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TRIVARIATE RESEARCH

SHOULD YOU CARE ABOUT STOCKS WITH LEGAL ISSUES?

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RESEARCH SUMMARY AND INVESTMENT CONCLUSIONS

Background: We searched the quarterly earnings call transcripts of 2944 companies from the beginning of 2024 through the end of July 2025. We scanned for any references to legal issues over this time period and found that 485 companies - **or about one in six of all public companies** - mentioned some legal issues in at least one quarterly report. We grouped these unique cases into **nine major categories:** Commercial & Contract, Intellectual Property (IP), Government & Regulatory, Antitrust & Competition, Product Liability & Mass Torts, Securities & Corporate Governance, Environmental Health & Safety, Consumer Protection & Privacy, and Employment & Labor. The highest number of cases facing companies are in the Commercial & Contract and IP categories. **Given the specter of less regulation in at least in the first part of the Trump administration, we thought it particularly relevant to analyze these stocks for returns, margins, and valuation differentials.**

Less Litigation Today than 10 Years Ago: We tracked the number of mentions of litigation-related keywords since 2011 on earnings call transcripts, and in the Q&A portion of the earnings calls only, under the thesis that if analysts ask about the litigation, it likely has a higher probability of introducing volatility into the stock price and the underlying P&L of the company. **The overall number of legal terms mentioned in US public companies' earnings calls has consistently come down from a peak of over 1000 mentions just after the Financial Crisis to 340 at the end of July.** 156 companies had litigation keywords mentioned on their calls in the last quarter. At the end of June 2022, only 64 companies among the top 3000 were asked about litigation-related issues on their earnings calls, but that number has risen to 103 companies at the end of July.

Sector Level: The 485 companies were involved in 533 different litigation cases over the last 19 months. We focused our searches in sectors where the most lawsuits occurred, including Consumer Discretionary, Consumer Staples, Financials, Healthcare, Technology, and Utilities. **Healthcare has 45 different IP lawsuits, the most of any sub-category. No IP lawsuits in Financials have been discussed in earnings calls in the last 19 months.**

INVESTMENT CONCLUSIONS

Size Matters, Style and Substance Don't: 38% of mega-cap stocks (19 out of 50) have had legal issues discussed on at least one of their last six earnings calls. Style and quality don't seem to be relevant to whether a lawsuit is discussed on an earnings conference call.

2x More Defendants than Plaintiffs: The top 3000 US companies include more defendants than plaintiffs, except for in IP disputes. IP is the only category where companies are more likely to be plaintiffs than defendants. It is unlikely a company would be a plaintiff in a Product Liability, Labor, or Securities legal issue, as examples, driving this skew.

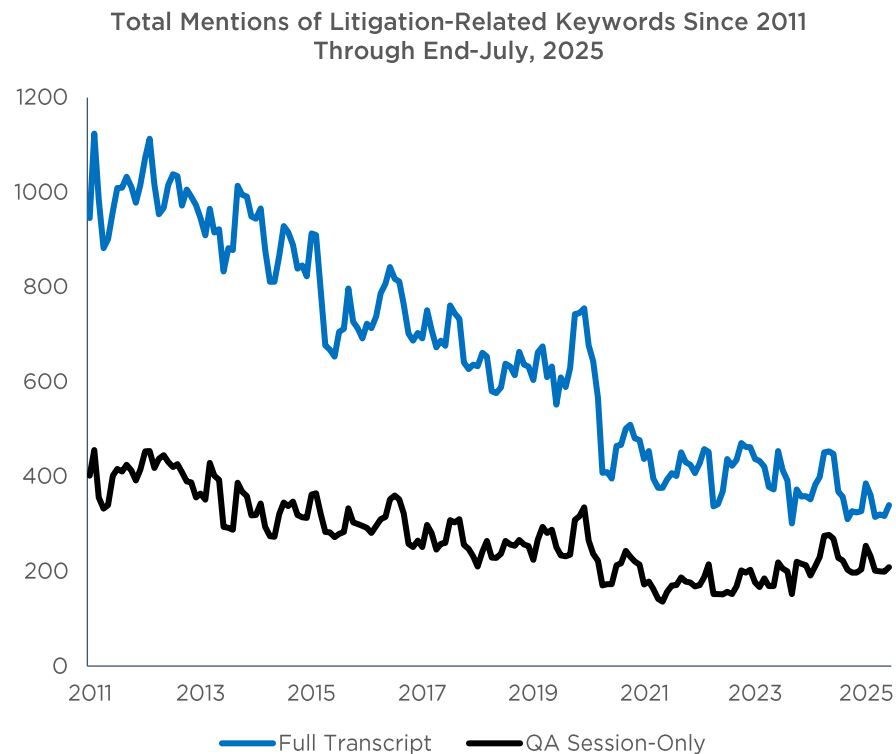
Status: Of the cases mentioned starting six quarters ago, two-thirds are still ongoing, 16% have been settled as wins for the US companies, and 17.5% have been settled as losses. At the sector level, **10 out of 11 Energy lawsuits that have been settled in the last 19 months have gone in favor of the company.** Healthcare companies have had the lowest winning percentage.

