that stretch, helping companies make the case for diving in now.

Doug Adams, Citigroup Inc.'s global co-head of ECM, expects a half dozen or more firms to raise more than a billion dollars each in the window between Labor Day and the elections.

"There are a lot of large, interesting companies evaluating the market, and a number of those names are evaluating when the right time is for the company to go public, rather than purely what is the market doing," he said.

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Avalara Investors Gain Class Status in $8.4 Billion PE Sale Suit

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Summary by Bloomberg AI

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- A federal judge certified a class action alleging shareholders were shortchanged when Avalara Inc. went private through a deal with a private equity firm.
- The class includes those who held Avalara stock on Sept. 8, 2022, were allowed to vote on the merger, and whose shares were acquired by Vista Equity Partners Management LLC at $93.50 a share.
- The investor seeking to represent the class, Martin Sohovich, met the requirement of typicality for class claims, and his proposed damages model was sufficiently detailed for granting class status.

An Avalara Inc. investor convinced a federal judge to certify as a class action allegations that shareholders were shortchanged when the tax compliance software maker went private through an $8.4 billion deal with a private equity firm.

The class includes those who held Avalara stock on Sept. 8, 2022, were allowed to vote on the merger that fall, and whose shares were acquired by Vista Equity Partners Management LLC at $93.50 a pop, Judge Tiffany M. Cartwright said.

The investor seeking to represent the class held claims typical to those of other members, the US District Court for the Western District of Washington judge said Aug. 28. Avalara had argued investor Martin Sohovich didn't resemble a class member because he was a former employee, he planned to vote against the sale regardless, and his alleged damages consisted of "future opportunity" from Avalara's potential stock growth.

But Sohovich met the requirement of typicality for class claims, Cartwright said: The proposed class definition doesn't consider if or how someone voted on the merger, so his employment and intention to vote against it didn't matter.

Sohovich proposed a commonly-relied on “out-of-pocket” damages formula, the alleged fair value of stock sold to Vista minus the amount investors received, Cartwright said. Sohovich describing his losses as “future opportunity” and “future earnings” doesn’t differentiate his claims from that of the class, she said.

And that proposed damages model was sufficiently detailed for granting class status, Cartwright said.

“Sohovich need only provide the level of detail necessary to determine that damages can be measured for the whole class, and he has done so here,” she said.

Sohovich’s suit accused the Avalara sales process of being a “sham” and said materials circulated to shareholders misleadingly downplayed Avalara’s success and projected growth.

The suit, which previously had been dismissed by a different Western District of Washington judge, was partially revived by the Ninth Circuit last year. Judge Marsha J. Pechman then denied Avalara’s renewed dismissal bid — finding that Sohovich adequately alleged certain Avalara projections and statements in the 2022 proxy materials were misleading — before Cartwright took over the case.

Pomerantz LLP is class counsel. Cooley LLP represents Avalara. Neither of these law firms nor Avalara immediately responded to emails seeking comment.

The case is Parekh v. Avalara Inc. , W.D. Wash., No. 2:22-cv-01580, class certified 8/28/26 .

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TikTok’s US entity faces class action over AI homework helper

courthousenews.com/tiktoks-us-entity-faces-class-action-over-ai-homework-helper

Margaret Attridge September 1, 2026

Users say TikTok's artificial intelligence-based learning platform Gauth transmits their queries and personal data to Google for advertising purposes.

(CN) — The joint entity that operates TikTok in the United States has drawn fire over its artificial intelligence-based homework helper Gauth, with users claiming the platform secretly transmitted users’ private data and search queries to Google for commercial use.

Named plaintiff Edward Lominchar filed the class action on behalf of a class of users Monday in the Central District of California, claiming that Gauth — the AI-powered platform owned by TikTok USDS Joint Venture, LLC — has embedded Google Analytics code that sends the full text of users’ search questions to Google, without users’ consent.

Gauth, formerly Gauthmath, is accessible to students of all ages without payment or age verification. Students using the platform on a browser or through the Gauth app can type or upload a question across a variety of subjects, and Gauth’s AI spits out an answer within seconds.

The free version of the platform limits answer access and AI queries per day, while the premium version offers unlimited answers with faster responses, a more advanced model and higher accuracy, along with credits for the platform’s assignment solver and access to premium AI courses.

Lominchar, a resident of Miami, Florida, says he started using Gauth around December 2024 as a minor in high school, without creating an account on the platform. He later registered for an account and continued to submit questions to the platform until approximately January 2026.

Lominchar claims he was not presented with the platform’s privacy policy prior to submitting his first question to Gauth and reasonably expected that the text of the questions would be confidential before him and the platform.

“Users of the platform never contemplated, consented to, or were informed that their sensitive educational information would be used by Google for these independent commercial purposes—purposes wholly unrelated to the AI homework-help services defendant provides,” he says in the 44-page complaint.

Lominchar says the data Gauth transmits to Google can “disclose an extraordinarily sensitive portrait of each user”, including the specific subjects and courses they are studying, their academic level, their academic difficulties, personal information including name, school and teachers, as well as when and how much they use the platform.

He claims Google can take the activity it gathers from Gauth users, in combination with data collected from its own services including Google Search, Gmail, YouTube and Google Workspace for Education, and build comprehensive user profiles that can be sold to third-party advertisers.

“The specific subjects a student is studying, the questions a student cannot answer without assistance, the personal essays and writing prompts a student completes, the content of a student’s assignments, and the patterns and intensity of a student’s reliance on outside help, each carry significant educational, reputational, and developmental implications, and each can cause substantial harm if disclosed to a school administrator, an advertiser, a data broker, or any unrelated third party,” he says in the complaint.

Lominchar claims he would not have used Gauth if he knew the platform was transmitting the full text of his questions to Google to use for advertising purposes. He says Gauth’s actions violate the Electronic Communications Privacy Act and the California Invasion of Privacy Act, along with claiming intrusion upon seclusion, invasion of privacy and unjust enrichment.

He asks the court for injunctive relief and damages under the EPCA of $100 per day of violation or $10,000 for each class member, as well as CIPA damages of $5,000 per violation for each class member, along with punitive and compensatory damages.

The parties did not respond to requests for comment.

AI Infrastructure Companies Hit with Securities Suits

dandodiary.com/2026/09/articles/artificial-intelligence/ai-infrastructure-companies-hit-with-securities-suits

Kevin LaCroix September 1, 2026

As we have noted on this site, the increasing number of AI-related corporate and securities lawsuit filings is one of the most important recent developments in the world of D&O liability and insurance. Among the AI lawsuits is a particular category of claims involving allegations against AI infrastructure companies. By way of example, last week, two AI infrastructure companies were hit with securities suits alleging that the companies overstated their business opportunities arising from providing infrastructure to support the burgeoning AI build-out. As discussed further below, these AI infrastructure lawsuits represent their own category of AI-related suit filings.

Innventure Inc.

Innventure is an industrial technology company. Through its Accelsius Holdings subsidiary, the company is developing and commercializing cooling solutions for data centers and other high-performance computing environments. It calls its cooling product "NeuCool."

On November 17, 2025, Inventure announced that Accelsius had entered into an agreement with DarkNX, an alleged global data center developer, to deploy the NeuCool technology across a new data center campus in Ontario, Canada, which the company said signaled a "shift toward large-scale industry adoption of next-generation cooling."

On May 28, 2026, short-seller Morpheus Research published a report alleging that the DarkNX's venture to build a new AI data center in Ontario was a "fabrication." Among other things, the report said that there is "zero evidence that this project exists or that DarkNX has the team or even funding to even contemplate such a project." The report quoted an alleged former Innventure employee as saying that management was using "false information" and revenue projections that were "pure fiction" to solicit investments in Accelsius. The complaint alleges that the company's share price declined on this news.

On August 13, 2026, as part of its second quarter 2026 financial reporting, the company announced that it was suspending its prior revenue and cash flow targets for 2026 for Accelsius and shifting its focus. The company also said that "the deployment site identified in the DarkNX purchase order is no longer available. Accelsius has removed the DarkNX project from its internal bookings." According to the complaint, the company's share price fell a further 55% on this news.

On August 28, 2026, a plaintiff shareholder filed a securities lawsuit in the Southern District of Texas against Innventure and certain of its directors and officers. A copy of the complaint can be found here. The complaint purports to be filed on behalf of investors who purchased the company's securities between November 17, 2025, and August 13, 2026.

The complaint alleges that the defendants failed to disclose to investors that "Accelsius' alleged transformative deal with DarkNX was unlikely to come to fruition as no evidence of DarkNX constructing or facilitating a large-scale AI data center existed" and that as a result, the company's stated revenue and cash flow targets for Accelsius were overstated. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The complaint seeks to recover damages on behalf of the class.

Hyliion Holdings

Hyliion develops modular power plant technology. On May 12, 2026, Hyliion announced that it had established a "strategic partnership" with VFG Holdings, an alleged AI data center developer, in which Hyliion would deploy power modules for data center applications. In announcing this partnership, Hyliion said, among other things, that VFG is "comprised of industry veterans from some of the largest data center companies" and is "planning multiple gigwatts of power production in the years ahead."

The complaint alleges that Hyliion's stock price rose on the news of the VFG partnership. The complaint alleges further that individual corporate officers, using Rule 10b5-1 trading plans, sold their company shares in transactions timed to follow the VFG announcement in order to "reap unjust financial rewards."

On June 23, 2026, short-seller Pelican Way Research published a report that raised red flags regarding VFG's operational capabilities, financial resources, and development experience. Specifically, the report raised the concern that VFG was a new entity with an incomplete website and apparently only four employees. The report also claimed that VFG lacked the resources to raise the hundreds of millions of dollars needed to pay Hyliion and questioned whether VFG engaged in any meaningful business activity. The report suggested that the announcement of the VFG partnership was conveniently timed, just as Hyliion's cash resources were dwindling.

On August 26, 2026, two separate securities class action lawsuit complaints were filed in the Western District of Texas against Hyliion and certain of its directors and officers. The two complaints can be found here and here. Both complaints purport to represent a class of investors who purchased Hyliion securities between May 12, 2026, and June 23, 2026.

The complaints allege that during the class period, and “in order to cause a rapid price appreciation in Hyliion stock,” the defendants announced a deal “with an entity that was very recently formed and does not appear to have any actual business operations” and that the individual defendants timed the announcement in order to “insider trade.” The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint seeks to recover damages on behalf of the class.

