

Trends in AI-Related Securities Class Actions Through 2025

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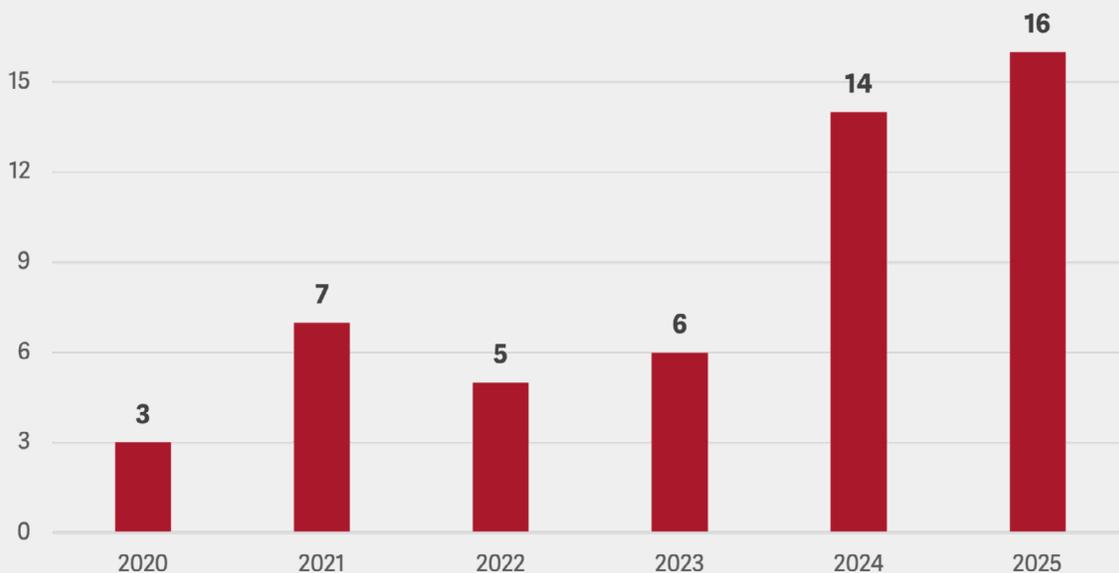
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Introduction

The past few years have seen a marked increase in securities class action litigation tied to artificial intelligence (AI). As businesses across industries race to integrate AI into products and services, shareholders have increasingly turned to the courts when those AI ambitions falter or are misrepresented. The chart below shows that AI-related securities class actions¹ have surged from only a handful of cases per year to over a dozen annually, making AI one of the fastest-growing categories of securities fraud claims.

Secretariat identified 51 securities class actions with AI-related allegations filed from 2020 through 2025.² Despite overall securities case filings declining slightly in 2025,³ AI-related filings rose to a record high of 16. While these AI-driven suits still represent a modest fraction of overall securities filings (roughly 8% of securities class actions in 2025),⁴ their growth is reminiscent of other trends like cryptocurrency and SPAC-related class actions, signaling that AI is no longer a niche issue in securities litigation.⁵

Figure 1: **AI-Related Securities Cases by Year**



1 We define AI related securities class actions as matters having causes of action under Rule 10b-5 of the Exchange Act and/or Section 11 of the Securities Act and allegations involving: (1) AI washing or misrepresentations of AI capabilities; (2) Failures to disclose AI related risks or limitation of AI capabilities; and/or (3) AI algorithm failures, all of which will be defined *infra*.

2 The total reflects Stanford Class Action Clearinghouse’s 53 AI-related securities class action cases through the first half of 2025, which we culled to include only those with allegations specifically referencing AI. We then identified additional AI-related cases through a review of complaints filed in the second half of 2025. Cases identified by Stanford Class Action Clearinghouse which we removed from our total population due to the absence of AI-specific allegations include: DouYu International Holdings Ltd., First American Financial Corp., Humana Inc., Match Group, Inc., Sema4 Holdings Corp., SoundHound AI, Inc., and Zymergen Inc.

3 Kevin M. LaCroix found 205 federal court securities class action lawsuit filings in 2025 compared to 222 in 2024. See <https://www.dandodiar.com/2026/01/articles/securities-litigation/federal-court-securities-suit-filings-declined-slightly-in-2025/>

4 *Id.*

5 Stanford Class Action Clearinghouse. See <https://securities.stanford.edu/current-trends.html>.

“...one lawsuit against a tech giant alleged it falsely marketed its AI features without having a functional prototype or any reasonable basis to believe it could deliver the product it was advertising.”



Allegation Themes

Three themes emerge from a review of class action complaints with AI-related allegations: AI washing, failure to disclose AI-related risks or limitations, and AI algorithm failures. Each theme and example cases are outlined below.

AI Washing

“AI washing”—a play on “whitewashing”—refers to companies overstating or misrepresenting their AI capabilities.⁶ In these cases, executives are accused of hyping AI-powered products as more sophisticated, autonomous, or integral than they truly are, or claiming AI drove revenue generation, growth or efficiency gains

when, in fact, it did not (or not to the degree touted). For example, one lawsuit against a tech giant alleged it falsely marketed its AI features without having a functional prototype or any reasonable basis to believe it could deliver the product it was advertising.⁷ Plaintiffs similarly claimed an e-commerce company touted a “proprietary AI” matching engine that was allegedly a basic rules-based questionnaire.⁸ This pattern of exaggerating AI’s role—or failing to admit human involvement behind the scenes—is a core allegation in the majority of AI-related class actions. Of the 51 AI-related class actions since 2020, 33 (65%) include AI washing allegations.