Performance: We broke the lawsuits into categories by plaintiff vs. defendant and analyzed the subsequent returns and changes in multiples. **Overall, relative-to-industry performance has been stronger for companies that are the plaintiff.** Companies that are defendants in Securities & Corporate Governance and Commercial & Contract suits have done well over the last quarter, but those in IP have done poorly. Plaintiffs in Antitrust & Competition and Securities & Corporate Governance have outperformed. **Enterprise value-to-forecasted sales multiples have contracted a median of 10% for defendants in IP suits, by far the most of any legal category.**

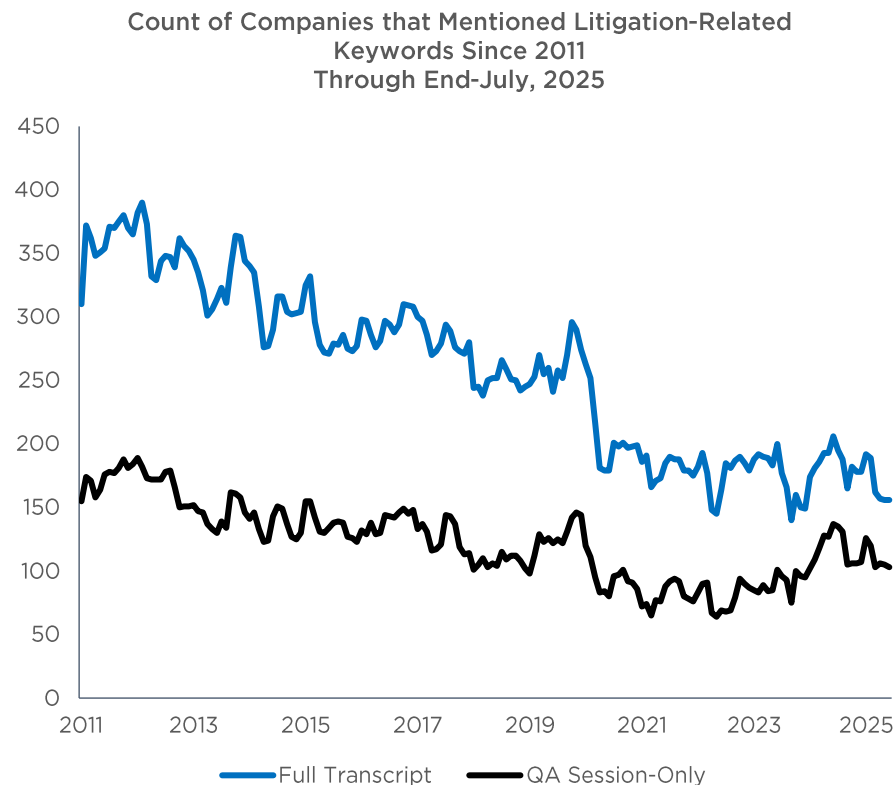
We provide examples of companies involved in IP cases in 2025 on page 12. For more details about any individual case or legal category, don't hesitate to reach out.

103 CO.'S WERE ASKED ABOUT LITIGATION OVER THE LAST QUARTER

We tracked the number of mentions of litigation-related keywords since 2011 on earnings call transcripts, and in the Q&A portion of the earnings calls only, under the thesis that if analysts ask about the litigation, it likely has a higher probability of introducing volatility into the stock price and the underlying P&L of the company. The overall number of legal terms mentioned in US public companies' earnings calls has consistently come down over time (left) from a peak of over 1000 mentions just after the Financial Crisis to 340 at the end of July. 156 companies had litigation keywords mentioned on their calls in the last quarter. At the end of June 2022 (right) only 64 companies among the top 3000 were asked about litigation-related issues on their earnings calls, but that number has risen to 103 companies at the end of July.



