

Troutman Pepper Locke Regulatory Oversight Newsletter – January 2026

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Make sure to visit Troutman Pepper Locke's [Regulatory Oversight](#) blog to receive the most up-to-date information on regulatory actions and [subscribe](#) to our mailing list to receive a monthly digest.

Regulatory Oversight will provide in-depth analysis into regulatory actions by various state and federal authorities, including state attorneys general and other state administrative agencies, the Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC). Contributors to the blog will include attorneys with multiple specialties, including regulatory enforcement, litigation, and compliance.

In This Issue:

- [Regulatory Oversight Podcast Updates](#)
- [Marketing + Advertising Updates](#)
- [Artificial Intelligence Updates](#)
- [Tobacco Updates](#)
- [Health Care + Life Sciences Updates](#)
- [Hemp Updates](#)
- [Gaming and Prediction Markets Updates](#)
- [Other State AG News](#)

REGULATORY OVERSIGHT PODCAST UPDATES

We want to thank you for your support of our *Regulatory Oversight* blog and podcast. We saw a strong response to the 2025 *Regulatory Oversight* podcast series, and we have already received helpful suggestions from many of you. We now hope to broaden that feedback to our full audience. Please take 30 seconds to complete [this short survey](#) and share your thoughts.

The 12 Days of Regulatory Insights

We were thrilled to bring you our second annual podcast series, “*The 12 Days of Regulatory Insights*,” this past holiday season. This 12-part series covered a variety of critical regulatory topics, offering concise and insightful discussions from members of our Regulatory Investigations, Strategy + Enforcement practice group, State Attorneys General team, and several esteemed colleagues across various areas of the firm. The full series can be found below.

Speakers: [Barry Boise](#), [Chris Carlson](#), [Kirk Dillard](#), [David Dove](#), [Lauren Fincher](#), [Clay Friedman](#), [Bryan Haynes](#), [David Navetta](#), [Brian O'Reilly](#), [Stephen Piepgrass](#), [Ron Raether](#), [Ghillaine Reid](#), [Agustin Rodriguez](#), [Ashley Taylor](#), [Michael Yaghi](#), [Gene Fishel](#), [Nam Kang](#), [Christy Matelis](#), [Cole White](#), and [Stephanie Kozol](#)

- [Day 1 – Potential Impacts of 2025–2026 State AG Elections](#)
- [Day 2 – How AGs Are Shaping Health Care Markets](#)
- [Day 3 – How the BBB Shapes Regulatory Outcomes](#)
- [Day 4 – Open Records Realities](#)
- [Day 5 – Privacy Under the Microscope](#)
- [Day 6 – Sports Wagering, Player Proposition Bets, and Prediction Market Battles](#)
- [Day 7 – Tobacco and Nicotine Regulatory Roundup](#)
- [Day 8 – How State AGs Are Rewriting Social Media Rules](#)
- [Day 9 – The Economic Development Edge](#)
- [Day 10 – State AGs on Pricing and Renewals](#)
- [Day 11 – FTC Enforcement Trends in a New Age](#)
- [Day 12 – The SEC Reset](#)

ARTIFICIAL INTELLIGENCE UPDATES

New York Enacts Laws Requiring Advertising Disclosures and NIL Consent for Artificial Intelligence

By [Troutman Pepper Locke State Attorneys General Team](#)

On December 11, 2025, New York Governor Kathy Hochul signed into law two bills governing the use of artificial intelligence (AI) in advertising. The governor’s office described the bills as “first-in-the-nation legislation to protect consumers and boost AI transparency in the film industry.” Both bills unanimously passed through the New York Legislature.

[Read more](#)

New Jersey Adopts Disparate Impact Rules Under LAD, With Broad Reach Across Housing, Lending, Employment, And Other Fields, With Specific Guidance On AI

By [Matthew Berns](#), [Lori Sommerfield](#), and [Chris Willis](#)

On December 17, New Jersey announced its adoption of what its Attorney General is calling the “most comprehensive state-level disparate impact regulations in the country.” Effective December 15, 2025, the Division on Civil Rights’ (DCR) new rules under the New Jersey Law Against Discrimination (LAD) codify guidance on disparate impact discrimination across housing, lending, employment, places of public accommodation, and

contracting.

[Read more](#)

State Enforcement in the Wake of Trump Executive Order Targeting State Regulation of AI

By [Troutman Pepper Locke State Attorneys General Team](#)

On December 11, President Donald Trump signed an executive order (EO) that establishes a national artificial intelligence (AI) regulatory framework and attempts to preempt enforcement of state AI laws. Titled “Ensuring a National Policy Framework for Artificial Intelligence,” the EO states that “[i]t is the policy of the United States to sustain and enhance the United States’ global AI dominance through a minimally burdensome national policy framework for AI.” This latest effort follows bipartisan opposition in Congress and among state attorneys general (AGs) to previous legislative attempts this year to supersede state AI laws. While the order seeks to minimize a burdensome AI regulatory patchwork, compliance will remain complex given various state enforcement tools.