Discussion

Many readers undoubtedly will be familiar with “AI washing,” which involves allegations that a company overstated its artificial intelligence capabilities or opportunities. At first glance, it might appear that these new lawsuits should be categorized as AI washing cases. The companies certainly have been alleged to have overstated their respective opportunities.

However, these cases do not exactly fit the classic AI washing mold. These companies are not alleged to have overstated their *artificial intelligence* capabilities or opportunities. Indeed, the defendant companies are not alleged to have made any artificial intelligence-related misrepresentations, as such. Instead, the companies are alleged to have overstated the extent to which they were in a position to profit from the AI build-out, by offering AI infrastructure development, products, or services.

The fact is that the AI industry is in the midst of a massive buildout, in which large tech companies have announced AI development plans that run into the hundreds of billions of dollars. There is no doubt that there are going to be many infrastructure development and supply companies that will ride this build-out to capture massive revenues. Given the extent of the current boom, it is no surprise that infrastructure companies want to position themselves to take advantage of the boom – or, at a minimum, to create the appearance that they are positioned to take advantage of the boom.

Because the AI infrastructure lawsuits differ in key respects from the classic AI washing pattern of allegations, it is our view that the AI infrastructure lawsuits represent their own category of AI-related litigation, as differentiated from the AI washing suits.

Even before the filing of these latest lawsuits, there had already been a number of AI infrastructure lawsuits filed this year, including the lawsuits filed against Power Solutions International (discussed here), Fermi (discussed here), and Coreweave (discussed here). Given the sheer size of the AI buildout and the amount of economic activity involved, it seems likely that there will be further AI infrastructure lawsuits filed in the weeks and months ahead.

In any event, according to our tally, the filing of these new lawsuits brings the total number of AI-related lawsuit filings this year to 22 (counting the two similar complaints against Hyliion only once), by comparison to only 16 AI-related lawsuit filings in the full year 2025. Perhaps more importantly, it appears to us that the pace of AI-related filings is accelerating as the year progresses. There is no doubt that by year-end 2026, the number of AI-related lawsuit filings will be one of the most important D&O stories of the year.

One more way that these two new lawsuits are similar is that they involve allegations based almost exclusively on assertions that first appeared in short-seller reports. As long-time readers know, I have frequently cautioned against over-reliance on allegations drawn from short seller reports. Short sellers have an obvious financial incentive to try to make their target companies look questionable. And not only are the allegations in these new complaints based on short-seller claims, but the lawsuits have only just been filed and it remains to be seen how the lawsuits will fare.

I will say that the attempt in the Hyliion complaint to turn the individual defendants’ Rule 10b5-1 trades into evidence of deceptive intent is a stretch. The dollar figures involved are pretty minimal in my view – one defendant traded only $125,000 worth of his company shares, while the other defendants traded only $61,000 worth of company shares. These are hardly the magnitude of trades that might suggest an intent to defraud.

Secret Class Action Rebates Take Center Stage In $1 Billion Realtors Case

forbes.com/sites/jeffkauflin/2026/09/01/secret-class-action-rebates-take-center-stage-in-1-billion-realtors-case

Jeff Kauflin September 1, 2026

Once largely unknown to judges and lawyers, rebates paid to class action claims administrators by fintechs and banks are spilling into public view–and prompting the administrators to forgo them in major settlements.

The claims administrators that dole out billions of dollars each year in class action settlements to consumers have been under increasing scrutiny for [quietly taking rebates from fintechs and banks](). Some of the rebate money comes from “breakage,” when consumers’ prepaid-card balances go unused and are eventually depleted by inactivity fees. Now the criticism is getting a lot louder: on August 20, for nearly two hours, a federal judge grilled a major claims-administrator CEO about the murky payments.

The heated questioning took place between U.S. District Judge Stephen Bough and JND CEO Jennifer Keough in a Kansas City courthouse. It was a procedural hearing concerning a $1 billion settlement in a lawsuit accusing the National Association of Realtors and several real estate agencies of conspiring to inflate brokers’ commissions on home sales (the association has denied the allegations).

Keough said that in the 1,000-plus cases that Seattle-based JND has handled over the past five years, fewer than ten have involved debit cards and rebates from fintech card issuers. She also admitted that JND has taken rebates from banks based on interest earned from settlement funds sitting in deposit accounts, though she said those payments have been “minimal” because they “offset the bank fees, which we don’t charge to the fund.”

For the upcoming consumer payouts in the realtors case, Keough promised that her firm won’t take any rebates from vendors, even though it contractually has the right to do so. This past May, Philadelphia claims administrator Angeion agreed not to take rebates in a small Missouri class action (also overseen by Judge Bough), which was one of the first public examples of a claims administrator agreeing to forgo a rebate. Since then, administrators are increasingly saying they’ll skip the behind-the-scenes payments.

Before the spring of 2025, few attorneys or judges were aware that claims administrators were pocketing money from fintech card issuers like Blackhawk and Tremendous. Few understood the breakage that resulted from the digital prepaid debit cards used in payouts. Industry insiders alleged that banks were involved in questionable payments, too: administrators quietly took a cut of the interest income earned on settlement funds while the money sat in an account, waiting to be distributed.

Forbes covered these back-room dealings in an in-depth story in May 2025, estimating the breakage on digital debit cards at $300 to $400 million over the prior five years. Multiple lawsuits followed, targeting four major settlement administrators (including JND), two banks and three fintech payments companies, alleging offenses like fraudulent concealment and conspiracy. They’ve since been consolidated into multi-district litigation in Washington, D.C. Last year, an Angeion spokesperson called the lawsuit “meritless,” and a Blackhawk spokesperson said it was compliant with all applicable laws. Keough called the allegations “baseless” in her recent testimony. In July, all of the defendants filed motions to dismiss the case; the judge has not yet ruled on them.

Most of the big claims administrators, including Angeion and JND, are owned by private equity firms. JND is part of Memphis claims-management company Sedgwick, which is owned by the Carlyle Group and Stone Point Capital.

N**ew information has been dripping out** about the rebates across various cases. In the August 20 hearing, Keough said that JND didn’t take any rebates in the $2.7 billion antitrust settlement against Blue Cross Blue Shield, which was initially settled in 2020 but didn’t start consumer payouts until May 2026.

Not all class action payouts are created equal–they often use different disbursement methods and vary widely in effectiveness and ease of use. In a $425 million data breach class action against Equifax, during a second round of distributions in late 2024, consumers weren't offered a choice of different payment options such as paper checks, Venmo or digital debit cards. Instead, JND sent out emails with digital debit cards (often totaling $7.44 apiece) to everyone eligible, which people found difficult to use.

The emailed cards inevitably carried significant breakage: If someone didn't use her card for six months, the card issuer Blackhawk clawed back the funds through a $5.95-per-month inactivity fee. (A JND spokesperson says the decision to do the redistribution entirely through digital debit cards was made by the plaintiffs' and defendants' attorneys.)

After questions about class action rebates surfaced last year, the plaintiffs' attorneys in the Equifax case demanded more information. In July 2026, they asked the court to require JND to disclose how much money it raked in through vendor rebates. JND has since fought hard to keep the payment sum secret, filing a 12-page motion this summer explaining why it shouldn't have to answer the question.

The rebate arrangements remain largely opaque. By the end of the lengthy August 20 hearing, it was still unclear how JND could cancel its rebates for a single class action case while more generally accepting rebates "in connection with the volume of work performed for all of its clients," according to JND's own contract with its vendors.

When Judge Bough asked JND's lawyer David Weiner for more information on how the rebate payments work, the attorney said, "I don't know the mechanics of how it works." The judge responded, "You don't know but … your firm is the lawyer in Equifax, you're the lawyer in the [Washington, D.C., multi-district litigation], and you're the lawyer here, and you don't know how these credits and rebates are paid and not paid."

House Passes Bill Expanding California, Texas Court Locations

Aug. 31, 2026, 4:17 PM PDT

The House passed a bill on Monday that would require judicial districts in California and Texas to hold court in two additional locations.

The bill (S. 32) would require the Southern District of California to hold court in El Centro, Calif., and the Galveston Division of the Southern District of Texas to hold court in College Station, Texas.

House members voted 378-10 to approve the measure, clearing it for the president.

The US District Court for the Southern District of California currently holds court in San Diego. The Galveston Division of the Southern District of Texas serves Galveston, Texas, to the southeast of Houston.

Sens. Ted Cruz (R-Texas) and Alex Padilla (D-Calif.) introduced the bill, called the Local Access to Courts Act or LACA, on Jan. 8, 2025. The Senate passed the bill by unanimous consent on Feb. 12, 2025.

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Insurers Convince Judge to Follow Delaware Law in Opioid Case

Aug. 31, 2026, 9:51 AM PDT

Summary by Bloomberg AI

AI Generated

- Insurance units of American International Group Inc., Hartford Insurance Group Inc., and other carriers defeated a drug company's bid to have a Delaware state court apply Pennsylvania law to opioid-related litigation.
- Special Magistrate Judge Mary Miller Johnston said "there is no true or actual conflict between relevant and applicable Pennsylvania and Delaware law" in an Aug. 28 report and recommendation.
- Johnston will apply the standard established in the Delaware Supreme Court's August 2025 In re CVS Opioid Insurance Litigation ruling to determine whether coverage exists for 2,413 opioid cases brought against AmerisourceBergen.

Insurance units of American International Group Inc., Hartford Insurance Group Inc., and other carriers defeated a drug company's bid to have a Delaware state court apply Pennsylvania law to opioid-related litigation.

"There is no true or actual conflict between relevant and applicable Pennsylvania and Delaware law," Special Magistrate Judge Mary Miller Johnston of the Delaware Superior Court said in an Aug. 28 report and recommendation.

She rejected the request by AmerisourceBergen Corp. – now known as Cencora Inc. – for the court to consider two Pennsylvania cases under a choice-of-law analysis.

Insurers have largely prevailed in Delaware courts over litigation from drug companies and retail pharmacies looking for their carriers to foot the bill for cases alleging the policyholders stoked the opioid epidemic.

Coverage wasn't triggered in those cases because the underlying suits sought recovery for the plaintiffs' economic losses tied to the opioid epidemic, not because of any specific individual's bodily injury, the Delaware Supreme Court ruled.

