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**Electronically Filed  
by Superior Court of CA,  
County of Santa Clara,  
on 8/16/2019 3:18 PM  
Reviewed By: R. Walker  
Case #19CV341522  
Envelope: 3274669**

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15  
16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA  
IN AND FOR THE COUNTY OF SANTA CLARA**

17  
18 IN RE ALPHABET INC. SHAREHOLDER  
19 DERIVATIVE LITIGATION

Lead Case No. 19CV341522

20  
21 This Document Relates to:

22 DEMAND FUTILITY ACTION

**CONSOLIDATED  
STOCKHOLDER DERIVATIVE  
COMPLAINT FOR:**

- 23 **(1) BREACH OF FIDUCIARY DUTY;**  
24 **(2) UNJUST ENRICHMENT;**  
**(3) CORPORATE WASTE; and**  
25 **(4) ABUSE OF CONTROL**

26 **JURY TRIAL DEMANDED**

27 **PUBLIC - REDACTS MATERIALS FROM CONDITIONALLY SEALED RECORD**

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1           Lead Plaintiffs Northern California Pipe Trades Pension Plan (“NCPTPP”), Teamsters Local  
2 272 Labor Management Pension Fund (“Local 272”), and James Martin (“Martin,” and collectively  
3 “Lead Plaintiffs”) bring this stockholder derivative action on behalf of nominal defendant Alphabet,  
4 Inc. (“Alphabet,” “Google,” or the “Company”<sup>1</sup>) against certain current officers and directors of the  
5 Company for breaches of fiduciary duty and a “culture of concealment” that led Defendants, in  
6 pursuit of their own interests, to participate or acquiesce in the cover-ups of a long-standing pattern  
7 of sexual harassment and discrimination by high-powered male executives as well as a serious data  
8 breach, both of which were in violation of state and federal law. These breaches included  
9 participating and/or acquiescing in the creation of a culture that fostered and covered-up a long-  
10 standing pattern of sexual harassment and discrimination by high-powered male executives as well  
11 as a serious data breach, both of which were in violation of state and federal law, a consent decree  
12 between the Company and the FTC, and Alphabet’s own code of conduct.

13           Lead Plaintiffs make these allegations upon personal knowledge as to their own actions and,  
14 as to all other matters, upon the investigation of their undersigned counsel which included, among  
15 other things, (1) review and analysis of Alphabet’s public filings with the U.S. Securities and  
16 Exchange Commission (“SEC”); (2) a review of documents produced by Alphabet in response to  
17 Lead Plaintiffs’ shareholder inspection demands; (3) a review of press releases, news articles, and  
18 other public statements issued by or concerning Alphabet and the Individual Defendants named  
19 herein; and (4) a review of court records, including, but not limited to, pleadings filed in *Ellis v.*  
20 *Google, LLC*, No. CGC-17-561299 (Cal. Sup. Ct. San Francisco Cty.); *Wicks v. Alphabet, Inc.*, No.  
21 3:18-cv-6245 (N.D. Cal.); *El Mawardy v. Alphabet, Inc.*, No. 1:18-cv-5704 (E.D.N.Y.); *Matic v.*  
22 *Google, LLC*, No. 5:18-cv6164 (N.D. Cal.); *Patacsil v. Google, LLC*, No. 5:18-cv-5062-EJD (N.D.  
23 Cal.); *Lee v. Google, Inc.*, Case No. 18-cv-323651 (Cal. Super. Ct. Santa Clara Cty.); *Rubin v.*  
24 *Peters, et. al.*, Case No. 18-cv-05380 (Cal. Super Ct. San Mateo Cty.); *Office of Federal Contract*

25 \_\_\_\_\_  
26 <sup>1</sup> On August 10, 2015, Google announced plans to restructure its subsidiaries into holding company  
27 Alphabet, Inc. That process was completed on October 2, 2015. Certain of the events discussed  
28 herein occurred prior to the name change. Accordingly, Alphabet, Google and the Company are  
used interchangeably.

1 *Compliance Programs, U.S. Dep't of Labor v. Google, Inc.*, ALJ Case No. 2017-OFC-08004,  
2 (“DOL”); as well as the complaints filed in the actions consolidated with this case. Lead Plaintiffs  
3 believe that substantial additional evidentiary support will exist for the allegations set forth below  
4 after a reasonable opportunity for discovery. On behalf of themselves and the stockholders they seek  
5 to represent, Lead Plaintiffs allege as follows:

6 **I. INTRODUCTION**

7 1. This is a stockholder derivative action brought on behalf of Nominal Defendant  
8 Alphabet, alleging breaches of fiduciary duty by certain of the Company’s current and former Board  
9 members and officers<sup>2</sup> occurring from at least 2013 through the present (the “Relevant Period”),  
10 based on a pattern of concealment intended to protect the interests of the Company’s top earning  
11 executives and the Board at the expense of its shareholders, employees, and users. It has come to  
12 light that, in at least two areas of its responsibility—employment policies and data privacy, the  
13 Board knowingly participated in or acquiesced to conduct by the Company’s senior executives that  
14 caused the Company to violate various laws. In both areas, the Board knew of the implications of

15 \_\_\_\_\_  
16 <sup>2</sup> The directors at the time that the initial complaint was filed—which is the relevant board for the  
17 purposes of assessing demand futility—were: Chairman John L. Hennessy (“Hennessy”); L. John  
18 Doerr (“Doerr”); Alan R. Mulally (“Mulally”); Kavitarak Ram Shriram (“Shriram”); Lawrence E.  
19 Page (“Page”); Sergey Brin (“Brin”); Ann Mather (“Mather”); Roger W. Ferguson, Jr. (“Ferguson”);  
Sundar Pichai (“Pichai”); Eric Emerson Schmidt (“Schmidt”), and Diane Greene (“Greene”). These  
individuals are collectively referred to as the “Board.”

20 Since the initial complaint was filed, Schmidt has chosen not to stand for reelection and Robin  
21 Washington has replaced Greene on the Board. Shirley M. Tilghman (“Tilghman”) was also a Board  
22 Member during the relevant period, and, together with the Board, these individuals are referred to  
as the “Director Defendants.”

23 Page is Alphabet’s Chief Executive Officer (“CEO”) and a co-founder of the Company. Brin is  
24 Alphabet’s President and the other co-founder of the Company. Pichai and Schmidt serve as Google  
25 CEO and Technical Advisor, respectively. David C. Drummond (“Drummond”) is the Company’s  
26 Chief Legal Officer (“CLO”). In addition, Andrew Rubin (“Rubin”) and Amit Singhal (“Singhal”)  
27 both served as Senior Vice Presidents when they were asked to leave the Company following  
credible allegations of sexual harassment against them, and Lazlo Bock (“Bock”) was the Senior  
28 Vice President of People & Operations at Google, Inc., during the relevant period. These individuals  
are collectively referred to as the “Officer Defendants.”

The Officer Defendants and the Director Defendants are collectively referred to as the “Individual  
Defendants,” and, together with the Company, are referred to as “Defendants.”

1 its actions, or failure to act because similar conduct had already drawn regulatory scrutiny, lawsuits,  
2 and public criticism. As a result of the underlying misconduct, the active cover-ups of the  
3 misconduct, and retaliation against those who sought to raise awareness about these issues,  
4 stockholders and the Company have been damaged financially and reputationally. Defendants’  
5 misconduct has already cost the Company hundreds of millions of dollars in exit packages to  
6 wrongdoers and exposed it to further litigation and a loss of federal contracts over its hostile and  
7 discriminatory workplace. Further, as studies have shown, such a toxic work environment can  
8 impact a Company’s ability to hire and retain top talent. Defendants’ misconduct in the data privacy  
9 arena has also led to a loss of user trust and goodwill that is essential to any data-driven company,  
10 and exposed the Company to potential loss of business, political repercussions, and the related costs  
11 of defending claims and investigations by a rising number of government agencies.

12         2.         For instance, as confirmed by an October 25, 2018 article in *The New York Times*  
13 (the “*Times*” or “*NYT*”), the Individual Defendants knew about sexual harassment by numerous  
14 senior Google executives, including defendant Andy Rubin (the creator of Android mobile software)  
15 and Amit Singhal (another senior executive), against whom credible allegations of sexual  
16 misconduct were confirmed through an internal investigation.<sup>3</sup> Instead of disciplining these senior  
17 executives, however, the Individual Defendants awarded these executives with lucrative exit  
18 packages and concealed their harassment.

19         3.         Rather than firing Rubin for cause, Brin and Page gave him a hero’s farewell.  
20 Together with other members of Alphabet’s Board of Directors (the “Board”), Brin and Page  
21 allowed Rubin to resign and approved a \$90 million “exit package.” No mention was made about  
22 the true reason for Rubin’s “resignation” — his egregious sexual harassment while at Google.  
23 Instead, Page said in a public statement: “*I want to wish Andy all the best with what’s next.*” Worse  
24 yet, Mr. Rubin left, Google invested millions of dollars in his next venture.

25 \_\_\_\_\_  
26 <sup>3</sup> See Daisuke Wakabayashi & Katie Benner, *How Google Protected Andy Rubin, the ‘Father of*  
27 *Android*, *The New York Times* (Oct. 25, 2018),  
28 <https://www.nytimes.com/2018/10/25/technology/google-sexual-harassment-andy-rubin.html>.

1           4.       Similarly, Amit Singhal, a senior executive at Google, was allowed to quietly resign  
2 from Google in 2016 in the wake of credible allegations of sexual harassment, and was paid tens of  
3 millions in severance. Against the backdrop that neither Google nor Singhal disclosed the basis for  
4 Singhal’s “resignation,” Uber then hired him. In February 2017, however, Uber fired Singhal for  
5 failing to disclose the credible allegations of sexual harassment while at Google.

6           5.       These are just a few examples of how the Directors’ wrongful conduct allowed illegal  
7 employment practices to continue. As set forth below, both in the area of employment and data  
8 protection, the Board violated California law, federal law, its consent decree with the FTC and its  
9 own ethical standards and guidelines.

10          6.       Alphabet was incorporated in 2015 and is the parent company of its leading  
11 subsidiary Google Inc., among others. Google was founded in 1998. Alphabet and Google are  
12 headquartered in Mountain View, California. The Company’s common stock trades on the  
13 NASDAQ Global Select Market (“NASDAQ”) under the ticker symbol “GOOGL,” which  
14 represents Class A shares, and “GOOG,” which represents non-voting Class C shares. The Company  
15 also offers Class B shares with 10:1 voting power, which are not publicly traded.

16          7.       Alphabet is a male-dominated company with a male-dominated culture, like the tech  
17 industry at large. Numerous critics have argued over the years that the gender imbalance in the tech  
18 industry is not just the result of a “pipeline” problem: persistent sexism and discrimination have  
19 kept women out, held them back and, ultimately, forced them to leave the industry altogether.<sup>4</sup>

20          8.       Alphabet’s leadership in the tech industry regrettably also includes leadership in a  
21 culture that discriminates against women. Recent complaints about the Company demonstrate that,  
22 for years, Alphabet’s management has fostered a “brogrammer” culture, where women are sexually  
23 harassed and valued less than their male counterparts. Although Alphabet superficially enforces its

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24  
25 <sup>4</sup> David Goldman, *Few Female Engineers and Execs at Google*, CNN Business (May 30, 2014),  
26 <https://money.cnn.com/2014/05/29/technology/google-women/index.html>. See also Liza Mundy,  
27 *Why is Silicon Valley So Awful to Women?*, The Atlantic (Apr. 2017),  
28 <https://www.theatlantic.com/magazine/archive/2017/04/why-is-silicon-valley-so-awful-to-women/517788/>.

1 anti-harassment policies in token cases, reports indicate that the Company’s procedures for  
2 investigating complaints about sexual harassment and discrimination are grossly inadequate. For  
3 instance, current and former employees told the *Times* that “complainants are often not told about  
4 the details of subsequent investigations.”<sup>5</sup> And, Alphabet’s former policy of forcing sexual  
5 harassment claims against the Company into arbitration, helped to keep formal challenges to those  
6 policies out of the public eye.

7 9. Touting its mottos of “Don’t Be Evil” and “Do the Right Thing,” Google frequently  
8 states that the Board is held to the highest level of ethics. However, in practice, under the Individual  
9 Defendants’ leadership, Alphabet employed a *dual and contradictory standard*: If facing allegations  
10 about a high-level *male* executive at Google responsible for generating millions of dollars in  
11 revenue, Google would look the other way. And if caught, Google would quietly allow the male  
12 executive to resign, paying tens of millions of dollars to make the problem go away.

13 10. On the other hand, for its low-level employees, Google acted more decisively, firing  
14 for cause and without golden parachutes. In this way, Alphabet and the Board maintained superficial  
15 compliance with its code of conduct, internal rules, and laws regarding sexual harassment. By  
16 appearing to take decisive action against a significant number of low-level employees, the Board  
17 hoped to avoid a much bigger scandal.

18 11. As one current Alphabet employee succinctly put it:

19 When Google covers up harassment and passes the trash, it  
20 contributes to an environment where people don’t feel safe reporting  
21 misconduct. They suspect that nothing will happen or, worse, that the  
22 men will be paid and the women will be pushed aside.<sup>6</sup>

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23 <sup>5</sup> Kate Conger & Daisuke Wakabayashi, *Google Overhauls Sexual Misconduct Policy After*  
24 *Employee Walkout*, The New York Times (Nov. 8, 2018),  
<https://www.nytimes.com/2018/11/08/technology/google-arbitration-sexual-harassment.html>.

25 <sup>6</sup> Isobel Asher Hamilton, ‘*Google covers up harassment and passes the trash*’: *A Google engineer*  
26 *gave her employer both barrels after an explosive sexual misconduct report*, Business Insider (Oct.  
27 26, 2018), <https://finance.yahoo.com/news/apos-google-covers-harassment-passes-105957937.html>.

1           12.     Alphabet has also struggled with other indicators of sex discrimination in its  
2 workplace. A class action filed in the Superior Court of San Francisco on behalf of female Google  
3 employees employed in California, where the Company has its headquarters, asserts that the  
4 Company persistently discriminates against women by, among other things, assigning them to jobs  
5 in lower compensation “bands” than similarly situated men, promoting women more slowly and at  
6 lower rates than similarly situated men, and simply paying women less. On March 27, 2018, the  
7 Court found that the plaintiffs alleged sufficient facts to state a claim for intentional discrimination.<sup>7</sup>

8           13.     The *Ellis* class action lawsuit was filed following news of a 2015 audit of Google’s  
9 headquarters by the Department of Labor, which similarly revealed “systemic compensation  
10 disparities against women pretty much across the entire workforce.”<sup>8</sup> While the investigation is still  
11 ongoing, Alphabet has been aggressive in resisting some of the agency’s requests for information  
12 and has also sought to restrict media access to the proceedings.<sup>9</sup>

13           14.     Accordingly, Alphabet was already facing scrutiny regarding its treatment of women  
14 and its procedures for addressing sex discrimination when the *NYT* published an article exposing  
15 Alphabet’s concealment of its payouts to high-level male executives who had been credibly accused  
16 of sexual harassment.

17           15.     The practices described in the *NYT* article—which epitomize the Company’s cultural  
18 complacency concerning credible accounts of unlawful sex-discrimination—prompted immediate  
19 employee outrage. But instead of acting quickly to respond to employees’ concerns, Alphabet  
20 management’s “dismissive” response sparked a historic reaction:<sup>10</sup> on November 1, 2018, 20,000

21 \_\_\_\_\_  
22 <sup>7</sup> *Ellis v. Google, LLC*, No. CGC-17-561299 (Cal. Sup. Ct. San Francisco Cty.).

23 <sup>8</sup> U.S. Department of Labor (“DOL”) Recommended Decision and Order dated Jul. 14, 2017, at p. 9.

24 <sup>9</sup> Sam Levin, *Revealed: Google Tried to Block Media Coverage of Gender Discrimination Case*,  
25 *The Guardian* (May 22, 2017), <https://www.theguardian.com/technology/2017/may/22/google-gender-discrimination-case-reporting-restricted>.

26 <sup>10</sup> Isobel Asher Hamilton, *A Googler Vividly Described the ‘Disastrous’ Leadership Meeting that*  
27 *Sparked a Giant Protest Over Sexual Misconduct*, *Business Insider* (Nov. 21, 2018),  
<https://www.businessinsider.in/a-googler-vividly-described-the-disastrous-leadership-meeting-that-sparked-a-giant-protest-over-sexual-misconduct/articleshow/66738768.cms>.

1 Alphabet employees around the globe staged a “Google Walkout” to protest the events described in  
2 the article as well as the Company’s generally inadequate approach to sexual harassment and  
3 discrimination in its workforce. As one supporter of the Walkout tweeted, “Why do they think it’s  
4 OK to reward perpetrators & further violate victims? #MeToo.”<sup>11</sup> Other protestors held signs  
5 admonishing Google, “Don’t be evil, protect victims, not harassers.”<sup>12</sup> Since the Walkout, and under  
6 significant public pressure, the Board has taken small steps to address its previous failures. But, as  
7 described below, these belated, reactive actions—which apply only prospectively—are insufficient  
8 to remedy the harms that have already been done and fail to address the systemic, cultural problems  
9 including pay inequity and discrimination that the Board has long permitted to fester at Alphabet.

10 16. Underscoring the inadequacy of the Company’s response, several organizers of the  
11 Walkout claimed they faced retaliation as a result of their participation in the event, prompting over  
12 a thousand Alphabet employees to hold a “sit in” protest at the Company just six months later.

13 17. Workplace fairness is not the only problem Alphabet’s leaders have actively swept  
14 under the rug. Three weeks before the *NYT* issued its report, an explosive article published on  
15 October 8, 2018 in *The Wall Street Journal* (“*WSJ*”) revealed a data privacy breach that exposed the  
16 personal data of half a million users of Google+, a social networking website operated by the  
17 Company, to unauthorized access.<sup>13</sup> Although the breach was discovered and remedied by the  
18 Company in March 2018, Alphabet chose not to alert Google+ users that their data was exposed to  
19 unauthorized app developers. As detailed by the *WSJ*, an internal Alphabet memo “shared with  
20 senior executives,” including Defendant Pichai, “warned that disclosing the incident would likely

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22 <sup>11</sup>Matthew Weaver, Alex Hern, Victoria Bekiempis, Lauren Hepler, & Jose Feroso, *Google*  
23 *walkout: global protests after sexual misconduct allegations*, *The Guardian* (NOV. 1, 2018),  
24 [https://www.theguardian.com/technology/2018/nov/01/google-walkout-global-protests-](https://www.theguardian.com/technology/2018/nov/01/google-walkout-global-protests-employees-sexual-harassment-scandals)  
[employees-sexual-harassment-scandals](https://www.theguardian.com/technology/2018/nov/01/google-walkout-global-protests-employees-sexual-harassment-scandals).

25 <sup>12</sup>Daisuke Wakabayashi, Erin Griffith, Amie Tsang, & Kate Conger, *Google Walkout: Employees*  
26 *Stage Protest Over Handling of Sexual Harassment*, *The New York Times* (NOV. 1, 2018),  
<https://www.nytimes.com/2018/11/01/technology/google-walkout-sexual-harassment.html>.

27 <sup>13</sup>Douglas MacMillan & Robert MacMillan, *Google Exposed User Data, Feared Repercussions of*  
28 *Disclosing to Public*, *The Wall Street Journal* (Oct. 8, 2018), [https://www.wsj.com/articles/google-](https://www.wsj.com/articles/google-exposed-user-data-feared-repercussions-of-disclosing-to-public-1539017194)  
[exposed-user-data-feared-repercussions-of-disclosing-to-public-1539017194](https://www.wsj.com/articles/google-exposed-user-data-feared-repercussions-of-disclosing-to-public-1539017194).

1 trigger ‘immediate regulatory interest.’” Thus, in order to avoid regulatory and public scrutiny,  
2 Defendants hid the breach from the public and from Alphabet shareholders.

3 18. The Board was well-aware of the consequences of failing to disclose the Google+  
4 breach—indeed, this was the Company’s fourth major set of misrepresentations on data privacy in  
5 the past eight years. In 2011, Alphabet entered into a consent decree (the “Consent Decree”) with  
6 the Federal Trade Commission (“FTC”) after Alphabet made misrepresentations concerning the  
7 launch of a social networking tool. In 2012, the FTC fined the Company \$22.5 million for violating  
8 the Consent Decree by misrepresenting its use of cookies. And just a few months before the Google+  
9 revelation, in August 2018, the *Associated Press* (“AP”) published a report revealing that Google  
10 had provided misleading information regarding how and whether users of its mobile devices and  
11 apps could turn off location tracking, and when and how the Company deceptively permitted  
12 location data to be stored and used, prompting criticism from federal lawmakers and a class action  
13 consumer protection suit. *See Patacsil v. Google, LLC*, No. 5:18-cv-5062-EJD (N.D. Cal.).

14 19. Following the *WSJ*’s revelation of the Google+ breach, several United States  
15 Senators expressed their concerns in a letter to Defendant Pichai and asked the FTC to investigate  
16 “whether the Google+ incident constitutes a breach of the company’s consent decree or other  
17 commitments, and more broadly whether Google has engaged in deceptive acts and practices with  
18 respect to privacy.” International Regulators, including authorities in Germany and Ireland, as well  
19 as the Attorneys General for the States of New York and Connecticut, are also investigating the  
20 breach. And shareholders have filed securities fraud claims, alleging that the Company’s  
21 concealment of the Google+ breach violated federal securities laws. *See Wicks v. Alphabet, Inc.*,  
22 No. 3:18-cv-6245 (N.D. Cal.); *El Mawardy v. Alphabet, Inc.*, No. 1:18-cv-5704 (E.D.N.Y.).

23 20. In their letter urging the FTC to investigate the circumstances of the Google+ breach,  
24 one group of Senators aptly characterized the fundamental problem that created both instances of  
25  
26  
27  
28

1 misconduct described in this complaint: “The awareness and approval by Google management not  
2 to disclose represents **a culture of concealment and opacity set from the top of the company.**”<sup>14</sup>

3 21. Defendants’ active participation in that wrongdoing—which allowed them to  
4 prioritize their own interests, and those of the Company’s powerful male executives, over their legal  
5 obligations—caused the Company significant harm. Revelations of the Defendants’ misconduct led  
6 the Company’s stock price to immediately drop approximately 6% in response to the *WSJ* article  
7 followed by another immediate 7% decline in response to the *Times* article; prompted lawmaker  
8 scrutiny, regulatory investigations, and shareholder, consumer, and employee lawsuits; and has  
9 drawn massive outrage from the Company’s valuable employees. The Board’s misconduct will  
10 continue to result in the loss of business and goodwill, both as a result of the negative publicity  
11 around these incidents, and the increasing loss of trust in the Google brand.

12 22. The Individual Defendants’ misconduct, as set forth below, constitutes bad faith and  
13 disloyal acts, giving rise to claims that fall outside the scope of the business judgment rule and  
14 outside of permissible indemnification by Alphabet.

15 23. Demand is excused in this Action for at least three reasons:

16 a. *First*, the entire Board, including its controlling stockholders Page and Brin,  
17 face a substantial likelihood of liability for breaches of the fiduciary duties owed to the Company  
18 as a result of his or her participation or acquiescence in these matters. For instance, each of the  
19 eleven Individual Defendants in this action was on the Board in March 2018, when the Company  
20 chose to conceal the Google+ breach, and nine were on the Board in October 2014, when Rubin  
21 first received his payout. Defendants cannot impartially evaluate a request to sue themselves.

22 b. *Second*, at least ten Defendants—a majority of the Board—are not  
23 independent because of their extensive financial ties to the Company, its controlling stockholders,  
24 and each other. Five directors serve as officers in the Company and are therefore not independent  
25 by the Company’s own admission. Defendants Doerr, Shriram, and Hennessy, three of the so-called  
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27 <sup>14</sup> Letter from Senators Richard Blumenthal, Edward J. Markey & Tom Udall, United States Senate,  
28 to The Honorable Joseph Simons, Chairman of the Federal Trade Commission (Oct. 10, 2018).

1 “independent” directors and the remaining members of the committee who approved the severance  
2 payments, have served on the Board for over fifteen years. Moreover, both Doerr and Shriram are  
3 associated with venture capital funds that were early investors in Google and have close, ongoing  
4 financial ties with Alphabet and its leadership. Doerr and Shriram have benefitted enormously from  
5 transactions the Company has entered into with their firms during the two decades they spent on the  
6 Board, leading the proxy firm, Institutional Shareholder Services (“ISS”), to repeatedly question  
7 their performance and independence even before the events in this case.<sup>15</sup> Hennessy, Ferguson, and  
8 Mather, too, have close financial and personal ties to the Board that render them incapable of taking  
9 an impartial view of these events.

10 c. *Third*, demand is excused because each member of the Board is beholden to  
11 Defendants Page and Brin for his or her lucrative and prestigious positions at the Company and on  
12 its Board, and serve at their sole discretion. Alphabet is controlled by Page and Brin, who jointly  
13 retain 51% of its voting power. The Company admits in its SEC filings that those two men  
14 effectively control the election of all members of the Board.<sup>16</sup> Thus, those two men are clearly  
15 capable of dismissing any Board member who voted to initiate a lawsuit against them or their  
16 wishes. Coupled with the fact that Page, Brin, and numerous members of their Company’s  
17 leadership are personally implicated in engaging in unlawful and inappropriate workplace conduct,  
18 rewarding abusers, and improperly concealing information from regulators, as controlling  
19 shareholders, they can and will block any serious efforts to hold the Individual Defendants  
20 accountable for their conduct.

21 24. Lead Plaintiffs therefore bring this shareholder derivative action to recover damages,  
22 disgorgement, injunctive relief, including corporate governance reforms, and other relief on behalf  
23 of Nominal Defendant Alphabet and against the Individual Defendants for breaches of fiduciary  
24 duties related to the action and inactions detailed herein that ultimately caused, and continue to  
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26 <sup>15</sup> Andrew Countryman, *Google’s Governance Below Par, Service Says*, The Chicago Tribune, Aug.  
27 24, 2004, at 3-1 and 3-4.

28 <sup>16</sup> Alphabet, Inc., Annual Report (Form 10-K) (Feb. 18, 2018).

1 cause, the Company substantial harm. Absent the relief sought herein, this harm will go unaddressed  
2 and the damage to the Company will continue.

3 **II. JURISDICTION AND VENUE**

4 25. This Court has jurisdiction over this action pursuant to the California Constitution,  
5 Art. VI, § 10, because this case is a cause not given by statute to other trial courts, as this derivative  
6 action is brought pursuant to § 800 of the California Corporation's Code to remedy Defendants'  
7 breaches of fiduciary duties.

8 26. The amount in controversy, exclusive of interests and costs, exceeds the  
9 jurisdictional minimum of this Court.

10 27. This Court has general jurisdiction over each Defendant who is a resident of  
11 California. Additionally, this Court has specific jurisdiction over each non-resident Defendant  
12 because these Defendants maintain sufficient minimum contacts with California, as directors or  
13 officers of Alphabet and Google, to render jurisdiction by this Court permissible under traditional  
14 notions of fair play and substantial justice. Because the claims asserted in this Complaint are brought  
15 derivatively on behalf of a California-headquartered corporation, Defendants' conduct was  
16 purposefully directed at California. Finally, exercising jurisdiction over any non-resident Defendant  
17 is reasonable under these circumstances.