6 <https://www.dlapiper.com/en-us/insights/publications/2025/09/ai-related-securities-class-action-filings-are-on-the-rise-key-observations>.

7 *In re: Apple Securities Litigation (2025)*.

8 *In re: Oddity Technology Securities Litigation (2024)*.

Failure to Disclose AI-related Risks or Limitation

The second theme involves allegations that companies failed to disclose AI-related risks and/or limitations to shareholders in a timely manner. Plaintiffs argue that companies knew of serious hurdles with their AI projects—technical obstacles, data privacy issues, regulatory risks, or simply that the AI was not contributing to financial results as touted—but omitted or downplayed these warning signs.

Several such lawsuits have claimed that firms provided only generic “boilerplate” risk factors about AI, couching potential problems as purely hypothetical even after issues had materialized. For example, in one class action, plaintiffs allege that the company repeatedly promoted its generative AI-powered advertising platform as a seamless upgrade driving client adoption and accelerating revenue growth, while failing to disclose significant execution and rollout problems hampering performance. According to the complaint, the company continued framing AI risks

in generic, forward-looking terms, even after internal challenges, such as customer transition difficulties and adoption delays, had already surfaced. Those issues were allegedly disclosed only after the company missed revenue guidance and its stock price fell sharply.⁹

By treating AI setbacks, like training data shortcomings or deployment delays, as minor or failing to update risk disclosures, companies exposed themselves to fraud claims for omissions. Regulators have echoed this concern. The SEC staff has warned companies not to suggest their AI tech is more “autonomous, scalable or mature” than it really is, and to disclose material AI risks such as data quality, bias, or cybersecurity vulnerabilities.¹⁰ Such omissions can support allegations that shareholders were deprived of a full picture of the company’s AI risks and compliance obligations.

These types of allegations were the second most prevalent in AI-related lawsuits, as 18 (35%) of the AI-related cases contained these allegations.



“By treating AI setbacks, like training data shortcomings or deployment delays, as minor or failing to update risk disclosures, companies exposed themselves to fraud claims for omissions.”

9 *In re: The Trade Desk Securities Litigation* (2025).

10 <https://www.debevoise.com/insights/publications/2025/12/key-considerations-for-the-2025-annual-reporting#:~:text=Recent%20SEC%20comment%20letters%20underscore,potential%20bias%20or%20compliance%20concerns.>

