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DOJ Secures Securities Fraud Verdict Against Short Seller

Earlier this week, a jury in Los Angeles returned guilty verdicts in [United States v. Left](#), convicting Andrew Left, the founder of Citron Research, of one count of participating in a securities fraud scheme and twelve counts of securities fraud. The jury acquitted him on four additional counts of securities fraud, and his convictions remain subject to post-trial motions and an expected appeal.

Left was a noted short seller who published commentary on public companies through Citron's reports, social media, and cable-news appearances. The government alleged that Left took positions in target companies before publishing Citron's commentary, including through short-dated options. When the commentary moved the price, he closed the position, frequently well short of the target price the commentary had touted. According to the government, Left made profits on these trades of over \$21 million, while telling the public he stood behind the lower prices. The government also alleged that he concealed compensation arrangements and coordinated trading with hedge funds while maintaining the purported independence of Citron's market commentary.

The verdict underscores that the government may regard misrepresentations about an investor's own trading, incentives and independence as securities fraud, and may pursue them criminally. Short sellers who publish self-styled research reports can cause significant market and reputational harm to targeted companies, even where the claims lack merit or are unsupported by meaningful research. It remains to be seen whether the verdict will chill the publication of such reports, but in the meantime the verdict provides targeted companies an additional potential tool to consider in responding.

David B. Anders  
Aline R. Flodr  
Michael W. Holt

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