18 28. Venue is proper in this Court because the Company maintains its primary  
19 headquarters in Santa Clara County, where many of the wrongs described in this Complaint took  
20 place. Several Individual Defendants, including Defendants Page, Brin, Pichai and Greene, reside  
21 in Santa Clara County. Additionally, all of the Individual Defendants were employed and received  
22 substantial compensation in Santa Clara County and / or engaged in numerous activities in this  
23 County.

24 **III. PARTIES**

25 **A. Lead Plaintiffs**

26 29. Lead Plaintiff Northern California Pipe Trades Pension Plan is a pension fund for  
27 members of United Association Local Union 342, which represents over 3,000 workers in the pipe  
28 trades industries in Northern California, as along with the members of participating employer

1 associations in the plumbing and pipefitting industry. NCPTPP's offices are located at 935 Detroit  
2 Avenue, Suite 242A, Concord, California.

3 30. NCPTPP has continuously held stock in Alphabet—including Class A and Class C  
4 stock—or in its predecessor, Google, at all relevant times since at least July 2009.

5 31. Lead Plaintiff Teamsters Local 272 Labor Management Pension Fund is a pension  
6 fund for members of Teamsters Local 272, which represents over 7,000 workers in parking garages  
7 within the New York City region. Local 272's offices are located at 220 East 23rd Street, New York,  
8 New York.

9 32. Local 272 has continuously held stock in Alphabet—including Class A and Class C  
10 stock—or in its predecessor, Google, at all relevant times since at least May 2005.

11 33. Lead Plaintiff James Martin is an individual shareholder. He has continuously held  
12 stock in Alphabet—including Class A and Class C stock—or in its predecessor, Google, at all  
13 relevant times since at least October 2009.

14 34. B. Other Plaintiffs

15 35. Plaintiff LR Trust is current Alphabet stockholder which has continuously held Class  
16 C stock in Alphabet or in its predecessor, Google, since October 15, 2008.

17 36. Plaintiff Jonathan Reiss is current Alphabet stockholder who has continuously held  
18 Class C stock in Alphabet or in its predecessor, Google, at all relevant times since July 28, 2016

19 37. Plaintiff Allen Wiesenfeld is current Alphabet stockholder who has continuously  
20 held stock in Alphabet—including Class A and Class C stock—or in its predecessor, Google, at all  
21 times since August 23, 2013.

22 38. Plaintiffs the New York City Employees' Retirement System, the Teachers'  
23 Retirement System of the City of New York, the New York City Fire Department Pension Fund,  
24 Subchapter 2, and the New York City Board of Education Retirement System (the "NYC Funds")  
25 are current Alphabet stockholders which have continuously held stock in Alphabet—including Class  
26 A and Class C stock—or in its predecessor, Google, at all times since November 1, 2013.

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1           **B. Defendants**

2           39.    Nominal Defendant Alphabet, Inc.: Nominal Defendant Alphabet, Inc. is a Delaware  
3 corporation with corporate headquarters in Mountain View, California, in Santa Clara County.

4           40.    On August 10, 2015, Google announced plans to restructure its subsidiaries into  
5 holding company Alphabet, Inc. Shortly thereafter, Alphabet became the parent company of Google  
6 as well as Google’s prior subsidiaries.

7           41.    The Company has three classes of stock: Class A common stock, which carries one  
8 vote per share; Class B common stock, which carries ten votes per share; and Class C common  
9 stock, which has no voting rights. This unusual capital structure makes it easier for the Company’s  
10 co-founders, Defendants Page and Brin, to retain their control over the Company while cashing out  
11 their stock. As a result, Defendants Page and Brin currently hold 13% of the equity in the Company,  
12 but control 51% of its voting power. The Company’s stock trades on the NASDAQ Global Select  
13 Market (“NASDAQ”) under the ticker symbol “GOOGL,” which represents Class A shares, and  
14 “GOOG,” which represents non-voting Class C shares. Class B shares do not trade.

15           42.    Alphabet operates in numerous markets around the globe. Of relevance here,  
16 Alphabet’s largest and most well-known subsidiary, Google, operated a social networking website  
17 called “Google+” that allowed people to communicate with their family, friends, and coworkers.  
18 Google+ users ostensibly had the ability to share and restrict the sharing of personal information  
19 according to their preferences by changing privacy settings.

20           43.    Alphabet also has two subsidiaries that operate as investment funds: GV (also known  
21 as Google Ventures), and CapitalG.

22           44.    Lawrence E. Page: Defendant Page is a resident of Santa Clara County. He co-  
23 founded Google and, together with Defendant Brin, controls 51% of Alphabet’s voting power. Page  
24 has held a number of leadership roles at the Company. Page served as Google’s CEO from 2011  
25 through 2015, and has served as the CEO of Alphabet since the Company was reorganized in 2015.  
26 He has also been a member of the Company’s Board since its inception in 1998.

27           45.    Page received a nominal salary of \$1 from the Company for each year from 2014  
28 through the present. His functional salary appears to derive from monthly sales of Company stock.

1 Since Alphabet’s initial public offering (“IPO”) in 2004, Page has continuously owned over 40% of  
2 Alphabet’s Class B common stock and controlled over 25% of Alphabet’s total voting power. Page,  
3 together with Defendants Brin, Schmidt, and Doerr, exercises control and domination over the  
4 Board.

5 46. As indicated in Alphabet’s most recent proxy, dated April 30, 2019, Page does not  
6 qualify as an independent director under the laws and regulations of the SEC and the listing  
7 guidelines set forth by NASDAQ.

8 47. As an Officer of the Company and a member of its Board, Page has the duties  
9 enumerated below in Sections V.A–D.

10 48. Sergey Brin: Defendant Brin is a resident of Santa Clara County. He co-founded  
11 Google and, together with Page, controls 51% of Alphabet’s voting power. Brin has held a  
12 leadership position in the Company since its founding and has served as the President of Alphabet  
13 since it was formed. He has also been a member of the Company’s Board since its inception in 1998.

14 49. Brin received a nominal salary of \$1 from the Company for each year from 2014  
15 through the present. His functional salary appears to derive from monthly sales of Company stock.  
16 Since Alphabet’s IPO in 2004, Brin has continuously owned over 40% of Alphabet’s Class B  
17 common stock, and controlled over 25% of Alphabet’s total voting power. Thus, Brin and Page  
18 together control the majority of Alphabet’s voting power. Brin, together with Defendants Page,  
19 Schmidt, and Doerr, exercises control and domination over the Board.

20 50. As indicated in Alphabet’s most recent proxy, dated April 30, 2019, Brin does not  
21 qualify as an independent director under the laws and regulations of the SEC and the listing  
22 guidelines set forth by NASDAQ.

23 51. As an Officer of the Company and a member of its Board, Brin has the duties  
24 enumerated below in Sections V.A–D.

25 52. Eric Emerson Schmidt: Schmidt currently serves as Alphabet’s “Technical Advisor”  
26 and controls 5.6% of the Company’s voting power. Schmidt was introduced to Defendants Page and  
27 Brin through Defendant Doerr, one of the Company’s earliest investors. Brin and Page handpicked  
28

1 Schmidt to serve as the Company's CEO from July 2001 through April 2011, and as a member of  
2 the Company's Board from March 2001 through June 2019.

3 53. According to public SEC filings, in 2014, Schmidt received \$108,690,772 in total  
4 compensation from the Company. In 2015, he received \$8,038,178. In 2016, he received  
5 \$4,309,791. In 2017, he received \$4,726,592. Since Alphabet's IPO in 2004, Schmidt has  
6 continuously owned millions of shares of Alphabet's Class B common stock and controlled over  
7 5% of Alphabet's total voting power. Schmidt, together with Defendants Page, Brin, and Doerr,  
8 exercises control and domination over the Board.

9 54. As indicated in Alphabet's most recent proxy, dated April 30, 2019, Schmidt does  
10 not qualify as an independent director under the laws and regulations of the SEC and the listing  
11 guidelines set forth by NASDAQ.

12 55. As a member of the Company's Board, Schmidt has the duties enumerated below in  
13 Sections V.A–D.

14 56. Sundar Pichai: Defendant Pichai is a resident of Santa Clara County. Pichai joined  
15 Google in 2004 and has held various leadership positions in the Company. He currently serves as  
16 Google's CEO, a role he has held since October 2015, at which time Google had been restructured  
17 into a subsidiary of Alphabet. In that role, Pichai is responsible for recommending executive  
18 compensation for the employees at Google, Inc. Pichai has also been a member of the Company's  
19 Board since July 2017.

20 57. According to public SEC filings, in 2015, Pichai received \$100,632,102 in total  
21 compensation from the Company.<sup>17</sup> In 2016, he received \$199,718,200. In 2017, he received  
22 \$1,333,557.

23 58. As indicated in Alphabet's most recent proxy, dated April 30, 2019, Pichai does not  
24 qualify as an independent director under the laws and regulations of the SEC and the listing  
25 guidelines set forth by NASDAQ.

26

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28 <sup>17</sup> Data for Pichai's 2014 compensation is not available in public filings.

1           59.     As a member of the Company’s Board, Pichai has the duties enumerated below in  
2 Sections V.A–D.

3           60.     John L. Hennessy: Defendant Hennessy has served as a member of the Company’s  
4 Board since Google first went public in April 2004, and as Chairman of the Board of Directors since  
5 January 2018. Hennessy is also the sole member of the Board’s Nominating and Corporate  
6 Governance Committee (“Governance Committee”).

7           61.     According to public SEC filings, in 2014, Hennessy received \$425,216 in total  
8 compensation from the Company. In 2015, he received \$426,198. In 2016, he received \$426,676.  
9 In 2017, he received \$430,567. In 2018, he received \$486,428.

10          62.     Alphabet identifies Hennessy as an independent Board member; however, in 2015,  
11 the proxy advisory firm Glass Lewis told investors to “withhold” votes from Hennessy, suggesting  
12 that his independence had been jeopardized by a \$2.3 million donation the Company made to  
13 Stanford University, where Hennessy was then president.<sup>18</sup>

14          63.     As a member of the Company’s Board and the sole member of the Governance  
15 Committee, Hennessy has the duties enumerated below in Sections V.A–D and Section V.G.

16          64.     L. John Doerr: Defendant Doerr has served as a member of the Company’s Board  
17 since May 1999, and also serves as one of two members of the Board’s Leadership Development  
18 and Compensation Committee (“LDCC”).

19          65.     According to public SEC filings, in 2014, Doerr received \$425,216 in total  
20 compensation from the Company. In 2015, he received \$426,198. In 2016, he received \$426,676.  
21 In 2017, he received \$430,567. In 2018, he received \$425,786.

22          66.     Alphabet identifies Doerr as an independent Director; however, Doerr has substantial  
23 business ties to the Company in addition to his role on the Board. Since 1980, Doerr has been a  
24 general partner of the venture capital firm of Kleiner Perkins Caufield & Byers (“Kleiner Perkins”),  
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26 <sup>18</sup> Kaja Whitehouse, *Shareholders Urged to Protest Google Pay*, USA Today (June 2, 2015),  
27 <https://www.usatoday.com/story/tech/2015/06/02/google-shareholders-urged-protest-pay-iss/28349417/>.  
28

1 one of Google’s earliest investors. Doerr held millions of Google shares when the Company went  
2 public in 2004.<sup>19</sup> At present, Doerr beneficially owns approximately 1,117, 447 of Alphabet Class  
3 B common stock through the Vallejo Ventures Trust, and 145,594 shares of Alphabet Class A  
4 common stock through certain other trusts for which he disclaims beneficial ownership. As a result,  
5 he controls 1.5% of the Company’s voting power.

6 67. Two major proxy advisory firms—ISS and Glass Lewis—have found reason to  
7 question Doerr’s independence a result of the close relationship between Kleiner Perkins and the  
8 Company.

9 68. As far back as 2004, ISS questioned Doerr’s independence because of his other  
10 financial connections to the Company.<sup>20</sup>

11 69. In 2015, Glass Lewis recommended that investors withhold votes from Doerr’s re-  
12 nomination on the basis of a potential conflict of interest: it pointed out that Doerr’s firm, Kleiner  
13 Perkins, owned 10% of the outstanding shares in Nest Labs when that company was acquired by  
14 Google for \$3.2 billion in 2014.<sup>21</sup>

15 70. In both 2015 and 2018, ISS recommended that investors withhold votes for Doerr’s  
16 re-election to the Board based on his decision as a member of the Leadership Development and  
17 Compensation Committee to approve what ISS deemed to be excessive compensation to Company  
18 executives, including Defendant Schmidt.<sup>22</sup> In 2015, ISS stated that: “The magnitude of total pay  
19 provided to certain executives, paired with a lack of performance criteria and compelling rationale,  
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21 <sup>19</sup> Stefanie Olsen, *Google Files for Unusual \$2.7 Billion IPO*, CNET (Apr. 30, 2004),  
22 <https://www.cnet.com/news/google-files-for-unusual-2-7-billion-ipo/>.

23 <sup>20</sup> Countryman, *The Chicago Tribune*, Aug. 24, 2004, *supra* note 13.

24 <sup>21</sup> Whitehouse, *USA Today* (June 2, 2015), *supra* note 16.

25 <sup>22</sup> Devika Krishna Kumar, *Three Google Directors Survive Challenge Over Pay*, Reuters (June 3,  
26 2015), [https://www.reuters.com/article/us-google-compensation-iss/three-google-directors-](https://www.reuters.com/article/us-google-compensation-iss/three-google-directors-survive-challenge-over-pay-idUSKBN0OJ1LC20150603)  
27 *survive-challenge-over-pay-idUSKBN0OJ1LC20150603*; Alicia Ritcey & Alistair Barr, *Google*  
28 *Staff in Rare Push Want Executive Pay Tied to Diversity*, Bloomberg (June 5, 2018),  
[https://www.bloomberg.com/news/articles/2018-06-05/google-is-pushed-to-tie-executive-pay-to-](https://www.bloomberg.com/news/articles/2018-06-05/google-is-pushed-to-tie-executive-pay-to-progress-on-diversity)  
*progress-on-diversity*.

1 raises significant concerns.”<sup>23</sup> In 2018, ISS again maintained that investors should withhold votes  
2 from Doerr “due to poor stewardship” and his failure to require “performance-conditioned  
3 compensation” for Alphabet executives.<sup>24</sup>

4 71. As a member of the Company’s Board and as a member of the LDCC, Doerr has the  
5 duties enumerated in Sections V.A–D and Section V.F.

6 72. Kavitark Ram Shriram: Defendant Shriram has served as a member of the  
7 Company’s Board since September 1998, and also serves as one of two members of the Board’s  
8 LDCC.

9 73. According to public SEC filings, in 2014, Shriram received \$425,216 in total  
10 compensation from the Company. In 2015, he received \$426,198. In 2016, he received \$426,676.  
11 In 2017, he received \$430,567. In 2018, he received \$435,786.

12 74. Alphabet identifies Shriram as an independent Director; however, Shriram is also a  
13 Managing Partner of the angel venture investment company, Sherpalo Ventures, LLC, one of  
14 Google’s earliest investors, and held millions of Google shares when the Company went public in  
15 2004.<sup>25</sup>

16 75. As far back as 2004, ISS questioned Shriram’s independence because of his other  
17 financial connections to the Company.<sup>26</sup>

18 76. In both 2015 and 2018, ISS recommended that investors withhold votes for Shriram’s  
19 re-election to the Board based on his decision as a member of the Leadership Development and  
20 Compensation Committee to approve what ISS deemed to be excessive compensation to Company  
21 executives, including Defendant Schmidt.<sup>27</sup> In 2018, ISS again maintained that investors should  
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23 <sup>23</sup> Whitehouse, USA Today (June 2, 2015), *supra* note 16.

24 <sup>24</sup> Ritcey & Barr, Bloomberg (June 5, 2018), *supra* note 22.

25 <sup>25</sup> Countryman, The Chicago Tribune, Aug. 24, 2004, *supra* note 13.

26 <sup>26</sup> *Id.*

27 <sup>27</sup> Kumar, Reuters (June 3, 2015), *supra* note 22; Ritcey & Barr, Bloomberg (June 5, 2018), *supra*  
note 22.

1 withhold votes from Shriram “due to poor stewardship” and his failure to require “performance-  
2 conditioned compensation” for Alphabet executives.<sup>28</sup>

3 77. As a Member of the Company’s Board and as a Member of the Board’s LDCC,  
4 Shriram has the duties enumerated below in Sections V.A–D and Section V.F.

5 78. Alan R. Mulally: Defendant Mulally has served as a member of the Company’s  
6 Board since July 2014, and is also a member of the Board’s Audit Committee.

7 79. According to public SEC filings, in 2014, Mulally received \$1,002,475 in total  
8 compensation from the Company. In 2015, he received \$367,341. In 2016, he received \$426,676.  
9 In 2017, he received \$430,567. In 2018, he received \$425,786.

10 80. As a Member of the Company’s Board and as a Member of the Audit Committee,  
11 Mulally has the duties enumerated below in Sections V.A–E.

12 81. Ann Mather: Defendant Mather has served as a member of the Company’s Board  
13 since November 2005, and is also a member of the Board’s Audit Committee.

14 82. According to public SEC filings, in 2014, Mather received \$450,216 in total  
15 compensation from the Company. In 2015, she received \$451,198. In 2016, she received \$451,676.  
16 In 2017, she received \$455,567. In 2018, she received \$450,786.

17 83. As a Member of the Company’s Board and as a Member of the Audit Committee,  
18 Mather has the duties enumerated below in Sections V.A–E.

19 84. Roger W. Ferguson, Jr.: Defendant Ferguson has served as a member of the  
20 Company’s Board since June 2016, and is also a member of the Board’s Audit Committee.

21 85. According to public SEC filings, in 2016, Ferguson received \$1,004,789 in total  
22 compensation from the Company. In 2017, he received \$410,708. In 2018, he received \$425,786.

23 86. As a Member of the Company’s Board and as a Member of the Audit Committee,  
24 Ferguson has the duties enumerated below in Sections V.A–E.

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27 <sup>28</sup> Ritcey & Barr, Bloomberg (June 5, 2018), *supra* note 22.

1           87.     Diane B. Greene: Defendant Greene is a resident of Santa Clara County. She served  
2 as a Senior Vice President and CEO of Google Cloud from December 2015 through early 2019,<sup>29</sup>  
3 and was been a member of the Company’s Board from January 2012 through June 2019. Greene  
4 was a member of Google and Alphabet’s Audit Committee in 2014, during which Alphabet  
5 conducted an internal investigation into Rubin’s sexual harassment and, after finding the allegations  
6 against him to be credible, the Board awarded him a \$90 million severance payment.

7           88.     According to public SEC filings, in 2014, Greene received \$425,216 in director  
8 compensation from the Company. In 2015, she received \$454,448 in director compensation. In  
9 2016, she received \$43,682,359 in total compensation. In 2017, she received \$674,177 in total  
10 compensation. In 2018, she received a total of \$47,502,388 in compensation, the bulk of which came  
11 from vested employee equity awards.

12           89.     As indicated in Alphabet’s most recent proxy, dated April 30, 2019, Greene does not  
13 qualify as an independent director under the laws and regulations of the SEC and the listing  
14 guidelines set forth by NASDAQ.

15           90.     As a prior Member of the Company’s Board and Audit Committee, Greene has the  
16 duties enumerated below in Sections V.A–E.

17           91.     Shirley M. Tilghman: Defendant Tilghman was director of Alphabet from October  
18 2005 until February 2018. Tilghman was on the Board when Rubin was asked to resign and  
19 approved his \$90 million severance package, notwithstanding the fact that Google had performed  
20 an internal investigation and found the allegations of sexual harassment by Rubin to be credible.  
21 Although Tilghman resigned from the Board in February of 2018, according to public SEC filings,  
22 in 2018, she received \$151,725 from the Company, including a \$100,000 advisory fee paid by  
23 Calico, an Alphabet subsidiary, for her work as Chairperson of the Calico Scientific Advisory Board.

24  
25  
26 <sup>29</sup> In November 2018, Greene announced that she would be stepping down from her position at  
27 Google Cloud in early 2019; the exact timing of her departure is unclear. *See* Blog Post, Diane  
28 Greene, *Transitioning Google Cloud After Three Great Years*, Inside Google Cloud Blog (Nov. 16,  
2018), <https://cloud.google.com/blog/topics/inside-google-cloud/transitioning-google-cloud-after-three-great-years>.

1           92.     As a former Member of the Company’s Board, Tilghman had the duties enumerated  
2 below in Sections V.A-D.

3           93.     Andrew E. Rubin: Defendant Rubin was a senior executive officer at Google from  
4 July 2005 to October 2014. Rubin became Google’s senior vice president of mobile and digital  
5 content in July 2005, when Google acquired Android. In March 2013, Rubin was moved from  
6 Google’s Android division to become a “Google Advisor,” with no discussion of his new role or  
7 responsibilities. Yet by 2014, he had transitioned back into Google as the head of its robotics  
8 division. In 2014, Defendant Page asked Rubin to resign in light of an internal investigation that  
9 found allegations of sexual harassment by Rubin to be credible; however, Alphabet’s Board, chaired  
10 by Defendant Schmidt at the time, intentionally concealed the allegations against Rubin. Instead of  
11 firing Rubin for cause, the Board bestowed a lavish \$90 million severance package on him. After  
12 leaving Google, Rubin co-founded incubator Playground Global and Alphabet became one of  
13 Playground Global’s investors.

14           94.     Amit Singhal: Defendant Singhal is a former Senior Vice President and Head of  
15 Search at Google. Singhal was forced out at Google in 2016 after the Company determined that  
16 credible allegations against Singhal of sexual harassment existed. Singhal was nevertheless offered  
17 the opportunity to resign with a multimillion dollar severance package. Singhal subsequently landed  
18 a lucrative position at the ride-share company, Uber, by not disclosing the true reason for his  
19 departure from Google; however, when Uber learned the truth about Singhal’s decision to leave  
20 Alphabet, Singhal was abruptly forced to resign.<sup>30</sup>

21           95.     Lazlo Bock: Defendant Bock is a former Alphabet executive officer. Bock was the  
22 Senior Vice President of People & Operations at Google, Inc. from March 2006 to December 2016.  
23 In that role, Bock was responsible for overseeing the Company department responsible for handling  
24 allegations of sexual harassment and misconduct brought by and against Alphabet employees. Bock  
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26 \_\_\_\_\_  
27 <sup>30</sup> Kara Swisher, *Uber’s SVP of engineering is out after he did not disclose he left Google in a*  
28 *dispute over a sexual harassment allegation*, Vox (Feb. 27, 2017, 2:32 PM),  
<https://www.vox.com/2017/2/27/14745360/amit-singhal-google-uber>.

1 also attended LDCC meetings and reviewed business and compensation matters, including  
2 severance. Bock was personally involved in decisions to make payments to Rubin and others to keep  
3 their sexual harassment quiet, thereby perpetuating the Company's serious problems.

4 96. David C. Drummond: Defendant Drummond is Alphabet's Senior Vice President of  
5 corporate development and Chief Legal Officer. Drummond joined Google in 1998 from Wilson  
6 Sonsini Goodrich & Rosati's corporate transactions group. Drummond was Google's first outside  
7 counsel.

8 97. According to public SEC filings, Drummond has been paid about \$190 million in  
9 stock options and stock awards from Google since 2011 and could earn up to another \$200 million  
10 on other options and equity awards. According to Alphabet's most recent proxy, dated April 30,  
11 2019, Drummond received a total compensation package worth \$47.2 million in 2018.

12 98. At all times relevant hereto, each of the Individual Defendants was the agent of each  
13 of the other Individual Defendants and of Alphabet, and was at all times acting within the course  
14 and scope of that agency.

15 **C. Doe Defendants**

16 99. Except as described herein, Plaintiffs are ignorant of the true names of defendants  
17 sued as Does 1 through 30, inclusive, under California Code of Civil Procedure section 474 and,  
18 therefore, Plaintiffs sue these defendants by such fictitious names. Following further investigation  
19 and discovery, Plaintiffs will seek leave of this Court to amend this Complaint to allege their true  
20 names and capacities when ascertained. These fictitiously named defendants are Google and  
21 Alphabet officers, other members of management, employees, and/or consultants or third parties  
22 who were involved in the wrongdoing detailed herein. These defendants aided and abetted, and  
23 participated with and/or conspired with the named defendants in the wrongful acts and course of  
24 conduct or otherwise caused the damages and injuries claimed herein and are responsible in some  
25 manner for the acts, occurrences, and events alleged in this Complaint.

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1 **IV. FACTUAL ALLEGATIONS**

2

3 **A. Alphabet’s Reputation as a “Good” Company is Key to Recruiting Valuable**  
4 **Employees and Collecting the User Data that Powers Its Products**

5

100. Alphabet actively promotes itself as a “good” company, both in terms of employee benefits and experience, and in terms of the impact its work has on the world. Alphabet publicly participates in numerous diversity initiatives and programs and, until earlier this year, emphasized its famous “Don’t be evil” slogan throughout its Code of Conduct.<sup>31</sup>

6

101. Alphabet’s reputation as a responsible and progressive employer is essential to its ability to hire and retain highly sought-after employees. And Alphabet frequently touts the value and importance of its employees to its business. In its 2017 Form 10-K filed with the SEC, Alphabet asserts that:

7

**We take great pride in our culture.** We embrace collaboration and creativity, and encourage the iteration of ideas to address complex technical challenges. **Transparency and open dialogue are central to how we work, and we like to ensure that company news reaches our employees first through internal channels. . . .**

8

9

10

We strive to hire great employees, with backgrounds and perspectives as diverse as those of our global users. We work to provide an environment where these talented people can have fulfilling careers addressing some of the biggest challenges in technology and society.

11

12

13

**Our employees are among our best assets and are critical for our continued success.** We expect to continue investing in hiring talented employees and to provide competitive compensation programs to our employees.

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102. Google’s 2018 Diversity report similarly stresses the importance of a diverse workforce to the Company’s business:

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<sup>31</sup> *Gizmodo* observed that the phrase was quietly removed from much of the Code on May 4, 2018, and is now included only as a coda. Kate Conger, *Google Removes ‘Don’t Be Evil’ Clause From Its Code of Conduct*, *Gizmodo* (May 18, 2018), <https://gizmodo.com/google-removes-nearly-all-mentions-of-dont-be-evil-from-1826153393>.

22

23

24

1           **Diversity is a business imperative** because Google builds for  
2 everyone—and diverse teams produce better products and services.  
3 And it aligns with our mission: to organize the world’s information  
4 and make it universally accessible and useful.<sup>32</sup>

4           103. Alphabet also readily admits that data protection is critical to its reputation, brand,  
5 and business, because personal data is the building block of nearly all of the Company’s products.  
6 In its 2017 10-K, the Company explained:

7           Our products and services involve the storage and transmission of  
8 users’ and customers’ proprietary information, and theft and security  
9 breaches expose us to a risk of loss of this information, improper use  
10 and disclosure of such information, litigation, and potential liability.  
11 **Any systems failure or compromise of our security that results in  
12 the release of our users’ data, or in our or our users’ ability to access  
13 such data, could seriously harm our reputation and brand and,  
14 therefore, our business, and impair our ability to attract and  
15 retain users.**

13           104. But—as Kelly Ellis, one of the named plaintiffs in a pay discrimination class action  
14 against the Company, contends—in recent years, Alphabet has used its purported reputation for  
15 “good” to ward off serious inquiry into deep-seated cultural problems.<sup>33</sup>

16           105. The selective enforcement of Alphabet’s anti-harassment and discrimination policies  
17 are a perfect example of the Company making superficial commitments to good governance to cover  
18 up deeper dysfunction: by taking token action against less important employees accused of  
19  
20

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21  
22 <sup>32</sup> Google 2018 Diversity Report,  
23 [https://static.googleusercontent.com/media/diversity.google/en//static/pdf/Google\\_Diversity\\_annual\\_report\\_2018.pdf](https://static.googleusercontent.com/media/diversity.google/en//static/pdf/Google_Diversity_annual_report_2018.pdf).