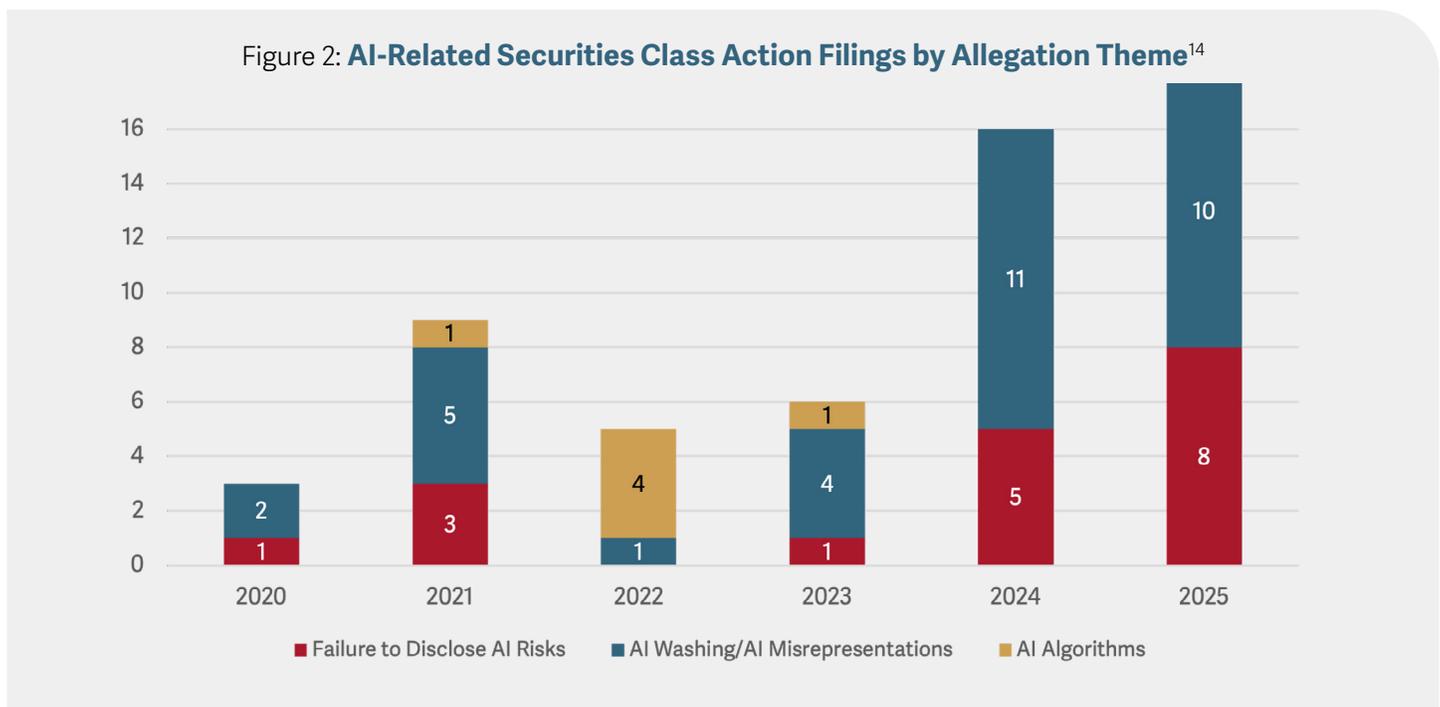
AI Algorithm Failures

Finally, a subset of allegations centers on AI algorithm failures or operational breakdowns that materially harmed a company's performance. The crux of these lawsuits is that an AI-driven system or strategy did not work as intended, leading to significant losses or business setbacks, which management failed to reveal in a timely way. A notable example involved a shareholder class action where plaintiffs alleged that the company's AI driven credit-underwriting model could not adequately account for rapidly changing macroeconomic variables, particularly rising interest rates. When those conditions emerged, the model allegedly mispriced loans and failed to clear the market, causing sharp declines in conversion rates and forcing manual intervention and balance sheet funding.¹¹ Similar "AI algorithm failure" claims have arisen elsewhere where investors argue that the company should have disclosed the technology's shortcomings sooner. Notable examples include an AI-based security screening product

that failed to detect certain weapons¹² and an autonomous driving system whose no-human intervention capabilities were allegedly exaggerated.¹³ In these cases, the AI itself is at the heart of the controversy: the complaint alleges that the company's core technology underperformed or malfunctioned, causing operational damage (missed revenue, product recalls, regulatory fallout) that was not accurately communicated to shareholders. Such suits often blend into the risk disclosure category, since plaintiffs argue that firms knew of specific AI defects or safety issues but only revealed them after a crisis, by which time the stock price had plummeted.

These allegations accounted for 6 (12%) of AI-related lawsuits since 2020.

Figure 2 below illustrates the trend of these allegations within AI-related cases since 2020. As can be seen, AI washing leads the way.



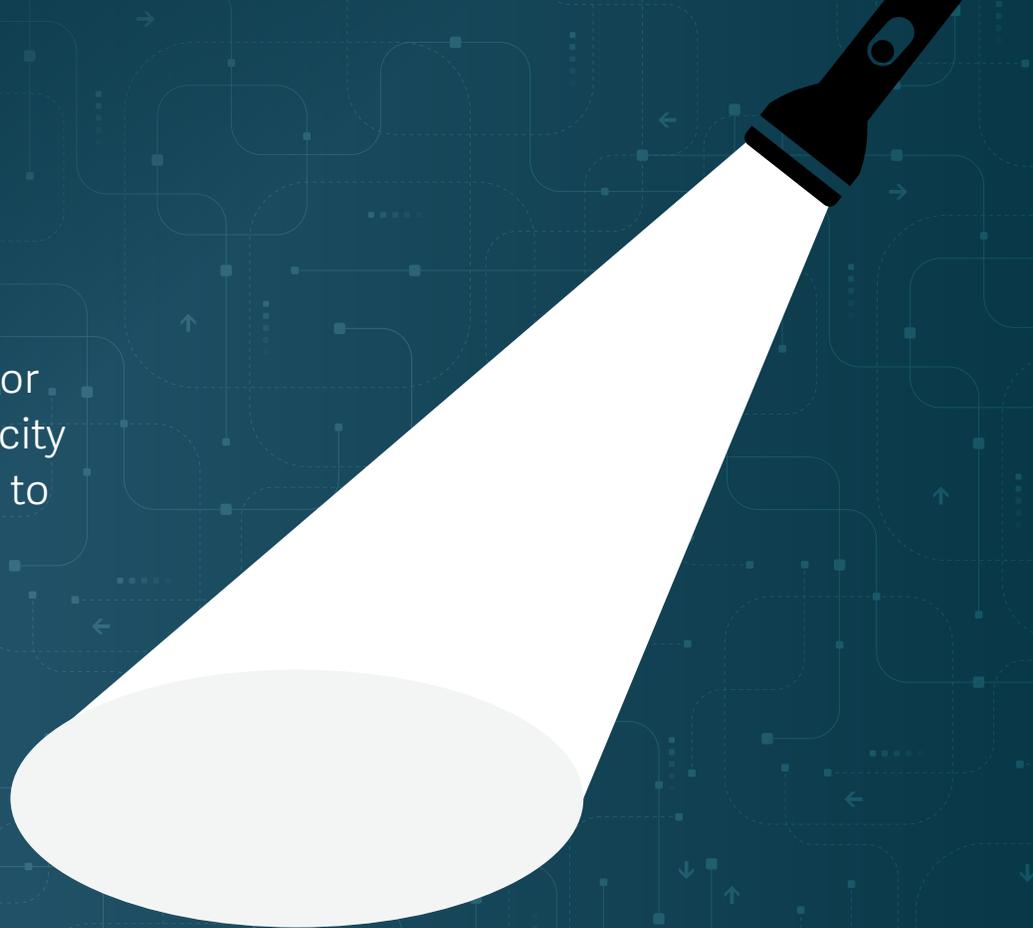
¹¹ *In re: Upstart Securities Litigation (2022)*.