Source: Trivariate Research

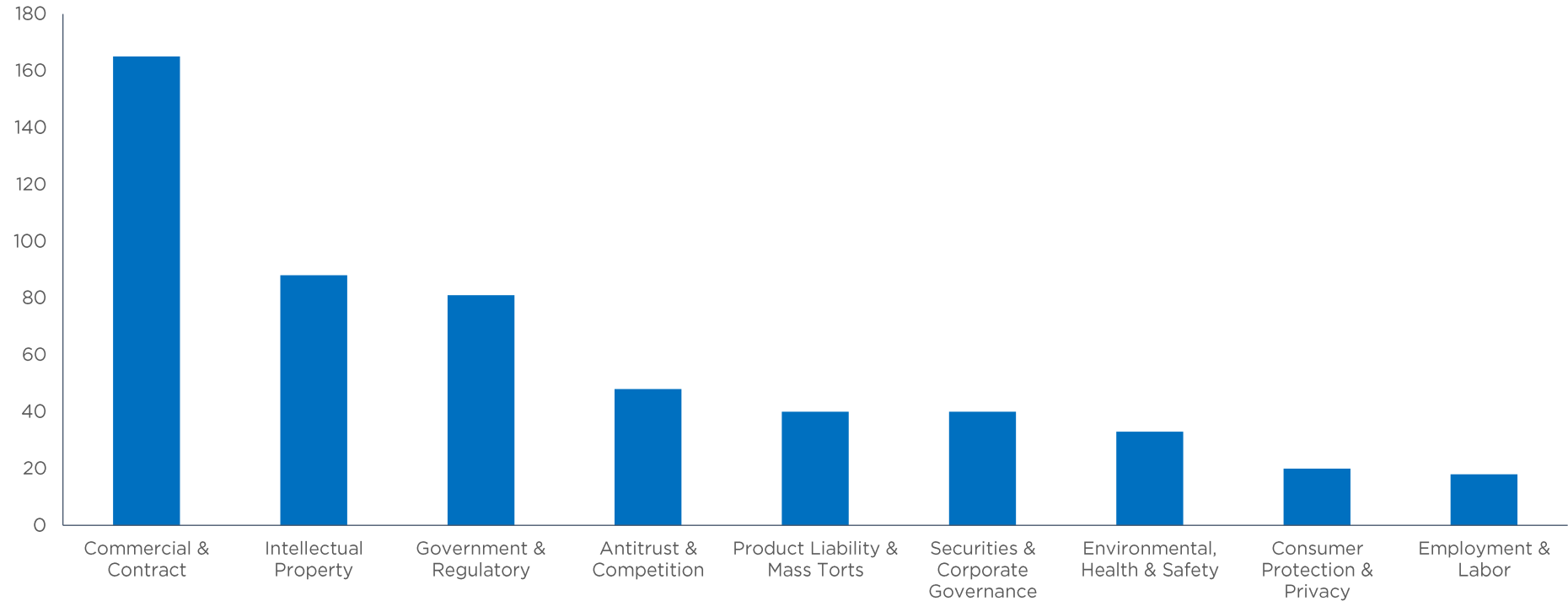


Source: Trivariate Research

COMMERCIAL & CONTRACT AND IP DISPUTES ARE MOST COMMON

We scanned for any references to legal issues over this time-period and found that 485 companies - or about one in six of all public companies - have mentioned some legal issues in *at least* one quarterly report. We grouped these unique cases into nine major categories: Commercial & Contract, Intellectual Property (IP), Government & Regulatory, Antitrust & Competition, Product Liability & Mass Torts, Securities & Corporate Governance, Environmental Health & Safety, Consumer Protection & Privacy, and Employment & Labor. The highest number of cases facing companies are in the Commercial & Contract and IP categories. There are relatively few Employment & Labor cases.

Count of Companies by Litigation Category
January, 2024 Through End-July, 2025



Source: Trivariate Research

LITIGATION IS MENTIONED THE MOST IN HEALTHCARE & INDUSTRIALS

The 485 companies were involved in 533 different litigation cases over the last 19 months. We focused our searches on legal issues in sectors where the most lawsuits occurred, including Consumer Discretionary, Consumer Staples, Financials, Healthcare, Technology, and Utilities. Healthcare has 45 different IP lawsuits, the most of any sub-category. Commercial & Contract issues in Industrials and Financials are the next most frequent types of legal issues facing public companies. There are no IP lawsuits in Financials.