24 <sup>33</sup> Kate Conger, *Google Isn’t Listening, So Its Employees Are Suing*, Gizmodo (Mar. 26, 2018),  
25 <https://gizmodo.com/google-isnt-listening-so-its-employees-are-suing-1823611720>. In the same  
26 vein, one former employee told *The Guardian* in 2017 that the Company was “primarily interested  
27 in PR and positive branding when it came to diversity initiatives, which made it difficult to push for  
28 more substantive reforms.” Sam Levin, *Women Say They Quit Google Because of Racial  
Discrimination: ‘I Was Invisible’*, *The Guardian* (Aug. 18, 2017),  
[https://www.theguardian.com/technology/2017/aug/18/women-google-memo-racism-sexism-  
discrimination-quit](https://www.theguardian.com/technology/2017/aug/18/women-google-memo-racism-sexism-discrimination-quit).

1 misconduct, Defendants were able to avoid scrutiny of the Company’s systemic problems, including  
2 the unchecked abuses of senior executives.

3 106. Defendants’ knowing acquiescence or participation in the serious misconduct  
4 detailed herein—namely, the failure to address the Company’s hostile environment for female  
5 employees, culminating in the approval and concealment of multi-million dollar payouts to men  
6 credibly accused of sexual harassment and the cover-up of a data breach that is being investigated  
7 for violating an FTC Consent Decree—is emblematic of a “culture of concealment” that threatens  
8 to harm the Company’s valuation and long-term success. Defendants’ conduct belies the Company’s  
9 stated commitment to corporate responsibility, creates a serious risk of financial and legal penalties,  
10 and jeopardizes two of the Company’s most valuable assets: its workforce and its access to data.  
11 Moreover, that conduct represents a serious breach of Defendants’ fiduciary duties to the Company  
12 because it is wholly inconsistent with the Company’s legal obligations, and its own corporate Code.

13 **B. Defendants Breached their Fiduciary Duties by Protecting and Rewarding**  
14 **Male Harassers**

15 107. Defendants knowingly failed to take meaningful steps to address a pervasive culture  
16 of harassment and discrimination at Alphabet. An October 25, 2018 article in the *NYT* revealed the  
17 depths of this failure, reporting that, instead of taking sexual harassment seriously, the Board  
18 repeatedly chose to reward and protect powerful male executives with wasteful and excessive  
19 compensation packages even after the Company’s own investigation determined that serious sexual  
20 harassment allegations against these men were credible. These actions have caused—and will  
21 continue to cause—the Company substantial harm.

22 **1. Defendants Brin and Page, the Company’s Co-Founders, as Well as**  
23 **Other Senior Executives, Set the Tone at the Top by Dating Female**  
24 **Subordinates**

25 108. Google was founded in 1988 by defendants Page and Brin, who at the time were  
26 Stanford graduate students. At all relevant times, defendants Page and Brin have dominated and  
27 controlled Google and have had and continue to have voting control of the Company. Defendants  
28 Brin and Page have both infamously brought their sex lives to work.

1           109. In the early 2000s, defendant Page dated Marissa Mayer, who was then an engineer  
2 at Google who later went on to become Yahoo! Inc.’s CEO.

3           110. Defendant Brin has had several high-profile relationships with subordinates and was  
4 described as a “playboy” among female employees in the Company’s early years.<sup>34</sup> When the  
5 Human Resources department confronted Brin about his sexual relationships with subordinates, he  
6 reportedly responded, “Why not? They’re my employees.”<sup>35</sup> In 2014, during the time the Company  
7 was investigating allegations of sexual harassment by defendant Rubin, Defendant Brin had an  
8 extra-marital affair with a Google employee.

9           111. While serving as CEO, Defendant Schmidt was also known for bringing women with  
10 whom he was having extramarital relationships to corporate events, and reportedly once “retained a  
11 mistress to work as a company consultant.”<sup>36</sup> Several former Google executives told the *Times* that  
12 although Schmidt’s relationships largely took place outside of the office, “the fact that they were  
13 carried out publicly and that the women attended professional events with him set the tone for other  
14 executives.”

15           112. Similarly, in 2004 General Counsel David C. Drummond began an extramarital affair  
16 with Jennifer Blakely, a female employee in the legal department. Specifically, Blakely was a  
17 contract manager in the legal department who reported to one of Drummond’s deputies. In violation  
18 of company policy, Drummond concealed his affair with Blakely from the Company until he and  
19 Blakely had a son in 2007, after which Drummond disclosed his relationship with Blakely.  
20 Drummond ended this extra-marital relationship.

21  
22  
23 <sup>34</sup> Zoe Bernard, ‘*Oh My God, This is a Sexual Harassment Claim Waiting to Happen*’: *Early Google*  
24 *Insiders Describe Sergey Brin as a Company ‘Playboy’ Who ‘Got Around’ with Female Employees*,  
25 *Business Insider* (Jul. 11, 2018), [https://www.businessinsider.com/google-sergey-brin-employees-](https://www.businessinsider.com/google-sergey-brin-employees-masseuse-room-2018-7)  
26 [masseuse-room-2018-7](https://www.businessinsider.com/google-sergey-brin-employees-masseuse-room-2018-7) (describing “Valley of Genius: The Uncensored History of Silicon Valley”).

27 <sup>35</sup> *Id.*

28 <sup>36</sup> How Google Protected Andy Rubin, *The New York Times* (Oct. 25, 2018), *supra* note 3; Daisuke  
Wakabayashi, Katie Benner & Claire Cain Miller, *Eric Schmidt to Step Down as Alphabet’s*  
*Executive Chairman*, *The New York Times* (Dec. 21, 2017),  
<https://www.nytimes.com/2017/12/21/technology/eric-schmidt-google-alphabet.html>.

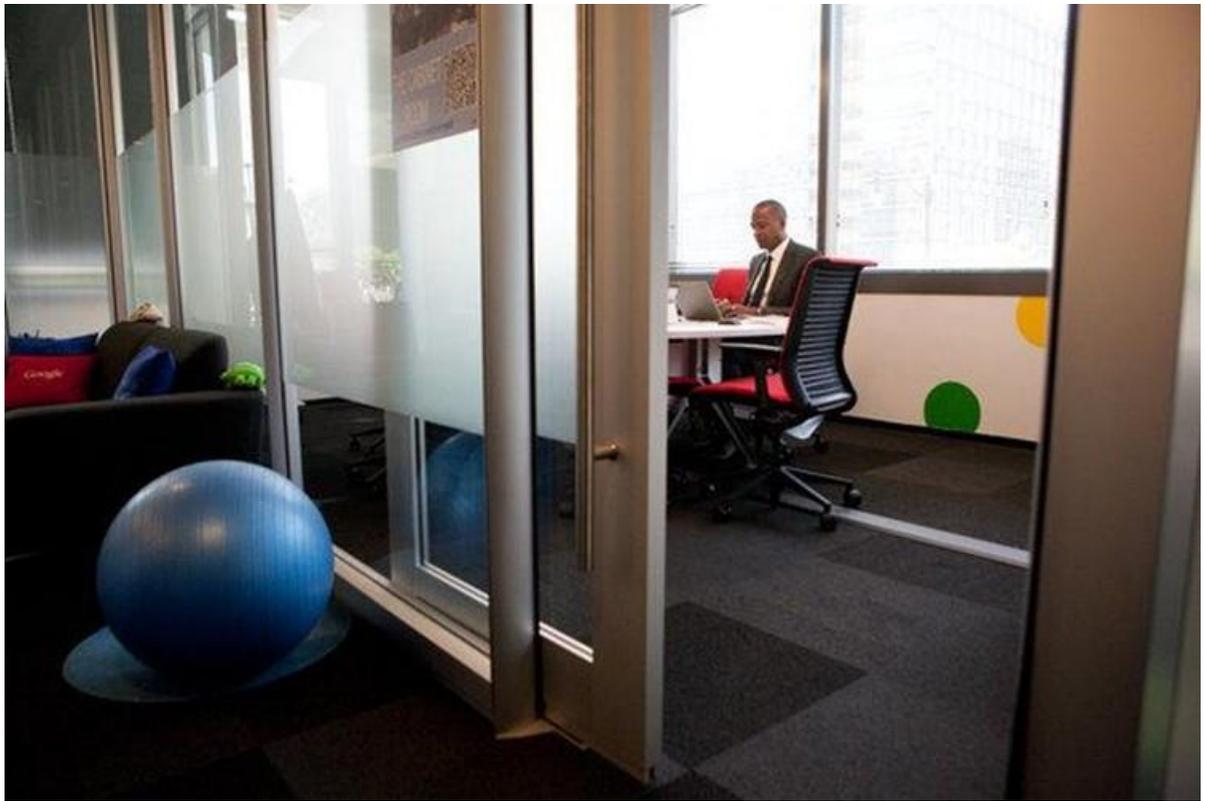


Photo: David C. Drummond, Alphabet’s chief legal officer, had an extramarital relationship with Jennifer Blakely, a senior contract manager in the legal department who reported to one of his deputies.

113. Blakely has alleged that the Company then informed her that, based on a policy that discouraged managers from having relationships with their subordinates, she would have to be transferred. According to Blakely, “[o]ne of us would have to leave the legal department. It was clear it would not be David.” She left the Company a year later, and claims she was forced to sign documents stating that her departure was voluntary. Drummond, by contrast, apparently faced no consequences for flouting Company policies: he became Alphabet’s Chief Legal Officer and, since 2011, has received approximately \$190 million in stock options and awards, an amount that may double on his current trajectory. According to Blakely, the disparate way in which she and Drummond were treated “amplifies the message that for a select few, there are no consequences. Google felt like I was the liability.”<sup>37</sup>

<sup>37</sup> How Google Protected Andy Rubin, The New York Times (Oct. 25, 2018), *supra* note 3.

1 114. Consensual relationships between powerful male executives and female subordinates  
2 are not, *per se*, indicia of sex discrimination, but they create a serious risk that female employees  
3 will be stereotyped as sex objects and that their success will be attributed to their relationships with  
4 or attractiveness to their male bosses. Joan Williams, a professor at Hastings Law School noted that  
5 a workplace rife with personal relationships is a huge risk for a company. Based on recent news  
6 stories about Alphabet, she expressed concern that it “is a petri dish for sexual harassment  
7 lawsuits.”<sup>38</sup> The Board breached its fiduciary duties to the Company and its employees by willfully  
8 ignoring warning signs that this risk had come to fruition at Alphabet.

9 115. As one article noted:

10 *The Board and top executives are overwhelmingly male, many of*  
11 *whom have been accused of questionable behavior with women –*  
12 *reportedly extramarital affairs with underlings are common. There*  
13 *have been countless reports that the two founders, the former CEO,*  
14 *various directors, and even the chief counsel have been romantically*  
15 *involved with women employees – many while married. **How can***  
16 *any of these men in leadership condemn one of their own with a*  
17 *straight face? It is understandable why Google would keep silent*  
18 *about the accusations. Women are liabilities in these cases and have*  
19 *been treated that way.*<sup>39</sup>

16 **C. The Individual Defendants Tolerated Persistent Misconduct from Andy Rubin**  
17 **Throughout His Tenure at Google**

18 116. Defendant Andrew Rubin was extremely influential and “important” at Google  
19 because he had developed the Android operating system, while successfully allowing Google to  
20 make a critical transition from desktop to mobile. Google generated billions of dollars in revenues  
21 in the ensuing years. Rubin sold Android to Google in July 2005 for \$50 million. This sale was  
22 particularly significant to Alphabet because, in the subsequent fourteen years, personal computing  
23 has been taken over by mobile devices such as cell phone and tablets, which run on the Android

24 \_\_\_\_\_  
25 <sup>38</sup> Gina Hall, *A Shadow of Office Romances Between Execs and Staff Still Lingers, Google Staffers*  
26 *Say*, Silicon Valley Business Journal (Nov. 30, 2017),  
27 <https://www.bizjournals.com/sanjose/news/2017/11/30/google-employees-say-shadow-of-office-romances.html>.

28 <sup>39</sup> See Kristi Kaulkner, *Three Reasons to Believe Google Must Pay Alleged Sexual Harassers*,  
Forbes, Oct. 29, 2018.

1 platform. After the sale, Google hired Rubin as its Senior Vice President of Mobile. In the following  
2 decade, at his peak, Rubin was paid \$20 million per year in base salary. Because of Rubin's  
3 importance to Google's financial results, he was given more deference and was lavished with  
4 compensation:

- 5 a. In 2012, Google loaned Rubin \$14 million to buy a beach house in Japan. The loan  
6 was offered at less than 1% interest, far below market rate. The loan was required to  
7 be repaid immediately if Rubin's employment with Google was terminated for any  
8 reason.
- 9 b. In 2013, Rubin received a \$40 million bonus and an additional \$72 million worth of  
10 stock to be paid over the next two years.

11 117. As a result of Rubin's importance to the Company, Alphabet's leadership tolerated  
12 Rubin's misconduct at work:

- 13 a. He allegedly often "berated subordinates as stupid or incompetent," with little  
14 response from Alphabet's executives. Alphabet begrudgingly took action when  
15 "bondage sex videos" were found on Rubin's work computer, causing his bonus to  
16 be docked that year.<sup>40</sup>
- 17 b. Rubin's ex-wife has alleged that Rubin also engaged in a "sex ring" by his ex-wife.  
18 According to the complaint she filed in connection with their divorce proceedings,  
19 he paid hundreds of thousands of dollars to women to be, in Rubin's own words,  
20 "owned" by him, stating, "Being owned is kinda like you are my property, and I can  
21 loan you to other people."<sup>41</sup> Google, meanwhile, has paid lobbyists to oppose  
22 legislation in Washington that had bi-partisan support and sought to combat human  
23 sex trafficking. *See* David McCabe, "Sex Trafficking Bill Hits a Nerve in Silicon  
24

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25 <sup>40</sup> *See* Corbin Davenport, "Google Allegedly Paid \$90 Million Severance to Andy Rubin After  
26 Misconduct Allegation," *The Android Police* (Oct. 30, 2018),  
27 <https://www.androidpolice.com/2018/10/30/google-allegedly-paid-90-million-severance-andy-rubin-misconduct-allegation/>, last visited Jan. 5, 2019.

28 <sup>41</sup> *Id.*

1 Valley,” AXIOS, Sept. 7, 2017 (noting that Google’s “trade associations and the  
2 think tanks they fund have come out swinging against the bill.”). *See also* Lisa  
3 Correnti, “Google Attempts to Block Bill to Hold Sex-Traffickers Accountable,”  
4 CENTER FOR HUMAN AND FAMILY RIGHTS, Aug. 24, 2017, available at [https://c-  
5 fam.org/friday\\_fax/google-attempts-block-bill-hold-sex-traffickers-accountable/](https://c-fam.org/friday_fax/google-attempts-block-bill-hold-sex-traffickers-accountable/)  
6 last visited Jan. 5, 2019 (“Google and the tech lobby are working to derail the passage  
7 of a bill to protect girls from online sex traffickers.”).<sup>42</sup>

8 118. In 2013, with the approval of the LDCC, Rubin was transitioned out of his role at the  
9 head of Google’s Android division and became a “Google Advisor,” with a base salary of \$1 per  
10 year and a multi-million dollar equity package. GOOG-PIPETRADES-SHD-00000124. Although  
11 Defendant Page announced the change in a blog post that glowingly reviewed Rubin’s contributions  
12 to the Company, commentators observed that neither Page nor Alphabet provided any explanation  
13 of Rubin’s new role or responsibilities.<sup>43</sup> This silence is telling—when faced with a problematic  
14 senior employee that may create liabilities, companies often attempt to isolate the problem by  
15 placing that employee on vaguely defined “special projects” and remove any direct reports from that  
16 employee’s supervision and control. It is likely that Alphabet tried the same tactic here. By 2014,  
17 however, Rubin was back at the head of Google’s Robotics division.

18 119. Notwithstanding Rubin’s inappropriate conduct and lavish compensation, Defendant  
19 Page told people over the years that he felt Rubin had been undercompensated for his contributions  
20 to the Company.

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22 <sup>42</sup> *See also* John M. Simpson, Consumer Watchdog blog (last visited Jan. 5, 2019)  
23 [https://www.consumerwatchdog.org/newsrelease/report-shows-how-google-funded-defense-child-  
24 sex-trafficking-hub](https://www.consumerwatchdog.org/newsrelease/report-shows-how-google-funded-defense-child-sex-trafficking-hub), (“A coalition of anti-child sex trafficking and public interest groups, and the  
25 mother of a trafficking victim, today released a report detailing how a Google-funded campaign  
protects a law that shields a notorious hub of child sex-trafficking, Backpage.com, from any  
accountability for its activities.”).

26 <sup>43</sup> Charles Arthur, *Andy Rubin moved from Android to take on ‘moonshots’ at Google*, The Guardian  
27 (Mar. 13, 2013), <https://www.theguardian.com/technology/2013/mar/13/andy-rubin-google-move>;  
28 *Update from the CEO*, Official Google Blog (Mar. 13, 2013),  
<https://googleblog.blogspot.com/2013/03/update-from-ceo.html>.

1                   **1.       Following the example of other senior leadership at the Company,**  
2                   **Rubin had extramarital relationships with female employees,**  
3                   **culminating in an allegation of sexual harassment.**

4           120.   Alphabet’s policy concerning co-worker relationships requires employees to report  
5 romantic relationships that pose a potential conflict—such as relationships between supervisors and  
6 their subordinates—to report those relationships to management. During the relevant period,  
7 employees holding the role of “VP or above” were required to notify “either the Head of People Ops  
8 or the General Counsel” about any such relationships. *See* GOOG-PIPETRADES-SHD-00000944-

9           121.   Accordingly, in 2012, when Rubin started dating a subordinate from the Android  
10 team, while he was still leading the division at Alphabet, Defendants Bock and Drummond were  
11 required by Google’s policies to have been informed, and upon information and belief were so  
12 informed. The following year, the junior employee decided to end the relationship, but was  
13 concerned about the consequences for her career. According to two Company executives who spoke  
14 to the *Times*, the woman agreed to meet Rubin at a hotel in March of 2013 where, she alleges, Rubin  
15 “coerced her into performing oral sex.” The woman filed a complaint against Rubin in 2014.

16           122.   Despite the pending accusation by this Android employee, however, Defendants  
17 were eager to compensate and reward Rubin, and Rubin himself seemed confident that his prospects  
18 at Alphabet would be unaffected.

19                   **2.       The Board Pays Rubin an Excessive Severance Package Despite**  
20                   **Finding Sexual Harassment Allegations against him were Credible.**

21           123.   On April 4, 2014, the LDCC (consisting of Defendants Doerr and Shriram, and Paul  
22 Otellini, who died in 2017)—which has responsibility for reviewing and approving compensation  
23 packages for Alphabet’s executive officers, as well as the terms of termination agreements or “other  
24 materials agreements” between Alphabet and its executive officers—offered Rubin a compensation  
25 package consisting of \$650,000 per year in base salary with a 250% bonus target. GOOG-  
26 PIPETRADES-SHD-00000146. Rubin declined acceptance of that offer until he could speak with  
27 Defendant Page. *Id.*

1           124. In August 2014, while Google’s investigation into the allegations against Rubin was  
2 already well underway, Defendant Page proposed an aggressive equity compensation package for  
3 Rubin consisting of two stock grants valued at \$150 million. GOOG-PIPETRADES-SHD-  
4 00000003. Those grants would begin to vest in July 2015 and April 2018, respectively. *Id.*

5           125. Despite the fact that this award was supposed to be approved by the LDCC, the Board  
6 minutes and related emails produced by Alphabet make clear that Larry Page made the decision to  
7 approve the \$150 million in equity awards directly, by himself, and sought the rubber-stamp  
8 approval of the LDCC only as an afterthought:

9           a. Prasad Setty, a Google employee, requested the LDCC’s approval of Page’s  
10 proposed grants on August 4, 2014, stating that they would go into effect just two  
11 days later, on August 6. GOOG-PIPETRADES-SHD-00000003.

12           b. Setty requested approval again in an August 14 email—eight days *after* the grant  
13 went into effect—in an email that stated: “We request the Committee’s approval to  
14 grant Andy Rubin an SVP Equity Award of \$50M and a one-time stub grant of  
15 \$100M . . . If you are supportive of the equity grants for Andy Rubin, please reply to  
16 this email with ‘I approve.’” GOOG-PIPETRADES-SHD-00000145-46.

17           c. Two weeks later, without any further documents being provided to the LDCC  
18 members other than this single email, Defendants Doerr and Shriram, and Otellini  
19 all sent one-line emails to Setty stating “I approve.” GOOG-PIPETRADES-SHD-  
20 00000145.

21           d. No meeting of the LDCC was ever held, and no documents were reviewed or  
22 analyzed by the LDCC. Instead, it simply rubber-stamped the request by Larry Page  
23 to give Rubin \$150 million.<sup>44</sup>

24           126. This conduct represented a blatant example of abdication and bad faith by Doerr,  
25 Otellini, and Shriram. Corporate directors have an absolute obligation to fully inform themselves of

26 \_\_\_\_\_  
27 <sup>44</sup>. Defendant Doerr indicated that he had “discussed with Larry [Page]” before giving his approval.  
28 GOOG-PIPETRADES-SHD-00000145.

1 all material facts before acting, especially in a matter as important as a \$150 million equity grant to  
2 a senior executive of the company – particularly, one such as Rubin who was being simultaneously  
3 investigated by Google for sexual harassment and had faced prior complaints from employees. The  
4 conduct of Defendants Page, Doerr, and Shriram was thus not protected by the business judgment  
5 rule, constituted bad faith, and represents conduct amply demonstrating demand futility in this  
6 shareholder derivative action.

7 127. Alphabet concluded its investigation into the sexual harassment allegations against  
8 Rubin and determined those allegations to be credible. After finding the allegations against Rubin  
9 to be credible, defendants Brin, Page, Greene, Mather, Mulally, Doerr, Hennessy, Shriram,  
10 Drummond, and Tilghman agreed to have Page ask for Rubin’s resignation, but did not cause  
11 Google to disclose the reason for Rubin’s resignation or demand that Rubin be fired for cause.

12 128. Because Rubin’s August 2014 stock grant would not begin to vest until July 2015,  
13 Rubin had no contractual right to a payout. Accordingly, as a result of Rubin’s serious misconduct,  
14 Alphabet could have fired Rubin for cause, paid him nothing, and demanded immediate repayment  
15 of the outstanding \$14 million loan. Simply put, Rubin was not contractually entitled to any of the  
16 equity, and should not have been granted *any* severance.

17 129. But instead, at an October 22, 2014, the LDCC discussed a separation agreement for  
18 Rubin. Present at that meeting were Defendants Larry Page, David Drummond, Laszlo, Bock, Doerr,  
19 and Shriram. GOOG-PIPETRADES-SHD-00000112. At that meeting, Defendant Bock, Google’s  
20 Senior Vice President of People & Operations, provided an update to the LDCC on Rubin’s expected  
21 departure. After discussions with Rubin, Bock requested that the Committee approve the terms and  
22 conditions of Andy’s separation agreement as set forth in an Exhibit B (the “Separation Terms”) to  
23 the minutes. The LDCC members discussed and asked questions, to which Laszlo and Bill Campbell  
24 responded. The committee considered and approved the Separation Terms. *See id.*

25 130. Rubin’s separation agreement, approved by the LDCC and effective as of November  
26 4, 2014, provided that Rubin would receive a “\$90 [million] cash severance paid monthly over four  
27 years, starting 5-Dec-14.” GOOG-PIPETRADES-SHD-00000115. It further provided that Rubin  
28 could delay payment of the 2012 loan, permitting him to pay back 50% of the loan three years after

1 his termination, and the remainder the following year. *Id.*; *see also* GOOG-PIPETRADES-SHD-  
2 00000845-55. Rubin accepted this arrangement on November 24, 2014. GOOG-PIPETRADES-  
3 SHD-00000856-58.

4 131. Rubin stepped down from his position at Google on October 31, 2014, after he was  
5 reportedly given a “hero’s farewell.” At the time, Defendant Page heaped effusive praise on Rubin  
6 on his way out the door, stating, “I want to wish Andy all the best with what’s next. With Android  
7 he created something truly remarkable — with a billion-plus happy users.”

8 132. Alphabet subsequently doubled down on its endorsement of Rubin by investing  
9 millions of dollars into his next venture, Playground Global, a venture fund and design studio  
10 intended to “incubate” startups making hardware devices. Playground has raised \$800 million.  
11 Rubin also founded Essential, a maker of Android smartphones.

12 133. At its next meeting on January 28, 2015, the LDCC summarized the key guidance  
13 received from the previous meeting (Oct. 22, 2014) and reiterated its approval of the separation  
14 agreement for Andy Rubin in which the LDCC cancelled \$173M in unvested equity; gave Rubin a  
15 \$90M cash severance paid out monthly for four years contingent on compliance with a non-compete  
16 agreement; and extended by several years repayment of Rubin’s \$14M loan otherwise due upon  
17 termination. *See* GOOG-MRTN-SHD-00000240. In its Organizational Update at the same meeting,  
18 the LDCC grossly mischaracterized the nature of Rubin’s departure by stating: “On 4-Nov-14 Andy  
19 Rubin resigned to start a hardware startup incubator.” *See* GOOG-MRTN-SHD-00000246.

20 134. On April 3, 2015, five months after Rubin was terminated due to credible sexual  
21 harassment allegations against him, Defendant Bock signed a letter to Rubin authorizing certain  
22 changes to Rubin’s severance agreement. GOOG-PIPETRADES-SHD-00000817-18. On April 22,  
23 2015, Bock belatedly informed the LDCC that “certain modifications” had been made to Rubin’s  
24 separation agreement. It is clear that these changes were not disclosed to the LDCC before they went  
25 into effect. Following a discussion of Bock’s presentation, “the Committee requested that, going  
26 forward, management provide pre-notification to the Committee of any proposed modification to  
27 any severance or similar arrangements previously approved by the Committee to further  
28 transparency.” GOOG-PIPETRADES-SHD-00000574.

1           135. These facts demonstrate that Defendants Page and others at Google were negotiating  
2 agreements that the LDCC charter reserved specifically to the LDCC. Worse yet, Google’s directors  
3 were allowing such circumvention to happen and did nothing to stop it, which is a complete  
4 abdication of fiduciary duty by Google’s directors and means those directors cannot claim protection  
5 from the business judgment rule and demonstrates demand futility. The LDCC members’ complicity  
6 in allowing the LDCC to be bypassed also demonstrates demand futility.

7                           **3. Defendants’ Culture of Concealment Continued Even After a News**  
8                           **Report Surfaced That Suggested Impropriety by Rubin**

9           136. On November 29, 2017, a news report appeared on CNBC stating that Rubin had  
10 taken a leave of absence at his current employer, Essential. The report noted that Essential founder  
11 and CEO Andy Rubin has taken a leave of absence from his new company for “personal reasons”  
12 following a report by *The Information* on the circumstances of his 2014 departure from Google. On  
13 November 29, 2017, *The Information* revealed that Rubin left Google shortly after an investigation  
14 found that he had maintained an “inappropriate relationship” with a woman who worked under him  
15 and filed a complaint to HR.” See Sam Byford, “*Andy Rubin takes leave from Essential as probe*  
16 *into ‘inappropriate’ Google relationship goes public: Report,*” CNBC (Nov. 29, 2017).