¹² *In re: Evolv Technologies Securities Litigation (2024)*.

¹³ *In re: Tesla Securities Litigation (2023)*.

¹⁴ Some cases are classified under multiple categories; therefore, the totals across categories exceeds the total number of unique cases.

“...a significant portion of AI-related class actions involve companies not traditionally viewed as “AI companies,” but adopting or supplying AI in some capacity or providing infrastructure to AI companies.”



Many Industries in the Crosshairs

One striking aspect of this litigation trend is its breadth across industries and business models, from pure-play AI startups to legacy manufacturers. On one end are firms whose core products or services are AI-based, including enterprise AI software vendors, machine learning platform providers, or AI-driven fintech and health-tech companies. These companies marketed themselves to investors as AI leaders, so when their stock prices decline, they became natural targets for AI-focused fraud claims. Examples include litigation against C3.ai, Inc., one of the first publicly traded AI-based software platforms, and UiPath, Inc., whose investors alleged misrepresentations

about “rebranding UiPath as an AI-powered Business Automation Platform and overhauling the Company’s go-to-market sales strategy.”¹⁵

At the same time, a significant portion of AI-related class actions involve companies not traditionally viewed as “AI companies,” but adopting or supplying AI in some capacity or providing infrastructure to AI companies. For instance, several semiconductor and hardware manufacturers—supplying chips, sensors, or infrastructure powering AI—have faced claims after making bold growth projections tied to AI demand. A recent lawsuit against a smartphone semiconductor supplier alleged it exaggerated its ability to capitalize on AI trends in consumer devices.¹⁶

¹⁵ In re: UiPath Securities Litigation (2024).

¹⁶ In re: Skyworks Solutions Securities Litigation (2025).

Even traditional industry players that incorporate AI have been pulled into litigation. In the automotive sector, Tesla and General Motors both faced class actions alleging they misled investors about self-driving capabilities and safety, effectively AI product liability repackaged as securities fraud.¹⁷ In *re GM Securities Litigation*, plaintiffs challenged statements that General Motors' Cruise autonomous vehicles were "safer than human drivers" and truly "driverless." While some claims were dismissed as puffery, the court allowed an allegation to proceed that Cruise misrepresented the extent of human oversight its AI-driven cars required.

Figure 3 below shows the spread of AI-related cases across industries. As can be seen, lawsuits are occurring across different industries, with the Technology industry experiencing more AI-related litigation than others.

"Even traditional industry players that incorporate AI have been pulled into litigation."

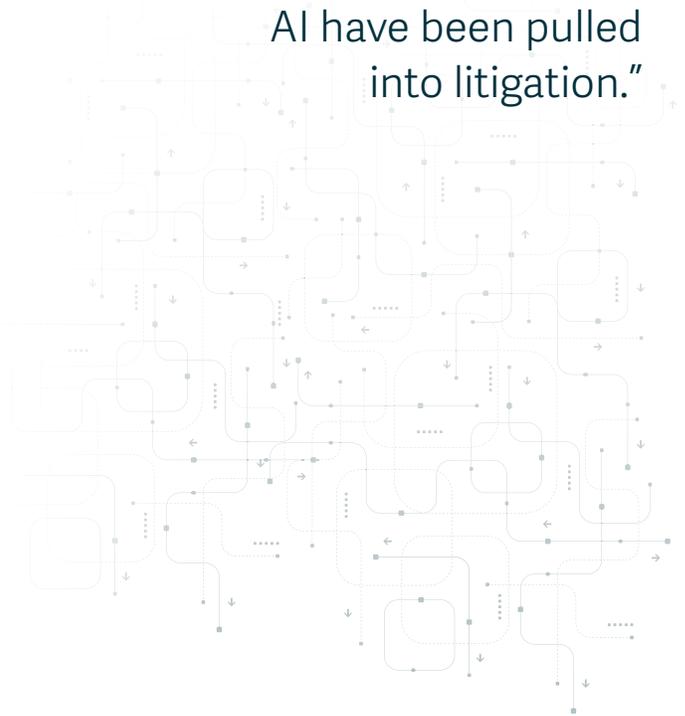
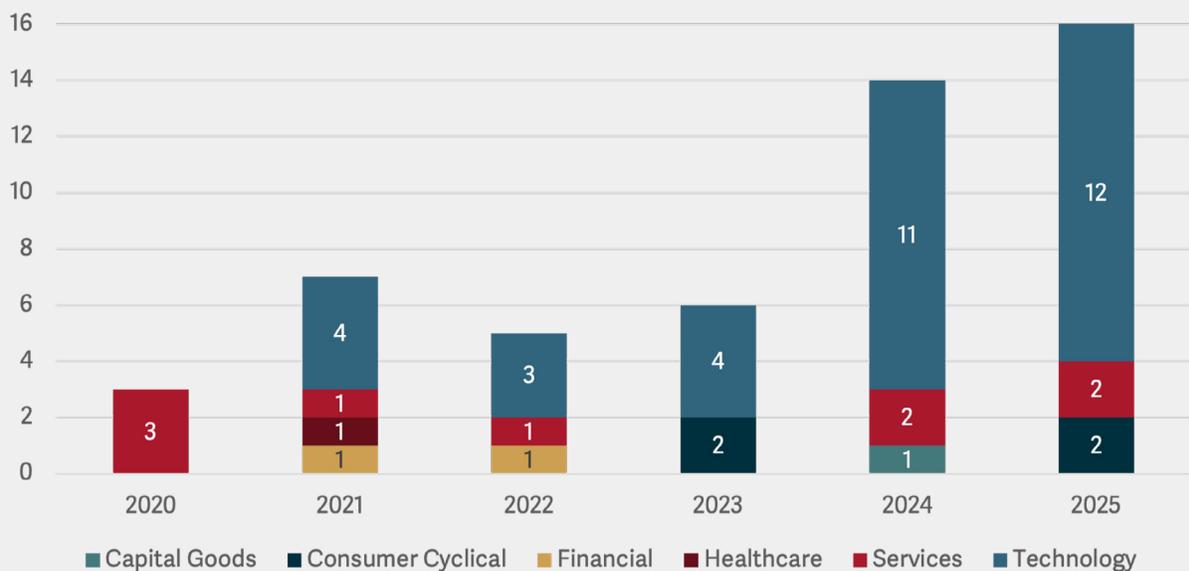