[Read more](#)

HEALTH CARE + LIFE SCIENCES UPDATES

Texas Takes Aim at Epic Systems in Sweeping Challenge to EHR Data Control

By [Troutman Pepper Locke State Attorneys General Team](#)

Texas Attorney General (AG) Ken Paxton has launched another challenge to the electronic health record (EHR) industry, filing suit against Epic Systems Corporation. At its core, the lawsuit accuses Epic of transforming patient medical records into a private gatekeeping tool — one that allegedly blocks competition, restricts lawful access to data, and undermines parental rights under Texas law.

[Read more](#)

AG Settlement Highlights Risk Around Charity Care Refunds for Washington Hospitals

By [Troutman Pepper Locke State Attorneys General Team](#)

Washington Attorney General (AG) Nick Brown announced a settlement with Central Washington Health Services Association, doing business as Confluence Health, over its handling of charity care refunds. The AG alleges that since 2021, thousands of low-income patients at Confluence’s two hospitals made payments toward their hospital bills and were later approved for charity care under Washington’s Charity Care Act, but did not receive refunds of those payments. The act, which was expanded in 2022, requires most Washington hospitals to provide free or discounted care to patients with household incomes up to 400% of the federal poverty level.

[Read more](#)

Texas AG Secures \$41.5M Settlement With Pfizer and Tris Pharma Over Allegedly Adulterated ADHD Drug: What Health Care Stakeholders Should Know

By [Troutman Pepper Locke State Attorneys General Team](#)

The Texas attorney general (AG) [announced a \\$41.5 million settlement](#) with Pfizer and Tris Pharma related to allegations that the companies provided adulterated pharmaceutical products to children and manipulated testing to secure Medicaid reimbursement in violation of the Texas Health Care Program Fraud Prevention Act (THFPA).

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GAMING AND PREDICTION MARKETS UPDATES

Prediction Market Platforms Launch Coalition Focused on Federal Oversight Issues

By [Stephen C. Piepgrass](#) and [Ayana Brown](#)

Popular prediction markets platforms recently announced that they have formed the Coalition for Prediction Markets. According to the coalition's website, it aims to unite exchanges, brokers, and advocates to expand consumer access to safe, transparent, and integrity-driven prediction markets in the U.S. The coalition contends that prediction markets currently operate under a federal framework, but that framework is being threatened by state regulators "seeking to block consumer access and extend their own authority." This messaging signals that prediction market operators are prepared to vigorously oppose state regulation in an effort to preserve exclusive federal oversight.

[Read more](#)

Kalshi Files New Lawsuit Challenging Enforcement Actions From Gaming Regulators in Connecticut

By [Stephen C. Piepgrass](#) and [Cole White](#)

In early December 2025, federally regulated derivatives exchange KalshiEX LLC [filed suit](#) in the U.S. District Court for the District of Connecticut challenging a [cease-and-desist order](#) issued by the Connecticut Department of Consumer Protection (DCP) directing Kalshi to halt operations in the state. The DCP contends that Kalshi, along with platforms such as Robinhood and Crypto.com, operates an unlicensed and illegal sports betting platform in violation of Connecticut law. According to the agency, Kalshi's sports event contracts fall squarely within the state's definition of sports wagering and expose consumers to risk because they operate outside Connecticut's regulated gaming framework, lack required integrity controls, and are not subject to consumer protection oversight. Connecticut officials have emphasized that "a prediction market wager is not an investment," and that Kalshi's platform offers no recourse for consumers under state law if disputes arise.

[Read more](#)

Nevada Judge Rules Prediction Market Firm Falls Under State Gaming Laws

By [Stephen C. Piepgrass](#) and [Ayana Brown](#)

Many prediction market firms have sought to avoid state regulation by emphasizing how their services differ from traditional sports betting. They characterize their offerings as "event contracts" or "swaps," which are only subject to Commodity Futures Trading Commission (CFTC) oversight and note that they operate peer-to-peer exchanges, earning revenue from transaction fees rather than customer losses. Many state regulators have disagreed with this argument, however, asserting that event contracts cannot be distinguished from state-

regulated gaming. Federal courts in various states have reached different conclusions on this issue. A Nevada federal court has now weighed in, ruling that some of these services fall under state gaming law.

[Read more](#)

CFTC Approval Allows Polymarket to Reenter the U.S. Market

By [Stephen C. Piepgrass](#) and [Zoe Schloss](#)

The Commodity Futures Trading Commission (CFTC) approved a plan submitted by commodities futures trading platform Polymarket to resume limited U.S. operations through a registered intermediary. The approval permits the platform to offer select real money event contracts within a federally supervised structure.