17           137. The November 29, 2017 news article also stated:

18                           *The woman who filed the complaint reportedly worked in the*  
19                           *Android division run by Rubin, which would make any personal*  
20                           *relationship between the two violate Google policy; the company*  
21                           *requires employees to disclose such relationships so that one of*  
22                           *them can be moved to another division.* Rubin left the Android  
department in March 2013 to lead Google’s efforts in robotics, but the  
HR investigation is said to have taken place in 2014. That  
investigation, according to *The Information*, concluded that “Rubin’s  
behavior was improper and showed bad judgement.”

23           138. After the release of this article, the Alphabet Board at the time (which was identical  
24 to the current Board — defendants Page, Brin, Schmidt, Doerr, Ferguson, Mulally, Pichai,  
25 Hennessy, Mather, Shriram, and Greene) continued its practice of concealment by failing to make  
26 any disclosure of the true reasons for Rubin’s departure from Google, including the fact that the  
27 Company investigated and found the allegations of sexual harassment to be credible. This

1 concealment of the agreement to provide Rubin a generous exit package despite the finding of cause  
2 to fire Rubin consisted a further breach by the Board of its duty of loyalty to Alphabet.

3 139. During Autumn 2018, the *NYT* broke a major story on the Board's cover-up of their  
4 decision to reward and shield Rubin's sexual harassment, which in turn resulted in dozens and  
5 dozens of news articles about the subject around the world, demonstrating the materiality of the  
6 issue. A sampling of those news articles is attached hereto as **Exhibit A**.

7  
8 **4. The Board of Directors' and Other Defendants' Active, Direct, and**  
9 **Intentional Role in the Wrongful Conduct Surrounding Rubin's**  
10 **Departure**

11 140. As described above, Alphabet's co-founders and its Board were active in the events  
12 related to Rubin. The documents produced by Google in response to Plaintiffs' shareholder  
13 inspection demands demonstrate the active and direct involvement of the Board in the matters  
14 regarding the Company's investigation into Rubin's sexual harassment and the decision to pay  
15 Rubin a \$90 million severance to keep the matter quiet.

16 141. During 2014, Google's full Board held eight meetings and acted by unanimous  
17 written/electronic consent six times.

18 142. During 2014, Alphabet's Audit Committee held six meetings and acted by  
19 unanimous written/electronic consent nine times. During 2014, Google's Audit Committee was  
20 comprised of defendants Greene, Mulally, and Mather (Chair). As part of their duties on the Audit  
21 Committee in 2014, defendants Greene, Mulally, and Mather, along with defendants Brin and Page,  
22 as well as the other directors at the time (*e.g.*, Doerr, Hennessy, Shriram and Tilghman) received  
23 information and reports about the Company's investigation regarding sexual harassment by Rubin.  
24 Defendant Drummond actively participated in the investigation as part of his duties in Google's  
25 legal department. All such defendants were advised that the allegations were found to be credible.

26 143. The \$150 million stock grant to Rubin was approved by the Board's LDCC, which  
27 was composed at the time of Paul S. Otellini as well as two of Google's earliest investors, defendant  
28 Shriram (of the venture firm Sherpalo Ventures) and defendant Doerr (of the venture capital firm  
Kleiner Perkins).

1 144. Because the Board's LDCC Charter made the LDCC responsible for all matters  
2 regarding the compensation and termination of executive officers, the LDCC was involved with  
3 reviewing complaints about sexual harassment at Google involving executive officers such as  
4 Rubin, and also the payment of severance to executives who were forced out due to credible  
5 allegations of sexual harassment or discrimination. During 2014, the year in which Rubin was  
6 investigated and given the \$150 million stock grant and then the \$90 million severance payment,  
7 the Board's LDCC held just five meetings, but acted by unanimous written/ electronic consent 28  
8 times. During 2015, the Board's LDCC held five meetings and acted by unanimous written/  
9 electronic consent 37 times.

10 145. The Alphabet Board minutes also reflect the active and substantial intervention of  
11 Defendant Page on Rubin's behalf. Rubin's compensation had in fact come up before, at the April  
12 16, 2014 LDCC meeting. At that meeting, the LDCC had approved drastically lower compensation  
13 for Rubin in the form of a \$650,000 base salary and a 250% bonus target.

14 146. The Board minutes and public record also indicate that **Defendant Page** played an  
15 active and significant role in Rubin's compensation and cover-up. *First*, as described above, Rubin  
16 declined acceptance of the compensation until he could speak with Larry Page. *Second*, Page and  
17 Rubin had discussions after the April 2014 meeting without the involvement or knowledge of the  
18 LDCC, the result of which was that Rubin received a \$150 million equity award on August 6, 2014.  
19 *Third*, the approval of the LDCC in this massive increased award (from a \$650,000 base salary and  
20 a 250% bonus target, to a \$150 million equity grant) was only retroactively sought by Page from the  
21 LDCC beginning eight days after the award was already made. *Fourth*, Defendant Page gave Rubin  
22 his public "hero's farewell."

23 147. The rational and reasonable inference from these facts is that Larry Page and  
24 Alphabet's directors wanted to make sure Rubin was paid handsomely to ensure his silence, since  
25 they apparently feared that if they fired Rubin for cause, he would sue the Company for wrongful  
26 termination and all the tawdry details of sexual harassment by senior executives at Alphabet would  
27 become public. As one writer noted: "How can any of these men in leadership condemn one of their  
28

1 own with a straight face? It is understandable why Google would keep silent about the accusations.  
2 Women are liabilities in these cases and have been treated that way.”<sup>45</sup>

3  
4 **D. Google Paid Another Executive, Amit Singhal, Millions After He Sexually Harassed Google Employees**

5 148. Google’s practice of disregarding, covering up, and rewarding the malfeasance of its  
6 senior executives continued with the handling of a separation agreement with Amit Singhal, a senior  
7 vice president who headed Search. Singhal, too, received millions of dollars when asked to “resign”  
8 after the Company found that sexual harassment charges against him were credible.

9 149. In 2015, an employee said Mr. Singhal groped her at an off-site event attended by  
10 dozens of colleagues, according to three people who were briefed on the incident. Google  
11 investigated and found that Mr. Singhal was inebriated and there were no witnesses, they said.  
12 Google found the female employee’s claim credible. Defendants Bock and Pichai spoke to Singhal  
13 about the allegations, and the Company considered firing Singhal if he refused to step down.<sup>46</sup> But  
14 again, instead of firing Singhal “for cause,” the Company permitted Singhal to “resign,” choosing  
15 to conceal his misconduct behind a large severance payout and a wall of silence.

16 150. Defendant Pichai, as CEO of Google, was responsible for recommending equity  
17 grants for Google Senior Vice Presidents, like Singhal. GOOG-PIPETRADES-SHD-00000623. In  
18 2015, the same year the complaint was made, Singhal was awarded a biennial compensation package  
19 worth \$40 million with an annual bonus of \$3 million. GOOG-PIPETRADES-SHD-00000782.

20 151. On January 10, 2016, Defendant Lazlo Bock, copying Defendants Page and Pichai  
21 among others, requested the LDCC’s approval of a separation agreement with Singhal for between  
22 \$35 and \$45 million. GOOG-PIPETRADES-SHD-0000701. Hours later, Defendant Shriram and  
23 one now deceased member of the LDCC approved the payments with one-line emails.<sup>47</sup> GOOG-  
24 PIPETRADES-SHD-0000700; *see also* GOOG-PIPETRADES-SHD-0000583. On February 5,

25  
26 \_\_\_\_\_  
<sup>45</sup> See Kaulkner, Forbes (Oct. 29, 2018), *supra* note 41.

27 <sup>46</sup> Swisher, Vox (Feb. 27, 2017), *supra* note 30.

28 <sup>47</sup> It is unclear why Defendant Doerr’s approval was not requested or received.

1 2016, Singhal signed a separation agreement awarding him \$45 million in severance payments, to  
2 be paid out in twelve three-month increments. GOOG-PIPETRADES-SHD-00000835-43.  
3 Singhal’s termination was effective February 17, 2016. *Id.*

4 152. The documents produced by Google in response to Plaintiffs’ shareholder inspection  
5 demands indicate that the LDCC Committee, in its Summary of Key Guidance at its January 27,  
6 2016 meeting, indicate that on January 11, 2016:

7 “The LDCC approved the following separation agreement for Amit Singhal (SVP, Search):  
8 • Separation date no later than mid-February  
9 • Annual cash payments of \$15M, to be paid 12 months and 24 months after exit,  
10 and \$5M (negotiating range to \$15M), to be paid 36 months after exit, contingent on  
not being employed by a competitor  
• Reaffirmation of all non-compete and intellectual property agreements”<sup>48</sup>

11 153. In seeking, and subsequently receiving without question or discussion, approval of  
12 the LDCC for Singhal’s separation payout, Defendant Bock stated:

13 “Were we to instead prorate his existing equity and make a cash  
14 payment at termination, as we have in select past cases, the amount  
would be ~\$33M.” *See* GOOG-MRTN-SHD-00000665.

15 154. The Board has yet to identify these “select past cases,” which may include other  
16 instances where the Board rewarded sexual harassment by its senior executives.

17 155. The LDCC continued its practice of covering up the real reason for Singhal’s  
18 departure by describing Singhal’s departure as follows:

19 “On 26-Feb-16, Amit Singhal (SVP, Search) left Google to focus on  
20 philanthropic activities.” *See* GOOG-MRTN-SHD-00000706.

21 156. Because the reasons for Singhal’s departure were concealed, he found another  
22 lucrative job. Less than a year later, he became head of engineering at the ride-hailing company  
23 Uber. Weeks later, the technology news website Recode reported that Mr. Singhal had left Google  
24 after a misconduct accusation.

25  
26  
27 <sup>48</sup> *See* GOOG-MRTN-SHD-00000581.

1           157. Singhal immediately resigned from Uber once this news broke, after he faced  
2 criticism for not disclosing the inquiry at Google.<sup>49</sup> However, Singhal later filed a meritless claim  
3 in arbitration against Uber, claiming he was constructively discharged even though he resigned. The  
4 arbitration claim was resolved in 2019 upon undisclosed terms since the arbitration was conducted  
5 in secrecy.

6           **E. Google Asked Other Victims of Sexual Harassment to “Stay Quiet” After Their**  
7           **Allegations of Harassment Were Found to Be Credible and May have Paid Off**  
8           **Other Executives**

9           158. In 2013, Richard DeVaul, a director at Google X, the company’s research and  
10 development arm, interviewed Star Simpson, a hardware engineer. During the job interview, she  
11 said he told her that he and his wife were “polyamorous,” a word often used to describe an open  
12 marriage. She said he invited her to Burning Man, an annual festival in the Nevada desert, the  
13 following week.



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25 Richard DeVaul of X apologized for an “error of judgment” with Star Simpson, who had interviewed  
26 for a job with him. Credit: Jason Henry for The New York Times

27  
28 <sup>49</sup> *Id.*

1           159. Ms. Simpson went with her mother and said she thought it was an opportunity to talk  
2 to Mr. DeVaul about the job. She said she brought conservative clothes suitable for a professional  
3 meeting.

4           160. At Mr. DeVaul’s encampment, Ms. Simpson said, he asked her to remove her shirt  
5 and offered a back rub. She said she refused. When he insisted, she said she relented to a neck rub.

6           161. “I didn’t have enough spine or backbone to shut that down as a 24-year-old,” said  
7 Ms. Simpson, now 30.

8           162. A few weeks later, Google told her she did not get the job, without explaining why.

9           163. Ms. Simpson waited two years to report the episode to Google after she said she  
10 wrestled with talking about it. A human resources official later told her that her account was “more  
11 likely than not” true and that “appropriate action” was taken.

12           164. Significantly, *Simpson said the Google official asked her to stay quiet about what*  
13 *had happened*, which she did — until Mr. DeVaul’s public profile began rising in articles in *The*  
14 *New York Times* and *The Atlantic*.

15           165. In a statement, Mr. DeVaul apologized for an “error of judgment.” After he resigned  
16 from his position on October 30, 2018, *Axios* reported that DeVaul had been “accused of multiple  
17 incidents of harassment” during his tenure at Alphabet.<sup>50</sup>

18           166. In 2014, Google’s Senior Vice President and Chief Business Officer, Nikesh Arora,  
19 also resigned. As part of its Form 10-Q filed with the SEC on October 23, 2014, Google attached  
20 an Exhibit 10.3 to the 10-Q, which was a copy of a separate letter and settlement agreement and  
21 release with Mr. Arora. Google paid Arora \$8 million as a severance, and the accompanying  
22 “Separation Agreement and Release” provided Google with a very broad release of any and all  
23 claims, including claims for wrongful termination, and contained a strict non-disclosure agreement.  
24 The agreement was dated September 8, 2014 and was signed by Arora and by Defendant Bock for

25 \_\_\_\_\_  
26  
27 <sup>50</sup> Ina Fried, *Google CEO: Apology for past harassment issues not enough*, *Axios* (Oct. 30, 2018),  
28 <https://www.axios.com/google-ceo-apologizes-past-sexual-harassment-aec53899-6ac0-4a70-828d-70c263e56305.html>.

1 Google. The \$8 million payment by Google was unusual because, pursuant to an original award of  
2 compensation to Arora from the Board’s LDCC in 2012 and reported via a SEC filing on April 26,  
3 2012, Arora would have had forfeited and had to re-pay the \$8 million in compensation when he  
4 left Google in 2014. Instead of forcing him to re-pay the \$8 million, Google’s Board approved the  
5 Separation Agreement and Release which explicitly stated that “Bonus Repayment Forgiveness.  
6 Conditioned on your accepting this Agreement, the Company will forgive repayment of the  
7 \$8,000,000 bonus that was approved by the Leadership Development and Compensation Committee  
8 of the Company’s Board of Directors, and reported on a Form 8-K with the U.S. Securities and  
9 Exchange Commission, on April 26, 2012 (the “Bonus”).”

10 167. At the time, Google did not provide any reason for the \$8 million payment to Arora.  
11 The whole purpose of the restrictions contained in the 2012 compensation award to Arora was to  
12 try to get Arora to work at Google longer by making him contractually obligated to re-pay significant  
13 portions of his compensation if he left Google earlier than anticipated or hoped. Arora stated at the  
14 time that he was leaving Google to work at Softbank. Going to work for Softbank did not provide  
15 any benefit to Google, and thus there was no discernible reason for Google to waive Arora’s  
16 contractual obligation to pay back the \$8 million, but it did so.

17 168. The Transition Agreement attached with Arora as Exhibit 10.02 to the October 23,  
18 2014 Form 10-Q contained a provision stating that “*You may characterize your departure from the*  
19 *Company as voluntary and communicate the same to your team and peers*, however, any written  
20 communications related to your departure must be pre-approved by Google’s Communications  
21 representative.”

22 **F. The Rubin and Singhal Scandals Epitomize the Hostile Workplace**  
23 **Environment that the Alphabet Board has allowed to Fester for years.**

24 169. Like much of Silicon Valley, Alphabet is a male-dominated workplace: in 2018,  
25 women made up just over 30% of Alphabet’s workforce, and just over 25% of its leadership  
26  
27  
28

1 positions.<sup>51</sup> As one former employee told *The Guardian*, “Google can feel like a ‘boys’ club’ with  
2 a ‘culture of guys promoting guys.’”<sup>52</sup> Alphabet has publicly endorsed efforts to increase the  
3 Company’s diversity, improve its culture, and achieve pay equity. But a federal investigation and a  
4 growing number of lawsuits and protests make clear that the Board has made only superficial efforts  
5 to combat the serious sexual discrimination and harassment problems pervading its workforce and  
6 its leadership.

### 7 **1. Alphabet’s Pervasive Sex Stereotyping and Sexual Harassment**

8 170. In recent years, concerns about the Company’s “brogrammer” culture, which gives  
9 special treatment to high powered male engineers and executives at the expense of female  
10 employees, have been on the rise.

11 171. Since Page became CEO of the Company in 2011, some have noted a reduction of  
12 women in his committee of close advisers and among the executives appointed to lead product  
13 areas.<sup>53</sup> Moreover, Defendants Brin’s and Page’s public conduct has contributed to the perception  
14 that they don’t take women seriously at work. The *Times* reported that in a staff meeting last year,  
15 both men “struggled to answer a question about who their female role models were.” Page named  
16 Alphabet’s female Chief Financial Officer. Brin tried “tried to recall the name of a woman he had  
17 recently met at a company event who had impressed him,” who turned out to be the renowned  
18 feminist (and household name), Gloria Steinem.<sup>54</sup>

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22 <sup>51</sup> Google 2018 Diversity Report.

23 <sup>52</sup> Sam Levin, *The Guardian* (Aug. 18, 2017), *supra* at note 33.

24 <sup>53</sup> Claire Cain Miller, *In Google’s Inner Circle, a Falling Number of Women*, *The New York Times*,  
25 (Aug. 22, 2012), <https://www.nytimes.com/2012/08/23/technology/in-googles-inner-circle-a-falling-number-of-women.html> (“Since Larry Page became chief executive and reorganized Google  
26 last year, women have been pushed out of his inner circle and passed over for promotions. They  
include Marissa Mayer, who left last month to run Yahoo after being sidelined at Google.”).

27 <sup>54</sup> Kate Conger, Daisuke Wakabayashi, & Katie Benner, *Google Faces Internal Backlash Over*  
28 *Handling of Sexual Harassment*, *The New York Times* (Oct. 31, 2018),  
<https://www.nytimes.com/2018/10/31/technology/google-sexual-harassment-walkout.html>.

1 172. The perception that Alphabet’s leadership is biased against women has been  
2 exacerbated by the Company leadership’s historical sexualized treatment of women in the  
3 workplace and at corporate events, discussed above.

4 173. In November 2017, *The Information* interviewed 40 Alphabet employees about the  
5 Company’s gender dynamics. Many said they felt “uncomfortable” with the precedent set by the  
6 numerous high-profile relationships between male senior executives and their female staff members,  
7 and cited Drummond’s case as “especially troubling.” Employees expressed concern that although  
8 the relationships went against Company policy, “there were no consequences for high-level male  
9 executives who had relationships with subordinates.” Some “felt the prevalence of interoffice  
10 relationships created an unfair perception that any woman who succeeded in climbing the company  
11 ranks must be involved with a male superior.”<sup>55</sup> In that vein, a *Silicon Valley Business Journal* article  
12 reported that at one off-site event “a woman said a male Google engineer groped her. In a separate  
13 incident, she claimed that her manager told her she should sleep with him ‘because everybody  
14 assumed they already had.’”<sup>56</sup>

15 174. The Director Defendants’ persistent failure to adopt adequate policies and procedures  
16 for preventing, investigating, and punishing sexual harassment also contributed to a hostile work  
17 environment for women. For example, “complainants are often not told about the details of  
18 subsequent investigations,” current and former employees said in an article published by the  
19 *Times*.<sup>57</sup> Moreover, the Company’s policy forcing sexual harassment claims against the Company  
20 into arbitration has helped to keep formal challenges to those procedures out of the public eye.

21 175. For instance, in 2015, an employee alleged that during a Company-sponsored trip, a  
22 superior told her, “It’s taking all of my self control not to grab your ass right now.”<sup>58</sup> She stated that  
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24 <sup>55</sup> *Id.*

25 <sup>56</sup> *Id.*

26 <sup>57</sup> Conger & Wakabayashi, *The New York Times* (Nov. 8, 2018), *supra* note 5.

27 <sup>58</sup> Salvador Hernandez, *Google Silent After Former Employee Tweets About Sexual Harassment*  
28 *from Superiors*, BuzzFeedNews (Mar. 8, 2015, 5:27 PM),  
<https://www.buzzfeednews.com/article/salvadorhernandez/google-kelly-ellis>.

1 instead of investigating an individual whom she formally accused of harassment, Alphabet  
2 reprimanded *her*.

3 176. Similarly, in February 2018, a former Google software engineer brought sexual  
4 harassment and hostile work environment claims against the Company, alleging that her male  
5 colleagues, encouraged by the Company’s “bro-culture,” subjected her to a steady stream of sexually  
6 suggestive comments and behavior and retaliated against her when she finally made a formal  
7 complaint.<sup>59</sup> The Company successfully forced the claim into arbitration in September 2018.

8 177. In June 2018, Alphabet employees formed an unusual partnership with investors to  
9 advocate for a shareholder proposal to tie executive pay to progress on workplace diversity,  
10 motivated by a concern that the Company wasn’t “doing enough to address workplace  
11 harassment.”<sup>60</sup> Another employee explained that his support for the proposal was a response to  
12 “[t]he lack of clear, communicated policies and actions to advance diversity and inclusion with  
13 concrete accountability and leadership from senior executives.”<sup>61</sup> But Alphabet’s management and  
14 its Board actively campaigned against the proposal by recommending a NO vote.<sup>62</sup> Not surprisingly,  
15 given Page and Brin’s voting control, the proposal failed.

## 16 2. Alphabet’s Systemic Sex Discrimination in Pay and Promotions

17 178. Relatedly, Alphabet has also been accused of violating applicable state and federal  
18 anti-discrimination and equal pay laws:

19 179. A class action suit filed by female Google employees in September 2017 alleges that  
20 the Company has violated many of those laws by permitting longstanding and extensive patterns of

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21  
22 <sup>59</sup> Kate Conger, ‘*Bro Culture*’ Led to Repeated Sexual Harassment, Former Google Engineer’s  
23 *Lawsuit Says*, Gizmodo (Feb. 28, 2018), <https://gizmodo.com/bro-culture-led-to-repeated-sexual-harassment-former-1823397858>; Complaint, *Lee v. Google, Inc., et al.*, (Cal. Super. Ct. filed Feb.  
24 16, 2018), <https://www.documentcloud.org/documents/4390685-Lee-Complaint.html>.

25 <sup>60</sup> Ritcey & Barr, Bloomberg (June 5, 2018), *supra* note 22.

26 <sup>61</sup> Seth Fiegerman & Sara Ashley O’Brien, *Google Employee Confronts Execs Over Diversity: Many  
27 of Us Feel ‘Unsafe’*, CNN Business, CNN (June 6, 2018), <https://money.cnn.com/2018/06/06/technology/alphabet-shareholder-meeting/index.html>.

28 <sup>62</sup> Alphabet, Inc., Proxy Statement (Apr. 27, 2018).

1 pay discrimination to persist.<sup>63</sup> Plaintiffs in the *Ellis* case allege that the Company has violated and  
2 continues to violate the California Equal Pay Act, Unfair and Unlawful Business Practices Act, and  
3 the Fair Housing and Employment Act by paying women less than it pays men for substantially  
4 equal work or for substantially similar work by: “(a) assigning women to lower “Levels” (*i.e.*, salary  
5 bands) than it assigns men; (b) assigning women to jobs that do not compensate as highly as those  
6 populated largely by men; (c) promoting women more slowly and at lower rates than it promotes  
7 men; and (d) paying women less than it pays men performing similar work.”<sup>64</sup>

8         180. The *Ellis* complaint specifically alleges that Google’s policy of setting an employee’s  
9 initial compensation and job ranking on the basis of prior compensation simply adopts the gender  
10 bias in the market.<sup>65</sup> It further alleges that Google relies on stereotypes to place women into lower-  
11 prestige divisions such as sales and operations, and pays employees in female-dominated divisions  
12 less, even if their contributions and responsibilities are comparable to male-dominated ones. On  
13 March 27, 2018, a Judge in the Superior Court of California determined that the allegations of  
14 intentional discrimination were sufficient to survive Google’s motion to dismiss.

15         181. In addition, because Alphabet is a federal contractor, the DOL is empowered by  
16 Executive Order 11246 and related regulations to investigate whether the Company is in full  
17 compliance with federal anti-discrimination laws. It randomly selected Alphabet for an audit of the  
18 Company’s Mountain View headquarters in September 2015. The DOL’s initial investigation, based  
19 on a “snapshot” of the workforce in September 2015, “found **systemic compensation disparities**  
20 **against women pretty much across the entire workforce.**”<sup>66</sup>

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22 <sup>63</sup> *Ellis*, Complaint filed Jan. 3, 2018.

23 <sup>64</sup> *Id.*

24 <sup>65</sup> Indeed, the sex-discriminatory effects of relying on prior compensation are so well-known that  
25 New York City, a jurisdiction in which Google operates, has banned employers from asking about  
26 prior compensation at all. *See* Press Release, Bill de Blasio, Mayor of New York City, New York  
City Becomes First Nation to Enforce Salary History Ban, <https://www1.nyc.gov/office-of-the-mayor/news/700-17/new-york-city-becomes-first-nation-enforce-salary-history-ban>.

27 <sup>66</sup> DOL, ALJ Case No. 2017-OFC-08004 (Apr. 7, 2017 hearing) at 48 (testimony by OFCCP  
28 Regional Director Janette Wipper).

1           182. The DOL accordingly sought additional information from the Company in order to  
2 determine the cause of that disparity (and whether any liability should follow). The Company  
3 resisted those requests, and the DOL commenced an administrative proceeding to obtain access to  
4 the documents. On July 14, 2017, an Administrative Law Judge permitted the DOL to collect a  
5 second “snapshot” of the workplace in 2014 and directed Alphabet to provide contact information  
6 for up to 8,000 employees so that the DOL could collect anecdotal evidence on Alphabet’s pay and  
7 promotion practices.

8           183. While the investigation is still ongoing, Google made several attempts to limit media  
9 coverage of the associated administrative proceedings. The Company initially sought to dismiss the  
10 DOL’s complaint on the basis that a DOL attorney involved in the case gave an interview to a  
11 newspaper that referenced the case and moved to keep the press out of an April 2017 hearing.<sup>67</sup> Both  
12 efforts were unsuccessful. The Company also attacked the validity of the DOL’s investigation on its  
13 own blog, misleadingly suggesting that the Department’s request for more information to determine  
14 the cause of the disparity it identified was, in fact, indicative of the inadequacy of the DOL’s  
15 procedures.<sup>68</sup> Such aggressive tactics are at odds with the Company’s stated commitment to  
16 transparency on pay and promotion equity.<sup>69</sup>

17           184. The Individual Defendants also actively prevented the Company from adhering to  
18 those values by resisting shareholder demands for increased transparency on pay equity. In 2016,  
19 2017, and 2018, Company management opposed and—with the assistance of Defendants Page’s  
20 and Brin’s majority control—defeated shareholder proposals that would require the Company to  
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22 <sup>67</sup> Levin, *The Guardian* (May 22, 2017), *supra* note 9.

23 <sup>68</sup> *See* Blog Post, Eileen Naughton, *The Keyword, Our Focus on Pay Equity* (Apr. 11, 2017),  
24 <https://www.blog.google/outreach-initiatives/diversity/our-focus-pay-equity/>. (“[W]e were quite  
25 surprised when a representative of the Office of Federal Contract Compliance Programs at the U.S.  
26 Department of Labor (OFCCP) accused us of not compensating women fairly. We were taken aback  
27 by this assertion, which came without any supporting data or methodology. The OFCCP  
28 representative claimed to have reached this conclusion even as the OFCCP is seeking thousands of  
employee records . . .”).