Figure 3: **AI-Related Securities Class Action Filings by Industry**



17 In *re: Tesla Securities Litigation (2023)*; In *re: General Motors Securities Litigation (2023)*.

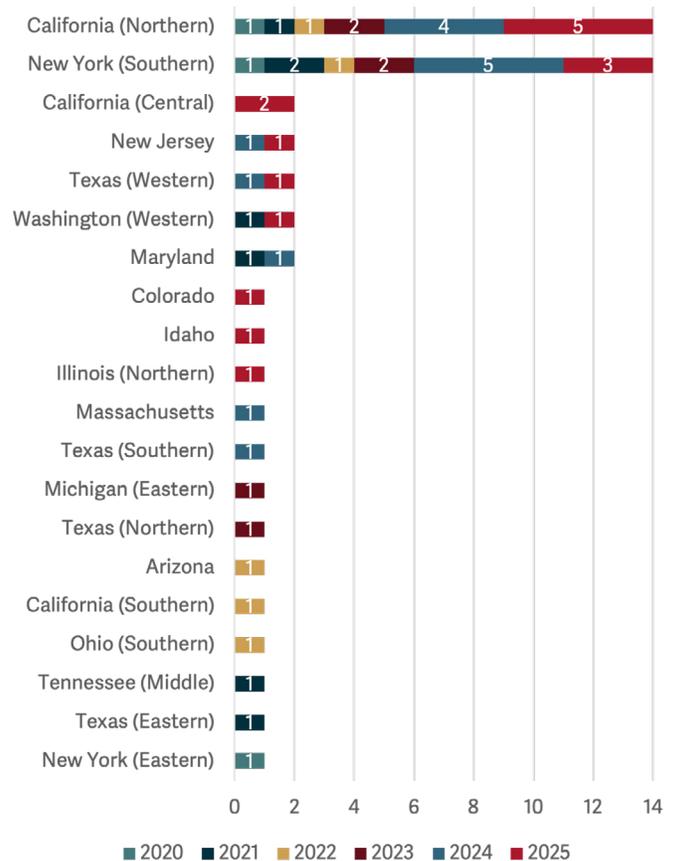


Venues and Plaintiff Firms

The geography of AI-related class actions largely tracks the traditional centers of securities litigation, particularly the Second and Ninth Circuits.¹⁸ Over half of the AI-related class actions were concentrated in these two circuits, with 14 (27%) filed in the Northern District of California (Ninth Circuit), home to Silicon Valley companies and a judiciary experienced in tech matters, and another 14 (27%) filed in the Southern District of New York (Second Circuit). Outside these hubs, cases typically align with corporate headquarters, where the *GM and Applied Digital* suits landed in the Eastern District of Michigan and Northern District of Texas, respectively, aligning with where those companies are based.¹⁹ Notably, plaintiffs have also pursued non-U.S. companies over AI claims in U.S. courts as well. For instance, a Chinese AI company’s U.S. IPO led to a class action in the U.S. alleging misrepresentations about its technology’s capabilities, showing that U.S. venues remain attractive even for international AI disputes.²⁰

On the plaintiff side, specialized class action firms have been quick to mobilize and capture this trend. Data from ISS Securities Class Action Services show that a handful of prolific plaintiffs’ firms are behind many AI-related filings. In 2025, Pomerantz led the way, followed by Levi & Korsinsky and several other firms.²¹ This indicates the plaintiffs’ bar is actively monitoring the AI sector for stock drops and is eager to secure leadership roles in these

Figure 4: AI-Related Securities Class Action Filings by Venue



cases. The early dominance of a few firms suggests that certain plaintiff lawyers have developed an “AI playbook,” combining technical experts with traditional securities law theories, to pursue these claims. The three themes of allegations identified earlier underscore that AI-related securities cases sit at the intersection of technology and financial misrepresentation, requiring both subject-matter understanding of AI and the legal acumen to meet the Private Securities Litigation Reform Act (PSLRA)’s stringent pleading standards.