Looking to the US District Court for the Eastern District of Pennsylvania's February decision in *Dundon v. ACE Property & Casualty Insurance Co.*, and the US Court of Appeals for the Third Circuit's 2025 ruling in *Essential Utilities Inc. v. Swiss Re Group* didn't change Delaware precedent, Johnston said.

A December 2025 order appointing Johnston required a complaint-by-complaint review under Delaware law to resolve outstanding cases that weren't subject to the court's December 2024 ruling granting partial summary judgment to the insurers. Johnston said she will apply the standard established in the Delaware Supreme Court's August 2025 *In re CVS Opioid Insurance Litigation* ruling.

Johnston didn't decide whether individual complaints or categories of complaints fell outside the scope of the December 2024 ruling. There were 3,569 total opioid cases brought against AmerisourceBergen that were at dispute with its insurers, but 1,156 were resolved between the parties, leaving 2,413 to determine whether coverage exists.

The insurers in this case sued AmerisourceBergen in 2022, seeking to avoid paying defense costs and any settlements stemming from the underlying opioid litigation. The court in its 2024 ruling held the insurers had no duty to pay defense costs for the drug company for a set of underlying suits that categorically failed to state a claim for bodily injuries.

Johnston during June oral arguments said she was concerned it could be a "tremendous waste of time" to now apply Pennsylvania law, citing the risk of an amended complaint from AmerisourceBergen requiring a case-by-case analysis for each individual underlying suit if there's already no duty to defend.

AmerisourceBergen is represented by Reed Smith LLP and Potter Anderson & Corroon. Willkie Farr & Gallagher LLP and Smith, Katzenstein & Jenkins LLP are among the firms that represents the insurers.

The case is Arrowood Indem. Co. v. AmerisourceBergen , Del. Super. Ct., No. N22C-01-182, 8/28/26 .

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Grand Prairie attorney arrested for Ponzi scheme and obstructing SEC investigation

justice.gov/usao-ndtx/pr/grand-prairie-attorney-arrested-ponzi-scheme-and-obstructing-sec-investigation

September 1, 2026

For Immediate Release

U.S. Attorney's Office, Northern District of Texas

DALLAS — United States Attorney for the Northern District of Texas Ryan Raybould announced that a Grand Prairie attorney was arrested Aug. 31 on federal charges alleging he defrauded investors for years, used forged notary documents to mislead the U.S. Securities and Exchange Commission, falsely placed an innocent woman he barely knew at the center of that fictional operation and pressured the woman and her husband to “take a vacation” to Mexico to prevent authorities from learning the truth.

David Thomas Gilchrist, 70, is charged by criminal complaint with wire fraud, aggravated identity theft and witness tampering. He is expected to make his initial appearance before a U.S. magistrate judge on Wednesday, Sep. 2.

> “Mr. Gilchrist’s alleged conduct strikes at the heart of investor trust and the integrity of our financial system,” said U.S. Attorney Ryan Raybould. “He didn’t just defraud innocent people out of their savings, he allegedly forged documents, lied to federal regulators, and tried to intimidate witnesses to cover his tracks. We will not hesitate to pursue anyone who attempts to deceive investors or undermine federal investigations, and we remain committed to working with our great partners at the SEC to hold offenders accountable.”

“Attorneys play a vital role in the SEC’s investor protection mission,” said SEC Inspector General Kevin Muhlendorf. “Where any individual, but especially an attorney, seeks to obstruct SEC Enforcement investigations through lies, fake documents, or witness tampering, SEC OIG will use our law enforcement authority to pursue them with our partners at the Department of Justice.”

According to an affidavit filed with the complaint, Gilchrist entered partnerships and promissory notes with roughly twenty victims for the purpose of purchasing property tax liens in Texas counties as an investment vehicle. As alleged in the complaint, bank records show Gilchrist did not use his victims’ funds to purchase tax liens but instead commingled the money with other funds, which he used to make personal expenditures and repay earlier investors—classic features of a Ponzi scheme. Investigators estimate that between April 2023 and January 2026, Gilchrist received approximately $1.45 million from investors and returned only about $789,000.

The complaint alleges that when the SEC initiated an investigation and requested documentation, Gilchrist provided a set of purported quitclaim deeds that later proved to be forgeries. The deeds allegedly contained notary stamps and signatures belonging to real Texas notaries, none of whom authorized Gilchrist to use their credentials.

According to the complaint, during sworn testimony before the SEC in April and May 2026, Gilchrist stated that he had redacted the homeowners' names on the fraudulent quitclaim deeds because "they're illegal," and claimed that he used a woman — also "illegal"—as an intermediary to identify the homeowners and deliver cash to them in Bexar County, Texas. The complaint further alleges that days before testifying before the SEC, Gilchrist appeared unannounced at the woman's home, told her husband that the FBI was looking for him and advised them to "take a vacation" for a couple of years, potentially in Mexico.

Gilchrist allegedly provided his victims with sporadic payments, misleading updates and implausible excuses such as a government shutdown, an arson investigation, and a hurricane-relief deployment, that Gilchrist allegedly used to delay repayment. In at least one instance, while claiming to be hospitalized in Tennessee after a colectomy, Gilchrist was recorded as checking into a local gym in Mansfield, Texas.

If convicted of the charges alleged in the complaint, Gilchrist faces a statutory maximum sentence of 20 years in federal prison for each of the wire fraud and witness tampering charges and a mandatory two-year consecutive sentence for aggravated identity theft.

In a separate case, the SEC's Chicago Regional Office has also filed a civil complaint charging Gilchrist with securities fraud.

The U.S. Securities and Exchange Commission Office of Inspector General is investigating this matter with substantial assistance from the U.S. Marshals Service. Assistant U.S. Attorneys Alexander Schwab and Douglas Brasher of the Fraud Section are prosecuting the case.

A criminal complaint is merely an allegation of criminal conduct, not evidence. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

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Updated September 1, 2026
Securities, Commodities, & Investment Fraud

Meta Quietly Resolves Cambridge Analytica Claims as Part of Child-Safety Settlement

law.com/corpcounsel/2026/08/31/meta-quietly-resolves-cambridge-analytica-claims-as-part-of-child-safety-settlement

While attention focused on Meta's $17 billion youth-safety settlement with state attorneys general, the agreement also includes a separate $459 million payment resolving a broad swath of state claims tied to the Cambridge Analytica data-privacy scandal.

Meta Platforms' landmark settlement with state attorneys general over allegations that Facebook and Instagram harmed young users included a little-noticed provision that could represent one of the last major chapters of government enforcement arising from the Cambridge Analytica scandal.

Buried within the 130-page settlement agreement is a separate $459.3 million payment earmarked for what the parties call "Cambridge Complaints," a collection of state privacy actions linked to the disclosure of Facebook user data to the political consulting firm Cambridge Analytica. The agreement defines a distinct "Cambridge Settlement Amount" of $459,293,017.80 and creates separate release provisions governing those claims.

The Cambridge Analytica provisions are included in the same agreement that resolved claims by dozens of attorneys general alleging Meta designed Facebook and Instagram in ways that encouraged excessive use by children and teens. The broader settlement carries a potential value of roughly $16.7 billion and requires Meta to implement significant changes to its platforms, including defaults limiting overnight access and daily usage by teen users.

Meta did not respond to Law.com’s inquiries about the Cambridge Analytica provisions.

Under the agreement, participating jurisdictions agreed to release Meta from "any and all Claims, whether known or unknown, whether accrued or unaccrued," that either were asserted in the Cambridge Analytica complaints or could have been asserted based on the conduct alleged in those cases. The agreement further provides that participating states waive claims they may later discover, even if they currently do not know or suspect those claims exist.

The release language highlights how long the fallout from the Cambridge Analytica scandal has persisted. The controversy erupted publicly in 2018 after reports that data from millions of Facebook users had been obtained through a third-party app and ultimately shared with Cambridge Analytica, a political consulting firm that worked on Donald Trump's 2016 presidential campaign. The scandal prompted congressional hearings, investigations by regulators and years of litigation.

The newly disclosed payment comes on top of Meta's previous efforts to resolve Cambridge Analytica-related matters, including a $5 billion Federal Trade Commission settlement announced in 2019 and a $725 million settlement of consumer privacy class-action litigation reached in 2022.

The agreement identifies 46 states plus Puerto Rico and the Northern Mariana Islands as "Cambridge Settling States," which will share the $459.3 million payment. New York is slated to receive nearly $30 million, Illinois approximately $23.7 million, Pennsylvania nearly $23.8 million and New Jersey about $20.3 million.

Notably, however, the settlement does not appear to fully extinguish Cambridge Analytica-related litigation.

Two major holdouts remain: New Mexico and Washington, D.C. New Mexico's lawsuit is scheduled for trial beginning Sept. 8, while Washington, D.C., continues to pursue claims tied to the scandal.

Connecticut Attorney General William Tong, whose office participated in the broader multistate effort, told Bloomberg that states "seized the opportunity" to resolve the Cambridge Analytica matter as part of the larger settlement package.

The settlement therefore appears to significantly narrow, but not completely eliminate, Meta's remaining legal exposure from one of the largest privacy scandals in technology-industry history. Even as the company focuses on defending itself against newer claims involving social media's effects on children and teenagers, the agreement demonstrates that Cambridge Analytica-related enforcement efforts remained active nearly a decade after the events that triggered the controversy

Lilly to Buy Merida for $2.88 Billion in Autoimmune Push (2)

Aug. 31, 2026, 8:40 AM PDT

Summary by Bloomberg AI AI Generated

- Eli Lilly & Co. plans to buy Merida Biosciences Inc. for as much as $2.88 billion in cash to expand in autoimmune and allergic diseases.
- Merida is developing products that target auto-antibodies tied to diseases, including MER511, which is in early testing for Graves' disease and thyroid eye disease.
- The deal is part of Lilly's strategy to invest in technologies that can transform the treatment of diseases beyond obesity, with the company having announced more than $20 billion in deals so far in 2026.

Eli Lilly & Co. plans to buy Merida Biosciences Inc. for as much as $2.88 billion in cash to expand in autoimmune and allergic diseases, part of an effort to build beyond the weight-loss and diabetes markets that made it the largest pharmaceutical company in the world.

Merida is a closely held company developing products that target auto-antibodies tied to diseases, without harming the immune system's normal functioning. Its most advanced product, MER511, is in early testing for Graves' disease and thyroid eye disease, where approved treatments don't address their underlying causes. It's also working on a compound to treat food allergies, asthma and related conditions.