<sup>69</sup> *Id.*

1 measure and disclose how much female employees make as a percentage of their male  
2 counterparts.<sup>70</sup> Instead, the Company provided its own analysis of the data, albeit one which omitted  
3 11% of its employees and high-level executives, as well as disclosure of the Company’s median  
4 wage gap. A leading proponent of the pay equity shareholder proposals, noting the gaps in  
5 Alphabet’s substitute analysis, remained dissatisfied: “We think there is room for improvement and  
6 **can’t give a rubber stamp to an incomplete analysis.**”<sup>71</sup>

7 185. The Individual Defendants’ opposition to the shareholder proposals, which  
8 effectively blocked the Company from adhering to its own stated commitment to anti-  
9 discrimination, are consistent with the Company’s 2015 failure to comply with federal law when it  
10 refused to provide salary histories and employee contact information to the DOL to facilitate the  
11 agency’s audit.

12 186. Thus, even prior to the *NYT*’s report, there were growing signs that employees were  
13 fed up with Alphabet’s inadequate approach to sexual harassment and discrimination. In March  
14 2018, one commentator, surveying a growing number of lawsuits filed by Google employees, as  
15 well as the DOL’s investigation into its pay practices, observed:

16 Viewed singly, harassment lawsuits are often dismissed by cynics  
17 who declare that the plaintiff is seeking fame or a quick payday. But  
18 take the lawsuits en masse and top them off with the concerns of  
19 shareholders and the federal government, and it becomes clear that  
20 Google doesn’t have one or two resentful former employees—it has  
21 **a systemic discrimination problem . . . , and a vocal set of workers  
22 who are fed up enough to do something about it.**<sup>72</sup>

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22 <sup>70</sup> Hamza Shaban, *Google Parent’s Shareholders Vote to Withhold Gender Pay Details*, The Los  
23 Angeles Times (Jun. 8, 2017), <https://www.latimes.com/business/technology/la-fi-tn-google-gender-pay-20170608-story.html>; Alphabet, Inc., Proxy Statement (Form DEF 14A) (Apr. 28,  
24 2017); Alphabet, Inc., Proxy Statement (Form DEF 14A) (Apr. 27, 2018).

25 <sup>71</sup> Press Release, Arjuna Capital, Arjuna Capital: Google Moves Forward On Closing Gender Pay  
26 Gap, But Wage Data Still Incomplete, PR Newswire, <https://www.prnewswire.com/news-releases/arjuna-capital-google-moves-forward-on-closing-gender-pay-gap-but-wage-data-still-incomplete-300614956.html>.

27 <sup>72</sup> Conger, Gizmodo (Mar. 26, 2018), *supra* note 31.

1           **G.     Alphabet Employees and Shareholders Express Outrage at the Board’s**  
2           **Protection of Male Executives**

3           187.   The Board’s “culture of discrimination and concealment,” its repeated decisions to  
4 privilege male harassers over female employees, and its failure to provide an adequate response  
5 once its misconduct was revealed have drawn sustained outrage from Alphabet employees.

6           188.   In the days following publication of the *NYT* article, no Alphabet executive or Board  
7 member denied the reported facts. Instead, Alphabet disclosed an additional 48 cases of sexual  
8 harassment in just the past two years, including 13 cases involving senior managers or executives.<sup>73</sup>  
9 The Company stated that none of those cases included severance payments, revealing the double  
10 standard that Alphabet used to mete out token punishments to lower-level employees accused of  
11 harassment while shielding its powerful executives from the consequences of their serious  
12 misconduct.

13          189.   Alphabet employees challenged the Company’s Board and leadership to explain their  
14 actions. Defendants, however, failed to take seriously employees’ concerns about the conduct  
15 described in *NYT* article—as well as other concerns about how the Company handled problems with  
16 sex discrimination and harassment.

17          190.   In a weekly staff meeting held the day after the article was published, Defendants  
18 Page and Brin initially made no reference to the contents of the *NYT* article, and instead carried on  
19 with a previously planned presentation on one of Google’s product lines.<sup>74</sup> Undaunted, one  
20 employee reportedly submitted the following question:

21                   **Multiple company actions strongly indicate that protection of**  
22                   **powerful abusers is literally and figuratively more valuable to the**  
23                   **company than the well-being of their victims. . . . What concrete**  
24                   **and meaningful actions will be taken to turn this around?**<sup>75</sup>

25 \_\_\_\_\_  
26 <sup>73</sup> Wakabayashi & Benner, *The New York Times*, Oct. 25, 2018, *supra* note 3.

27 <sup>74</sup> Hamilton, *Business Insider* (Nov. 21, 2018), *supra* note 10.

28 <sup>75</sup> Wakabayashi & Benner, *The New York Times* (Oct. 25, 2018), *supra* note 3.

1           191. Over the following week, other employees expressed similar concerns about  
2 Alphabet’s leadership to the media. A source within Google X, where DeVaul retained his position,  
3 told *Slate*, “There’s an increasing sense that Larry [Page] and Sergey [Brin] may be the problem[.]  
4 . . . I don’t think they’re abusers, but they’ve sheltered them. They clearly think there’s some amount  
5 of value they’re getting out of these men that outweighs the women they’re preying on.”<sup>76</sup> Another  
6 employee expressed frustration about the “pattern of powerful men getting away with awful  
7 behavior towards women at Google . . . or they get sent away with a golden parachute” and pointed  
8 out that “it’s a leadership of mostly men making the decisions about what kind of consequences to  
9 give, or not give.”<sup>77</sup> As one commentator concluded: “[Defendant] Page has shown a lack of  
10 judgment that negatively affects the women of Alphabet, present and past. **To have this record of**  
11 **facts come to light and do nothing is to publicly condone the way that these deals have been**  
12 **done.**”<sup>78</sup>

13           192. On November 1, 2018, furious over the Board’s cover-up of sexual harassment by  
14 senior executives at Google, Google employees staged a synchronized walkout at Google offices  
15 across the world.

16           193. In New York, more than 3,000 gathered in a city park and carried signs that said,  
17 “O.K. Google, really?” In Dublin, dozens filled a sidewalk. And in Silicon Valley, thousands poured  
18 out of office buildings into a common outdoor area and chanted: “Stand up! Fight back!”<sup>79</sup>  
19

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21 <sup>76</sup> April Glaser, *The Google X Executive Accused of Sexual Harassment Still Works There, Employees Say*, *Slate* (Oct. 29, 2018), <https://slate.com/technology/2018/10/google-x-sexual-harassment-allegations-employment.html>.

23 <sup>77</sup> Caroline O’Donovan & Ryan Mac, *Walkout To Protest The Company’s Protection Of An Alleged Sexual Harasser*, *BuzzFeedNews*, (Oct. 30, 2018), <https://www.buzzfeednews.com/article/carolineodonovan/googles-female-engineers-walkout-sexual-harassment>.

25 <sup>78</sup> Alexis C. Madrigal, *Your Move, Alphabet Board*, *The Atlantic* (Oct. 25, 2018), <https://www.theatlantic.com/technology/archive/2018/10/your-move-google-board/574036/>.

27 <sup>79</sup> See Daisuke Wakabayashi, Erin Griffith, Amie Tsang & Kate Conger, “*Google Walkout: Employees Stage Protest Over Handling of Sexual Harassment*,” *The New York Times* (Nov. 1, 2018).  
28

1 194. Similar scenes played out in other cities around the world — from Singapore and  
2 Hyderabad, India, to Berlin, Zurich, London, Chicago and Seattle — as Google employees held a  
3 wave of walkouts on Thursday, November 1, 2018 to protest the internet company’s handling of  
4 sexual harassment.



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18 [Caption: On November 1, 2018, Google employees staged a walkout in New York City, San  
19 Francisco, and multiple other locations throughout the world, in a protest against what they said  
20 is the tech company’s mishandling of sexual-misconduct allegations. *See Douglas MacMillan et*  
21 *al.*, “*Google Employees Stage Global Walkout Over Treatment of Sexual Harassment*,” THE  
22 WALL STREET JOURNAL (Nov. 1, 2018); *see also* Douglas MacMillan, “*Google to End Forced*  
23 *Arbitration for Sexual-Harassment Claims*,” THE WALL STREET JOURNAL (Nov. 8, 2018).]

24 195. As one organizer of the Walkout explained, “[I]t wasn’t necessarily the story itself  
25 that sparked the protest, **so much as management’s response to it.**”<sup>80</sup>

26 196. During the Walkout, Meredith Whittaker, a co-organizer of the protest, addressed the  
27 crowd, declaring:

28 \_\_\_\_\_

<sup>80</sup> Hamilton, Business Insider (Nov. 21, 2018), *supra* note 10.

1 This is a movement . . . I'm here because what you read in the *New*  
2 *York Times* is a small sampling of the thousands of stories we all have  
3 . . . **the thousands of instances of abuse of power, discrimination,**  
4 **and harassment, and a pattern of unethical and thoughtless**  
5 **decision making that has marked this company for the last year.**  
6 . . . This is it; time is up, and we're just getting started.<sup>81</sup>

7 197. The Walkout organizers compiled a list of concrete and needed demands for change,  
8 including: (i) an end to forced arbitration for issues of sexual harassment and discrimination; (ii) a  
9 commitment to end pay and opportunity inequality; (iii) a publicly released transparency report  
10 regarding sexual harassment at the Company; (iv) an inclusive and clear sexual misconduct  
11 reporting process; (v) the appointment of a Google employee representative to the Board; and  
12 (vi) elevating the status of chief diversity officer and allowing the position to answer to the CEO  
13 and make recommendations to the Board.<sup>82</sup> The employees also issued a statement that read, in part:

14 All employees and contract workers across the company deserve to  
15 be safe. Sadly, **the executive team has demonstrated through their**  
16 **lack of meaningful action that our safety is not a priority.** We've  
17 waited for leadership to fix these problems, but have come to this  
18 conclusion: no one is going to do it for us.<sup>83</sup>

19 198. The walkouts, which started in Asia and spread across continents, were planned for  
20 around 11 a.m. in local time zones. Many employees — both men and women — posted photos on  
21 social media to chronicle their experiences. The images showed dozens of people gathered in  
22 different locations, chanting slogans and displaying signs. One read:

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23 <sup>81</sup> Taylor Lorenz, *The Google Walkout Doesn't Go Far Enough*, *The Atlantic* (Nov. 1, 2018),  
24 <https://www.theatlantic.com/technology/archive/2018/11/google-employees-walkout-over-sexual-harassment-doesnt-go-far-enough/574705/>.

25 <sup>82</sup> Lisa Maria Segarra, *More Than 20,000 Google Employees Participated in Walkout Over Sexual*  
26 *Harassment Policy*, *Fortune* (Nov. 3, 2018), [http://fortune.com/2018/11/03/google-employees-walkout-demands/?utm\\_source=emailshare&utm\\_medium=email&utm\\_campaign=email-share-article&utm\\_content=20181104](http://fortune.com/2018/11/03/google-employees-walkout-demands/?utm_source=emailshare&utm_medium=email&utm_campaign=email-share-article&utm_content=20181104).

27 <sup>83</sup> Claire Lampen, *Google Employees Stage Worldwide Walkout to Protest Tech Giant's Handling*  
28 *of Sexual Misconduct*, *Gothamist* (Nov. 1, 2018), [http://gothamist.com/2018/11/01/google\\_walkout\\_nyc.php#photo-1](http://gothamist.com/2018/11/01/google_walkout_nyc.php#photo-1).

1                   ***What do I do at Google? I work hard every day so the company can***  
2                   ***afford \$90,000,000 payouts to execs who sexually harass my co-***  
3                   ***workers.***

3           199. Commentators viewed the size and energy of the Walkout as a major warning sign  
4 for the Company. Risk experts and analysts told the *WSJ* that the protest “signaled a crisis in faith—  
5 one that, if widespread, could cause reputational harm, potentially affecting Google’s standing as  
6 an aspirational workplace.”<sup>84</sup> John Wilson, Cornerstone Capital Group’s head of research and  
7 corporate governance, emphasized that massive employee unrest is particularly dangerous for a  
8 company that, like Alphabet, is “built on human capital and nothing else.”<sup>85</sup>

9           200. The walkouts capped a turbulent week for Google. After *The New York Times* article  
10 was published, the Company revealed that it had fired 48 people for sexual harassment over the last  
11 two years and that none had received an exit package. Defendant Pichai (Google’s CEO) and  
12 defendant Page (Google’s co-founder and Alphabet’s CEO) apologized. And one of the executives  
13 whom Alphabet continued employing after he was accused of harassment resigned, with no exit  
14 package.

15           201. But employees’ discontent continued to simmer. Many said Google had treated  
16 female workers inequitably over time. Others were outraged that Google had paid Rubin, the creator  
17 of the Android mobile software, a \$90 million exit package even after the company concluded that  
18 a harassment claim against him was credible.

19           202. Defendant Pichai, who spoke at *The New York Times*’s DealBook conference on  
20 Thursday, Nov. 1, 2018, said: “It’s been a difficult time. There is anger and frustration within the  
21 company. We all feel it. I feel it, too.”

22           203. Defendant Pichai conceded that Google had not lived up to the high bar it set for  
23 itself. It has since “evolved as a company.” And he expressed support for the employees who  
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25 \_\_\_\_\_  
26 <sup>84</sup> Mengqi Sun & Ezequiel Minaya, *Google Workers’ Walkout Signals Crisis of Faith in Company*  
27 *Culture*, *The Wall Street Journal* (Nov. 2, 2018), [https://www.wsj.com/articles/employee-](https://www.wsj.com/articles/employee-discontent-threatens-googles-reputation-1541151001)  
28 [discontent-threatens-googles-reputation-1541151001](https://www.wsj.com/articles/employee-discontent-threatens-googles-reputation-1541151001).

<sup>85</sup> *Id.*

1 participated in the walkout. He promised that Google would take steps to address the issues they  
2 raised.

3         204. In the wake of the Walkout, Alphabet made small concessions to its employees’  
4 concerns: it agreed to end its policy of forced arbitration for sexual harassment claims; improve its  
5 investigation process—which had often left complainants in the dark about the outcome of  
6 investigations into their allegations;<sup>86</sup> and dock employee performance ratings if they refuse to  
7 participate in sexual harassment training.<sup>87</sup> But these limited steps and the lack of any strong  
8 affirmative measures undertaken by the Board only underscore the serious inadequacies that the  
9 Board has allowed to persist in the Company’s sexual harassment and discrimination policies, and  
10 fail to address the broader environmental issues that have allowed sexual misconduct to flourish.<sup>88</sup>  
11 They do not demonstrate how the Company’s leadership will be held accountable for enacting and  
12 enforcing policies that ensure high-powered male executives credibly accused of misconduct will  
13 be punished, rather than richly rewarded, nor how those who complain about harassment will be  
14 protected from retaliation. Moreover, these efforts are prospective only: they do not include a plan  
15 to recapture bonuses or stock paid to executives who were found to have been credibly accused of  
16 sexual harassment, nor do they indicate how or whether the leadership and Board members who  
17 signed off on such wasteful and inappropriate payments will be sanctioned.

18         205. Underscoring Alphabet’s lack of progress, two organizers of the Walkout  
19 subsequently left the Company.<sup>89</sup> Other organizers alleged that they faced retaliation as a result of  
20 their participation. On May 1, 2019, over one thousand Alphabet employees staged a sit-in to protest  
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22 <sup>86</sup> Conger & Wakabayashi, *The New York Times* (Nov. 8, 2018), *supra* note 5.

23 <sup>87</sup> *Id.*

24 <sup>88</sup> As the Walkout’s organizers note, Alphabet’s response overlooked several of their core demands,  
25 particularly those meant to address the systemic racism and discrimination within the company. *See*  
26 Mariella Moon, *Google Walkout Organizers: Changes are a Start, But Not Enough*, Engadget,  
(Nov. 9, 2018), <https://www.engadget.com/2018/11/09/google-walkout-response/>.

27 <sup>89</sup> *Onward! Another #GoogleWalkout Goodbye*, Medium (July 16, 2019),  
28 <https://medium.com/@GoogleWalkout/onward-another-googlewalkout-goodbye-b733fa134a7d>,

1 retaliation against the Walkout’s organizers and others who spoke out against Alphabet’s leadership.  
2 The sit-in participants made a list of demands on the Company, including a “transparent, open  
3 investigation” of Google’s human resources department and its “abysmal handling of employee  
4 complaints related to working conditions, discrimination, harassment and retaliation.”<sup>90</sup>

5 206. In June 2019, CtW Investment Group filed a shareholder proposal to include a non-  
6 executive employee on Alphabet’s Board to ensure a more proactive response to ordinary  
7 employees’ needs and concerns. As CtW’s executive director explained, “Adding a nonexecutive  
8 employee representative *will help restore employee confidence in senior leadership and help*  
9 *resolve the cultural crisis* by adding much needed depth to the its perspective. . . . We think it would  
10 help shake up a board that is not very diverse and very much controlled by insiders.”<sup>91</sup> But once  
11 again, the Company recommended that shareholders vote against the proposal and the measure  
12 failed.<sup>92</sup>

13 **H. Defendants Breached their Fiduciary Duties by Hiding the Google+ Breach**  
14 **from the Public**

15 207. Defendants likewise breached their fiduciary duties and caused harm to the Company  
16 in connection with the data breach of users’ information. As reported by the *WSJ*, Defendants  
17 deliberately hid the Google+ data breach to avoid regulatory scrutiny. Defendants’ conduct in  
18 response to the Google+ breach demonstrates a knowing failure to ensure that Alphabet complies  
19 with applicable data privacy regimes. And, just as Alphabet’s long-standing failure to address its  
20 sexual harassment and discrimination problem set the stage for massive employee and shareholder  
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23 <sup>90</sup> Emily Birnbaum, *Over 1,000 Google employees participate in sit-in protesting alleged*  
24 *retaliation*, The Hill (May 1, 2019, 5:02 PM), <https://thehill.com/policy/technology/441683-over-1000-google-employees-participate-in-sit-in-protesting-alleged>.

25 <sup>91</sup> Jillian D’Onfro, *After a Tumultuous Year, Google Workers and Investors Plan to Press for*  
26 *Change as Shareholders Meeting*, Forbes (June 19, 2019, 4:30 AM),  
<https://www.forbes.com/sites/jilliandonfro/2019/06/19/google-workers-join-shareholders-for-proposals-at-annual-shareholders-meeting/#72d32fa46f9c>.

27 <sup>92</sup> 2019 Annual Meeting of Stockholders, Alphabet Investor Relations,  
28 <https://abc.xyz/investor/other/annual-meeting/>.

1 outrage after the *NYT*'s revelations, the Company's repeated failure to comply with data privacy  
2 rules in the past has increased the fallout and potential penalties it now faces as a result of its decision  
3 to conceal the Google+ breach from affected users and the public.

4 **1. Alphabet's History of Concealing Data Privacy Issues Had Already**  
5 **Resulted in Heightened Legal Scrutiny and Penalties**

6 208. Even before the *WSJ* article brought the deliberate concealment of the Google+  
7 breach to light, Alphabet's pattern of misleading, incomplete, and inaccurate statements regarding  
8 data privacy was already drawing heightened regulatory scrutiny and legal penalties—  
9 circumstances which were well-known to Defendants.

10 209. In October 2011, Alphabet entered into a twenty-year Consent Decree with the FTC  
11 to resolve charges that the Company used deceptive tactics and violated its own privacy promises  
12 to consumers when it launched a social media network, Google Buzz, in 2010, in violation of the  
13 FTC Act.<sup>93</sup> The Consent Decree provides, in relevant part, that Alphabet:

14 a. **"shall not misrepresent** in any manner, expressly or by implication[] **the**  
15 **extent to which [the Company] maintains and protects the privacy and confidentiality** of any"  
16 personal information the Company collects from or about an individual;

17 b. shall establish and implement a comprehensive privacy program; and

18 c. shall obtain biennial assessments from a third-party professional certifying  
19 that the Company's "privacy controls are operating with sufficient effectiveness to provide  
20 reasonable assurance to protect the privacy of" information collected about or from an individual.

21 210. In August 2012, Alphabet agreed to pay a record \$22.5 million civil penalty to settle  
22 FTC charges that it violated the Consent Decree when it misrepresented its use of "cookies" and  
23 targeted advertisements to users.<sup>94</sup>

24 \_\_\_\_\_  
25 <sup>93</sup> FTC Consent Decree,  
26 <https://www.ftc.gov/sites/default/files/documents/cases/2011/10/111024googlebuzzdo.pdf>.

27 <sup>94</sup> Press Release, FTC, Google Will Pay \$22.5 Million to Settle FTC Charges it Misrepresented  
28 Privacy Assurances to Users of Apple's Safari Internet Browser (Aug. 9, 2012),  
<https://www.ftc.gov/news-events/press-releases/2012/08/google-will-pay-225-million-settle-ftc->

1           211. On August 13, 2018, the *AP* reported yet another instance of misleading conduct.<sup>95</sup>  
2 Google had specifically assured users of its apps and mobile devices that they could control whether  
3 the Company stored location information it gathered from those sources by turning off a feature  
4 called “Location History.” The Company failed to disclose, however, that the user’s information  
5 would be stored—regardless of whether “Location History” was turned off—each time he or she  
6 used a Google-controlled feature on their device, such as Google Maps, weather apps, and Google  
7 searches. The *AP*’s findings were confirmed by computer-science researchers at Princeton at the  
8 publication’s request.

9           212. The *AP*’s report drew immediate concern from lawmakers. Senator Mark Warner of  
10 Virginia, complaining about a spate of “corporate practices that diverge wildly from the totally  
11 reasonable expectations of their users,” expressed his support for policies that would give users more  
12 control over their data. Representative Frank Pallone of New Jersey similarly called for  
13 “comprehensive consumer privacy and data security legislation.”

14           213. Users have filed a consumer class action in the Northern District of California,  
15 asserting that Alphabet’s misleading statements on geolocation tracking violate California’s  
16 Constitutional right to privacy, state laws prohibiting the use of electronic tracking devices, and  
17 common law protections for an individual’s reasonable expectation of privacy. *See Patacsil v.*  
18 *Google, LLC*, No. 5:18-cv-5062-EJD (N.D. Cal.).

19                           **2. The *WSJ* reveals Defendants breached their fiduciary duties to the**  
20                           **Company and their legal obligations by knowingly concealing the**  
21                           **Google+ breach to avoid regulatory scrutiny**

22           214. On October 8, 2018, the *WSJ* reported that senior executives at the Company,  
23 including Defendant Pichai, deliberately concealed a data breach affecting hundreds of thousands  
24 of Google+ accounts.<sup>96</sup>

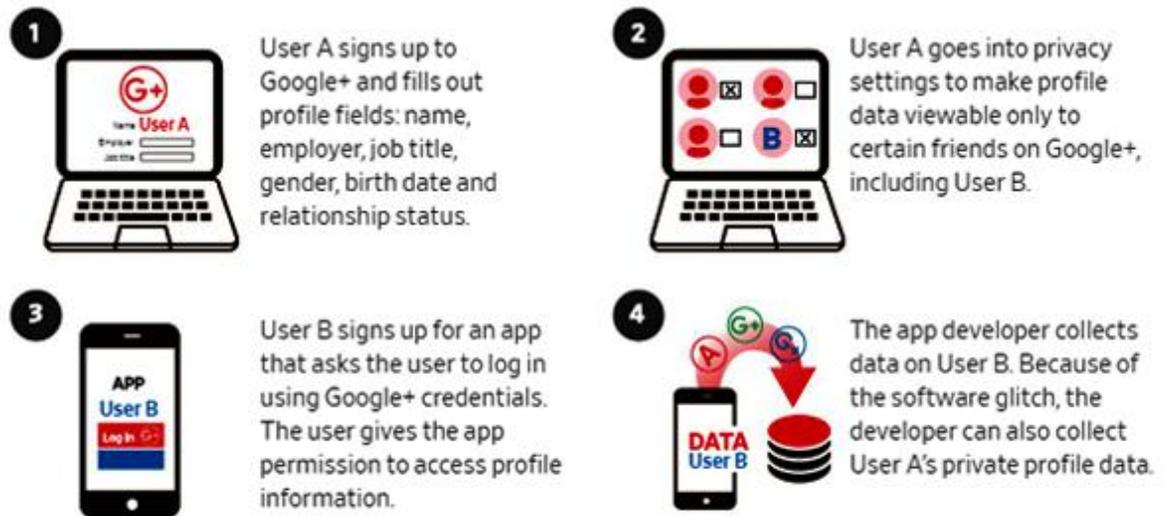
25 \_\_\_\_\_  
26 charges-it-misrepresented.

27 <sup>95</sup> Ryan Nakashima, *Google Tracks Your Movements, Like It or Not*, the Associated Press (Aug. 13,  
2018), <https://www.apnews.com/828aefab64d4411bac257a07c1af0ecb>.

28 <sup>96</sup> MacMillan & MacMillan, *The Wall Street Journal* (Oct. 8, 2018), *supra* note 11.

1           215. Specifically, Google includes application programming interfaces (“APIs”) in its  
2 products that permit outside developers to access user data. Typically, APIs require a user to grant  
3 permission before his or her data can be accessed. In March 2018, during a company-wide review  
4 of third-party developer access to Google account and Android device data, Alphabet discovered  
5 that, since 2015, an internal bug in a Google+ API allowed outside developers to access the data of  
6 users who had not granted permission for sharing, including data that was explicitly marked  
7 nonpublic in Google’s privacy settings.

8           216. This bug revealed users’ personal information without their knowledge or consent:



217. During a two-week period after the bug was discovered, Alphabet ran tests to assess the scope and impact of the breach. It determined that the private Google+ data of 496,951 users had been exposed to up to 438 applications over nearly a three-year period. The exposed user data included users’ “full names, email addresses, birth dates, gender, profile photos, places lived, occupation, and relationship status.”<sup>97</sup> Some of the individuals whose data was exposed included paying users of Google’s “G Suite,” which might include businesses, schools, and governments.

218. Under the terms of the Consent Decree, the Company had heightened obligations to identify and rectify data breaches and was required to submit to third-party audits of its privacy

<sup>97</sup> *Id.*

1 security every two years. In fact, third-party audits were completed for periods ending in both April  
2 2016 and April 2018.<sup>98</sup> Nonetheless, Alphabet failed to uncover the Google+ breach for three years,  
3 and, when the breach was finally uncovered, the Company’s policies and procedures rendered it  
4 wholly incapable of determining what damage the breach might have caused. Because Alphabet  
5 deleted its activity logs every two weeks, it was unable to accurately identify affected users or  
6 determine conclusively whether the exposed data had been misused. And because the Company did  
7 not secure “audit rights” over its developers, it had only a limited ability to determine what the apps  
8 with access to the data might have done with it. The *WSJ* reported that Alphabet also failed to “call  
9 or visit with any of the developers” in order to determine the scope of possible misuse.

10         219. Not only did the Company fail to uncover the breach or identify the scope of the  
11 harm, but it actively sought to conceal the breach from the public. Specifically, Alphabet legal and  
12 policy staff drafted an internal memo recommending against disclosing the incident to potentially  
13 affected users or the public. As detailed by the *WSJ*, the Company’s greatest concern was avoiding  
14 a public data privacy scandal: the memo “warned that disclosing the incident would likely trigger  
15 ‘immediate regulatory interest’ and invite comparisons to Facebook’s leak of user information to  
16 data firm Cambridge Analytica,” referring to the controversy over a political data firm that acquired  
17 access to the private data of millions of Facebook users during the 2016 Presidential election.  
18 Disclosing the breach “would likely result ‘in us coming into the spotlight alongside or even instead  
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21 <sup>98</sup> FTC, Independent Assessor’s Report on Google Inc.’s Privacy Program, Promontory Financial  
22 Group (June 24, 2016),  
23 [https://www.ftc.gov/system/files/documents/foia\\_requests/2016\\_Google\\_Privacy\\_Assessment%28C-4336%29.pdf](https://www.ftc.gov/system/files/documents/foia_requests/2016_Google_Privacy_Assessment%28C-4336%29.pdf); Harper Neidig, *Audit Cleared Google Privacy Practices Despite Security Flaw*,  
24 The Hill (Oct. 9, 2018), <https://thehill.com/policy/technology/410568-exclusive-privacy-audit-failed-to-mention-of-google-plus-security-flaw>. The methodology sections of both audit reports are  
25 redacted, so the extent of the information available to each auditor is unclear.