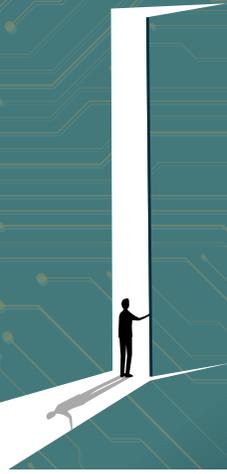
18 <https://securities.stanford.edu/circuits.html>

19 See <https://securities.stanford.edu/current-trends.html>.

20 In re: *Xiao-I Corporation* (2024).

21 ISS Securities Class Action settlements data; ISS Securities Class Action Solutions, *The Top 10 U.S. Class Action Settlements of All-Time*, as of December 31, 2025.

“While the number of settlements for cases with AI-related allegations is limited, median settlement amount for such cases is around \$4 million.”



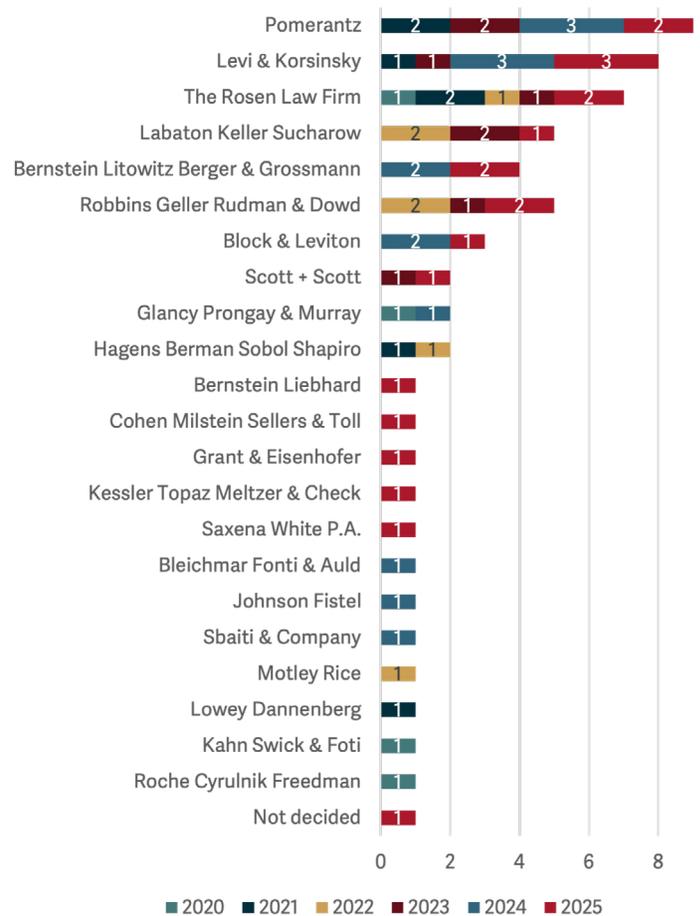
Preliminary Outcomes

DISMISSALS AND SETTLEMENTS

Given that most AI-related class actions were filed in just the past 2–3 years, many of these cases remain in early procedural stages, and definitive outcomes are limited. However, initial rulings provide some insight. Contrary to speculation that courts might treat AI-related misstatements as a novel risk, and perhaps be more lenient to investors at the pleading stage, AI cases have so far proven no more survivor-friendly than typical securities suits. An analysis published in Law360 of the first wave of AI cases found that in all nine dispositive rulings between 2023 and mid-2025, courts granted the defendants’ motion to dismiss in whole or in part.²³ In other words, every early AI case saw at least some claims dismissed. Often, the dismissal was without prejudice, allowing plaintiffs to amend their complaints with more detail—a common outcome in securities fraud litigation generally.

By late 2025, few AI-related class actions had reached final resolution. Several cases filed in 2022–2023 are still in discovery or awaiting class certification decisions, and only a handful of AI-focused cases have settled, ranging from as little as \$1.3 million (Aterian) to \$189 million (TuSimple Holdings).

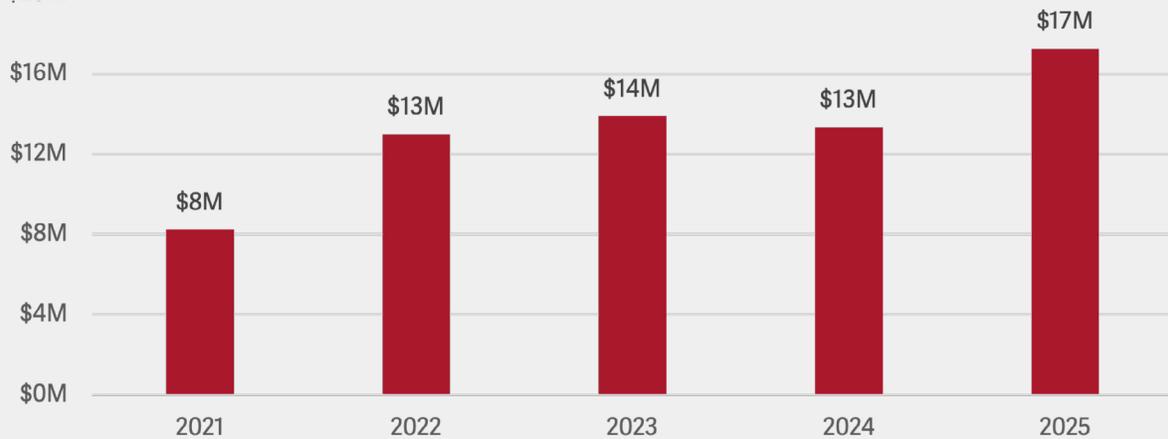
Figure 5: AI-Related Securities Class Action Filings by Plaintiff Law Firm²²



²² Some cases have multiple plaintiff law firms; therefore, totals exceed the number of unique cases.

