

Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—N.D.**Cal.: SLUSA barred state law claim against Meta's social media platforms, (Jun 12, 2026)**

By [Mark S. Nelson, J.D.](#)

Meta's defense strategy initially focused on the Communications Decency Act (it faltered) but then successfully refocused on SLUSA.

In perhaps what may be a lesson for the securities defense bar, a federal district court briefly treated a motion to dismiss that crossed securities law with more generalized social media law and set up an eventual showdown between competing defense theories that first invoked Section 230 of the Communications Decency Act and then the Securities Litigation Uniform Standards Act (SLUSA), the latter of which bars certain state law-based fraud claims regarding "covered securities." As securities scams become more commonplace in artificial intelligence (AI)-generated online experiences, counsel will need to be alert to which legal theories (securities or non-securities law) are most likely to succeed in court. In this case, Meta Platforms, Inc. won dismissal under SLUSA of what were ostensibly securities fraud claims, although the dismissal was without prejudice and the plaintiffs could re-file in federal court if they can assert a claim not barred by SLUSA ([Bouck v. Meta Platforms, Inc.](#), No. 25-cv-05194 (N.D. Cal. June 11, 2026)).

The complaint alleged that Meta's social media platforms allowed a combination of AI-generated advertisements and chat room influencers to promote a fraudulent investment scheme in a Chinese penny stock. Often times, the persons who were commenting in the chat rooms were fake investment advisers. In the case against Meta, the scammers promoted the penny stock investment without telling potential investors that they had already acquired a large share of that company's stock and were merely awaiting the right time to sell their shares for a profit. This was in essence a pump-and-dump scheme. The specific company's share price tumbled from almost \$8.00 to \$0.15 cents. The plaintiffs claimed losses of \$300 million.

Among other arguments, the plaintiffs argued that the court should retain the case despite SLUSA because Meta's allegedly false statement (i.e., Meta allegedly "misled investors by lending [the proprietors of those groups] an air of legitimacy.") were not "made in connection with" the purchase or sale of securities. In all other respects, the parties appeared to agree on the satisfaction of the other four SLUSA elements.

The court explained that under relevant precedent, "a connection matters where the misrepresentation makes a significant difference to someone's decision to purchase or sell a covered security..." However, the plaintiffs asserted that the local precedent was no longer valid after a Supreme court opinion altered SLUSA. But the court went on to explain that the Supreme Court did not alter SLUSA in a manner that would impact the case against Meta, so whatever standard was good under the local precedent, it remained good after the Supreme Court's intervention.

The court added that the fact that "...Plaintiffs indisputably transacted in covered securities simply makes this an easy case. Even if *Scala* [local precedent] would not survive *Troice* [U.S. Supreme Court precedent] on its precise facts, a case that looks like *Scala*, but which involves real trading, would. This is such a case."

The court found other differences raised by the plaintiffs to be "superficial" in nature. As a result, the court granted Meta's motion to dismiss the complaint.

The case is [No. 25-cv-05194](#).

Judge: Seeborg, R.

Attorneys: Andrew Walker Robertson (Morris Kandinov LLP) for Joshua Bouck, Atul Shah, Shenwei Zhao, Adam Spring and Giao Q. Tran. Ari Holtzblatt (Wilmer Cutler Pickering Hale and Dorr LLP) for Meta Platforms, Inc.

Companies: Meta Platforms, Inc.

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