26 Megan Gray, a non-residential fellow at Stanford Law School Fellow, speculated in an April 2018  
27 white paper that the audits appeared to rely on an “attestation” model, in which the evaluation is  
28 effectively based on nothing more than a company’s leadership descriptions of its own policies.  
Meghan Gray, *Understanding & Improving Privacy ‘Audits’ Under FTC Orders*, White Paper  
(Apr. 18, 2018), <http://cyberlaw.stanford.edu/about/people/megan-gray>.

1 of Facebook despite having stayed under the radar throughout the Cambridge Analytica scandal,’  
2 the memo said. It ‘almost guarantees [Defendant Pichai] will testify before Congress.’”

3         220. The memo was shared with “senior executives,” including Defendant Pichai. The  
4 *WSJ* further reported that Defendant Pichai was specifically “briefed on the plan not to notify users  
5 after an internal committee had reached that decision.” The Audit Committee is tasked with  
6 overseeing legal compliance and strategy, including with respect to data privacy. Its charter states  
7 that the Committee is responsible for risk oversight regarding “programs and policies relating to  
8 legal compliance and strategy” and “operational infrastructure, particularly . . . security, and data  
9 privacy, including cyber security. The Audit Committee shall provide regular reports to the full  
10 Board of Directors.” It is reasonable to infer that the Audit Committee was involved in and/or  
11 apprised of the decision. GOOG-PIPETRADES-SHD-00000786. The Board considers this sort of  
12 data breach and the implications for the Company’s legal and regulatory compliance, as  
13 demonstrated by the “2018-2019 Legal and Regulatory Outlook” discussing “Project Strobe G+,  
14 *WSJ* Coverage and related inquiries.” GOOG-PIPETRADES-SHD-00000786.

15         221. A statement from Ben Smith, a Google Fellow and Vice President of Engineering,  
16 published on a Company blog on the same day as the *WSJ* article, also discussed the Google+ breach.  
17 Smith’s statement, however, did not directly address the memo described in the *WSJ* article nor did  
18 it address or explain Alphabet’s decision to conceal the breach for months. Instead, Smith first  
19 asserted that the Company “found no evidence that any developer was aware of this bug, or abusing  
20 the API, and we found no evidence that any Profile data was misused”—despite the fact that, as  
21 explained above, Alphabet’s records would not have included any evidence of misuse that occurred  
22 more than two weeks before the breach was discovered, and the Company apparently did not seek  
23 more fulsome records from third-parties. Smith’s discussion of the Google+ breach concluded with  
24 an announcement that the social networking site would be shut down.

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1           222. The initial privacy breach may have been just the tip of the iceberg. Alphabet  
2 subsequently announced in December 2018 that a software update exposed the data of an additional  
3 **52.5 million** Google+ users to third-party developers for six days in the previous month.<sup>99</sup>

4  
5                           **3. Lawmakers Investigate Whether Alphabet’s Concealment Violates the  
6 FTC Consent Decree or Other Data Protection Laws**

7           223. The revelation of the Google+ breach did, as the internal memo feared, trigger  
8 “immediate regulatory interest” from several groups of Senators. But each group of lawmakers  
9 found the fact of the Company’s cover-up at least as troubling—if not more so—than the fact of the  
10 breach itself.

11           224. On October 10, 2018, Senators Richard Blumenthal, Edward Markey, and Tom Udall  
12 sent a written request to the FTC (the “Blumenthal Letter”) urging an immediate investigation into  
13 whether the Google+ breach violates the Company’s Consent Decree or other obligations, and  
14 encouraging the Commission to impose “substantial financial penalties and strong legal remedies”  
15 if any “problematic conduct” is found.<sup>100</sup>

16           225. The Blumenthal Letter observed that the Company’s assertions that it “found no  
17 evidence” that the data at issue was misused “clash with the fact that Google has insufficient records  
18 to determine whether a breach occurred” because it only kept logs for two weeks. Thus “we may  
19 never know the full extent of the damage caused by the failure to provide adequate controls and  
20 protections to users.”

21           226. Noting that Alphabet was already “one of the rare companies that had already  
22 violated an FTC consent decree” before this misconduct came to light, the Blumenthal Letter also  
23 asserted that the “failure to adequately disclose the Google+ vulnerability calls into question

24 <sup>99</sup> Ben Tobin, *Google To Shut Down Google+ Early Due to Bug That Leaked Data of 52.2 Million*  
25 *Users*, USA Today (Dec. 11, 2018), <https://www.usatoday.com/story/tech/2018/12/11/google-plus-leak-social-network-shut-down-sooner-after-security-bug/2274296002/>.

26 <sup>100</sup> Release, Office of Senator Ed Markey, *Senators Demand FTC Investigation Into Google’s*  
27 *Privacy Practices & Culture of Concealment* (Oct. 10, 2018),  
28 <https://www.markey.senate.gov/news/press-releases/senators-demand-ftc-investigation-into-google-privacy-practices-and-culture-of-concealment>.

1 Google’s compliance” with its Consent Decree. In particular, the Blumenthal Letter pointed out that  
2 the decree required the Company to perform audits of its data privacy controls—like the one that  
3 uncovered the Google+ breach—every six months, but the Company nevertheless failed to uncover  
4 this bug for nearly three years.

5 227. The Blumenthal Letter condemned the Company’s deliberate decision to hide the  
6 breach for six months to avoid public scrutiny, and attributed that misconduct to a broader problem  
7 with its leadership: “The awareness and approval by Google management not to disclose represents  
8 **a culture of concealment and opacity set from the top of the company.**”

9 228. Other lawmakers expressed similar concerns. On October 11, 2018, Senators John  
10 Thune, Roger Wicker, and Jerry Moran wrote to Defendant Pichai requesting more information  
11 about the decision not to disclose the breach, which the Senators described as “troubling.”<sup>101</sup> Their  
12 questions included whether Alphabet had disclosed the breach to the FTC or to an Independent  
13 Assessor tasked with reviewing the Company’s privacy programs pursuant to the Consent Decree  
14 prior to the *WSJ*’s public revelation.

15 229. On October 23, 2018, Senators Amy Klobuchar and Catherine Cortez Masto also  
16 wrote to Defendant Pichai “to express serious concerns” about Alphabet’s conduct.<sup>102</sup> After  
17 discussing the Consent Decree and subsequent 2012 violation, the Senators asserted that the  
18 Company’s actions “raise serious questions about whether another violation may have taken place.”  
19 Their letter concluded by asking Defendant Pichai to respond to a series of questions about the  
20 circumstances of the non-disclosure, including: “**Does Google believe its leadership acted**  
21 **appropriately in withholding this information from the public?**”

22 230. In addition, the New York and Connecticut Attorneys General announced  
23 investigations into whether the Google+ breach violates the data protection laws in those states.

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25 \_\_\_\_\_  
26 <sup>101</sup> Letter from Senators John Thune, Roger F. Wicker & Jerry Moran, United States Senate, to  
Sundar Pichai, CEO of Google, Inc. (Oct. 11, 2018).

27 <sup>102</sup> Letter from Senators Amy Klobuchar & Catherine Cortez Masto, United States Senate, to Sundar  
28 Pichai, CEO of Google, Inc. (Oct. 23, 2018).

1           231. European regulators are also investigating. The Google+ data breach was discovered  
2 in March 2018, two months prior to the enactment of the EU’s General Data Protection Regulation  
3 (“GDPR”), which sets a strict 72-hour disclosure deadline to notify regulators of a personal data  
4 breach and can impose steep penalties for violators. Regulators in Ireland, Alphabet’s European  
5 center of operations, are investigating whether the breach, and the subsequent failure to disclose it,  
6 nevertheless trigger penalties under the GDPR or the Irish data protection law that pre-dated it.  
7 Regulators in Hamburg, Germany, where Google maintains offices, are also investigating whether  
8 the breach and delayed disclosure violated their pre-GDPR regulations.

9           232. The Google+ data breach is just one example of Google’s lax approach to privacy  
10 protections drawing scrutiny from regulators and Congress.

11           233. On July 2, 2018, The *WSJ* reported that even though Google announced in June 2017  
12 that it stopped mining emails sent via Gmail for personal data to target advertisements, a year later,  
13 Google still allowed third-party software developers to read users’ Gmail messages.<sup>103</sup>  
14 Unbeknownst to users, their use of many common apps (such as travel-itinerary planners and price  
15 comparison tools) gave the app developer access to their entire inbox, including reading, sending,  
16 or deleting their email messages. The messages were not merely scanned by computers – The Wall  
17 Street Journal reported that actual human employees personally reviewed users’ emails and used  
18 knowledge gleaned from the emails to target advertising. Alphabet’s user agreements with  
19 developers require opt-in consent to access private data, but Alphabet does not strictly enforce this  
20 policy. This privacy breach drew Congress’s attention. On July 10, 2018, Senators John Thune,  
21 Roger Wicker, and Jerry Moran wrote to Larry Page asking for additional information about third-  
22 party review of Gmail messages without user consent and noting that in the wake of the Cambridge

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25 <sup>103</sup> Jack Nicas, *Google to Stop Reading Users’ Emails to Target Ads*, The Wall Street Journal (June  
26 23, 2017), [https://www.wsj.com/articles/google-to-stop-reading-users-emails-to-target-ads-1498247136?mod=article\\_inline](https://www.wsj.com/articles/google-to-stop-reading-users-emails-to-target-ads-1498247136?mod=article_inline); Douglas MacMillan, *Tech’s ‘Dirty Secret’: The App Developers Sifting Through Your Gmail*, The Wall Street Journal (July 2, 2018),  
27 <https://www.wsj.com/articles/techs-dirty-secret-the-app-developers-sifting-through-your-gmail-1530544442>.

1 Analytica scandal, “the reported lack of oversight from Google to ensure that Gmail data is properly  
2 safeguarded is cause for concern.”<sup>104</sup>

3 234. In response, Alphabet admitted that it allowed third parties to review and even share  
4 data gleaned from Gmail accounts.<sup>105</sup>

5 235. On January 21, 2019, the French data protection authority fined Google 50 million  
6 euros, approximately \$57 million, for breaching the European Union’s data privacy law by failing  
7 to inform consumers and obtain their consent to collect personal data and use it to target  
8 advertisements. The French agency explained that “the infringements observed deprive the users of  
9 essential guarantees regarding processing operations that can reveal important parts of their private  
10 life since they are based on a huge amount of data, a wide variety of services and almost unlimited  
11 possible combinations.” It also noted that the lack of transparency regarding what Google does with  
12 users’ personal information is particularly jarring because of the sheer amount of services Google  
13 provides and data that it collects.

14 **I. Defendant Schmidt Leaves the Board**

15 236. On April 30, 2019, Alphabet filed its Proxy for the 2019 Annual Meeting of  
16 shareholders. The meeting was to be held at Moffett Place Event Center (Building MP7) at 1160  
17 Bordeaux Drive, Sunnyvale, CA 94089.

18 237. In the Proxy, Alphabet failed to nominate Defendant Eric Schmidt for re-election to  
19 the Board. However, in a very surprising move, Alphabet did not issue a separate press release or  
20 Form 8-K announcing the failure of Mr. Schmidt to stand for re-election. Instead, Alphabet buried  
21 the news about Schmidt in a press release on April 30, 2019 announcing a new director: “Alphabet  
22 Appoints Robin L. Washington to its Board of Directors.” That press release merely stated that  
23

24 \_\_\_\_\_  
25 <sup>104</sup> Letter from Senators John Thune, Roger Wicker, and Jerry Moran, United States Senate, to Larry  
Page, CEO of Alphabet Inc. (July 10, 2018).

26 <sup>105</sup> John D. McKinnon and Douglas MacMillan, *Google Says It Continues to Allow Apps to Scan*  
27 *Data From Gmail Accounts*, *The Wall Street Journal* (Sept. 20, 2018),  
28 <https://www.wsj.com/articles/google-says-it-continues-to-allow-apps-to-scan-data-from-gmail-accounts-1537459989>.

1 “After over 18 years on the Board, Eric Schmidt is not seeking re-election at the expiration of his  
2 current term on June 19, 2019,” without providing the true reasons for Schmidt’s ouster. Schmidt  
3 was a key executive and director at Alphabet, formerly serving as CEO of the Company for over ten  
4 years, from 2011 to 2011. Schmidt also served as Executive Chairman of Google’s Board of  
5 Directors from April 2011 to January 2018. Schmidt also has a very significant equity stake in  
6 Alphabet, which as of April 30, 2019 stood at 8.6% of Alphabet’s Class B shares, giving him 5.3%  
7 voting control in the Company.

8 238. It appears that Schmidt may have been forced out at Alphabet due to his involvement  
9 in fostering a culture that was hostile to female employees and protecting male employees who  
10 engaged in sexual harassment and discrimination. The true reason for Schmidt’s failure to stand for  
11 re-election to Alphabet’s Board was material to investors, and should have been disclosed. By not  
12 disclosing these material facts, Alphabet’s Board breached their duties of good faith, candor, and  
13 loyalty.

#### 14 **V. THE INDIVIDUAL DEFENDANTS BREACHED THEIR FIDUCIARY DUTIES**

15 239. Each Individual Defendant, by virtue of his or her position as a director and/or  
16 officer, owed to Alphabet and its shareholders numerous fiduciary duties, as described in further  
17 detail below. The conduct of the Individual Defendants complained of herein involves a knowing  
18 and culpable violation of their obligations as directors and officers of Alphabet, the absence of good  
19 faith on their part, and a reckless disregard for their duties to Alphabet and its shareholders that the  
20 Individual Defendants were aware or should have been aware posed a risk of serious injury to the  
21 Company.

22 240. Defendants who are members of the Board’s Audit Committee, Leadership  
23 Development and Compensation Committee, and Governance Committee also breached duties  
24 imposed on them in the Charter of each Committee, as discussed in more detail below.

25 241. As a result of the Individual Defendants’ illegal actions and course of conduct and  
26 improper payouts which wasted the Company’s assets, the Company is now the subject of numerous  
27 lawsuits and increased regulatory scrutiny, as detailed herein.

28

1           **A.     The Individual Defendants Breached Their Fiduciary Duties to the Company**

2           242.   The Individual Defendants, because of their positions of control and authority as  
3 officers and/or directors of Alphabet, were able to, and did, directly and/or indirectly, exercise  
4 control over the wrongful acts complained of herein.

5           243.   By reasons of their positions as officers and/or directors and fiduciaries and because  
6 of their ability to control the business and corporate affairs of Alphabet, the Individual Defendants  
7 owe the Company and its stockholders the fiduciary obligations of trust, loyalty, good faith, and due  
8 care, and were required to do their utmost to control and manage the affairs of Alphabet in a fair,  
9 just, honest, and equitable manner. By virtue of such duties, the Individual Defendants were required  
10 to, among other things:

11                   (a)     conduct the affairs of the Company in an efficient, business-like manner in  
12                   compliance with all applicable laws, rules, and regulations so as to make it possible  
                    to provide the highest quality performance of its business;

13                   (b)     act in furtherance of the best interests of Alphabet and its stockholders so as  
14                   to benefit all stockholders equally, and not in furtherance of their own personal  
15                   interest or benefit;

16                   (c)     exercise good faith and diligence in the administration of the affairs of the  
17                   Company and in the use and preservation of its property and assets to maximize the  
                    value of the Company's stock; and

18                   (d)     protect the Company's assets from loss or waste.

19           244.   The Individual Defendants each breached his or her duty of loyalty and good faith  
20 by failing to address or prevent a systemic culture of sexual harassment and discrimination, and  
21 instead rewarding and shielding male executives credibly accused of harassment and assault with  
22 wasteful and excessive severance packages; and by allowing Defendants to cause, or by themselves  
23 causing, the Company to deliberately conceal the Google+ data privacy breach from the public,  
24 despite the Company's obligation under data protection laws and the Consent Decree.

25           **B.     The Individual Defendants Breached their Duty of Good Faith**

26           245.   To discharge their duties and to comply with good corporate governance, the  
27 Individual Defendants were required to act in good faith and with loyalty with respect to the  
28

1 management, policies, practices and controls of the business and financial affairs of the Company.

2 By virtue of such duties, Defendants were required to, among other things:

- 3 (a) ensure that the Company complied with applicable legal obligations,  
4 requirements and regulations, including acting only within the scope of its  
5 legal authority and disseminating truthful and accurate statements to the  
6 investing public;
- 7 (b) conduct the affairs of the Company in an efficient, business-like manner so  
8 as to make it possible to provide the highest quality performance of its  
9 business, to avoid wasting the Company's assets, and to maximize the value  
10 of the Company's stock;
- 11 (c) remain informed as to how Alphabet conducted its operations and, upon  
12 receipt of notice or information of imprudent or unsound conditions or  
13 practices, make reasonable inquiry in connection therewith and take steps to  
14 correct such conditions or practices and make such disclosures as necessary  
15 to comply with the law;
- 16 (d) ensure that Alphabet was operated in a diligent, honest and prudent manner  
17 in compliance with applicable laws, rules and regulations;
- 18 (e) implement and maintain adequate internal controls to ensure that the  
19 Company was promptly informed of any sexual harassment, sexual  
20 misconduct, or sexual abuse, committed by a Company employee, including  
21 an officer or director, and responded to such conduct in accordance with state  
22 and federal laws;
- 23 (f) implement and maintain adequate internal controls to ensure that personal  
24 data held by the Company was protected in accordance with applicable data  
25 privacy regimes; that the Company was promptly informed of any breach of  
26 personal data held by the Company; and that the Company respond to any  
27 such breach in accordance with state, federal, and international laws; and
- 28 (g) establish and implement internal controls and appropriate risk assessment and  
risk management procedures.

22 246. The Individual Defendants breached their fiduciary duties of good faith and loyalty  
23 by acting in a disloyal manner by preferring the interests of Rubin, Singhal, and the Individual  
24 Defendants over Alphabet's best interests; approving and affirmatively concealing systemic  
25 harassment and discrimination against the Company's female employees; by approving and failing  
26 to curtail retaliation against Alphabet employees who reported sexual harassment and  
27 discrimination; and by affirmatively misrepresenting that the Company's policies, procedures and  
28

1 internal controls were sufficient to insure that the Company was in compliance with all applicable  
2 laws and regulations regarding data protection, sexual harassment, discrimination, and retaliation.

3  
4 **C. The Individual Defendants Violated Google’s Corporate Governance Guidelines**

5 247. Alphabet’s Board has adopted a set of Corporate Governance Guidelines  
6 (“Guidelines”) which are reviewed periodically by the Governance Committee (together with the  
7 Leadership Development and Compensation Committee, as necessary). The Guidelines are intended  
8 “to provide a structure within which our directors and management can effectively pursue  
9 Alphabet’s objectives for the benefit of its stockholders.”<sup>106</sup>

10 248. The Board’s stated primary responsibilities are: (a) “to exercise their business  
11 judgment to act in what they reasonably believe to be the best interests of Alphabet and its  
12 stockholders”; (b) “to oversee management’s performance to ensure that Alphabet operates in an  
13 effective, efficient and ethical manner in order to produce value for Alphabet’s stockholders”; and  
14 (c) to “evaluate[] Alphabet’s overall strategy and monitor[] Alphabet’s performance against its  
15 operating plan and against the performance of its peers.”<sup>107</sup>

16 249. The Board is also responsible for “risk oversight,” including “oversight of strategic,  
17 financial and execution risks and exposures associated with Alphabet’s business strategy, product  
18 innovation and sales road map, policy matters, significant litigation and regulatory exposures, and  
19 other current matters that may present material risk to Alphabet’s or its subsidiaries’ or controlled  
20 affiliates’ financial performance, operations, infrastructure, plans, prospects or reputation,  
21 acquisitions and divestitures.”<sup>108</sup>

22  
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24  
25 \_\_\_\_\_  
26 <sup>106</sup> Google – Corporate Governance Guidelines §I.

27 <sup>107</sup> Google – Corporate Governance Guidelines §III.1.

28 <sup>108</sup> Google – Corporate Governance Guideline §III.1.

1           250. The Individual Defendants failed to comply with these Guidelines: Their  
2 participation or acquiescence in the unethical conduct described above caused significant harm to  
3 the Company, its users, its employees, and its shareholders.

4           **D. The Individual Defendants Violated Google’s Code of Conduct by Permitting**  
5           **the Company to Engage in Unlawful Acts**

6           251. Under the Company’s Code of Conduct<sup>109</sup> (the “Code”), the Individual Defendants  
7 had additional obligations to the Company’s shareholders, employees, and users.

8           252. The Code holds Company employees and Board members to “the highest possible  
9 standards of ethical business conduct,” out of a recognition that “[r]espect for our users, for the  
10 opportunity, and for each other are foundational to our success.”

11           253. The Code expresses the Company’s commitments to, and obligations under, non-  
12 discrimination laws: it states that “Googlers are expected to do their utmost to create a workplace  
13 culture that is free of harassment, intimidation, bias, and unlawful discrimination”; prohibits  
14 “unlawful discrimination on the basis of” any characteristic protected by law—including sex and  
15 gender—as well as “discrimination, harassment and bullying in any form; and prohibits retaliation  
16 against any worker who reports or participates in the investigation of a possible violation of the  
17 Code, Company policies, or law.”

18           254. The Code also expressly acknowledges the importance of trust to the Company’s  
19 business model: “Our reputation as a company that our users can trust is our most valuable asset,  
20 and it is up to all of us to make sure that we continually earn that trust. All of our communications  
21 and other interactions with our users should increase their trust in us.” Recognizing that personal  
22 data is central to the Company’s business, the Code also requires employees to “know your  
23 responsibilities” under the Company’s Security Policies, Privacy Policies, and “applicable data  
24 protection laws.”

25  
26  
27 <sup>109</sup> Google’s Code of Conduct is posted on the Company’s website along with all other corporate  
28 governance documents.

1           255. The Code concludes with the Company’s famous exhortation to its employees and  
2 Directors: “[D]on’t be evil.”

3           256. Defendants did not meet the standards of this Code: in service to their own interests,  
4 they knowingly condoned violations of anti-discrimination and anti-harassment laws, data privacy  
5 laws and the Consent Decree.

6           **E. The Audit Committee Defendants Breached the Duties Imposed by the Audit**  
7           **Committee Charter by Permitting Alphabet to Engage in Conduct in Violation**  
8           **of the Law**

9           257. In addition to these duties, under the Company’s Audit Committee Charter, the Audit  
10 Committee Defendants (Defendants Mather, Ferguson, Greene, and Mulally) owed specific duties  
11 to Alphabet and its stockholders with respect to the Company’s internal controls, risk assessment,  
12 and legal compliance programs.

13           258. Specifically, Section 5 of the Audit Committee Charter charged the Committee with  
14 oversight responsibility relating to the “design, implementation, adequacy and effectiveness of  
15 Alphabet’s internal controls.” It also provides that the Committee “has responsibility for oversight  
16 of risks and exposures associated with financial matters.” The Charter makes clear that that  
17 responsibility extends to “policies relating to legal compliance and strategy, and our operational  
18 infrastructure, particularly . . . data privacy.”

19           259. In Section 15, the Audit Committee is also charged with oversight over Alphabet’s  
20 Code as well as its “overall compliance program.” Those duties include reviewing and approving  
21 any changes to those policies, and assessing their implementation and efficacy at least annually.

22           260. Thus, the Audit Committee Defendants breached their additional fiduciary duties by  
23 allowing the Board and Company management to fail in their legal obligations to comply with state,  
24 federal, and international regulations regarding sexual discrimination and harassment, and data  
25 privacy, including the Consent Decree. Indeed, given the multiple serious sexual harassment  
26 incidents at the executive level, the Audit Committee breached its fiduciary duties both by allowing  
27 the culture of harassment to continue—in clear violation of the Company’s Code—and by  
28 concealing the seriousness of the problem from shareholders.

1           **F. The Leadership Development and Compensation Committee Defendants**  
2           **Breached the Duties Imposed by the Leadership Development and**  
3           **Compensation Committee Charter by Approving Severance Payouts to**  
4           **Executives Who Should Have Been Terminated for Cause**

5           261. Under the Company’s Leadership Development and Compensation Committee  
6 (“LDCC”) Charter, the LDCC Defendants (Defendants Doerr and Shriram) also owed specific  
7 duties to Alphabet and its stockholders to ensure that the Company’s employee compensation  
8 policies and practices were consistent with its business objectives and with “sound corporate  
9 governance principles.”<sup>110</sup>

10          262. The LDCC oversees the Company’s employee compensation policies and reviews  
11 compensation and incentive programs for Alphabet’s executive officers, directors, and other  
12 members of “senior management,” as necessary. Specific responsibilities include the “annual  
13 evaluation of the performance of Alphabet’s senior management, as appropriate”; reviewing and  
14 approving “all salaries, bonuses, equity awards, perquisites, post-service arrangements, stock  
15 ownership requirements and other compensation and benefit plans for Alphabet’s Chief Executive  
16 Officer and other members of senior management”; providing oversight for overall compensation  
17 and benefit programs for all employees; and “overseeing risks and exposures associated with “the  
18 operation and structure of compensation programs and arrangements.”

19          263. Crucially, the LDCC is also charged with “review[ing] and approv[ing] the terms of  
20 any offer letters, employment agreements, **termination agreements** or arrangements . . . between  
21 Alphabet, on the one hand, and its Chief Executive Officer or **member of senior management**, on  
22 the other.”

23          264. Thus, the LDCC Defendants breached their fiduciary duties by rubber-stamping  
24 wasteful and excessive severance payouts for high-level male executives credibly accused of  
25 misconduct. Defendants Doerr and Shriram were specifically identified in Company documents as  
26 approving a \$150 million stock grant to Ruben in September 2014, as well as the \$90 million pay-

27 \_\_\_\_\_  
28 <sup>110</sup> Robin L. Washington was added to the LDCC on April 30, 2019, when she joined the Board.

1 out to Rubin in October 2014, after the Company had found credible allegations that Rubin had  
2 coerced a female employee into performing oral sex on him. Defendant Shriram also approved the  
3 multi-million dollar severance package Singhal received in February 2016 after he was credibly  
4 accused of groping a female employee.

5 265. The LDCC Defendants also breached their fiduciary duties by allowing the  
6 Company's discriminatory pay and promotion policies to persist, even in the face of a government  
7 investigation and class action suit.

8  
9 **G. The Governance Committee Defendants Breached the Duties Imposed by the  
Governance Committee Charter**

10 266. Under the Company's Governance Committee Charter, the Governance Committee  
11 Defendants (Defendants Hennessy and Tilghman) were responsible for, among other things,  
12 "develop[ing], update[ing] as necessary, and recommend[ing] to the Board the governance  
13 principles applicable to Alphabet."