Lilly has been on a record spending spree, having announced more than $20 billion in deals so far in 2026. The drugmaker has been using the windfall from its Zepbound and Mounjaro shots to diversify its pipeline, mainly targeting medicines in earlier stages as it seeks to position itself to develop the next blockbuster medicine.

"We view the deal as a strategic use of capital, aligning with Lilly's earlier business development efforts and diversifying their immunology and inflammation pipeline," Evan Seigerman , an analyst at BMO Capital Markets , wrote in a note to investors. "MER511 remains early, with no evidence yet that antibody reductions translate into durable clinical benefit, but successful validation could provide Lilly with multiple shots on goal across antibody-driven diseases."

Read More: How Eli Lilly's CEO Plans to Defeat Pharma's Boom-Bust Cycle

The deal is part of Lilly's ongoing strategy to invest in technologies that can transform the treatment of diseases beyond obesity, Lilly Chief Executive Officer **Dave Ricks** said in an interview Monday with CNBC. The company has already has done more deals this year than in all of 2025, he said, pointing out that early-stage acquisitions is Lilly's "sweet spot."

This year, the drugmaker agreed to spend up to $7.8 billion for sleep drugmaker Centessa Pharmaceuticals Plc and up to $7 billion for cancer drug developer Kelonia Therapeutics – two of its most expensive deals ever. In May, it reached deals to buy three vaccine developers for as much as $3.8 billion. Company executives have signaled there's much more to come.

Lilly's shares fell 1.4% at 11:35 a.m. in New York. They had risen 9.3% since the start of the year through Friday's close.

The deal is expected to close in the fourth quarter. Lilly will pay an upfront fee in cash, plus additional milestone payments if Merida's products meet expectations during development, the company said in a statement . Further details weren't provided.

Separately, a combination of Lilly's Taltz and Zepbound helped control moderate-to-severe plaque psoriasis or active psoriatic arthritis for as long as a year in overweight or obese patients in a study, the company said in a statement .

(Adds Lilly CEO comment in the fifth paragraph.)

--With assistance from **Jessica Nix**.

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Mealey's Antitrust/Unfair Competition - 11th Circuit Grants Mandamus Petition, Vacates Arbitration Order In Binance Class Suit

Mealey's Daily News Update

August 31, 2026

Cite: 2026-10001 Mealey's Daily News Update 1

Section: 2026, 10001

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

Binance, et al's response to petition and attachments 43-260904-088B

Ahuruonye, et al's reply in support of petition 43-260904-089B

District Court's order granting motion to compel arbitration 43-260904-090R)

End of Document

Bloomberg Law

Manage Newsletters

Moderna Investor RSV Vaccine Suit Should Be Tossed, Court Says

Sept. 1, 2026, 12:48 PM PDT

Summary by Bloomberg AI

AI Generated

- A federal magistrate judge recommended dismissal of proposed class claims that Moderna Inc. and its top executives overstated the efficacy of its RSV vaccine candidate in 2024.
- The investor leading the case didn't sufficiently allege the level of intent or recklessness for securities fraud, according to Magistrate Judge Paul G. Levenson.
- The report now goes to Judge Indira Talwani for review, and the proposed class would include those who acquired Moderna securities from Feb. 15, 2024, to May 31, 2024.

Moderna Inc. and three of its top executives shouldn't have to tussle with investor allegations that they overstated the efficacy of its RSV vaccine candidate in 2024, a federal magistrate judge said.

The investor leading the case didn't sufficiently allege the level of intent or recklessness for securities fraud, Magistrate Judge Paul G. Levenson said Monday, recommending dismissal of the proposed class claims.

Investor Pak Sa Kim had told the US District Court for the District of Massachusetts that the pharmaceutical company had a strong motive to boast its vaccine competitiveness by hiding a lower efficacy against respiratory syncytial virus than it previously shared. That new efficacy, 5 percentage points less than its touted 83.7%, was calculated off updated datasets it submitted at the request of the Food and Drug Administration.

Moderna and the executives countered that the company accurately described its clinical trial analysis and warned that the FDA could view the data differently. And, they said, it wouldn't have been in their best interest to misrepresent the vaccine's efficacy because it was up to the FDA to decide which figure to use, and that figure would be publicized when the vaccine was approved.

“On the facts that Plaintiff alleges, the more compelling inference is Defendants’ version: that Moderna provided additional data as requested by the FDA during review, that Moderna continued to believe its original efficacy computation was defensible, and that Moderna had no intent to mislead investors,” the magistrate judge said.

Still, the investor sufficiently pleaded that Moderna misleadingly repeated the higher efficacy figure by omitting that the updated FDA-requested data produced a lower figure, Levenson said.

The report now goes to Judge Indira Talwani for review.

The proposed class would include those who acquired Moderna securities from Feb. 15, 2024, to May 31, 2024. That day, Moderna said the FDA granted approval of vaccine mRESVIA for older adults, and that it had an efficacy of 78.7%. Its stock price fell almost 6% to close at $142.55 per share May 31.

Bernstein Liebhard LLP attorneys, lead counsel for the investors, didn’t immediately respond to an email seeking comment. Freshfields US LLP, which declined to comment, and Boston-based Sherin and Lodgen LLP represent Moderna and the executives. Moderna didn’t immediately respond to an email seeking comment.

The case is Wentz v. Moderna, Inc. , D. Mass., No. 1:24-cv-12058, recommendation 8/31/26 .

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Pump.fun Stuck in Memecoin Purchasers' Racketeering Suit (3)
Sept. 1, 2026, 9:10 AM PDT; Updated: Sept. 1, 2026, 1:06 PM PDT

Summary by Bloomberg AI AI Generated

- Pump.fun and its cofounders will have to defend against purchaser accusations that they orchestrated a memecoin launch scheme with hierarchical advantages for insiders.
- Two of the three purchaser-plaintiffs adequately alleged Racketeer Influenced and Corrupt Organizations Act and RICO conspiracy claims against Pump.fun and the three executives.
- The plaintiffs failed to plead RICO claims against blockchain platform Solana Labs and its affiliates, and also failed to plead a common enterprise under the Howey Test for certain token offerings.

Pump.fun and its cofounders will have to defend against purchaser accusations that they orchestrated a memecoin launch scheme with hierarchical advantages for insiders.

Two of the three purchaser-plaintiffs adequately alleged Racketeer Influenced and Corrupt Organizations Act and RICO conspiracy claims against Pump.fun and the three executives, Judge Colleen McMahon said Monday.

They sufficiently pleaded wire-fraud and unlicensed-money-transmission predicates for racketeering activity, the US District Court for the Southern District of New York judge said, sparing some proposed class claims from dismissal. And they tied these pleaded predicate offenses to alleged injuries, namely that the purchasers had to pay transaction fees and were deprioritized compared to bots and users who paid to bump up their transactions.

The purchasers said they wouldn't have traded on Pump.fun, which Baton Corp. operates, had they known about insider advantages tied to an alleged pump-and-dump scheme while the platform was touting its token launches as fair.

“We welcome the Court’s ruling that Pump.fun and its founders must face our clients’ racketeering and conspiracy claims over billions of dollars in alleged retail losses. Few civil RICO claims alleging fraud survive a motion to dismiss and the Court held that our clients’ allegations met that exacting standard,” attorney Max Burwick said in an email. Burwick Law and Wolf Popper LLP are lead counsel for the purchasers.

But the plaintiffs failed to plead RICO claims against blockchain platform Solana Labs and its affiliates, McMahon said, adding “they do not show that Solana Labs knew that Pump.fun was allegedly giving favored promoters advance token information, allowing them to pre-position before retail promotion, or assisting their exits while representing the launches as fair.”

Howey **Test**

McMahon separately dismissed purchasers’ allegations concerning 20 tokens under the federal law that governs securities issuances, a couple of them without the ability to replead.

The purchasers said these token offerings should’ve been registered with the Securities and Exchange Commission.

The plaintiffs would’ve had class standing as to two tokens they actually bought: the “First Convicted Raccoon” or FRED and “AI-driven” meme GRIFFAIN, McMahon said. But the offers and sales of those tokens didn’t plausibly include investment contracts under a Supreme Court ruling that helps courts determine what’s a security, she said.

The purchasers failed to plead a common enterprise, one of the prongs of the Howey Test set forth by the high court’s 1946 decision.

“The only thing that tied these purchasers together was that they all traded on the same trading platform. Mere economic interaction among traders is not the same thing as their participating in a common profit-seeking enterprise,” the judge said.

McMahon also tossed a New York unjust enrichment claim against all the defendants that sought dismissal. It duplicates a sufficiently pleaded portion of the RICO theory against Pump.fun, the complaint doesn’t plausibly allege the three officers received a benefit at the plaintiffs’ expense, and the benefits purportedly reaped by the Solana defendants were too attenuated, she said.

And the purchasers must demonstrate why unnamed online token promoters who haven’t been served should remain as defendants, McMahon said.

Brown Rudnick LLP, which represents Pump.fun, and Nagy Wolfe Appleton LLP, which represents Solana, declined to comment. Cahill Gordon & Reindel LLP, which represents the Pump.fun officers, didn’t respond to an email seeking comment.

The case is Aguilar v. Baton Corp. , S.D.N.Y., No. 25-cv-880, 8/31/26 .

(Updates with defense attorney declining to comment in 14th paragraph.)

Mead Johnson wins US federal bellwether trial over preterm infant formula Enfamil

reuters.com/legal/litigation/mead-johnson-wins-us-federal-bellwether-trial-over-preterm-infant-formula-2026-09-01

NEW YORK, September 1 (Reuters) - A U.S. federal jury sided with Reckitt Benckiser's (RKT.L), opens new tab Mead Johnson on Monday in a test trial over claims the company's Enfamil infant formula for preterm babies caused necrotizing enterocolitis (NEC), a dangerous bowel disease.

The Illinois jury concluded Enfamil formula did not cause a preterm baby boy to develop NEC.

The case was brought by Alexis Inman, the mother of the boy who died soon after being born prematurely at 29 weeks.

Inman alleged that Mead Johnson failed to warn her or her son's doctors that Enfamil premature formula could cause NEC.

Mead Johnson said the verdict affirms the company's view that science does not support the claims in Inman's lawsuit or in the litigation more broadly.

"We strongly reject any assertion that any of our products cause NEC, and we will continue to vigorously defend ourselves against all such claims in the interest of safeguarding the health of premature babies," the company said in a statement.