²³ <https://www.alston.com/en/insights/publications/2025/10/3-trends-from-ai-related-class-action-dismissals>

Figure 6: **Median Settlement Amounts by Year**



While the number of settlements for cases with AI-related allegations is limited, median settlement amount for such cases is around \$4 million.²⁴ For context, across all securities class actions in recent years, the median settlement sits at nearly \$13 million.²⁵ In fact, as Figure 6 illustrates, the median settlement amount across all securities class actions each year has exceeded the median settlement amount for AI-related cases. Of course, due to the limited number of AI-related cases that have settled, emphasis should be placed on each individual settlement and its idiosyncrasies, rather than on overall descriptive statistics of the small sample size.

Notably, some early AI suits have simply been dropped after dismissal or are awaiting appeals, meaning the ultimate “win rate” for plaintiffs remains to be seen. The pattern of early dismissals suggests that defendants have viable defenses—often arguing that their optimistic AI statements were forward-looking or immaterial puffery—and have

succeeded in part in knocking out claims. As more cases mature, we will likely see a mix of outcomes. Some cases will be dismissed with prejudice—especially if plaintiffs cannot muster internal evidence of fraud. Others will settle to avoid the cost and uncertainty of trial. Eventually, it is possible one or two high-profile cases could proceed to summary judgment or trial if novel issues of AI misrepresentation require resolution by a fact-finder. For now, corporate legal departments and insurers are watching closely, but it is too early to quantify definitive averages for settlements or judgments in AI-related securities litigation. Companies should nonetheless note that even a dismissed case can be costly to fight and that settlements, when they come, will likely factor in not just provable damages, but also the strategic importance of avoiding precedent in this nascent area.

24 Secretariat identified 8 securities class actions related to AI where settlement amounts had been finalized as of January 30, 2026. The median settlement amount across these 8 cases was \$4,075,000 and the average settlement amount was \$32,976,250. Source: ISS Securities Class Action Services settlements data, limited to settled cases with allegations involving Sections 10(b)-5 and/or 11 and AI, and cash settlement amounts greater than zero.

25 Source: ISS Securities Class Action Services settlements data, limited to settled cases with allegations involving Sections 10(b)-5 and/or 11 and cash settlement amounts greater than zero.

“Companies at the forefront of AI, as well as those merely claiming to be, now face a heightened risk of shareholder litigation if they overpromise and underdeliver.”



Outlook

The emergence of AI-related securities class actions marks a new chapter in the intersection of technological innovation and shareholder protection. What began a few years ago as isolated cases has quickly evolved into a significant litigation trend. Companies at the forefront of AI, as well as those merely *claiming* to be, now face a heightened risk of shareholder litigation if they overpromise and underdeliver. AI risk disclosures are also rising steadily.²⁶ Plaintiff’s allegations echo age-old securities fraud scenarios, including overhyping a product, concealing risks, or failing to come clean when trouble arises, to name a few. Yet, they are playing out in the context of generative AI, machine learning algorithms, autonomous vehicles, and big data analytics—subject matter that can be as complex as it is alluring.

Another factor is the ebb and flow of government enforcement relative to private litigation. Some observers note that if SEC and DOJ enforcement of AI-related fraud is perceived as limited or slow, private class action lawyers will step in to the void. While regulators have signaled interest, the SEC had only brought a couple of high-profile AI misrepresentation cases by 2025. The Commission (perhaps constrained by jurisdiction or a desire not to stifle innovation) has not launched a sweeping “AI task force” analogous to what it did for, say, cryptocurrency in earlier years.²⁷ This *enforcement gap* can encourage investors to seek remedies through civil suits instead, as it has been argued that private actions are viewed by the Commission as a “necessary supplement to Commission action” and “a most effective weapon in enforcing federal securities law.”²⁸

26 Intelligize. *Navigating the Rise of AI Risks: Insights From Recent SEC Disclosures*. August 2025. Available at: <https://go.intelligize.com/2025-IGZ-Downloads-Navigating-the-Rise-of-AI-Risks-Web>

27 Notably, the Commission announced in August 2025 it would create a task force to use AI for operational efficiencies and to enhance innovation. See <https://www.sec.gov/newsroom/press-releases/2025-103-sec-creates-task-force-tap-artificial-intelligence-enhanced-innovation-efficiency-across-agency>

28 See *NVIDIA v. E. Ohman J:or Fonder AB*, 604 U.S. ____ (2024), Brief of Former SEC Officials as Amici Curiae in Support of Respondents at 10 (referencing *J. I. Case Co. v. Borak*, 377 U.S. 426, 432 (1964)). Available at https://www.supremecourt.gov/DocketPDF/23/23-970/327417/20241002163510642_23-970bsacFormerSECOfficials.pdf