[Read more](#)

MARKETING + ADVERTISING UPDATES

Iowa AG Obtains Court Injunction and Civil Penalties Against Stem Cell Company in Four-Day Trial

By [Troutman Pepper Locke State Attorneys General Team](#)

After a four-day trial, Iowa Attorney General (AG) Brenna Bird obtained a [ruling and judgment](#) against Omaha-based stem cell businesses and its owner/CEO for deceptively marketing “regenerative medicine” stem cell injections to Iowans. The court ordered more than \$800,000 in restitution, \$180,000 in civil penalties, including enhanced civil penalties for targeting elderly persons, and permanently enjoined the company from committing acts or practices that the court deemed in violation of the Iowa Consumer Fraud Act.

[Read more](#)

HelloFresh Agrees to Oregon AVC Over Alleged Discount and ‘Free’ Claims

By [Troutman Pepper Locke State Attorneys General Team](#)

The Oregon Department of Justice and Grocery Delivery E-Service USA, Inc. d/b/a HelloFresh (HelloFresh), recently filed an [Assurance of Voluntary Compliance](#) (AVC) in Oregon Circuit Court to resolve allegations by the Department of Justice (DOJ). HelloFresh is a meal-kit company, providing meal kits, ready-to-eat meals, and other products directly to consumers.

[Read more](#)

TOBACCO UPDATES

Federal Court Bars Enforcement of Virginia Vapor Directory, Pending Fourth Circuit Ruling

By [Bryan Haynes](#), [Agustin Rodriguez](#), and [Zie Alere](#)

We recently covered this case [here](#), in which a small manufacturer and retailer sued the Virginia attorney general (AG) and tax commissioner in the U.S. District Court for the Eastern District of Virginia, seeking to enjoin enforcement of the vapor product directory law. See *Nova Distro, Inc., et al. v. Miyares et al.*, No. 3:25-cv-857

(E.D.V.A.). There, we also noted another ongoing case challenging a similar law in North Carolina, for which oral argument is scheduled before the U.S. Court of Appeals for the Fourth Circuit on January 29, 2026. See *Vapor Technology Association, et al. v. Wooten et al.*, No. 25-1745 (4th Cir.).

[Read more](#)

Virginia's Vapor Product Directory Challenged in Federal Court

By [Bryan Haynes](#), [Agustin Rodriguez](#), and [Zie Alere](#)

Earlier this fall, a small manufacturer and retailer (the plaintiffs) sued Virginia Attorney General (AG) Jason Miyares and Tax Commissioner James Alex (the defendants) in the U.S. District Court for the Eastern District of Virginia, seeking to enjoin their enforcement of Virginia's vapor product directory regime, [Va. Code Ann. §§ 59.1-293.14 to .21](#), which the General Assembly passed in 2024.

[Read more](#)

HEMP UPDATES

Congress Narrows Federal Definition of 'Hemp,' Effectively Banning Most Intoxicating Hemp Products

By [Agustin Rodriguez](#), [Zie Alere](#), and [Cole White](#)

Congress has enacted [H.R. 5371](#), the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026. Section 781 of the law substantially amends the Agricultural Marketing Act's definition of "hemp," tightening the THC threshold and explicitly excluding several categories of hemp-derived cannabinoid products from the definition. Because the Controlled Substances Act (CSA) excludes "hemp" by cross-reference to the Agricultural Marketing Act, narrowing the hemp definition will push many currently marketed intoxicating hemp products back into Schedule I status under the CSA once these changes take effect.

[Read more](#)

OTHER STATE AG NEWS

Texas Investigating Global Retail Over Labor Practices, Product Safety, and Privacy Practices

By [Troutman Pepper Locke State Attorneys General Team](#)

On December 1, Texas Attorney General (AG) Ken Paxton issued a [press release](#) announcing an investigation into Shein US Services LLC Corporate and its affiliates (Shein).

[Read more](#)

New Jersey Governor-Elect Sherrill Nominates Jennifer Davenport as New Jersey AG

By [Troutman Pepper Locke State Attorneys General Team](#)

On Monday, New Jersey Governor-elect Mikie Sherrill [announced](#) that she will nominate Jennifer Davenport to

serve as the next attorney general (AG) of New Jersey. Davenport, a lifelong New Jersey resident, is currently employed at PSEG, where she serves as deputy general counsel and chief litigation counsel and previously served as senior director – compliance. Her nomination signals a continuation of strong enforcement and regulatory focus, informed by both extensive public-sector experience and recent private-sector roles.

[Read more](#)

Delaware Imposes Nearly \$1M Penalty on Investment Adviser for Registration, Supervision, and Recordkeeping Failures

By [Troutman Pepper Locke State Attorneys General Team](#)

On November 21, Delaware Attorney General Kathy Jennings's Investor Protection Unit (IPU) announced a \$995,180 penalty against Kovack Advisors, Inc. (Kovack) for a series of violations of the Delaware Securities Act. The enforcement action — resolved through a consent order — highlights the IPU's growing focus on registration accuracy, supervisory systems, and books-and-records compliance for investment advisers operating in the state.

[Read more](#)

Stephanie Kozol, Senior Government Relations Manager – State Attorneys General, also contributed to this newsletter.

Our Cannabis Practice provides advice on issues related to applicable federal and state law. Marijuana remains an illegal controlled substance under federal law.

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