



Federal Court Bars Enforcement of Texas' Proxy Advisor Rules

Federal Court enjoins Texas attorney general from enforcing new Texas law regulating proxy advisors, including Institutional Shareholder Services (ISS) and Glass Lewis.

Background

A recently enacted Texas law imposes disclosure and notice requirements on proxy advisory firms that provide “proxy advisory services” to any public company with significant ties to Texas. Effective September 1, 2025, these requirements seek to limit the influence of nonfinancial considerations – such as Environmental, Social and Governance and Diversity, Equity and Inclusion factors – in proxy voting recommendations by proxy advisory firms concerning covered public companies. If a proxy advisor allegedly violates the Texas law, any of the following affected parties may bring a lawsuit seeking injunctive relief: (i) the company that is the subject of the proxy advisory services, (ii) a recipient of the proxy advisory services or (iii) any of the company’s shareholders.¹

ISS and Glass Lewis separately filed suit in a Texas federal court seeking to overturn the Texas law.²

Court Enjoins Enforcement of Texas Law

On Friday, August 29, 2025, the U.S. District Court for the Western District of Texas entered a preliminary injunction against Texas Attorney General Ken Paxton from enforcing the new Texas law. The ruling relates to the separate cases brought by ISS and Glass Lewis, respectively, against the Texas attorney general

The injunction prohibits the Texas AG from enforcing the new Texas law solely against ISS or Glass Lewis. The Texas law will continue to apply to other proxy advisors. In addition, the ruling is not binding on other authorized parties who may bring suit against a proxy advisor for claimed violation of the new Texas. However, the district court ruling is likely to dissuade such parties from bringing claims.

The Federal Court set the trial dates in February 2026 for the ISS and Glass Lewis cases.

* * * * *

The **Client Alert** is prepared by Meridian Compensation Partners' Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or dkalfen@meridiancp.com.

This report is a publication of Meridian Compensation Partners, LLC, provides general information for reference purposes only, and should not be construed as legal or accounting advice or a legal or accounting opinion on any specific fact or circumstances. The information provided herein should be reviewed with appropriate advisors concerning your own situation and issues. www.meridiancp.com

¹ See Meridian Client Update: [Texas Enacts Landmark Law Targeting Proxy Advisory Firms - Meridian Compensation Partners](#)

² See Meridian Client Update: [ISS and Glass Lewis Challenge Texas Law Regulating Proxy Advisors - Meridian Compensation Partners](#)