**California Adopts Cap-and-Trade System**

Last week, California adopted a cap-and-trade system designed to eventually limit emissions of greenhouse gases. The program will require oil refineries and other companies to buy permits to release certain amounts of greenhouse gases. The amount of emissions is expected to decline over time, spurring companies to find ways to run a cleaner operation. Oil and gas companies like Chevron have argued that the system will only raise fuel prices further, while other companies expect the law to work to their advantage.

**Medical Marijuana Group Sues Govt.**

A medical marijuana advocacy group sued the Obama administration, saying its policy to subvert local and state medical marijuana laws in California is unconstitutional. Americans for Safe Access accused DOJ of deploying aggressive SWAT-style raids, prosecuting medical marijuana patients and providers, and threatening local officials for implementing state medical pot laws.

**SEC Mounts Case Against Rajat Gupta**

Former Goldman Sachs Group Inc. director Rajat Gupta has been indicted on charges of conspiracy and securities fraud, making him the highest-ranking executive charged in a nationwide crackdown on insider trading centered on Raj Rajaratnam, co-founder of hedge fund Galleon Group. However, in this case the DOJ faces evidentiary challenges it has not faced in prosecuting other cases involving insider trading by the hedge fund manager Raj Rajaratnam. The success of the case could hinge on whether the DOJ can prove without wiretaps that Mr. Gupta knew he was passing along tips that Mr. Rajaratnam would trade on. Read more: here.

**Citigroup Fine Challenged by Judge Rakoff**

U.S. district Judge Jed Rakoff challenged the boilerplate language used to resolve securities-enforcement cases and questioned why he should approve the SEC’s proposed $285 million settlement of fraud charges against Citigroup Inc. over a mortgage-bond deal.

He posed nine questions to the parties, including how a fraud of this nature and magnitude could be the result simply of negligence. The judge also asked why the court should approve a settlement in a case in which the S.E.C. alleges a serious fraud but the defendant neither admits nor denies wrongdoing. Additionally, he questioned why the penalty was less than one-fifth of the one assessed against Goldman Sachs in a similar case.

Under the federal securities laws, a judge is required to ascertain whether a proposed S.E.C. settlement is “fair, reasonable, adequate, and in the public interest.” Judges have historically rubber-stamped these settlements. However, Judge Rakoff is a longtime skeptic of SEC settlements, throwing out the agency’s 2009 deal with Bank of America Corp. over disclosures made before the company’s acquisition of Merrill Lynch & Co. Read Rakoff’s Order here.

**MARK YOUR CALENDARS**

**Events this week:**

- Entrepreneurship for Lawyers, A Conversation with Co-Founder of Honest Tea, Barry Nalebuff, 11/1, 6:10pm, 110
- Michael Eisenstein, CEO and MD, Charles Bank Capital Partners, LLC, 11/03, 4.10pm, Faculty Lounge
- Lilian BeVier, UVA, and Monica Youn, Brennan Center, ACS/FedSoc Debate on Campaign Finance, 11/03, 6.10pm, Rm TBA

**Events next week:**

- “Is the 3-Year JD-MBA Program for You?”, 11/08, 12:10pm, Faculty Lounge, Lunch Provided

**Editors:** Marianna B. Ofosu, Jackie Carter and Taylor Hedrick

With contributions from the YLBS Board and members