

AI-Related Securities Suits Coalesce Around Recurring Themes

By Ross Shikowitz, Adam McCall, and William Massa2026-05-27T04:30:02000-04:00

Artificial intelligence has become one of the most prominent narratives in modern markets, reshaping corporate strategy, investor expectations, and legal risk.

One of the most interesting examples of AI's rise is footwear company Allbirds Inc.'s recent announcement that it would divest its shoe business, pivot to becoming an AI infrastructure company, and rebrand as "[NewBird AI](#)." Allbirds' stock price skyrocketed over 580% in a single trading day, an outcome reminiscent of ebullient markets of past trends. At times, these overextended markets came crashing down, leading to significant investor scrutiny and litigation.

Since the passage of the Private Securities Litigation Reform Act of 1995, securities class actions have tended to cluster around defining litigation waves. These include the dot-com boom and bust, the rise and fall of subprime mortgages, special purpose acquisition companies, Covid-19-related disclosures, and cryptocurrency. Another wave may now be taking shape: AI-related securities litigation.

AI-related securities suits generally involve companies that develop AI models, manufacture products used in AI infrastructure, or deploy AI models for business purposes. In such suits, the allegations relate to AI representations or failures to disclose risks associated with AI, including its capabilities, commercialization, or adoption.

Recent filing data shows this trend may have momentum. According to [Cornerstone Research](#), 2024 and 2025 saw 15 and 16 AI-related securities class actions filed, respectively—more than double the seven such filings in 2023. These cases have also been reasonably successful. AI-related actions tend to settle at higher rates and are dismissed less frequently than other categories of securities litigation.

As companies continue to make representations on AI that apparently deviate from the facts on the ground, this litigation trend will likely accelerate. Outlined below are several recurring themes emerging across AI-related securities filings to date.

Overstated capabilities and “AI washing.” One of the most common allegations in AI-related securities litigation is that companies overstate the capabilities of their AI technology. These cases often fall under the broader concept of what is known as AI washing, a practice in which companies exaggerate or mischaracterize the role of AI in their products or services to boost their reputation, attract investors, or justify higher prices for their products.

A recent example is [City of Coral Springs Police Officers Pension Plan v. Apple, Inc.](#), which involves allegations that Apple promoted an iPhone upgrade “supercycle” headlined by new AI functionality, including a “more personal” version of Siri powered by Apple Intelligence. The complaint alleges that Apple lacked a functional Apple Intelligence-powered Siri model and wasn’t close to delivering the promised updates to Siri when such representations were made. The case is pending in the Northern District of California. The defendants’ motion to dismiss the case is fully briefed and awaits decision.

Misaligned commercialization timelines. Another recurring category involves allegations regarding when AI or related products or services would begin to generate meaningful revenue. These cases frequently allege that companies promoted AI-driven growth before products or services were market-ready, customers had meaningfully adopted them, or AI features were scalable.

For example, [Masaitis v. CoreWeave, Inc.](#) involves an AI “hyperscaler” that provides companies with access to its AI infrastructure. The complaint alleges CoreWeave overstated its ability to meet customer demand while failing to disclose scheduling and construction issues tied to a third-party data center developer. The case is pending in the District of New Jersey. As is typical in these cases, an amended complaint will likely be filed once plaintiff’s leadership is appointed, which defendants will probably move to dismiss.

AI as a rebranding of existing technology. A third category of cases claim that AI wasn’t meaningfully new technology at all, but rather a rebranding of existing software, automation tools, or non-AI systems. Plaintiffs in these matters contend that describing such technology as “AI” created a misleading impression of innovation or competitive differentiation.

A recent example is the litigation involving Oddity Tech Ltd., a consumer technology platform in the beauty and wellness space. The complaint alleges that Oddity overstated its AI capabilities, which a short-seller research report characterized as a basic questionnaire. [Hoare v. Oddity Tech Ltd.](#) is pending in the Southern District of New York. The defendants’ motion to dismiss the case is fully briefed and awaits decision.

Abrupt pivots to AI from unrelated business models. Another emerging theme involves companies that reposition themselves as AI-driven businesses despite having operated until recently under fundamentally different business models. In these cases, plaintiffs allege that companies leaned heavily into AI narratives, even though the company's operations, revenue sources, or technical capabilities hadn't meaningfully changed.

D'Agostino v. Innodata Inc. illustrates this example. The complaint alleges that Innodata rebranded itself on numerous occasions without changing its underlying business, and recently pivoted to AI in the same fashion. The case is pending in the District of New Jersey. The court last month [granted](#) defendants' motion to dismiss the case without prejudice, providing plaintiffs with an opportunity to replead.

The new wave of AI-related securities litigation is still taking shape, but many cases filed to date fall squarely within one or more of the categories outlined above.

As AI's role in business and society evolves, additional litigation themes will likely emerge. Courts are increasingly asked to evaluate whether AI-related representations accurately reflected the facts represented to investors. That scrutiny will likely intensify as AI remains a powerful driver of market enthusiasm.

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Author Information

[Ross Shikowitz](#) and [Adam McCall](#) are partners and [William Massa](#) is an associate at Bleichmar Fonti & Auld, a law firm specializing in securities and shareholder litigation.

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To contact the editors responsible for this story: Daniel Xu at dxu@bloombergindustry.com; Alexander Banerjee at abanerjee@bloombergindustry.com

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