An attorney for Inman did not immediately comment.

The trial is the latest to test claims made in nearly 1,700 similar lawsuits filed against Mead Johnson and Abbott Laboratories, which makes Similac formulas. More than 800 of the cases are centralized in the Illinois federal court, with others pending in state courts including Illinois, Missouri and Pennsylvania.

The companies have had a mixed record in the few cases to go to trial, with some juries siding with the companies and others with parents who sued. Mead Johnson said there are no outstanding jury verdicts against it in the NEC litigation, as the company won two previous cases at trial and won an appeal over a third case.

One Illinois woman was awarded $495 million in a 2024 verdict against Abbott, which appealed that verdict and ultimately settled that case and about 2,000 other claims for a total $670 million settlement.

SmileDirect investors are suing banks over the startup's collapse. But does their legal argument have any teeth?

reuters.com/legal/government/smiledirect-investors-are-suing-banks-over-startups-collapse-does-their-legal-2026-09-01

Sept 1(Reuters) - When SmileDirectClub went public in a billion-dollar IPO in 2019, the online dentistry company promised a cheap, convenient way to straighten teeth by selling mail-order plastic aligners for a fraction of what most orthodontists charge.

But the smile soon faded. The Nashville, Tennessee-based company faced regulatory scrutiny of its business practices, allegations of the unauthorized practice of dentistry and widespread customer complaints. SmileDirect's stock plummeted and the company filed for bankruptcy in 2023 before shutting down later that year.

Predictably, the shareholders sued.

What's more unusual is how the case, in Tennessee state court, opens new tab is playing out as investors and underwriters battle over who should pay and how much, for the company's collapse.

The plaintiffs say the mega-banks that underwrote SmileDirect's IPO, including J.P. Morgan Securities, Citigroup Global Markets, BofA Securities and UBS Securities, burned investors by failing to properly vet the company.

The underwriters deny wrongdoing and argue, opens new tab that they should not be stuck paying for losses allegedly caused by the executives who ran SmileDirect. Such a result would be both unfair and contrary to federal securities laws, they say.

The banks, which are represented by Sullivan & Cromwell, declined to comment.

Plaintiffs' lawyers from Robbins Geller Rudman & Dowd have not specified damages, but say investors lost hundreds of millions of dollars.

They argue the Securities Act of 1933 imposes broad, shared liability on underwriters because of the important gatekeeping role they play in bringing companies to market. The underwriters "failed to protect the public by conducting a reasonable investigation" into SmileDirect's business, the plaintiffs assert.

AN EARLY SIGN OF TROUBLE

The roots of the dispute lie in SmileDirect's rise from startup darling to securities law cautionary tale.

The company was founded in 2014 by childhood friends Alex Fenkell and Jordan Katzman, according to an archived version of SmileDirect's website, and backed by Camelot Venture Group.

Neither Fenkell nor Katzman responded to requests for comment via Camelot, where they are listed as principals. In court papers, they and the company's other former executives deny wrongdoing. Their lawyers from Quinn Emanuel Urquhart & Sullivan; Gibson, Dunn & Crutcher and Benesch Law also did not respond to requests for comment.

According to SmileDirect, customers could use an at-home kit to make impressions of their teeth. Those impressions would be used to create a series of custom-made, clear plastic aligners shipped to them directly – no office visits required. The company promised a licensed dentist or orthodontist would oversee treatment from afar.

SmileDirect's September 12, 2019, IPO raised $1.3 billion at an initial valuation of $8.9 billion, though the price fell about 11% the first day that the shares debuted on Nasdaq.

It was an early sign of trouble.

In a state court complaint filed just two weeks later, plaintiffs alleged SmileDirect's registration statement was riddled with misleading statements and omissions. A parallel action, currently stayed, soon followed in Nashville federal court. (The U.S. Supreme Court ruled in 2018, opens new tab that shareholders can bring Securities Act class actions in both state and federal court.)

The plaintiffs claim that administrative personnel in Costa Rica, rather than licensed dentists or orthodontists, provided treatment to customers, and that the underwriters failed to flag this and other problems in the IPO disclosures.

"The only involvement of any licensed dentist in the United States prior to prescribing aligners is a cursory review of a treatment plan – at $50 a pop," the complaint alleges.

Now-bankrupt SmileDirect was dismissed from the case, but the complaint targets the company's officers and directors individually, plus the underwriting banks, which allegedly raked in $67.3 million in fees from the IPO.

A FAIR SHARE?

Naming underwriters is routine in securities class actions. But in most cases, they are minor players. That's because they typically require the company going public to indemnify them against IPO-related liabilities.

But here, SmileDirect's bankruptcy leaves the underwriters vulnerable.

Earlier this year, the officers and directors reached an unusual $48 million settlement with the shareholders. The preliminary deal, which still requires approval by Chancellor Russell Perkins of Davidson County Chancery Court, would allow the SmileDirect executives to exit the case, leaving the underwriters as the lone defendants.

The plaintiffs say the payout is the second-highest ever by individual defendants in a Securities Act case.

But the underwriters object to the terms of the settlement, warning that it could ultimately leave them paying far more than their share of any future judgment.

The banks contend damages should be allocated based on each defendant's degree of fault, and say they played only a "secondary role" in any alleged misconduct.

A hypothetical illustrates the dispute. Suppose a jury returned a $100 million verdict in favor of the shareholders. The underwriters say they could be stuck paying $52 million after the executives' $48 million settlement, even if they were only 10% responsible for investors' losses. The "pro tanto" (or dollar-for-dollar) settlement terms would bar them from seeking reimbursement from the executives for the difference.

“Plaintiffs ask the Court to adopt and impose a new liability scheme that would put the Underwriters at risk of paying a vastly disproportionate share of any judgment in this case,” the underwriters argue.

Both the Securities Industry and Financial Markets Association and a group of law professors and former U.S. Securities & Exchange Commission officials filed amicus briefs backing the underwriters.

In urging the judge to reject the deal, SIFMA wrote, opens new tab that liability in securities offerings should be based on the degree of fault and not “on the depth of a defendant’s pockets.” To find otherwise, they warned, would “reverberate across the capital markets: higher costs for issuers, less favorable terms for offerings, and in extreme cases, the withdrawal of underwriting services.”

The case is now at a pivotal juncture, with a decision from Perkins expected at any time. Should he reject the settlement, all defendants will head to trial next year.

Senators Condemn Roblox, Discord Moving Victims Into Arbitration

Aug. 31, 2026, 9:13 AM PDT

Summary by Bloomberg AI AI Generated

- Three US Senators argued that sex abuse victims suing Roblox Corp. and Discord Inc. "deserve their day in court," and shouldn't be compelled into private arbitration.
- Roblox and Discord are pursuing arbitration amid lawsuits alleging they didn't do enough to protect children on their platforms, citing agreements users signed not to sue when they joined.
- The Senators filed an amicus brief stating that forcing lawsuits around sexual abuse into arbitration would "contradict the very concern animating the EFAA" and silence survivors of sexual assault and harassment.

Three US Senators argued in court that sex abuse victims suing Roblox Corp. and Discord Inc. "deserve their day in court," and shouldn't be compelled into private arbitration.

The two companies are pursuing arbitration amid an onslaught of lawsuits alleging they didn't do enough to protect children on their platforms.

"Instead of hiding behind the veil of arbitration, Roblox and Discord can be held accountable for their misconduct: misleading parents into thinking their platforms are safe and failing to protect children from sexual abuse," Senators Richard Blumenthal, Dick Durbin and Kirsten Gillibrand, all Democrats, wrote in an amicus brief filed Friday.

Roblox Corp. headquarters in San Mateo, California.
Photographer: David Paul Morris/Bloomberg

Roblox and Discord argue that the users signed an agreement not to sue when they joined the platforms. However in 2022, Congress enacted the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act, which prevents companies from forcing lawsuits around sexual abuse into arbitration. Today, more than 160 lawsuits argue that Roblox, Discord and other tech platforms failed to protect children from predators. Now, the companies are central to an argument over the scope of the act.

"Such a requirement would contradict the very concern animating the EFAA in the first place: Companies enforce arbitration to silence and deny justice to survivors of sexual assault and sexual harassment," according to the brief.

The brief was filed in a case involving a 13-year-old boy who was groomed by a predator he met on Roblox and coerced and blackmailed into sending explicit images and videos over Discord, according to the suit. Roblox and Discord didn't immediately respond to requests for comment.

Tech platforms often ask users to sign arbitration agreements that prevent them from bringing complaints before a court. Meta Platforms Inc. and Snap Inc., which are named in some of these suits, have chosen not to enforce their agreements.

Roblox and Discord have said they are committed to user safety. Roblox has implemented dozens of safety changes intended to prevent predators from coming into contact with minors, including age-verification protocols. Player engagement has taken a hit, spurring a significant decline in Roblox's share price.

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Shein’s Debut Shows the Cost of IPO Missing Its Growth Peak

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Summary by Bloomberg AI

AI Generated

- Shein Global Holdings Ltd.'s shares fell as much as 10% early in their Hong Kong debut, a weak reception for a $1.7 billion initial public offering.
- The company faces higher trade barriers, tougher competition, and cautious consumers, which are making its next phase harder after its peak growth years are behind it.
- Shein's valuation at its IPO was far below its one-time $100 billion valuation, and investors have questioned whether the company's growth outlook justified the price.

Shein Global Holdings Ltd.’s shares long-awaited market debut has come at an awkward time: the fast-fashion retailer’s peak growth years are behind it just as tariffs, regulatory pressure and intensifying competition are making its next phase harder.

Shares fell as much as 10% early in their Hong Kong debut Tuesday, a weak reception for a $1.7 billion initial public offering that capped a years-long listing effort, before closing at HK$48.50, little changed from its HK$48.56 IPO price. The deal valued Shein at a fraction of its peak private valuation, yet investors still questioned whether the company’s growth outlook justified the price. The skepticism was the most apparent shortly after the open, with bids hit three times as often as offers were lifted in early trading.

The challenge is that Shein is reaching public markets after the explosive expansion during the Covid 19 pandemic that made it a global fast-fashion powerhouse. It now faces higher trade barriers following the end of the US de minimis exemption and tougher competition, while cautious consumers add another hurdle. At the same time, investors have increasingly concentrated their appetite — and valuation premiums — on companies tied to AI and robotics.