Count of Companies that Mentioned Litigation Cases in the Earnings Calls
January, 2024 Through End-July, 2025

Sector	Commercial & Contract	Intellectual Property	Government & Regulatory	Antitrust & Competition	Product Liability & Mass Torts	Securities & Corporate Governance	Environmental, Health & Safety	Consumer Protection & Privacy	Employment & Labor	Total
Health Care	11	45	18	3	13	9	3	0	4	106
Financials	39	0	14	5	2	11	0	10	4	85
Industrials	36	6	12	6	10	3	5	2	3	83
Consumer Discretionary	14	7	9	3	1	4	0	3	4	45
Information Technology	15	14	3	3	1	5	0	2	1	44
Utilities	3	0	13	1	5	1	13	0	0	36
Communication Services	7	9	1	9	0	2	0	1	0	29
Energy	14	1	5	0	0	2	7	0	0	29
Real Estate	13	0	3	8	0	1	2	1	1	29
Materials	8	4	1	5	3	1	3	0	0	25
Consumer Staples	5	2	2	5	5	1	0	1	1	22
Total	165	88	81	48	40	40	33	20	18	533

Source: Trivariate Research

BIGGER CO.'S = MORE LEGAL ISSUES; STYLE/QUALITY DON'T MATTER

Our definition of mega-cap is the top 50 stocks, meaning 38%, or 19, of them have had legal issues discussed on at least one of their last six earnings calls. Style and quality don't seem to be relevant to whether a lawsuit is discussed on an earnings conference call. For example, 137 high-quality companies vs. 113 junk companies have at least one litigation "mention" on their last six calls.

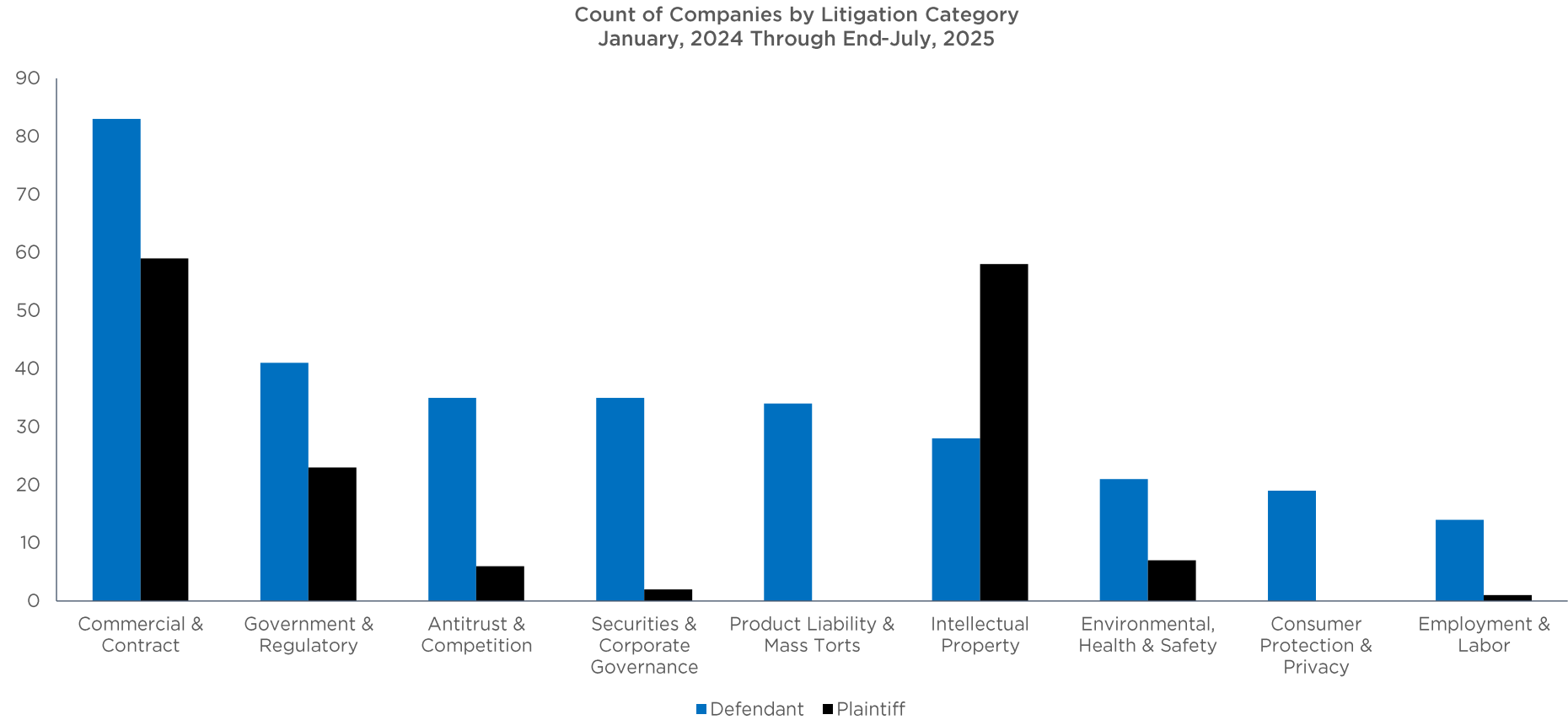
Count of Company that Mentioned Litigation Cases in the Earnings Calls
By Size, Style, and Quality
January, 2024 Through End-July, 2025

