2025's Defining AI Securities Litigation

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In 2025, securities litigation over artificial intelligence claims reached a new level of intensity. What had been a trickle of exploratory cases before 2024 became a sustained wave throughout 2024 and into 2025, as plaintiffs counsel increasingly focused on AI-related disclosures.

The numbers bear this out. AI-related securities filings doubled from seven in 2023 to 15 in 2024, with another 14 through the first three quarters of 2025. The surge reflects a familiar cycle: Markets reward AI innovation, creating strong incentives for companies to communicate their AI capabilities, while plaintiffs counsel monitor closely for potential gaps between disclosures and performance when stock prices fall.

The stakes are rising. Courts are now applying well-established securities law doctrines — puffery, scienter, materiality, forward-looking statement safe harbors — to AI-related claims. The legal principles remain familiar, it is the technological context that is new. The courts are speaking in a language companies already know. Companies would do well to listen.

The Landscape: AI Securities Litigation Comes of Age

AI has permeated finance, healthcare, logistics, education, retail and nearly every other sector.

For public companies, AI strategy is now a differentiator — and often a valuation driver. Indeed, the current administration recently doubled down on the importance of business leadership in AI through a Dec. 11, 2025, executive order on a national policy framework for AI.

The perceived value and importance of AI creates incentives to highlight AI capabilities prominently, which in turn attracts scrutiny from plaintiffs counsel.

Most AI-related securities cases fit one of three molds:

1. AI-washing, alleging that companies overstated AI capabilities they didn't actually possess;

2. Capability-challenge cases, asserting that AI-enabled products didn't perform as advertised; or

3. Conventional fraud theories, traditional securities claims applied to an AI context.

And litigation isn't the only risk.

In May 2025, U.S. Securities and Exchange Commission enforcement attorney Madiha Zuberi made clear that one of the SEC's new enforcement priorities includes "rooting out the misuse" of AI through its newly constituted cyber and emerging technologies unit.

The unit is examining whether companies describe AI technology accurately and communicate responsibly with investors. In short, the SEC is building AI expertise and intends to use it.

Consistent with that focus, the SEC's Division of Examinations recently announced that one of its priorities for 2026 is a "focus on recent advancements in AI" and a review of "representations regarding … AI capabilities or AI."

2025's Defining Cases: Emerging Judicial Frameworks

Three decisions from 2025 — involving General Motors Co./Cruise LLC, GitLab and Tesla — offer a preview of how courts will assess AI-related disclosures in the years ahead.

The GM/Cruise Decision: When Technical Jargon Cuts Against You

On March 28, the U.S. District Court for the Eastern District of Michigan **decided** In re: General Motors Co. Securities Litigation, a case centering on GM's self-driving car unit Cruise's autonomous vehicle technology.

The opinion draws a sharp and instructive distinction between plain English and technical AI terminology.

The plaintiffs alleged that GM and Cruise overstated the readiness of their AVs for a

revenue-generating driverless taxi service. They challenged statements that the AVs were "fully autonomous," "fully driverless" and "truly driverless," and that the vehicles had achieved "Level 4 autonomy."

The allegations took on added gravity after an October 2023 incident in which a Cruise vehicle struck a pedestrian and dragged her down the street.

The court treated the disclosures in two very different ways:

- Plain English statements — such as "fully driverless" — were quickly dismissed as nonactionable.

- Highly technical statements — such as those about Level 4 autonomy — were allowed to proceed on falsity grounds because the court found it difficult, at the pleading stage, to evaluate whether the AVs actually met the Society of Automotive Engineers' technical criteria associated with Level 4 autonomy.

Both statements conveyed essentially the same concept: a vehicle capable of driving without human input.

Yet the challenged statements incorporating technical terms survived the falsity analysis, while the plain English versions did not. This disparity is the key takeaway.