14 267. The Governance Committee is charged with oversight over the risks and exposures  
15 associated with "corporate governance" and "overall board effectiveness," and is required to review  
16 the Company's governance practices at least annually. The Governance Committee also has the  
17 ability to recommend the termination of service of individual members of the Board as appropriate,  
18 for cause or for other "proper reasons."

19 268. Thus, Tilghman and Hennessy, as members of that Committee during the relevant  
20 period, had an independent obligation under the Committee's charter to not only assess the  
21 performance of the Board, but to implement appropriate governance and oversight protections to  
22 ensure the proper functioning of the Board and compliance with its fiduciary obligations. Tilghman  
23 and Hennessy breached this obligation when they failed to, among other things, report or prevent  
24 the gross failures of governance and leadership detailed above, and when they failed to terminate  
25 Board Members for permitting sexual misconduct to be not only covered up, but richly rewarded.

26 269. Moreover, the very structure of Alphabet's Governance Committee indicates the  
27 skewed priorities of the Company's leadership. Corporate governance committees are widely  
28 recognized as crucial for any corporation that operates in a complex regulatory framework. The New

1 York Stock Exchange (“NYSE”) Manual describes nominating / corporate governance committees  
2 as “central to the effective functioning of the board,” particularly identifying board nominations as  
3 “among a board’s most important functions.”<sup>111</sup> The NYSE accordingly requires its listed  
4 companies to establish such a committee, and further requires that the committee be composed  
5 entirely of independent directors.<sup>112</sup> NASDAQ, where Alphabet is listed, similarly encourages listed  
6 companies to establish an independent nominating committee.<sup>113</sup> Thus, the responsibilities assigned  
7 to Alphabet’s Governance Committee would be substantial for a company of any size.

8         270. For a company as large as Alphabet—a multinational conglomerate with more than  
9 94,000 employees working around the globe in a number of disparate industries and with vast  
10 quantities of sensitive personal information—the job of overseeing every facet of the Company’s  
11 corporate governance mechanisms must be enormous. But its Governance Committee is currently  
12 made up of only a single member, Defendant Hennessy.<sup>114</sup> His lone stewardship is in stark contrast  
13 to the makeup of corporate governance committees in much smaller companies. For instance, a  
14 March 2017 survey conducted by EY, the parent company of Ernst & Young, found that the  
15 corporate governance committees of Fortune 100, S&P 500, S&P 400, and S&P companies all  
16 averaged around four members, with the former two categories just over that number, and the latter  
17 two just under.<sup>115</sup> The Individual Defendants’ obvious failure to provide this essential committee  
18 with adequate staffing demonstrates their disregard for the importance of effective corporate  
19 governance procedures.

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23 <sup>111</sup> NYSE Manual, Rule 303A.04 Commentary.

24 <sup>112</sup> NYSE Manual, Rule 303A.04(a).

25 <sup>113</sup> NASDAQ Listing Rule 5605(e)(2).

26 <sup>114</sup> Defendant Tilghman stepped down from the Board in February 2018, and has not been replaced  
on the Governance Committee by any other member.

27 <sup>115</sup> EY, A Look Inside Nominating and Governance Committees (Mar. 2017),  
28 <https://www.ey.com/us/en/issues/governance-and-reporting/ey-a-look-inside-nominating-and-governance-committees>.

1           **H. The Director Defendants Caused Google to File Misleading Financial**  
2           **Statements With the SEC**

3           271. On February 9, 2015, Director Defendants Page, Brin, Schmidt, Hennessy, Doerr,  
4 Greene, Mather, Mulally, Shriram, and Tilghman reviewed, approved, and signed Google’s Annual  
5 Report to shareholders on Form 10-K for its fiscal year ending December 31, 2014 (the “2014 10-  
6 K”). Google’s fiscal year 2014 covered the time period when Defendant Rubin was investigated for  
7 sexual harassment, when those allegations were found to be credible, and when Rubin nonetheless  
8 was allowed to “resign” with a \$90 million exit package.

9           272. The 2014 10-K, at p. 5, represented that:

10           **Culture and Employees**

11           We take great pride in our culture. We embrace collaboration and  
12 creativity, and encourage the iteration of ideas to address complex  
13 technical challenges. *Transparency and open dialogue are central to*  
*how we work, and we like to ensure that company news reaches our*  
*employees first through internal channels.*

14           Despite our rapid growth, we still cherish our roots as a startup and  
15 wherever possible empower employees to act on great ideas  
16 regardless of their role or function within the company. We strive to  
17 hire great employees, with backgrounds and perspectives as diverse  
18 as those of our global users. We work to provide an environment  
19 where these talented people can have fulfilling careers addressing  
20 some of the biggest challenges in technology and society.

21           273. This statement was materially false and misleading because the Director Defendants  
22 had covered up the true reason for Rubin’s departure from Google. Rather than communicating the  
23 truth to the Company’s employees through internal channels, the Directors and senior officers of  
24 Google concealed the truth from employees, thus making the statements in the Form 10-K inaccurate  
25 and misleading. The cover-up continued until the fall of 2018, when some of the truthful information  
26 was disseminated through outside major news outlets.

27           274. Representations in the 2014 10-K admitted the outsize importance and influence of  
28 Defendants Page, Brin, Schmidt, and other senior officers at Google, while at the same time  
concealing the lengths to which the Company went to protect senior executives from harassment  
charges:

1 *If we were to lose the services of Larry, Sergey, Eric, or other key*  
2 *personnel, we may not be able to execute our business strategy.*

3 Our future success depends in a large part upon the continued service  
4 of key members of *our senior management team*. In particular, Larry  
5 Page and Sergey Brin are critical to the overall management of  
6 Google and the development of our technology. *Along with our*  
7 *Executive Chairman Eric E. Schmidt, they also play a key role in*  
8 *maintaining our culture and setting our strategic direction.* All of  
9 our executive officers and key employees are at-will employees, and  
10 we do not maintain any key-person life insurance policies. The loss  
11 of key personnel could seriously harm our business.

12 *See* 2014 10-K, at p. 15.

13 275. This statement in the 2014 Annual Report was misleading and a half-truth because  
14 the Director Defendants who signed the Form 10-K knew, but did not disclose, that the Company  
15 viewed these senior executives (which included not only Brin, Page, and Schmidt, but also Rubin  
16 and Singhal) to be so crucial to Google's money-making ability (*e.g.*, "PROFITS") that the  
17 Company was protecting them against credible allegations of sexual harassment and not disclosing  
18 the Company's own findings to employees and shareholders. As noted above, Defendants Page,  
19 Brin, Schmidt, and the other Director Defendants abused their power and positions of fiduciary  
20 responsibility at Google to perpetuate a culture of harassment and to lead Google in a strategic  
21 direction that allowed subsequent cover ups and payouts for the misdeeds of male executives.

22 276. Key elements of the financial disclosures contained within the 2014 10-K also are  
23 false and misleading due to omission of an explanation of the true nature of Defendant Rubin's  
24 departure from Google and the consequent substantial liability faced by Google both in terms of  
25 possible financial payout and harm to reputation. The 2014 10-K stated:

26 ***Loss Contingencies***

27 We are regularly subject to claims, suits, government investigations,  
28 and other proceedings involving competition and antitrust,  
intellectual property, privacy, indirect taxes, *labor and employment*,  
commercial disputes, content generated by our users, goods and  
services offered by advertisers or publishers using our platforms, and  
other matters. Certain of these matters include speculative claims for  
substantial or indeterminate amounts of damages. *We record a*  
*liability when we believe that it is both probable that a loss has been*  
*incurred, and the amount can be reasonably estimated. If we*

1 *determine that a loss is possible and a range of the loss can be*  
2 *reasonably estimated, we disclose the range of the possible loss in*  
3 *the Notes to the Consolidated Financial Statements.*

4 *See* 2014 10-K, p. 36-7.

5 277. Despite their knowledge of the true nature of Defendant Rubin's departure from  
6 Google and the Company's possible liability for the credible claims of sexual harassment, the  
7 Defendant Directors failed to include this information in its loss contingencies disclosures.

8 278. Similarly, when setting forth other legal matters, the 2014 10-K was noticeably silent  
9 on Defendant Rubin's departure and its possible legal consequences:

10 ***Other***

11 We are also regularly subject to claims, suits, government  
12 investigations, and other proceedings involving competition (such as  
13 the pending investigation by the EC described above), intellectual  
14 property, privacy, tax, ***labor and employment***, commercial disputes,  
15 content generated by our users, goods and services offered by  
16 advertisers or publishers using our platforms, personal injury,  
17 consumer protection, and other matters. Such claims, suits,  
18 government investigations, and other proceedings could result in  
19 fines, civil or criminal penalties, or other adverse consequences.

20 Certain of our outstanding legal matters include speculative claims  
21 for substantial or indeterminate amounts of damages. ***We record a***  
22 ***liability when we believe that it is probable that a loss has been***  
23 ***incurred and the amount can be reasonably estimated. If we***  
24 ***determine that a loss is possible and a range of the loss can be***  
25 ***reasonably estimated, we disclose the range of the possible loss. We***  
26 ***evaluate, on a monthly basis, developments in our legal matters that***  
27 ***could affect the amount of liability that has been previously***  
28 ***accrued, and the matters and related ranges of possible losses***  
***disclosed, and make adjustments as appropriate.*** Significant  
judgment is required to determine both likelihood of there being and  
the estimated amount of a loss related to such matters.

***With respect to our outstanding legal matters, based on our current***  
***knowledge, we believe that the amount or range of reasonably***  
***possible loss will not, either individually or in the aggregate, have a***  
***material adverse effect on our business, consolidated financial***  
***position, results of operations, or cash flows. However, the outcome***  
***of such legal matters is inherently unpredictable and subject to***  
***significant uncertainties.***

*See* 2014 10-K, p. 66.

1           279. Instead of revealing that the credible claims of sexual harassment against Rubin led  
2 to his departure and *exposed Google to significant financial liability and loss to reputation,*  
3 *including its ability to retain and hire employees,* the Defendant Directors signed the misleading  
4 Annual Report that concealed the true facts.

5           280. Moreover, the 2014 Annual Report misrepresented that Google’s internal controls  
6 were effective:

7                   Our management is responsible for establishing and maintaining  
8 adequate internal control over financial reporting, as defined in Rule  
9 13a-15(f) of the Exchange Act. ***Our management conducted an***  
10 ***evaluation of the effectiveness of our internal control over financial***  
11 ***reporting*** based on the framework in Internal Control—Integrated  
12 Framework issued by the Committee of Sponsoring Organizations of  
13 the Treadway Commission (2013 framework). ***Based on this***  
14 ***evaluation, management concluded that our internal control over***  
15 ***financial reporting was effective as of December 31, 2014.***  
***Management reviewed the results of its assessment with our Audit***  
***Committee.*** The effectiveness of our internal control over financial  
reporting as of December 31, 2014 has been audited by Ernst &  
Young LLP, an independent registered public accounting firm, as  
stated in its report which is included in Item 8 of this Annual Report  
on Form 10-K.

16 *See* 2014 Annual Report, at p. 79.

17           281. This representation was false and misleading because the Google directors who  
18 signed the 10-K (Defendants Page, Brin, Schmidt, Hennessy, Doerr, Greene, Mather, Mulally,  
19 Shriram, and Tilghman) knew that Google’s internal controls were deficient and in fact were being  
20 intentionally overridden by Page without opposition or action from the Board. Specifically, as  
21 alleged herein, Page unilaterally interfered with the responsibilities of the LDCC with respect to  
22 Rubin’s compensation and severance for Rubin in 2014. Page awarded a \$150 million stock grant  
23 to Rubin, when the Company’s governance documents stated that it was the LDCC’s job to  
24 determine Rubin’s compensation. As the documents cited herein demonstrate, Page only sought the  
25 LDCC’s approval of the grant after-the-fact, and then the LDCC only granted approval via one-line  
26 emails after the grant had been issued, and without reviewing any documents or holding a meeting.  
27 Page and others at Google also made changes to the terms of Rubin’s severance without first  
28 consulting with the Board, as the Company’s governance documents and internal controls required.

1 Thus, at the time the Director Defendants reviewed, approved, and signed the 2014 Annual Report  
2 in 2015, they knew the statements therein concerning the adequacy and effectiveness of the  
3 Company's internal controls were misleading.

4 **I. Conspiracy, Aiding and Abetting, and Concerted Action**

5 282. At all relevant times, Individual Defendants were agents of the remaining Individual  
6 Defendants, and in doing the acts alleged herein, were acting within the course of scope of such  
7 agency. The Individual Defendants ratified and/or authorized the wrongful acts of each of the other  
8 Individual Defendants. The Individual Defendants, and each of them, are individually sued as  
9 participants and as aiders and abettors in the improper acts, plans, schemes, and transactions that are  
10 the subject of this Complaint.

11 283. In committing the wrongful acts alleged herein, the Individual Defendants have  
12 pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with  
13 and conspired with one another in furtherance of the improper acts, plans, schemes, and transactions  
14 that are the subject of this Complaint. In addition to the wrongful conduct herein alleged as giving  
15 rise to primary liability, the Individual Defendants further aided and abetted and/or assisted each  
16 other in breaching their respective duties.

17 284. The Individual Defendants engaged in a conspiracy, common enterprise, and/or  
18 common course of conduct, by failing to maintain adequate internal controls at the Company and  
19 covering up Alphabet executives' sexual harassment and Google+ data breach.

20 285. Defendants Rubin and Singhal aided and abetted the fiduciary breaches of the other  
21 Defendants by improperly influencing, insisting on and negotiating for lucrative severance  
22 agreements and cover-ups from Defendant Page, the LDCC, and the Board, despite the fact that they  
23 should have been terminated for cause.

24 286. During all times relevant hereto, the Individual Defendants, collectively and  
25 individually, initiated a course of conduct that was designed to and did circumvent the internal  
26 controls at the Company and cause the Company to cover up Google executives' sexual harassment  
27 and the misconduct surrounding the Google+ data breach. In furtherance of this plan, conspiracy,  
28

1 and course of conduct, the Individual Defendants, collectively and individually, took the actions set  
2 forth herein.

3 287. The purpose and effect of the Individual Defendants' conspiracy, common  
4 enterprise, and/or common course of conduct was, among other things, to disguise the Individual  
5 Defendants' violations of law, breaches of fiduciary duty, waste of corporate assets, and unjust  
6 enrichment; and to conceal adverse information concerning the Company's operations.

7 288. The Individual Defendants accomplished their conspiracy, common enterprise,  
8 and/or common course of conduct by intentionally circumventing internal controls at the Company  
9 and causing the Company to cover up Alphabet executives' sexual harassment and Google+ data  
10 breach. Because the actions described herein occurred under the authority of the Board, each of the  
11 Individual Defendants was a direct, necessary, and substantial participant in the conspiracy,  
12 common enterprise, and/or common course of conduct complained of herein.

13 289. Each of the Individual Defendants aided and abetted and rendered substantial  
14 assistance in the wrongs complained of herein. In taking such actions to substantially assist the  
15 commission of the wrongdoing complained of herein, each Individual Defendant acted with  
16 knowledge of the primary wrongdoing, substantially assisted in the accomplishment of that  
17 wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

## 18 **VI. DAMAGES TO THE COMPANY**

19 290. The Defendant's actions have exposed the Company to substantial liability and  
20 severely damaged the Company's goodwill and reputation.

### 21 **A. Damages From the Unlawful Severance Payments to Rubin and Singhal**

22 291. Due to the Individual Defendants' misconduct, Alphabet and Google paid Rubin \$90  
23 million, which represented corporate waste. Similar to the low-level employees whose employment  
24 was terminated because Google found allegations of sexual harassment to be credible, Rubin should  
25 have been fired for cause and not given any severance.

26 292. Similarly, due to the Individual Defendants' wrongdoing, Alphabet and Google paid  
27 \$35-45 million in severance to Amit Singhal, who should have been fired for cause and not given  
28 any severance.

1           **B.       Costs to Defend the Securities Fraud Class Action Lawsuit**

2           293.   As a result of Defendants’ wrongdoing related to the failure to disclose known bugs  
3 in the Google+ service, Alphabet has been named as a defendant in a securities fraud class action  
4 lawsuit – *In re Alphabet Inc. Sec. Litig.*, Lead Case No. 18-CV-06245-JSW (N.D. Cal.). Alphabet  
5 has already been forced to pay hundreds of thousands of dollars in defense costs. Regardless of the  
6 outcome of that case, Alphabet has already been damaged by having to pay these defense costs,  
7 which it cannot recoup through any other mechanism than the present derivative action.

8           **C.       Sexual Harassment, Discrimination, and Retaliation**

9           294.   As a major employer and federal contractor, Alphabet is also subject to state and  
10 federal anti-discrimination and anti-retaliation laws in each jurisdiction where it operates. These  
11 laws prohibit discrimination on the basis of sex or gender in all material aspects of employment,  
12 including through an employer’s toleration of sexual harassment or a hostile work environment and  
13 systematic pay discrepancies.

14           295.   As a result of Defendants’ improprieties, Alphabet engaged in a systemic, unlawful  
15 pattern and practice of sexual harassment and discrimination. Alphabet’s conduct violated  
16 applicable federal and state laws and regulations, and operated to the detriment of the Company and  
17 its employees and shareholders. State and federal governmental enforcement agencies have the  
18 ability to impose severe monetary penalties and other forms of sanctions should they find that  
19 Alphabet’s conduct violated those laws.

20           296.   In particular, if the DOL investigation concludes that, as its initial review suggests,  
21 the Company allowed or endorsed systemic pay disparities, Alphabet’s failure to address patterns  
22 of sexual harassment and discrimination may jeopardize its ability to act as a federal contractor.<sup>116</sup>

23           297.   Defendants caused Alphabet to waste substantial resources by causing it to provide  
24 hundreds of millions of dollars in cash, stock, and other Company assets to shield male executives  
25 credibly accused of sexual harassment, in violation of federal and state law. Defendants’ conduct in  
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28 <sup>116</sup> *DOL*, Complaint filed on Jan. 4, 2017.

1 this arena has also drawn harassment and discrimination lawsuits and the Company also paid  
2 significant sums to victims of sexual harassment and wasted corporate assets on litigation and  
3 arbitrations.

4 298. Most recently, there is a class action discrimination lawsuit that exposes Google to  
5 substantial liability. The *NYT*'s revelations may prompt additional victims to come forward, creating  
6 additional liabilities for the Company and Defendants.

7 299. In addition, the Company is alleged to have retaliated against employees who  
8 complained about harassment and spoke out against both specific and broader work-place problems  
9 at Alphabet, in violation of state and federal laws.

10 **D. Data Privacy**

11 300. As the Company recognizes in its own corporate governance documents, Alphabet's  
12 business is subject to state, federal, and international data protection laws and regulations, and  
13 compliance with those regimes is essential to the Company's success. Alphabet's deliberate failure  
14 to timely disclose the Google+ breach likely violated many of those protective regimes.

15 301. In particular, the Consent Decree specifically prohibits misrepresentations about the  
16 efficacy of privacy controls, including user controls over who may access their data. Defendants  
17 knew, or should have known, that their deliberate failure to disclose Google+ breach—which  
18 inadvertently permitted developers to access data that had not been marked “public” and potentially  
19 affected close to 500,000 accounts—could violate that decree yet again. Commentators have pointed  
20 out that fines for violating the Consent Decree may reach \$16,000 per day per affected user.<sup>117</sup>

21 302. Revelations of the Board's misconduct have also drawn securities fraud suits and a  
22 consumer protection class action, all of which may result in significant liabilities to the Company  
23 and one or more Defendants.

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27 <sup>117</sup> April Glaser, *Why Google Could be in Trouble Over the Google Plus Bug*, Slate (Oct. 11, 2018),  
28 <https://slate.com/technology/2018/10/google-plus-bug-ftc-consent-decree.html>.

1           **E.       Legal and Regulatory Penalties**

2           303.   As a large, multi-national employer, a federal contractor, and a business built on the  
3 collection and trade of sensitive, personal data, Alphabet and its subsidiaries are governed by various  
4 laws and strict regulations in the states and countries in which they do business. Accordingly,  
5 Defendants misconduct could result in substantial financial penalties, a loss of government  
6 contracts, and significant legal liabilities.

7           **F.       Reputation, Goodwill, and Workplace Harm**

8           304.   Defendants’ unlawful conduct has already resulted in severe harm to the Company  
9 in the form of talented and valuable employees who have quit in disgust over the Defendants’  
10 unlawful and immoral conduct and Alphabet’s refusal to take appropriate remedial action. Indeed,  
11 Google employee Meredith Whittaker, who was one of the leaders of the 2018 global walkout  
12 protesting Google’s sexual harassment and discrimination policies, resigned from Google in July  
13 2019, after stating that Google retaliated against her.<sup>118</sup>

14           305.   Another employee leader of the protests, Claire Stapleton, also left Google in 2019  
15 after she alleged that she was retaliated against by Google for her protests.<sup>119</sup> Stapleton has stated  
16 that “My manager started ignoring me, my work was given to other people, and I was told to go on  
17 medical leave, even though I’m not sick.”<sup>120</sup>

18           306.   As a result of the public scandals over the Board’s “culture of concealment,” as well  
19 as the serious nature of the conduct that it concealed, Alphabet’s ability to recruit and retain talented  
20 employees has also been damaged and may continue to be damaged. Women, in particular, will be  
21 loath to enter a workplace where the company leadership has made clear that male employees are  
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23 \_\_\_\_\_  
24 <sup>118</sup> See, e.g., James Vincent, “Google Employee Who Helped Lead Protests Leaves Company,” The  
25 Verge (July 16, 2019), <https://www.theverge.com/2019/4/23/18512413/google-employees-walkout-organizers-retaliation-punishment>.

26 <sup>119</sup> See Kate Gibson, *Leader of Worker Protests at Google Quits, Alleging ‘Retaliation’ by Company*, CBS News (June 7, 2019).

27 <sup>120</sup> See Alexia Fernandez Campbell, *Google Employees Say the Company is Punishing Them for Their Activism*, Vox (April 23, 2019).

1 valued more highly than their female counterparts, regardless of whether those men have also  
2 engaged in egregious misconduct and abuse.

3 307. The Company’s lack of diversity may also be hurting its bottom line: a recent  
4 McKinsey & Company report determined, among other things, that (i) companies in the top quartile  
5 for racial and ethnic diversity are 33 percent more likely to have financial returns above their  
6 respective national industry medians”; and (ii) companies in the top quartile for gender diversity are  
7 21 percent more likely to have financial returns above their respective national industry medians.<sup>121</sup>

8 308. Moreover, Alphabet’s own risk disclosures admit that, as a data-based company, its  
9 success depends on trust. And it recognizes that damage to its “reputation and brand” in that respect  
10 could also “seriously harm” its business.<sup>122</sup> A 2018 Accenture Strategy study recently aimed to  
11 quantify that risk: after analyzing more than 7,000 companies around the world operating across 20  
12 industries, the study estimated that losses of trust had resulted in missed opportunities on the order  
13 of \$180 billion in potential revenues.<sup>123</sup> But in connection with both the rampant sexual harassment  
14 and the data breach, Defendants’ conduct demonstrates a reckless disregard for the rights and  
15 autonomy of less powerful players—whether that be the ability of female employees to exercise  
16 control over their bodies and their careers, or the ability of users to exercise control over their private  
17 data.

18 309. The market’s negative reaction to the news of both events demonstrates the harm  
19 they caused to the Company’s public reputation, as well as the likelihood that further losses will  
20 follow: news of the delayed Google+ disclosure and the subsequent call for an FTC investigation

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22 <sup>121</sup> Vivian Hunt, et al., *Delivering Through Diversity*, McKinsey & Company, Jan. 2018,  
23 [https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-](https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity)  
24 [https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insight](https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx)  
25 [s/delivering%20through%20diversity/delivering-through-diversity\\_full-report.ashx](https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx).

26 <sup>122</sup> Alphabet, Inc., Annual Report (Form 10-K) (Feb. 18, 2018).

27 <sup>123</sup> See Press Release, Accenture, Half of Companies on the Accenture Competitive Agility Index  
28 Experienced a Major Drop in Trust, Losing Out on \$180B in Potential Revenues (Oct. 30, 2018),  
[https://newsroom.accenture.com/news/half-of-companies-on-the-accenture-competitive-agility-](https://newsroom.accenture.com/news/half-of-companies-on-the-accenture-competitive-agility-index-experienced-a-major-drop-in-trust-losing-out-on-180b-in-potential-revenues.htm)  
[index-experienced-a-major-drop-in-trust-losing-out-on-180b-in-potential-revenues.htm](https://newsroom.accenture.com/news/half-of-companies-on-the-accenture-competitive-agility-index-experienced-a-major-drop-in-trust-losing-out-on-180b-in-potential-revenues.htm).

1 caused the Company's stock price to immediately fall by 5.9%, causing a \$35 billion decline in  
2 Alphabet's market capitalization, and Alphabet's stock dropped 7% immediately following  
3 publication of the *NYT* article revealing the Company's sexual harassment problem.

4 310. In sum, Alphabet's business, goodwill, and reputation have been, and will continue  
5 to be, severely damaged by Defendants' decision to allow and perpetuate the Company's systemic  
6 violations of state and federal laws in both the data privacy and sex discrimination arenas.

7 **VII. DERIVATIVE ALLEGATIONS**

8 311. Lead Plaintiffs bring this action derivatively in the right and for the benefit of  
9 Alphabet to redress injuries suffered, and to be suffered, by Alphabet as a direct result of breach of  
10 fiduciary duties by Defendants. Alphabet is named as a Nominal Defendant solely in a derivative  
11 capacity.

12 312. Lead Plaintiffs will adequately and fairly represent the interests of Alphabet in  
13 enforcing and prosecuting its rights.

14 313. Lead Plaintiffs were shareholders of Alphabet at the time of the wrongdoing  
15 complained of, have continuously been shareholders since that time, and are current shareholders of  
16 Alphabet.

17 314. When the initial complaint was filed, the Board of Alphabet consisted of John L.  
18 Hennessey; L. John Doerr; Alan R. Mulally; Kavitar Ram Shriram; Lawrence E. Page; Sergey  
19 Brin; Ann Mather; Diane B. Greene; Roger W. Ferguson, Jr.; Sundar Pichai; and Eric E. Schmidt.<sup>124</sup>  
20 Lead Plaintiffs have not made a demand on the Board to pursue this Action because such demand  
21 would be futile, as discussed below.

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27 <sup>124</sup> To the extent that changes the Board since the initial complaint was filed are deemed relevant to  
28 the demand futility inquiry, however, Lead Plaintiffs allege that demand would also be futile on the  
current Board.

1 **VIII. DEMAND FUTILITY ALLEGATIONS**

2 **A. Demand is Excused Because Each Member of the Board Faces a Substantial**  
3 **Likelihood of Liability**

4 315. Each of member of the Board cannot impartially consider a demand because each  
5 faces a substantial likelihood of liability as a result of his or her participation or acquiescence in the  
6 sexual harassment and data privacy issues detailed above, which breached the Defendants' fiduciary  
7 duties to the Company, its employees, and its shareholders. Nine Directors were on the Board in  
8 October 2014 when Andy Rubin received his massive payout and in February 2016, when Amit  
9 Singhal received his—despite the fact that both men were leaving after the Company's own  
10 investigation determined that they likely violated employment discrimination laws—and all eleven  
11 were present in March 2018, when the Board actively concealed the Google+ data breach, likely in  
12 violation of the Company's Consent Decree with the FTC.<sup>125</sup>

13 316. Each of the Directors is potentially liable for actively concealing and withholding  
14 information from shareholders, employees, and regulators, in breach of their fiduciary duties. *See*  
15 *supra* § V. Defendants Brin, Page, and Schmidt were directly involved in asking Rubin to resign  
16 and in paying him \$90 million, and they deliberately concealed the fact that Google had performed  
17 an internal investigation that found the allegations against Rubin to be credible. Defendants Doerr,  
18 Hennessy, Greene, Mather, and Shriram were also on the Board at the time, were fully briefed about  
19 the fact that the internal investigation had found the allegations against Rubin to be credible, and  
20 directly participated in the wrongdoing and the cover-up. For example, Doerr and Shriram were on  
21 the Leadership Development and Compensation Committee that approved the payment to Rubin  
22 and which was involved in the internal investigation. Hennessy was the Lead Independent Director  
23 at the time and the Chair of the Nominating and Corporate Governance Committee.