Category	Market Cap. Bucket						Style			Quality Quartile		
	Mega	Large	Mid	Small	Micro	Growth	Neither	Value	High	Mid	Low	Junk
Antitrust & Competition	4	5	17	13	9	14	13	20	14	8	12	12
Commercial & Contract	3	17	35	68	42	40	56	65	39	32	42	44
Consumer Protection & Privacy	0	0	6	7	7	3	7	9	3	4	4	5
Employment & Labor	0	1	8	4	5	8	6	4	3	5	5	5
Environmental, Health & Safety	0	10	9	8	6	6	7	19	12	11	4	6
Government & Regulatory	5	12	23	27	14	20	26	30	17	22	18	17
Intellectual Property	2	5	20	32	29	28	25	11	25	17	13	10
Product Liability & Mass Torts	4	8	11	10	7	9	16	15	12	10	10	8
Securities & Corp. Governance	1	4	11	13	11	15	13	11	12	6	11	6
Total	19	62	140	182	130	143	169	184	137	115	119	113

Source: Trivariate Research

PUBLIC COMPANIES ARE TWICE AS LIKELY TO BE DEFENDANTS

The top 3000 US companies includes more defendants than plaintiffs, except for in IP disputes. Most cases involve the government, non-US companies, private companies, or individuals who are suing public US businesses. Two-thirds of all the legal cases today have the US public company as a defendant. IP is the only category where companies are more likely to be plaintiffs than defendants. It is unlikely a company would be a plaintiff in a Product Liability, Labor, or Securities legal issue, as examples, driving this skew.



Source: Trivariate Research

ABOUT THE SAME NUMBER OF SETTLED CASES ARE WINS AS LOSSES

Of the cases mentioned starting six quarters ago, two-thirds are still ongoing, 16% have been settled as wins for the US companies, and 17.5% have been settled as losses (left). At the sector level, 10 out of 11 Energy lawsuits that have been settled in the last 19 months have gone in favor of the company. Healthcare companies have had the most settlements in absolute terms (right), but also the lowest winning percentage.

Count of Companies by Litigation Category and Case Status
January, 2024 Through End-July, 2025

Category	Win	Loss	Ongoing	Win Rate
Government & Regulatory	15	5	60	75%
Intellectual Property	25	11	70	69%
Commercial & Contract	31	30	89	51%
Product Liability & Mass Torts	3	5	28	38%
Securities & Corp. Governance	6	15	18	29%
Antitrust & Competition	3	9	38	25%
Employment & Labor	2	8	6	20%
Environmental, Health & Safety	1	4	29	20%
Consumer Protection & Privacy	0	6	15	0%
Total	16.2%	17.5%	66.4%	