When courts encounter specialized AI terminology and believe they lack the technical expertise to evaluate its accuracy at the pleading stage, claims are more likely to survive dismissal.

This decision illustrates that AI terminology may increase litigation risk. When courts lack expertise to evaluate specialized terms at the pleading stage, claims are more likely to survive dismissal — even when plain English equivalents would be dismissed as puffery.

The GitLab Decision: The Power of "We Believe"

On Aug. 14, in Dolly v. GitLab Inc., the U.S. District Court for the Northern District of California demonstrated how subjective qualifiers can defang AI-related statements.

GitLab, which integrates AI into software development security tools, faced claims that it

overstated the capabilities of its AI platform. The court dismissed the complaint, including because it found that the challenged statements were forward-looking or mere puffery.

What drove the ruling, in part, was GitLab's consistent use of opinion language, such as "we believe," "we think" and "we feel." The court emphasized that such phrasing clearly signals corporate optimism rather than verifiable fact. That signal allowed the court to avoid a technology-heavy inquiry.

The court also found the plaintiffs' allegations of falsity wanting. Three former employees alleged performance gaps, but failed to identify a single feature that underperformed or describe how it fell short.

This ruling highlights how subjective qualifiers are not window dressing — they are an effective defensive tool. They offer courts a straightforward path to dismissal without entangling them in technical disputes.

The Tesla Decision: AI Complexity as a Shield Against Scienter

On Dec. 2, the U.S. Court of Appeals for the Ninth Circuit **decided** Oakland County Voluntary Employees' Beneficiary Association v. Tesla Inc., affirming dismissal of claims that Tesla and Elon Musk overstated the capabilities of Tesla's autonomous driving technology.

The plaintiffs alleged that Tesla and Musk misled investors from 2019 to 2023 by misrepresenting the safety, capability and development of Tesla's autonomous driving technology.

They challenged three categories of statements: safety statements concerning autonomous driving technology safety, capability statements concerning whether autonomous driving technology was fully autonomous, and timeline statements concerning when full autonomy would be achieved.

Two aspects of the opinion are noteworthy:

- Precision in language: Musk had not claimed that autonomous driving technology was safer than human drivers — only that humans could drive more safely with autonomous driving technology's assistance — and that autonomous

driving technology still required "a fully attentive driver." That distinction was dispositive.

- AI complexity undercuts scienter: Tesla warned investors that autonomous driving technology involved "highly complex" and "state-of-the-art" technology subject to constant evolution. Those warnings, the court held, undermined any inference that missed development timelines were made with fraudulent intent.

This decision shows that courts may be reluctant to infer scienter when companies warn that AI development is uncertain, complex and likely to evolve.

Looking Ahead: What To Watch in 2026

Several developments are already taking shape for the coming year.

Heightened Regulatory Scrutiny

The SEC's Cyber and Emerging Technologies Unit is expanding its technical expertise. Expect more investigations targeting AI-washing and capability exaggerations.

Continued Difficulty With Technical AI Terminology

Until courts gain fluency in AI concepts, technical claims will remain at heightened risk of surviving motions to dismiss. Companies may gravitate toward broader, less precise descriptions — an unfortunate but foreseeable trend.

Puffery Doctrine Will Be Tested

The plaintiffs will argue that subjective statements tied to specific metrics cross into fact territory. Courts will need to refine where the line falls.

Industry-Specific Frameworks May Emerge

Autonomous vehicle cases may develop different standards than software, fintech or healthcare AI cases.

Navigating the Road Ahead

As AI evolves, the legal risks evolve with it. Companies must balance the business imperative to communicate AI capabilities effectively with the legal risks that accompany such disclosures.

The decisions of 2025 trace the early contours of the law, and 2026 will fill them in.

AI is reshaping industries. It is also reshaping securities litigation. Companies that succeed will be those that communicate their AI capabilities with precision, provide appropriate context and qualifications, and recognize that transparency is not only sound ethics — it is sound risk management.

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