“The lackluster IPO opening drop isn’t really about Shein’s execution but rather the unfortunate timing, as it had been impacted by both harsh tariffs and the ending of the de minimis loophole,” said **Jeremy Tan**, chief executive officer at Tiger Fund Management. “Investors have continued to be relatively more bullish about the AI and robotics trades, as shown in recent strong IPO debuts.”

Shein’s opening slump encapsulated investors’ waning appetite for internet retailers, an industry that has struggled recently against the headwinds of inflation, trade disruptions and consumer caution in key markets including China. The weak reception reflected concerns over intensifying competition, regulatory uncertainty and a market increasingly unwilling to award valuation premiums to companies outside the AI theme.

The company raised HK$13.6 billion ($1.7 billion) in the offering, which gave the company a market value of slightly more than $26 billion, far below its one-time $100 billion valuation. It’s still one of the world’s largest listed apparel and fashion companies. Swedish competitor Hennes & Mauritz ABis valued at about $30 billion.

“They’ve tried to IPO several times so by now with impatient investors and employees they probably don’t have the luxury of choosing the timing,” said **Vey-Sern Ling**, managing director at Union Bancaire Privee. “Growth is slowing and losses rising amid stiff competition from both e-commerce and fast-fashion players. More critically, its business model continues to be disrupted by evolving international regulations.”

Since its valuation peak, the company has faced mounting challenges including higher tariffs, growing regulatory scrutiny and intensifying competition from PDD Holdings Inc.’s Temu and Alibaba Group Holding Ltd.’s AliExpress. The IPO valued the company at over 15 times forward earnings, calculations based on Bloomberg Intelligence’s estimates show. That’s about double the 7.4 times ratio commanded by PDD and above the 10.7 times multiple for Hong Kong’s benchmark Hang Seng Index.

Read more: Shein Bets on Everlane Acquisition to Kickstart Empire Post-IPO (2)

Shein’s share sale also coincided with upheaval in its business that resulted in sharply slowing growth and a swing into losses. A key turning point was the US last year ending a trade exemption known as de minimis, which allowed imports worth less than $800 to enter its market without being charged duties. The European Union followed in July, abolishing its own exemption and introducing a €3 duty on items worth €150 ($175) or less, a move aimed at slowing the surge in cheap merchandise imports.

The emerging environment was in stark contrast with the pandemic, which had turbocharged e-commerce demand from consumers stuck at home, fueling Shein’s eye-popping 250% sales growth in 2020.

Its expansion slowed as the scale grew and the Covid-era frenzy faded. Shein posted a loss of $99 million in the first three months of 2026, compared with a $395 million profit over the same period a year earlier. Profit was already declining in 2025, while net revenue last year grew 8% — below the company’s target and markedly slower than the 21% increase in 2024.

“Extremely low-margin business models such as cheap, fast fashion tend to be particularly vulnerable to cross-border trade frictions, including tariffs, supply constraints, and heightened geopolitical tensions,” said **Gerald Gan**, chief investment officer at Reed Capital Partners. “The elevated valuations at the time were partly driven by the surge in online consumption during the pandemic. In my view, that was a temporary and largely sentiment-driven advantage rather than a sustainable structural growth premium.”

Shein CEO Sky Xu at the company’s listing ceremony in Hong Kong on Sept. 1.
Photographer: Lam Yik/Bloomberg

Back in 2022, Shein was viewed as a formidable disruptor in the global fast fashion industry, with valuation at roughly $100 billion, which was set “in a very different world,” at the tail end of the pandemic and de minimis loopholes still open, according to **Achim Berg**, founder of FashionSights, a Germany-based advisory firm, and former global head of McKinsey & Co.’s apparel and luxury practice.

A lot has changed since then. Shein’s attempts to list in New York and London went nowhere. Its old playbook is getting harder to run with slowing sales growth, deteriorating profitability and increasing regulation at the cheap e-commerce imports that helped fuel its rise.

“The best opportunity probably would have been before de minimis actually took off, but they missed that,” **Sucharita Kodali**, an analyst with Forrester Research, said in a Bloomberg TV interview.

Its new strategy of focusing on brand acquisition and partnership comes with its own complications too. Shein bought US apparel brand Everlane for $80 million in May, giving it an established label to test its supply-chain prowess on. But the US is already reviewing that acquisition over national-security concerns.

“The real question is whether Shein’s extraordinary rise from virtually zero to $42 billion in revenues, putting it among the world’s five largest fashion companies by revenue, can translate into profitable future growth,” said Berg,

California, Writers Guild ask court to reject Paramount request for $1.9 billion bond | Business Information & News | FE

LOS ANGELES, Aug 31 (Reuters) - The State of California and 11 other states joined the Writers Guild of America on Monday in urging a federal court judge to deny Paramount Skydance's request for a $1.88 billion bond to address the cost of delay in completing its acquisition of Warner Bros Discovery.

California argued that any damages Paramount has incurred from delays in closing the Warner Bros deal are self-imposed, and that the court should reject any effort to shift the burden to the public and a non-profit union, a court filing on Monday showed.

The state argued Paramount willingly offered to pay Warner Bros shareholders a "ticking fee" for every day, starting on October 1, that it takes to close the transaction. The fee was offered as an incentive to persuade Warner Bros to abandon its earlier deal with Netflix.

Paramount also voluntarily agreed to refrain from closing the merger until the antitrust case, which the states filed on July 13 to block the deal, is resolved, or June 1, 2027, whichever comes first, the state argued.

"Paramount now wishes to offload its responsibility," California Attorney General Rob Bonta argued in the court filing, saying Paramount's request for a bond should be denied.

The company must pay a fee of $7 million a day if the $110 billion merger does not close by September 30. Paramount noted the trial on the states' legal challenge is scheduled for March and by the time it concludes and final legal briefs are submitted in April, it will have paid Warner Bros shareholders an unrecoverable $1.3 billion.

Paramount said in a statement that the states "should not get a free pass" from requirements that they post a bond against the harms caused "if their challenge ultimately fails."

"Plaintiffs cannot have it both ways: they cannot seek the extraordinary remedy of preventing Paramount from closing the transaction while insisting they bear no responsibility for the enormous costs a delayed trial and injunction will cause if their case fails," Paramount said. "The bond requirement exists precisely to protect against that result."

California and the other 11 states argue the combination of Paramount and Warner Bros would create a media behemoth with the power to raise prices in film and television. The

Writers Guild of America has also sued to challenge the deal.

The lawsuit, filed in Oakland federal court, threatens to derail Paramount CEO David Ellison's bid to transform his company into a major rival of Netflix and Disney.

Paramount said regulatory entities representing at least 68 countries have approved or declined to challenge the merger after reviewing it and the lawsuits are the only hurdle to the deal closing.

The studio said the lawsuit is "meritless," and that it looks forward to completing the transaction.

SEC chairman moves to give US states power over shareholder resolutions | Business Information & News | FE

today.westlaw.com/Document/I5be08960a57311f1835ae22e6c43862e/View/FullText.html

Aug 31 (Reuters) - The U.S. Securities and Exchange Commission has taken a step toward eliminating its requirements for shareholder proposals at public companies and giving new powers to states, a shift that would diminish the influence of investor activists.

In a regulatory notice dated Friday, the SEC said it would consider changes to the rule known as 14a-8. It establishes requirements for shareholder proposals in public companies' annual proxy statements including minimum ownership.

Via e-mail, a spokesman for SEC Chairman Paul Atkins said he has "highlighted concerns that the SEC's Rule 14a-8 on shareholder proposals exceeds the Commission's authority and infringes upon state laws. To that end, the Commission is expected to consider a proposal to rescind the rule and return the role of regulating shareholder proposals to the states."

Investor resolutions focused on topics like carbon emissions and executive roles have been the focal point of many corporate annual meetings, though support for them has fallen in recent years.

Tim Smith, senior policy adviser at the Interfaith Center on Corporate Responsibility, whose members often file shareholder resolutions, said the move would create confusion because regulations are not uniform among states, such as how many shares are needed to bring a matter to a vote.

Under a new law in Republican-controlled Texas, for instance investors could need as much as $1 million worth of shares to file a resolution, compared with just $2,000 under a current SEC requirement.

"Across the investor community there will be a response to the questionable legal arguments he (Atkins) is making about the authority of the SEC," Smith said.

Cooley law firm strategist Broc Romanek said the change could lead to more votes against corporate board members as shareholders' options for expressing disapproval narrow.

"Votes against directors will be used more and more as other avenues are shut down," Romanek said in a telephone interview.

In a separate regulatory notice, the SEC said it would "modernize" the proxy solicitation process, which governs shareholder communications. The agency spokesman said it aims "to reflect advancement in technology and current realities of shareholder communications."

Activists say such changes could unfairly restrict speech by small investors.

Sixth Circuit revives Freddie Mac securities fraud class action from 2008 financial crisis | Business Information & News | FE

On August 21, the U.S. Court of Appeals for the 6th Circuit reversed in part and vacated in part several district court orders in a securities fraud class action stemming from the 2008 financial crisis, remanding the action for further proceedings. The 6th Circuit found that Freddie Mac's stock traded in an efficient market and revived claims alleging that Freddie Mac and its former officers made materially false statements about their "subprime" and "Alt-A" mortgage exposure. As previously covered by InfoBytes, the U.S. District Court for the Northern District of Ohio had granted summary judgment to the defendants, finding that a state pension fund failed to establish that Freddie Mac made false statements about its subprime loan exposure, and had separately denied class certification on the ground that the fund could not demonstrate a presumption of reliance on the alleged misrepresentations because it could not establish market efficiency. The 6th Circuit reversed, holding that the district court erred by rejecting the plaintiff's "price-maintenance" theory, which posits that misrepresentations can artificially maintain a company's stock price, even without causing a price increase, if truthful disclosures would have caused the price to fall.

Relatedly, the 6th Circuit held that the District Court improperly elevated one factor in determining market efficiency (i.e., a history of immediate stock price movement in response to news) over the structural evidence of market efficiency, noting that reliance on this factor is "particularly problematic" in cases invoking the price-maintenance theory. The appellate court found that the undisputed structural indicators — high trading volume on a national exchange, extensive analyst coverage, numerous market makers, high market capitalization, high float, and a narrow bid-ask spread — were sufficient to establish that the stock traded in an efficient market, particularly in a price-maintenance theory case.