Source: Trivariate Research

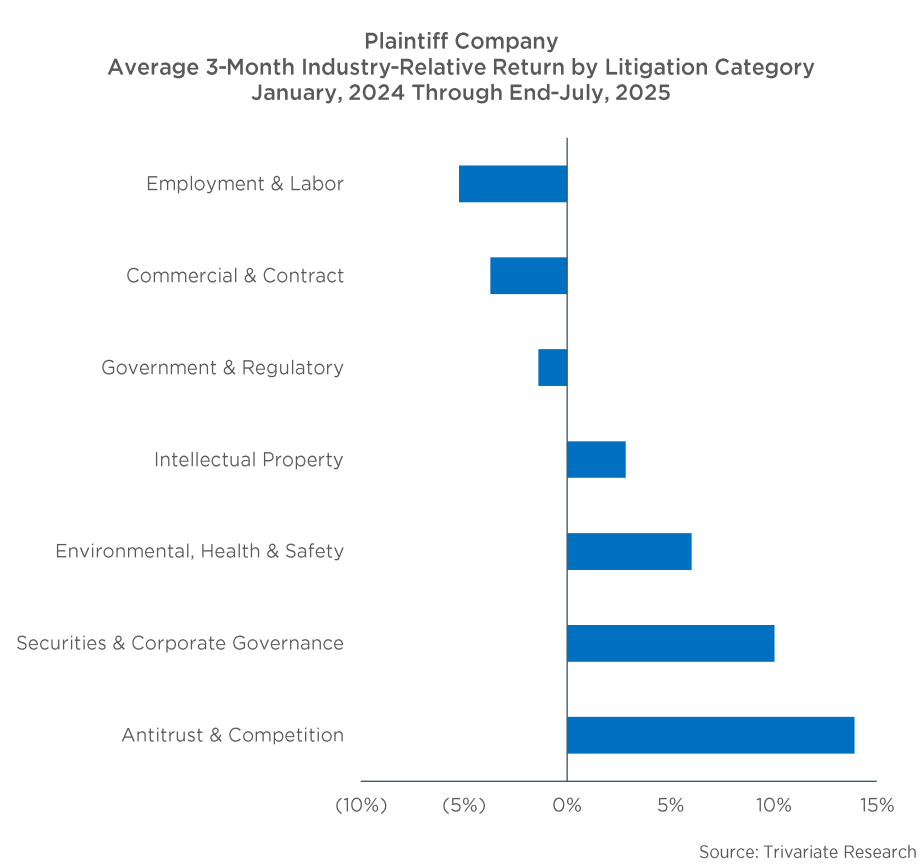
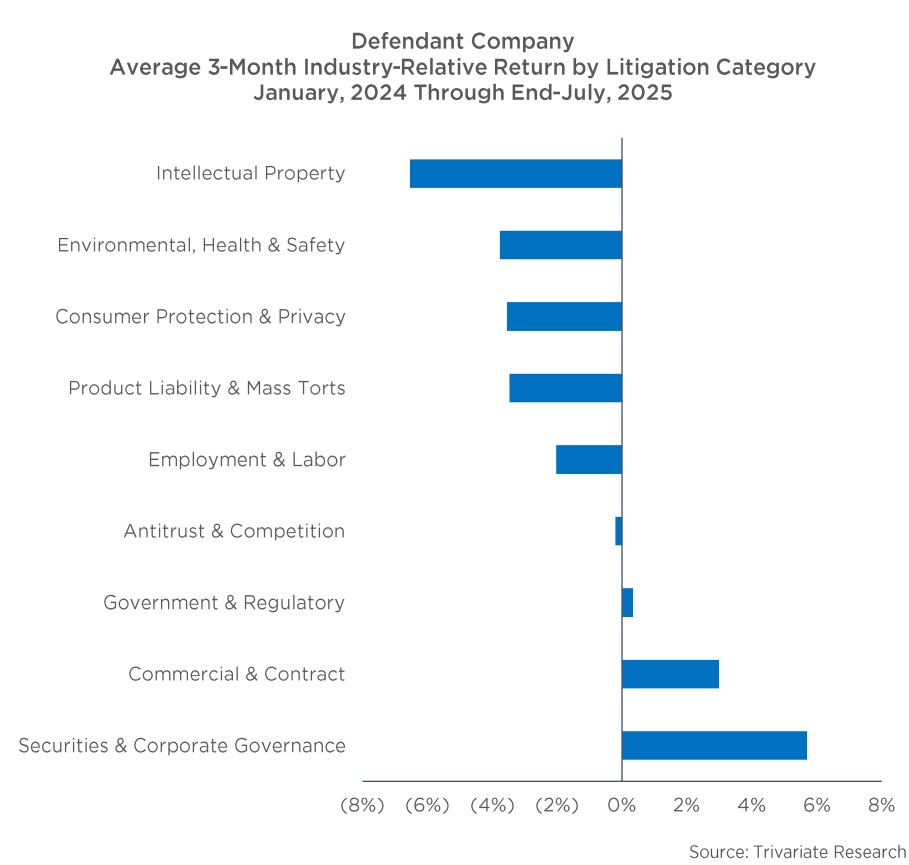
Count of Companies by Sector and Case Status
January, 2024 Through End-July, 2025