State attorney generals are also turning their focus to artificial intelligence, with an emphasis on consumer protections and enforcing state-specific AI governance laws that are just beginning to take effect.²⁹ The role of mandatory arbitration clauses also deserves mention. In September 2025, the SEC made a notable policy shift, removing its prior disapproval of mandatory arbitration provisions in public company charters for shareholder claims.³⁰

For legal professionals, the lessons so far are twofold. First, traditional securities law principles apply robustly to AI. Courts demand specificity and proof of fraud even if the underlying tech is cutting-edge. They will not allow plaintiffs to simply cry “AI” and avoid the PSLRA’s strict pleading bar.³¹ Second, the unique factual challenges of AI—e.g., measuring capabilities, quantifying AI-related efficiencies, benchmarking “intelligence,” and assessing statements about technology—require careful navigation. Both plaintiffs and defendants are breaking new ground in arguing what a reasonable investor would consider misleading in the realm of AI, where standards and terminology are still evolving. Courts have already parsed phrases like “fully autonomous” with nuance, accepting some interpretations and rejecting others,³² offering early guidance on how to calibrate AI disclosures.

Going into 2026, we anticipate that this area will continue to grow. The SEC and other regulators may issue further guidance³³ or even new rules on AI disclosures, especially if prompted by high-profile incidents or the Investor Advisory Committee’s recommendations.³⁴ Any such moves could, in turn, fuel more class actions by establishing yardsticks for falsehoods, or potentially temper them if companies improve disclosure and investors gain comfort. The macro environment—including whether the AI “hype cycle”

persists or cools—will also influence litigation volume. If AI initiatives start delivering solid, steady, quantifiable results, we might see fewer stock drops and thus fewer suits. Conversely, if a speculative bubble in AI were to inflate and burst, a flood of lawsuits would likely follow. Another wild card is the impact of arbitration clauses and other legal reforms on shareholder rights. This will be closely watched by the securities bar.

For now, prudent companies are advised to treat AI-related statements with the same rigor as any other material assertion: ensure there is a factual basis for any claim about AI capabilities or benefits, include balanced discussions of risks and uncertainties, and avoid grandiose marketing puffery that could later be characterized as misleading. The initial wave of AI securities cases has shown that what might seem like harmless hype (“our AI is revolutionizing X”) can become Exhibit A in a complaint if the venture falters. In the eyes of investors and courts, AI is not magic. It is technology, prone to the same setbacks, competitive pressures, and execution challenges as any other. Accordingly, companies must communicate about it with care and candor. The trends through 2025 suggest that AI-related securities litigation is more than a passing fad; it is becoming a regular part of the docket, and savvy legal practitioners will keep abreast of this nexus between fast-moving innovation and the steady application of securities law. By understanding the patterns in these early cases—from *AI washing* allegations to how judges are responding—legal professionals can better advise clients on mitigating litigation risk while still embracing the opportunities of artificial intelligence in their businesses.

29 <https://www.wilmerhale.com/en/insights/client-alerts/20260109-state-ag-enforcement-action-priorities-for-2026>

30 <https://corpgov.law.harvard.edu/2025/11/11/sec-changes-course-on-mandatory-arbitration-provisions/>

31 [alston.com](https://www.alston.com).

32 [alston.com](https://www.alston.com).

33 FINRA released its 2026 Annual Regulatory Oversight Report on December 9, 2025 that includes dedicated guidance on generative AI and key considerations for firms deploying and testing AI tools.

34 [intelligize.com](https://www.intelligize.com)

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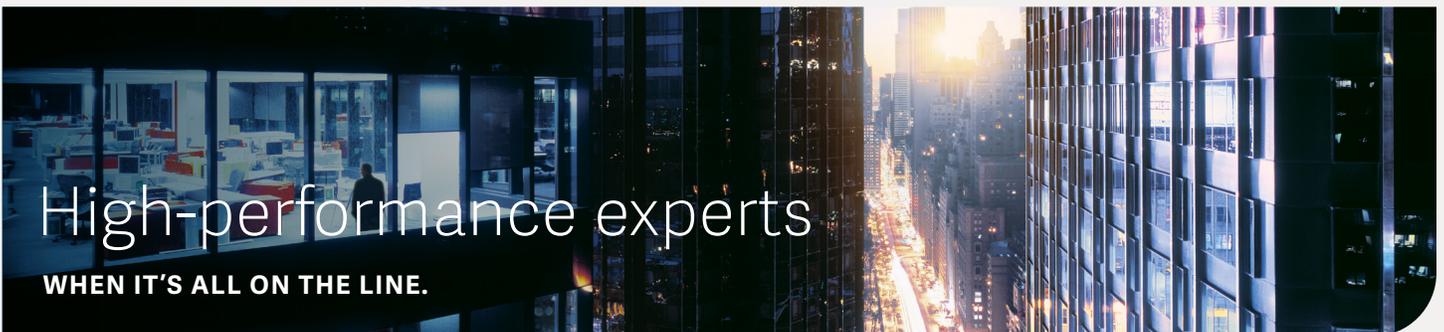
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