As to whether the plaintiffs presented evidence of materially false statements by defendants, the court found that genuine disputes of material fact existed as to whether defendants made materially false statements about subprime and Alt-A exposure. The court noted that, although defendants expressly disclaimed subprime exposure in public, defendants' internal reports reflected significant increases in exposure to subprime or "subprime-like" loan holdings, precluding summary judgment against plaintiffs. The court also found sufficient evidence of scienter by defendants, citing the divergence between internal reports and external statements, and finding that plaintiffs had produced sufficient evidence for a reasonable juror to find that defendants were aware of the discrepancies between the internal data and public statements.

The 6th Circuit, however, did not revive claims concerning credit risk exposure or underwriting standards, finding the at-issue statements constituted "non-actionable puffery" or were adequately qualified by existing disclosures. The court remanded for reconsideration of plaintiffs' motion for class certification, in light of the 6th Circuit's opinion, including to reassess plaintiffs' price-maintenance theory and to reconsider the exclusion of certain expert evidence, following the district court's rejection of that theory. In a concurrence, one judge expressed dismay that the case had lasted for 18 years and urged that the case not "last another 18 years," suggesting litigants and courts consider ways to move cases along expediently.

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Fund Says Investor Falsely Accused It Of '$600M Scam'

By **David Minsky**

Law360 (August 31, 2026, 9:03 PM EDT) -- A South Carolina private equity firm has sued an investor in Florida state court, alleging the investor defamed it in a series of emails to third parties that accused the firm of pulling off "a $600M scam" and asserted other false statements against it.

Broad Street Global Management LLC brought a one-count lawsuit against investor Deepika Reddy on Wednesday in the Eleventh Judicial Circuit, claiming she accused firm managers and others of mishandling investor funds in emails sent to hundreds of others in recent weeks.

"Defendant purposefully directed her defamatory publications to Florida-based recipients, including recipients connected to BSGM's Florida-based principals, investors, representatives, and business relationships, and defendant's conduct caused injury to BSGM's reputation, goodwill, investor relationships, and business relationships in Florida, including Miami-Dade County," Broad Street said in its suit.

Broad Street, which said that it is "engaged in the private investment and fund-management business," alleged that Reddy initially sent the emails to recipients associated with the firm in mid to late August and republished them in an email chain Aug. 24.

According to the suit, Reddy said in the emails that she had been defrauded and claimed that the firm failed to disclose "material terms" of her investment agreement, including that her money was secretly used to fund transactions without her approval.

Among other statements in the emails, Broad Street claimed, Reddy said that "'Broadstreet pulled off a $600M scam!!'" and that "'It was all a scam.'"

Broad Street also accused Reddy of falsely claiming that the firm used her investment money to purchase cryptocurrency that would be used to fund land deals as the firm was under investigation by the U.S. Securities and Exchange Commission.

In January 2025, the SEC sued Broad Street in Florida federal court, alleging that the firm **transferred millions of investor dollars** into bank accounts held by executives, among other claims.

Investors also brought a proposed class action in February in Florida federal court, seeking $150 million in damages based on claims that they had been defrauded.

Broad Street said Wednesday that while Reddy appeared to express "subjective dissatisfaction" and warned other investors in her emails, her statements "reasonably conveyed factual accusations."

The firm told the court that Reddy isn't an "unsophisticated or financially vulnerable investor," but that she is an accredited investor who voluntarily signed an agreement, lives in a $6 million house and works as a realtor in Texas.

"These facts are relevant because defendant is not merely expressing confusion as an inexperienced investor," Broad Street said. "Rather, she is an accredited investor with substantial financial sophistication, resources, and experience, who signed the governing investment documents, had access to the relevant contractual terms, and nevertheless published and republished defamatory statements to numerous third parties."

Reddy and counsel for Broad Street didn't immediately respond to emailed requests for comment Monday.

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AGs, WGA Slam Paramount's Bid For $1.9B Merger Suit Bond

By **Lauren Berg**

Law360 (August 31, 2026, 11:52 PM EDT) -- The Writers Guild of America and Democratic attorneys general urged a California federal judge Monday to reject Paramount Skydance Corp.'s bid to make them put up a $1.9 billion bond, saying it was the studio's idea to pause closing its planned $110 billion purchase of Warner Bros. Discovery.

Paramount **requested the bond** in an effort to offset "ticking fees" it will soon have to start paying Warner Bros. shareholders if the deal doesn't close by the end of September, but the 12 attorneys general and WGA argue in their **opposition brief** that they shouldn't be held responsible for agreements into which Paramount voluntarily entered.

The plaintiffs point out that under the merger agreement, Paramount chose to pay WBD shareholders that ticking fee as part of the consideration for their proposed deal, and later, it "proposed, negotiated and then presented to this court for signature" a stipulation to **refrain from closing** the merger until June 2027 or when the court rules on the merits, whichever is sooner.

"Paramount now wishes to offload its responsibility for the first agreement by materially modifying the second," the brief states. "But whatever regret Paramount may feel for its commitments to Warner Bros., to plaintiff states, to the WGA and to the Court, it cannot show that the Court acted 'improvidently' in signing the joint stipulation."

"Nor can Paramount show why the public or a nonprofit labor union should underwrite its acquisition of Warner Bros.," it states.

The bond requirement under Federal Rule of Civil Procedure 65(c) is meant to protect a party that's been "'wrongfully enjoined or restrained" and compelled by the court to act against its will, according to the brief. But that's not Paramount, the state enforcers and WGA said.

Paramount can't now claim the stipulation — that it proposed, agreed to and submitted to the court — is "wrongful," the plaintiffs argue. Nor can the studio "recast a stipulation as an 'injunction,'" they said.

"Allowing Paramount to materially revise its agreement would unfairly penalize plaintiff states and the WGA, who justifiably relied on terms negotiated less than a month ago," the brief states, adding that granting the request would also "incentivize merging parties to negotiate extraordinary fees to inoculate themselves from state and private antitrust enforcement."

In its bond request on Aug. 17, Paramount points out that this challenge is the **only remaining obstacle** to the transaction closing, arguing that the plaintiffs should have to post a bond to make sure that, if Paramount and WBD prevail, the defendants will be compensated for the delay.

Paramount says that for each day that passes after Sept. 30 without the merger closing, it will have to pay roughly $7 million in "ticking fees," which will add to about $1.3 billion by the time the **March 2027 trial** concludes and the parties submit their final briefs.

But the challengers to the merger on Monday scoffed at the request, saying "nothing in law or fact entitles Paramount to a bond."

When it previously discussed entering the proposed stipulation with the attorneys general and WGA, Paramount's counsel "categorically denied" that it was an injunction, "let alone an order requiring a bond," the brief states.

At most, if it determines a bond is needed, the court should impose a nominal amount of $10,000, the challengers said.

The California Attorney General's Office, which is leading the enforcer challenge, and representatives for the WGA, Paramount and WBD did not immediately respond to requests for comment Monday evening.

In their suit, the attorneys general claim the deal will pair two of Hollywood's five major film distributors and two of the five owners of major basic cable channels, leading to **higher prices** and fewer films and TV shows being produced.

In their parallel lawsuit, the Writers Guild of America West and Writers Guild of America East, known collectively as the WGA, raise concerns of **losing bargaining leverage** in screenwriting contract negotiations, should two of the industry's largest buyers of those services combine and deny them a chance to pit one against the other.

Counterbalancing those concerns are the signoffs Paramount says it has received from all 68 competition authorities to review the deal, including from the U.S., European Union and United Kingdom. Paramount celebrated the last of those approvals, from Mexico, in August, in an announcement that pointed to the "commitments and concessions" Paramount has offered.

The overlapping lawsuits make Paramount the latest company to face challenges from state attorneys general and private plaintiffs contesting a deal **blessed by the Trump administration**, whose U.S. Department of Justice has been repeatedly accused of being **overly friendly** toward corporate consolidation, if not outright corrupt.

The states are represented by their respective attorneys general.

California is further represented by Richard Parker, James Weingarten, Adam Di Vincenzo, Grant Bermann, Anastasia Pastan, Julia May, Natalie Nogueira, Allison Chesky, Kelly Dodge Garcia and Emme Tyler of Milbank LLP.

The WGA is represented by Kellie Lerner, Ellison A. Snider, J. Wyatt Fore and Ben Allen of Shinder Cantor Lerner LLP, Slade Bond, Charles J. LaDuca, Michael J. Flannery and Sarah Rooney of Cuneo Gilbert Flannery & LaDuca LLP, Matthew J. Platkin and Aaron Haier of Platkin LLP, and David C. Brownstein and David M. Goldstein of Farmer Brownstein Jaeger Goldstein Siegel & Shepard LLP.

Paramount is represented by Danielle R. Sassoon and Philip Hammersley of Clement & Murphy PLLC, Beth A. Wilkinson and Rakesh Kilaru of Wilkinson Stekloff LLP, Jeffrey L. Kessler, Jeanifer Parsigian, Matt DalSanto, Conor Reidy, Kevin B. Goldstein and Matt Huppert of Winston Taylor, and Maggy Sullivan, Chris Brown, Anna M. Rathbun and Hanna Nunez Tse of Latham & Watkins LLP.

WBD is represented by Daniel M. Petrocelli, Julia Schiller and Pete Herrick of O'Melveny & Myers LLP, Barry A. Nigro Jr. and Kathy O'Neill of Fried Frank Harris Shriver & Jacobson LLP, and Derek Ludwin, Henry Liu and Ross A. Demain of Covington & Burling LLP.

The cases are State of California et al. v. Paramount Skydance Corp. et al., case number 4:26-cv-07116, and Writers Guild of America West Inc. et al. v. Paramount Skydance Corp. et al., case number 4:26-cv-07212, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bryan Koenig, Jack Karp, Matthew Perlman and Rae Ann Varona. Editing by Michael Watanabe.

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Fox Investor Sues Over Morgan Stanley Role In $22B Deal

By **Jarek Rutz**

Law360 (September 1, 2026, 2:43 PM EDT) -- A Fox Corp. stockholder has sued the media company and its board in the Delaware Chancery Court, seeking to block a shareholder vote tied to Fox's planned $22 billion acquisition of Roku Inc. until investors receive more information about alleged conflicts involving financial adviser Morgan Stanley.

Stockholder Andrew Thompson claims in a proposed class action filed Friday that Fox's registration statement leaves out key details about Morgan Stanley's compensation for advising Fox on the deal and for helping finance it. Thompson argues those omissions prevent shareholders from making an informed decision on a proposed issuance of Fox shares needed to complete the transaction.