Category	Win	Loss	Ongoing	Win Rate
Energy	10	1	15	91%
Utilities	5	3	26	63%
Information Technology	9	8	28	53%
Communication Services	2	2	20	50%
Consumer Discretionary	10	10	26	50%
Consumer Staples	5	5	10	50%
Materials	4	4	15	50%
Financials	11	14	52	44%
Industrials	12	16	37	43%
Health Care	16	22	67	42%
Real Estate	2	5	23	29%
Total	17.4%	18.2%	64.4%	

Source: Trivariate Research

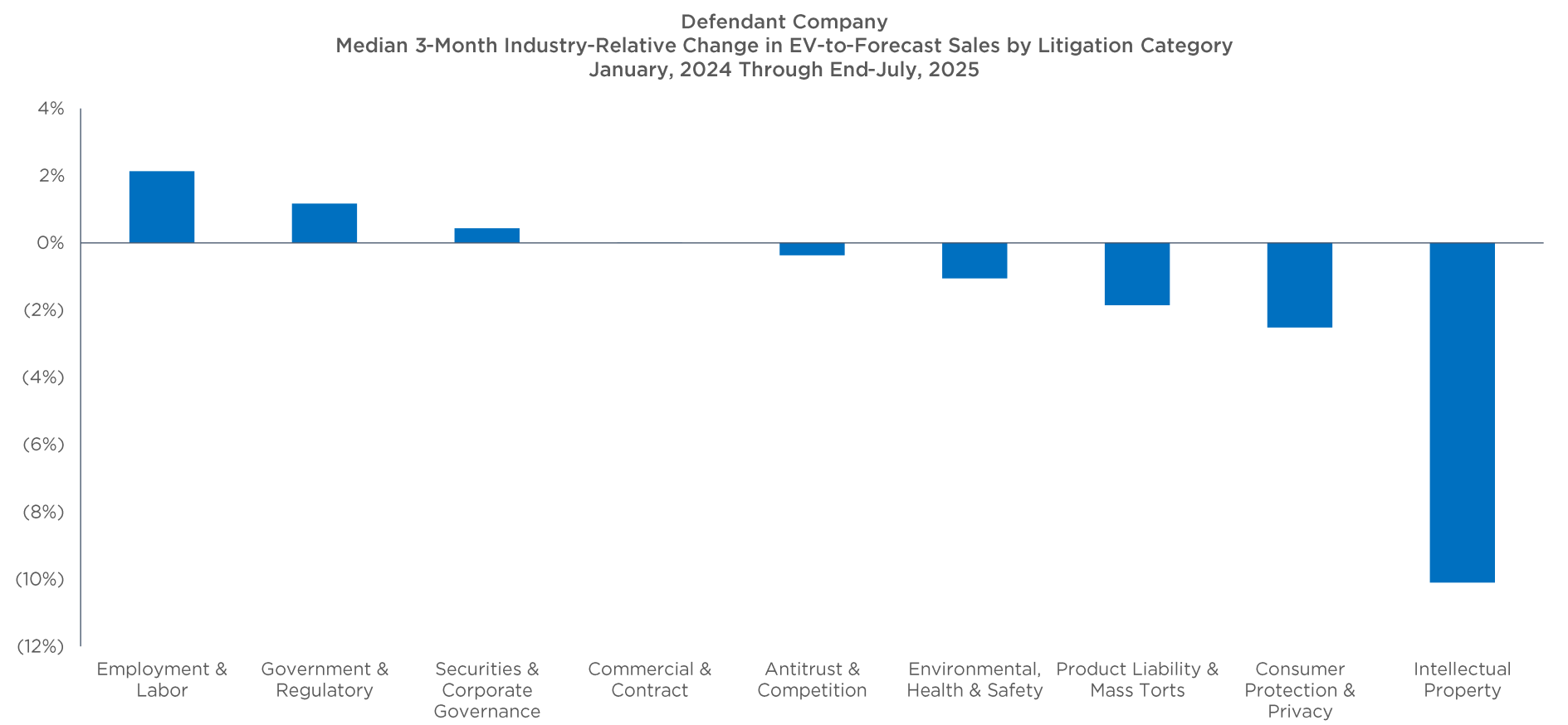
PLAINTIFF HAS BEEN BETTER THAN DEFENDANT PERFORMANCE

Given the specter of less regulation at least in the first part of the Trump administration, we thought it particularly relevant to analyze these stocks for returns, margins, and valuation differentials. We broke the lawsuits into categories by plaintiff vs. defendant and analyzed the subsequent returns. Overall, relative-to-industry performance has been stronger for companies that are the plaintiff. Companies that are defendants in Securities & Corporate Governance and Commercial & Contract suits have done well over the last quarter, but those in IP have done poorly (left). Plaintiffs in Antitrust & Competition and Securities & Corporate Governance have outperformed (right).



MULTIPLES HAVE CONTRACTED THE MOST FOR IP DEFENDANTS

Multiples have contracted nearly 10% on average on enterprise value-to-forecasted sales for defendants in IP suits, by far the most of any legal category.



Source: Trivariate Research

EXAMPLE DEFENDANTS IN IP LAWSUITS

We wanted to show one group of companies in one legal category. We chose the IP defendants, as there was a rich sample size, and this group of companies on average was the worst performing. Below we show some of the comments from the recent earnings calls. Should you be interested in other categories, please don't hesitate to reach out.

**Defendant Companies That Mentioned "Intellectual Property " Litigation Issue in Earnings Calls in 2025
As of End-July, 2025**

Ticker	Company	Sector	Market Cap. (US\$ Bil.)	Lawsuit Announced	Earnings Date	Description
ANET	Arista Networks Inc	Information Technology	173.01	December 2014	05/06/2025	Cisco Systems, Inc. v. Arista Networks, Inc., \$400 Million Settlement reached
ALKS	Alkermes plc	Health Care	4.38	April 2011	02/12/2025	Janssen Pharmaceutica et al. v. Mylan Laboratories Limited et al., In June of 2023 ALKS announced a final arbitration award in its dispute with Janssen, entitling ALKS to some back royalties.
LNTH	Lantheus Holdings, Inc.	Health Care	3.81	January 2024	05/07/2025	Advanced Accelerator Applications USA, Inc. v. Point Biopharma Inc. - There will be a bench trial beginning October 27 th , 2025 around a patent infringement.
VAL	Valaris Limited	Energy	3.30	\	07/31/2025	Valaris Limited Patent License Arbitration; In the Q2 filing, VAL announced favorable arbitration \$17 MM accrual reversal \$7 MM recovery of legal costs
BHC	Bausch Health Companies Inc.	Health Care	2.46	January 2025	04/30/2025	Norwich Pharmaceuticals Inc. v. U.S. FDA, On April 17, 2025, Court granted summary judgment in favor of the FDA, Teva, and Bausch Health, dismissing Norwich's lawsuit.
AVDL	Avadel Pharmaceuticals plc	Health Care	1.24	June 2023	05/07/2025	Jazz Pharmaceuticals Inc. v. Avadel Pharmaceuticals plc. Court upheld the FDA's approval of Avadel's drug, Lumryz, ruling it was clinically superior to a competing drug from Jazz Pharmaceuticals.
ATRO	Astronics Corporation	Industrials	1.10	July 2020	05/06/2025	Lufthansa Technik AG v. Astronics Corporation, Judgement on Feb 21, 2025, requiring ATRO to pay \$11.9 Million.
NEO	NeoGenomics, Inc.	Health Care	0.75	July 2023	07/29/2025	Natera, Inc. v. NeoGenomics, Inc. (RaDaR MRD Patent Litigation); On Sep 23, 2024 court entered a permanent injunction against NEO.
NTGR	NETGEAR, Inc.	Information Technology	0.73	April 2023	07/31/2025	NETGEAR, Inc. v. TP-Link Technologies Co., Ltd.; \$135 Million Settlement reached
RMNI	Rimini Street, Inc.	Information Technology	0.37	January 2010	07/31/2025	Oracle USA, Inc. v. Rimini Street, Inc.; In July 2025, reached settlement agreement. Rimini agreed to wind down support for Oracle's software by July 2028 in return of Oracle's payments

Source: Trivariate Research

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