"Morgan Stanley may stand to earn more from financing the Proposed Transaction than it stands to earn from advising on it," Thompson said in his complaint.

Fox and Roku agreed on June 14 to a cash-and-stock **merger** valuing Roku at about $22 billion in enterprise value. Roku shareholders would receive $96 in cash and 0.9693 shares of Fox Class A common stock for each Roku share, or $160 per share based on the deal's stated reference price. After closing, existing Fox shareholders are expected to own about 73% of the combined company and Roku shareholders about 27%.

Because Fox must issue new shares representing more than 20% of its outstanding common stock, Nasdaq rules require Fox shareholders to approve the share issuance, according to the complaint. Fox filed a Form S-4 registration statement with the U.S. Securities and Exchange Commission on Aug. 7 and amended it on Aug. 21 to recommend that shareholders approve the issuance.

The merger followed several months of talks beginning after Roku's financial adviser contacted Fox in March as part of a market check. Fox's board authorized management in May to pursue the acquisition, and Fox initially offered $154 per Roku share before increasing its proposal to $160 per share. The board approved the transaction on June 14 after receiving a fairness opinion from Allen & Company LLC.

Thompson's central allegation is that the registration statement does not disclose how much Morgan Stanley will be paid for its advisory work, what portion of that payment depends on the merger closing, or details about services Morgan Stanley provided to Fox or Roku during the prior two years and the compensation it received.

The complaint also focuses on Morgan Stanley's financing role. Morgan Stanley Senior Funding Inc. initially committed to provide Fox with a $12 billion bridge facility, which was reduced to $11 billion after Fox entered into a $1 billion term loan facility June 30. Thompson alleges the registration statement does not disclose the financing fees Morgan Stanley and its affiliates expect to receive.

"When an advisor stands to earn fees through a financing role if a proposed transaction is completed, this incentivizes the advisor to push a deal through regardless of its merits," Thompson said.

The suit argues Delaware directors have a fiduciary duty to fully and fairly disclose material information when asking shareholders to act. Thompson cites Delaware Chancery Court decisions requiring disclosure of investment-banker compensation and potential conflicts, including the court's In re: Del Monte Foods Co. Shareholders Litigation decision in 2011 and its In re: EngageSmart Inc. Stockholder Litigation ruling in 2026.

Thompson sued Fox along with Executive Chair and CEO Lachlan K. Murdoch and directors Tony Abbott, William A. Burck, Chase Carey, Roland A. Hernandez, Margaret L. Johnson and Paul D. Ryan. He seeks an order blocking the shareholder vote and completion of the merger until Fox supplies the allegedly omitted information. If the transaction closes, the complaint also seeks rescission or damages, as well as attorney fees and expenses.

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

Thompson is represented by Richard A. Acocelli, Kelly K. Moran and Alexandra E. Eisig of Acocelli Law PLLC, Brian D. Long of Long Law LLC and by Richard A. Maniskas of RM Law PC.

Counsel information for the defendants was not immediately available.

The case is Andrew Thompson v. Fox Corp. et al., case number 2026-1131, in the Delaware Chancery Court.

--Editing by Nicole Bleier.

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FTC, AGs Say Amazon Pocketed $20B With Fraudulent Auctions

By **Aneeta Mathur-Ashton**

Law360 (August 31, 2026, 10:08 PM EDT) -- The Federal Trade Commission and a bipartisan coalition of 22 states sued Amazon Monday, alleging it secretly overcharged advertising customers more than $20 billion by manipulating how it set prices for ads on its e-commerce website.

Amazon said it strongly disagrees with a lawsuit alleging the company overcharged advertising customers, calling the litigation by the FTC and 22 states "misguided." (AP Images/Dwi Anoraganingrum)

The **complaint** filed Monday claimed that the practice has been in place since 2019 and that the company has "secretly and systematically" overcharged its nearly 1.2 million advertising customers.

"Amazon represents, and advertisers believe, that competitive auctions set the prices for advertising on its leading e-commerce website," the complaint said. "But, in reality, Amazon overrides and replaces the actual auction results with higher prices set by Amazon to increase its profits."

The complaint said the auction prices for three of its advertising products — Sponsored Products, Sponsored Brands and Sponsored Display — have been secretly inflated and that the scheme has likely taken more than $20 billion dollars from customers. It added that inflated prices occurred on special shopping days such as Black Friday or Prime Day and increased advertising costs for a wide range of products like food, groceries and pharmacy products, The attorneys general of Alaska, Arizona, California, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Nebraska, New Jersey, North Carolina, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont and Washington filed the suit. A separate motion to seal portions of the complaint was also filed on Monday by the FTC.

Ken Paxton, the attorney general of Texas, filed a **separate suit** on Monday over the prices, bringing claims under the state's Deceptive Trade Practices Act and seeking civil penalties of up to $10,000 for each violation.

"Amazon lied to Texas small businesses and charged them for an auction it never ran, which raises prices for job creators and Texas families. I will not allow this multibillion-dollar corporate scam to go unchecked," Paxton said in a press release Monday. "Amazon must tell Texas job creators the truth about what they are buying and what they are paying for it."

The coalition said Amazon has been telling its customers that its advertising prices are set by "second price" auctions that rank participants by a combination of their bid and relevance to shoppers' searches, and that the winner only pays the minimum necessary since it launched its advertising auctions in 2012.

But the coalition said that in late 2018, it began secretly manipulating the results to increase its ad prices, and it did not notify customers of the change and took steps to conceal it while continuing to represent that it operated second-price auctions.

"Amazon determined in late 2018 that it was no longer satisfied with the prices resulting from its competitive advertising auctions," the states said. "As a result, Amazon's advertising organization ('Amazon Ads') decided to set and charge customers higher prices for advertising placements itself."

The coalition said that after the company ran its ad auctions and determined the winning and second-place bidders, it replaced the price determined by the auction with a higher price intended to maximize its profits and "decrease the cost efficiency of its advertisers' campaigns."

The states added that sellers on the site were subjected to substantial costs via fees and surcharges, and that a significant portion of the costs were ultimately passed through to and paid by customers in the form of inflated prices.

The complaint said that Amazon refers to the difference in prices internally as auction "surcharges" and that many of its fees or surcharges are disclosed to customers. But it noted that the surcharge related to the auction pricing is not disclosed, adding that the company "actively conceals this information from its customers to avoid 'irrevocable damage to advertiser trust' and a 'downward spiral' of advertisers lowering their bids or decreasing their advertising spending" with it.

The coalition said that efforts to conceal the situation include "extensive testing of incremental surcharge increases to assess the risk of detection, adding and fine-tuning design features to its pricing system to help 'mask' the surcharges from customers, and responding to customer complaints about suspicious price increases by falsely denying that Amazon played any role in raising the prices."

The coalition is seeking a court order to stop Amazon's alleged practices and recover financial penalties, restitution and other damages.

A press release from New York Attorney General Letitia James' office on Monday claimed an investigation by the coalition revealed that the second-price auction process was fake.

"Consumers across the country are likely paying more for everything from groceries to electronics because Amazon has wrongfully inflated its ad prices," she said. "Deceptive practices like this hurt consumers and small businesses, and we are taking Amazon to court to get justice for those who were harmed."

"Many small business owners in Washington rely on Amazon for their livelihoods, and our office is committed to making sure Amazon treats them fairly, transparently, and in accordance with the law," Washington State Attorney General Nick Brown said in a comment Monday.

FTC Chairman Andrew Ferguson said in a post on X Monday, "Today, the Trump FTC — joined by 22 states — filed suit alleging that Amazon broke that trust by secretly manipulating its advertising auctions for years. It extracted tens of billions of dollars in unlawful profits, harming America's small businesses, driving up prices for ordinary consumers, and undermining the integrity of the digital marketplace."

Amazon said in a statement Monday, "The FTC today filed a misguided lawsuit claiming Amazon misled advertisers about its Sponsored Ads pricing and auction. Amazon strongly disagrees."

The FTC is represented in-house by Adam Hersh, Vikram Jagadish, Jason Kornmehl, Darren Lubetzky, Jonathan Platt and Ishan Shivakumar.

The states are represented by their respective attorneys general.

Counsel information for Amazon could not be determined.

The case is Federal Trade Commission et al. v. Amazon.com Inc., case number 2:26-cv-03097, in the U.S. District Court for the Western District of Washington.

--Editing by Adam LoBelia.

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Keurig Dr Pepper Selling Chobani Stake, Facility For $925M

By **Al Barbarino**

Law360 (September 1, 2026, 12:18 PM EDT) -- Keurig Dr Pepper Inc. said Tuesday it will sell its minority stake in Chobani and a Pennsylvania warehouse to the yogurt maker for $925 million, as the company looks to reduce debt and help fund spinoffs tied to its roughly $18 billion purchase of JDE Peet's.

Chobani said it plans to invest about $1.2 billion over the next five years into its Pennsylvania warehouse, aiming to create more than 900 jobs and establish a major manufacturing hub. (AP Photo/Mark Lennihan)

Keurig Dr Pepper will sell the stake back to the yogurt maker for $800 million, and Chobani will also acquire an Allentown, Pennsylvania, manufacturing facility and warehouse from Keurig Dr Pepper for approximately $125 million, which includes the facility lease, equipment and operations.

Keurig Dr Pepper acquired its minority stake in Chobani in December 2023 when its existing investment in La Colombe Coffee Roasters was exchanged for equity in Chobani as part of Chobani's $900 million **acquisition** of La Colombe.

Chobani will continue to manufacture certain products for Keurig Dr Pepper at the Allentown facility for a defined period after the sale, Keurig Dr Pepper said.

Separately, Chobani said it plans to invest approximately $1.2 billion over the next five years into the 1.5-million-square-foot Allentown warehouse, aiming to create more than 900 jobs and establish a major manufacturing hub.

The transactions are expected to close in the third quarter of 2026, subject to the satisfaction of customary closing conditions.

The deal comes after Keurig Dr Pepper closed its approximately $18 billion **purchase** of JDE Peet's in April. As part of that transaction, Keurig Dr Pepper is planning a **spinoff** into two publicly traded U.S. companies.

The company said Tuesday that the proceeds from the Chobani deal will be used to reduce debt and fund the spinoff transactions.

--Editing by Nicole Bleier.