24  
25 \_\_\_\_\_  
26 <sup>125</sup> In the alternative, demand is futile because an overwhelming majority of the current Board faces  
27 a substantial likelihood of liability—nine of the ten current Board members (Defendants Page, Brin,  
28 Doerr, Shriram, Pichai, Mather, Ferguson, Mulally, and Hennessy) were personally involved in or  
acquiesced to the events described above.

1           317. Defendants Page, Brin, and Schmidt breached their fiduciary duties by fostering a  
2 culture of sexual harassment and discrimination from the very top. Specifically, in the early 2000s,  
3 defendant Page dated Marissa Mayer, then an employee at Google. Defendant Schmidt, who joined  
4 Google as CEO in 2001, retained a mistress to work as a Google consultant. And in 2014, as  
5 Alphabet conducted an internal investigation regarding claims of sexual misconduct by defendant  
6 Rubin, defendant Brin had an extra-marital affair with a Google employee.

7           318. In particular, the following ten Defendants (including all six of the so-called  
8 “independent” directors on the Board) not only acquiesced in the events described above, but were  
9 active participants in the wrongdoing:

10           319. Defendant Page: Defendant Page aggressively advocated for Rubin’s wasteful \$90  
11 million severance package, even after Rubin was found to have been credibly accused of sexual  
12 harassment. Page also acted as the Company’s mouthpiece when it chose to shield Rubin’s conduct  
13 from scrutiny and bless his future endeavors.

14           320. Defendant Page also directly participated in the process to approve Singhal’s  
15 similarly wasteful \$45 million severance package, after similarly credible allegations of sexual  
16 harassment came to light.

17           321. In addition, because Page signed the Company’s SEC filings in his role as Alphabet’s  
18 CEO and made materially misleading statements to investors, Page has also been personally named  
19 a defendant in a shareholder class action alleging that the Company’s misrepresentations regarding  
20 the Google+ privacy breach violated federal securities laws.<sup>126</sup>

21           322. Defendants Doerr and Shriram: As members of the Leadership Development and  
22 Compensation Committee, Defendants Doerr and Shriram were specifically identified as approving  
23 the \$150 million stock grant to Rubin, Defendant Shriram approved the \$45 million severance  
24 payment awarded to Singhal, and both Defendants likely awarded to other male executives credibly  
25 accused of harassment.

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27 \_\_\_\_\_

28 <sup>126</sup> *In re Alphabet, Inc. Sec. Litig.*, No. 3:18-cv-6245 (N.D. Cal. filed Oct. 11, 2018).

1            323. Moreover, Defendants Doerr and Shriram have a history of failing to adequately  
2 carry out the responsibilities of the Leadership Development and Compensation Committee. In both  
3 2015 and 2018, ISS recommended that investors withhold votes from both men based on their  
4 decision as members of the Leadership Development and Compensation Committee to approve what  
5 ISS deemed to be excessive compensation to Company executives, including Defendant Schmidt.<sup>127</sup>  
6 In 2015, ISS stated that: “The magnitude of total pay provided to certain executives, paired with a  
7 lack of performance criteria and compelling rationale, raises significant concerns.”<sup>128</sup> In 2018, ISS  
8 again maintained that investors should withhold votes from Doerr “due to poor stewardship” and  
9 his failure to require “performance-conditioned compensation” for Alphabet executives.<sup>129</sup>

10            324. Doerr and Shriram’s unwillingness to act independently of Page and Brin is  
11 demonstrated by the way in which they carried out their responsibilities on the LDCC with respect  
12 to Rubin and Singhal. In both cases, the documents produced by Alphabet in response to Plaintiffs’  
13 shareholder inspection demands reveal that the substantial severance packages proposed by Page  
14 and Pichai respectively were approved with no substantive discussion or review of any relevant  
15 documents; in fact, Doerr and Shriram barely objected even after they learned that Page had made  
16 subsequent changes to Rubin’s severance package without their knowledge. That is a complete  
17 abdication of those Defendants’ fiduciary duties.

18            325. Defendant Pichai: Defendant Pichai was responsible for recommending the  
19 compensation for Senior Vice Presidents at Google, like Singhal, and was involved in the process  
20 to approve the \$45 million severance payment he received after he was credibly accused of sexual  
21 harassment.

22            326. The *WSJ* article also specifically notes that Pichai, Google’s CEO, was informed of,  
23 and presumably signed off on, the Company’s decision to conceal the Google+ breach from the  
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25 <sup>127</sup> Kumar, Reuters (June 3, 2015), *supra* note 22; Ritcey & Barr, Bloomberg (June 5, 2018), *supra*  
26 note 22.

27 <sup>128</sup> Whitehouse, USA Today (June 2, 2015), *supra* note 18.

28 <sup>129</sup> Ritcey & Barr, Bloomberg (June 5, 2018), *supra* note 22.

1 public in order to avoid regulatory scrutiny. As a result of Pichai’s role in the scheme, two groups  
2 of Senators sent Pichai written requests for additional information about that chain of events.

3 327. In addition, Pichai has also been personally named a defendant in one shareholder  
4 class action alleging that the Company’s misrepresentations regarding the Google+ privacy breach  
5 violated federal securities laws.<sup>130</sup>

6 328. Defendants Mather, Ferguson, Greene, and Mulally: As members of the Audit  
7 Committee, Defendants Mather, Ferguson, Greene, and Mulally were obligated under the  
8 Company’s Audit Committee Charter to exercise oversight over the Company’s Internal Controls  
9 with respect to risk, financial exposure, legal compliance, and data privacy. By failing to prevent  
10 the numerous violations of state and federal law, as well as the Consent Decree—which imposed  
11 clear and specific disclosure obligations on the Company in the event of a data breach—the Audit  
12 Committee Defendants breached their obligations under the Audit Committee Charter and will  
13 accordingly be subjected to additional liability.

14 329. Defendant Hennessey: As the sole member of the Governance Committee, Defendant  
15 Hennessey was obligated to implement appropriate governance and oversight protections to ensure  
16 the proper functioning of the Board and compliance with its fiduciary obligations. By failing to  
17 prevent the numerous violations of Company policy, state and federal law, as well as the Consent  
18 Decree, Hennessey breached his obligations under the Governance Committee Charter and will  
19 accordingly be subjected to additional liability.

20 330. Defendant Schmidt: As alleged herein, Schmidt engaged in misconduct with respect  
21 to the cover-up of sexual harassment by Rubin, Singhal, and other senior executives at Google and  
22 also supported a culture that was hostile to female employees. After Plaintiffs herein sued Schmidt  
23 in this case, it appears that Schmidt was forced to resign from the Board on or about April 30, 2019.  
24 Schmidt is incapable of exercising independent and disinterested judgment due to his direct  
25 involvement and culpability for the wrongdoing. Schmidt’s fellow directors on the Board at the time

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28 <sup>130</sup> *In re Alphabet*, No. 3:18-cv-6245 (N.D. Cal.).

1 of his resignation also breached their duty of candor and loyalty by not disclosing the true reason  
2 for Schmidt's resignation from the Board – *i.e.*, that Schmidt bore responsibility for the wrongdoing  
3 alleged herein and that his actions had caused substantial harm to the Company and that Schmidt  
4 therefore was incapable of acting in Alphabet's best interests.

5 331. Finally, Defendants' bias on these issues is also illustrated by their persistent  
6 opposition to stockholder proposals concerning pay equity, incentives for meeting workplace  
7 diversity metrics, equal share voting, and including a nonexecutive employee on the Board.

8 **B. Demand is Futile Because a Majority of the Board Completely Abdicated Its**  
9 **Fiduciary Duties**

10 332. Corporate directors' actions are only protected by the business judgment rule to the  
11 extent that directors fully inform themselves before taking action and act in good faith, in a manner  
12 they believe is in the best interests of the corporation.

13 333. Here, as demonstrated above, Google's directors completely failed to inform  
14 themselves before taking action with respect to Rubin's compensation and termination, and instead  
15 blindly deferred to Defendant Page.

16 334. The actions that Alphabet's Board took with respect to Rubin represented active and  
17 conscious decisions, not failures to act. Thus, before acting, Alphabet's Board had a duty to fully  
18 inform themselves of all material facts, which they wholly and abysmally failed to do.

19 335. At the time Alphabet's Board agreed to pay \$90 million in severance to Rubin, the  
20 Board consisted of a majority of those individuals still on the Board. Specifically, the Board at the  
21 time consisted of Defendants Page, Brin, Schmidt, Doerr, Greene, Hennessy, Mather, Mulally,  
22 Shriram, and Tilghman. Thus, demand is excused as to a majority of the current Board.

1           **C. Demand is Excused Because a Majority of the Board is Not Independent**

2           336. Demand futility requires that a majority of directors are not considered disinterested  
3 for purposes of considering a shareholder demand. Here, at least ten, if not all of Alphabet’s eleven  
4 Directors have disabling interests that make them incapable of considering a shareholder demand.<sup>131</sup>

5           337. Five of Alphabet’s Directors—Defendants Page, Brin, Schmidt, Pichai and Greene—  
6 are not independent by definition, due to their simultaneous roles as officers or senior executives in  
7 the Company.<sup>132</sup>

8           338. In addition, responses to questionnaires submitted by each of these conceded insiders  
9 in 2018 also reveal that these Directors’ investments were deeply intertwined with each other, and  
10 with those of the Company, creating a further barrier to impartial consideration. In 2018, each of  
11 the insider Directors had engaged in investments [REDACTED]

12 [REDACTED]. See GOOG-PIPETRADES-SHD-00001181-82 [REDACTED]  
13 [REDACTED]; GOOG-PIPETRADES-SHD-00001252 [REDACTED]; GOOG-  
14 PIPETRADES-SHD-00001321-22 [REDACTED]; GOOG-PIPETRADES-SHD-  
15 00001822-23 [REDACTED]; GOOG-PIPETRADES-SHD-00001741-43 [REDACTED].  
16 [REDACTED].

17           339. Notably, these questionnaires also revealed a web of investing entities *affiliated* with  
18 multiple Director Defendants, including:

- 19           a. [REDACTED]  
20           [REDACTED], GOOG-PIPETRADES-SHD-00001181-82;  
21           b. [REDACTED], GOOG-  
22           PIPETRADES-SHD-00001181-82;

23  
24  
25 <sup>131</sup> In the alternative, demand is futile because at least eight of the ten current Board members  
26 (Defendants Page, Brin, Pichai, Doerr, Shriram, and Hennessy) are not independent for the reasons  
discussed above.

27 <sup>132</sup> Alphabet’s 2018 Proxy admits that Page, Brin, Schmidt, and Pichai are not independent.  
28 Alphabet, Inc., Proxy Statement (Apr. 27, 2018).

1 c. [REDACTED], GOOG-  
2 PIPETRADES-SHD-00001321-22;

3 d. [REDACTED]  
4 [REDACTED], GOOG-PIPETRADES-SHD-00001321-22; and

5 e. [REDACTED], GOOG-  
6 PIPETRADES-SHD-00001822-23.

7 340. In addition, at least five of the so-called “independent” directors are conflicted as a  
8 result of their extensive financial ties to the Company and to each other:

9 341. Defendant Doerr: Defendant Doerr is a General Partner of the venture capital firm  
10 Kleiner Perkins. In that capacity, he was one of Google’s earliest investors, and held millions of  
11 Google shares when the Company went public in 2004.<sup>133</sup> In large part because of his beneficial  
12 ownership of Alphabet Class B common stock, Doerr controls 1.5% of the Company’s voting power.  
13 Doerr also introduced Schmidt to Page and Brin.

14 342. Doerr has been a member of the Company’s Board for nearly twenty years. During  
15 that time, Alphabet has repeatedly made multi-million-dollar expenditures on private companies in  
16 which Kleiner Perkins is a major investor, to Doerr’s significant financial benefit. For instance,  
17 when Google purchased Peakstream, Inc. for \$20.3 million in 2007, Kleiner Perkins, a partial owner  
18 of Peakstrea, received 24.5% of that figure (approximately \$5 million). In 2010, Google invested  
19 over \$21 million in companies in which Kleiner Perkins had a substantial interest. And Kleiner  
20 Perkins also owned 10% of the outstanding shares in Nest Labs when that company was acquired  
21 by Google for \$3.2 billion in 2014.<sup>134</sup> Identifying that transaction as a troubling conflict of interest,  
22 Glass Lewis recommended that investors withhold votes from Doerr’s re-nomination the following  
23 year.

24 343. More recently, GV (Alphabet’s venture capital investment arm, formerly known as  
25 Google Ventures) and CapitalG (Alphabet’s growth equity investment fund) directly invested, or

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27 <sup>133</sup> Olsen, CNET (Apr. 30, 2004), *supra* note 19.

28 <sup>134</sup> Whitehouse, USA Today (June 2, 2015), *supra* note 18.

1 committed to invest, an aggregate of approximately \$128.6 million in certain private companies in  
2 which Kleiner Perkins was a co-investor or existing investor. From the beginning of 2017 through  
3 March 31, 2018, KPCB Holdings, Inc., as nominee for certain funds of Kleiner Perkins and several  
4 of the managers of the fund, held more than 10% of the outstanding shares of such private  
5 companies. Doerr is a managing director/member of the managing members of those funds.

6 344. Defendant Doerr's 2018 Director Questionnaire discloses [REDACTED]  
7 [REDACTED]. GOOG-  
8 PIPETRADES-SHD-0001486-87. [REDACTED]  
9 [REDACTED]  
10 [REDACTED]. *Id.*

11 345. Defendant Doerr's financial entanglements with the Company—and those of his  
12 firm—create a significant conflict of interest that would prevent him from impartially considering  
13 a demand to initiate litigation against its leadership and controlling shareholders.

14 346. Defendant Shriram: Like Defendant Doerr, Defendant Shriram was one of Google's  
15 earliest investors. He is a founding member of the Company's Board, where he has served for more  
16 than two decades. Defendant Shriram was one of four angel investors in Google and a founding  
17 member of its Board, on which he continues to sit today. Defendant Shriram counseled defendants  
18 Brin and Page every Monday morning during Google's earliest days and helped them to incorporate  
19 the Company. Shriram also helped them work out a licensing agreement with Stanford so the  
20 University would benefit if their two graduate students were successful. According to *Googled: The*  
21 *End of the World as We Know It*, a Stanford computer science professor, David Cheriton, had  
22 introduced defendant Shriram to defendants Brin and Page in 1998.<sup>135</sup> Impressed by their idea,  
23 defendant Shriram made an investment of \$250,000.

24 347. Defendant Shriram has been a member of Stanford University's board since  
25 December 2009. As a Google director and Stanford trustee, defendant Shriram closely works on two

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27 <sup>135</sup> Ken Auletta, *Googled: The End of the World as We Know It* (The Penguin Press: New York,  
28 2009).

1 boards with defendant Hennessey, a Google director since April 2004 and President of Stanford  
2 since October 2000. Shriram has a very close relationship with the University. He and his wife have  
3 served on Stanford's Parents Advisory Board since 2006 and endowed the Shriram Family  
4 Professorship in Science Education. Both of his daughters are also students at Stanford. Defendant  
5 Shriram also assisted defendants Brin and Page in negotiating a licensing agreement with Stanford,  
6 so the University would benefit if Google was successful.

7 348. Alphabet's CFO, Ruth Porat, also currently serves on Stanford's Board of Trustees  
8 with Shriram.

9 349. Defendant Shriram is also the founder and managing partner of Sherpalo Ventures  
10 ("Sherpalo"), a venture capital fund. Founded in 2000, Sherpalo invests in early stage companies in  
11 the high tech and Internet industries. Sherpalo's success as an investment fund is dependent, in many  
12 cases, on its business and financial ties to Alphabet and its founders.

13 350. For example, Sherpalo invested in Bump Technologies ("Bump"), an early stage tech  
14 company that had difficulty generating revenues. On September 16, 2013, Bump announced that it  
15 was acquired by Google. Less than four months later, however, Google announced it was  
16 discontinuing Bump's operations.<sup>136</sup>

17 351. Similarly, Sherpalo joined Defendant Schmidt and GV as co-investors in Urban  
18 Engines, an Internet software and services company started in 2014.<sup>137</sup> In September 2016, Alphabet  
19 purchased Urban Engines for use with its Google Maps application.

20 352. In 2018, Defendant Shriram [REDACTED]  
21 [REDACTED]  
22 [REDACTED]. GOOG-PIPETRADES-SHD-00001614-15.

23 \_\_\_\_\_  
24 <sup>136</sup> Catherine Shu, *Google To Close Bump and Flock, Its Recently Acquired File Sharing Apps*,  
25 TechCrunch, Jan. 1, 2014, <https://techcrunch.com/2013/12/31/google-to-close-bump-and-flock-its-recently-acquired-file-sharing-apps/>; *See* CrunchBase, Bump Technologies,  
26 <https://www.crunchbase.com/organization/bump-technologies#section-overview>.

27 <sup>137</sup> *See* CrunchBase, Urban Engines, [https://www.crunchbase.com/organization/urban-engines/investors/investors\\_list#section-investors.](https://www.crunchbase.com/organization/urban-engines/investors/investors_list#section-investors.); Alphabet Acquires Urban Engines, CSS Insight,  
28 <https://www.ccsinsight.com/blog/alphabet-acquires-urban-engines>.

1           353. And the intertwined financial ties do not end there. Over the years that they have  
2 been together on the Board, Defendant Shriram has frequently co-invested with Defendant Doerr  
3 through their venture capital firms Sherpalo and Kleiner Perkins. Indeed, their mutual financial  
4 success in these numerous co-ventures is frequently tied to each other.

5           354. Sherpalo and Kleiner Perkins have been linked repeatedly in articles regarding their  
6 joint investments made in companies in India. For example, they invested in a number of Indian  
7 companies including PayMate, Cleartrip.com, CE Infosystems, and Naukri.com, as well as the  
8 renewable energy company Kotak Urja Pvt Ltd. Other joint investments include Lightbox Venture  
9 I which was used to buy a portfolio of six investments made by Kleiner Perkins and Sherpalo. They  
10 have also jointly invested in Reverse Logistics Co.

11           355. Defendant Shriram's decades-old financial relationship with the Company and its  
12 leadership creates a serious conflict of interest that would prevent him from impartially considering  
13 a demand to initiate litigation against them. In addition, the decades long business relationships  
14 among Defendants Shriram, Doerr, Page, Brin, and Schmidt renders each of them unable to  
15 independently consider suing the others for wrongdoing given those personal and financial ties.

16           356. Defendant John Hennessy: In 2004, several months before Google's IPO, the  
17 Company appointed defendant Hennessy to its Board. Defendant Doerr, one of Google's original  
18 investors and directors, made the first overture to Defendant Hennessy. Hennessy has invested  
19 money with defendant Doerr's firm, Kleiner Perkins. Google granted defendant Hennessy 65,000  
20 options to buy Google stock at \$20 apiece. After Google's IPO, SEC filings reveal that defendant  
21 Hennessy received 10,556 Google shares as part of an earlier investment in a Kleiner Perkins fund.

22           357. A 2018 director questionnaire reveals that Defendant Hennessy's finances continue  
23 to be closely intertwined with the Company and with other members of the Board. In 2018,  
24 Hennessy [REDACTED]  
25 [REDACTED]  
26 [REDACTED]. GOOG-PIPETRADES-SHD-0001568.

1           358. Defendant Hennessy has invested money with Kleiner Perkins, Defendant Doerr's  
2 firm. After Google's IPO, SEC filings revealed that Hennessy received 10,556 Google shares as  
3 part of his investment in a Kleiner Perkins fund.

4           359. Defendant Hennessy is the former President of Stanford, and served in that role from  
5 2000 to August 2016. Defendant Hennessy has been a member of the Boards of Cisco Systems, Inc.  
6 and Atheros Communications, Inc. Hennessy is still a professor of Stanford and very influential at  
7 the school. In addition to his work as a Professor at Stanford, he has served as Chair of the  
8 Department of Computer Science (1994-96), Dean of the School of Engineering (1996-99), Provost  
9 (1999-2000), and President (2000-2016). He is currently the Director of the Knight-Hennessy  
10 Scholars Program.

11           360. At the direction of defendants Brin and Page, who are Stanford alumni, Google  
12 donates millions of dollars every year to Stanford. Since 2006, Google has donated over \$14.4  
13 million to the University. Defendant Hennessy's role at Google has created the closest intersection  
14 with his Stanford duties per *The Wall Street Journal*. In 2004, several months before Google's IPO,  
15 the Company appointed defendant Hennessy to its Board. Defendant Doerr, one of Google's original  
16 investors and directors, made the first overture to defendant Hennessy. Defendant Hennessy has  
17 invested money with defendant Doerr's firm, Kleiner Perkins Caufield & Byers ("Kleiner Perkins").  
18 Google granted defendant Hennessy 65,000 options to buy Google stock at \$20 apiece. After  
19 Google's IPO, SEC filings reveal that defendant Hennessy received 10,556 Google shares as part  
20 of an earlier investment in a Kleiner Perkins fund.

21           361. With his positions at Stanford and Google, defendant Hennessy effectively sits on  
22 two sides of a business relationship. Google licenses its Internet search technology from Stanford,  
23 where defendant Brin and Page started the Company and were Ph.D. students. As payment, Stanford  
24 received shares in the offering that the school has since sold for \$336 million. Stanford continues to  
25 receive what it describes as "modest" annual licensing fees from Google. Paul Aiken, Executive  
26 Director of the Authors Guild, calls defendant Hennessy's personal holdings in Google "a great  
27 concern" and says "there seems to be both a personal and institutional profit motive here." In  
28 November 2006, Google pledged \$2 million to Stanford Law School's Center for Internet and

1 Society, founded by Stanford Professor Lawrence Lessig, known for his views that copyright laws  
2 are often too restrictive. Aine Donovan, Executive Director of the Ethics Institute at Dartmouth  
3 College, says Stanford should not have accepted the Google gift because it is too narrowly tailored  
4 to benefit Google’s corporate interests. “It might as well be the Google Center,” she says.<sup>138</sup>

5 362. Defendant Hennessey attended a political dinner with defendants Schmidt and  
6 Greene at defendant Doerr’s home in February 2011; to no one’s surprise, defendant Hennessey was  
7 the only non-business leader invited.<sup>139</sup> Additionally, defendant Schmidt joins a third of Professor  
8 Peter Wendell’s Entrepreneurship and Venture Capital classes at the Stanford Graduate School of  
9 Business. Defendant Schmidt stated when Google is looking for engineers, they start at Stanford.  
10 Five percent of Google employees are Stanford graduates.<sup>140</sup>

11 363. Defendant Hennessey has much to lose by voting to initiate litigation against  
12 defendants Brin or Page. If defendant Hennessey voted to initiate litigation against defendants Brin,  
13 Page, or Schmidt, Stanford would risk losing multi-million-dollar donations every year. As one of  
14 defendant Hennessey’s principle duties is to ensure continued alumni support as Stanford’s President,  
15 he would not jeopardize the loss of such a substantial donation. Furthermore, defendant Hennessey  
16 would not risk his prestigious positions at Stanford or Google’s continued support of the University  
17 by voting to initiate litigation against defendants Brin, Page, or Schmidt. Accordingly, defendant  
18 Hennessey lacks independence from defendants Brin, Page, and Schmidt, rendering a pre-suit  
19 demand on him futile.

20 364. Defendant Roger Ferguson: Ferguson, too, has intermingled his investments with  
21 the Company and other Board members. For instance, in 2018, [REDACTED]

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24 <sup>138</sup> John Hechinger & Rebecca Buckman, “*The Golden Touch of Stanford’s President*,” *The Wall*  
25 *Street Journal* (Feb. 24, 2007), <http://online.wsj.com/news/articles/SB117226912853917727>.

26 <sup>139</sup> Ken Auletta, “*Get Rich U*,” *The New Yorker* (Apr. 30, 2012), [http://www.](http://www.newyorker.com/reporting/2012/04/30/120430fa_fact_auletta?currentPage=all)  
27 [newyorker.com/reporting/2012/04/30/120430fa\\_fact\\_auletta?currentPage=all](http://www.newyorker.com/reporting/2012/04/30/120430fa_fact_auletta?currentPage=all) (last visited Nov. 8,  
2018).

28 <sup>140</sup> *Id.*

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[REDACTED]

[REDACTED] GOOG-PIPETRADES-SHD-00001521.

365. Defendant Ann Mather: As mentioned above, [REDACTED]

[REDACTED]

[REDACTED] GOOG-PIPETRADES-SHD-00001665.

366. Thus, demand is futile, and therefore excused, because a majority of the Board cannot independently evaluate any such request.

**D. Demand is Excused Because the Board is Entirely Controlled by Defendants Page and Brin**

367. By virtue of their ownership of over 51% of Alphabet’s voting power, Page and Brin have complete voting control and veto power over the election of all directors, as well as virtually all other corporate matters involving a shareholder vote. Notably, that controlling voting power is not matched by equivalent investment in the Company; instead, Page and Brin have engineered an unusual capital structure that allows them to retain control over the Company while cashing out large portions of their shares. In 2012, the Company’s Board, including eight Defendants, voted in favor of a controversial recapitalization plan that kept Page and Brin’s voting control unchanged, while creating a new Class C stock with no voting power, thus maintaining the voting power of the founders.<sup>141</sup> As a result, Page and Brin are currently able to retain 51% of the Company’s voting power with only 13% of its equity.

368. Specifically, as of April 18, 2018, Alphabet has issued three classes of stock: 298,656,198 shares of Class A common stock; 46,940,340 shares of Class B common stock; and 348,952,225 shares of Class C capital stock. On matters requiring shareholder approval, such as the election of directors, the holders of the shares of Class A common stock and Class B common stock

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<sup>141</sup> Google, Inc., Proxy Statement (Form DEF 14A) (May 9, 2012), at S-3 (indicating that the Board unanimously approved the plan); Google, Inc., Proxy Statement (Form DEF 14A) (Apr. 24, 2013), at 53 (stating that the plan was approved).

1 vote as a single class, while Class C stock has no voting power. Each share of Class A common  
2 stock is entitled to one vote, and each share of Class B common stock is entitled to ten votes.

3 369. Under this dual-class voting structure, defendants Page, Brin, and Schmidt control a  
4 majority of Alphabet's total voting power because, as of April 18, 2018, they hold an aggregate of  
5 43,526,358 shares — approximately 92.7% — of Alphabet's Class B shares, giving them 56.6%  
6 voting control. In addition, a group of 13 Alphabet directors and executive officers, including  
7 defendants Page, Brin, Schmidt, Doerr, Pichai, and Drummond hold an aggregate of 44,656,305  
8 shares — constituting approximately 95.1% — of the Class B shares. Details of the voting control  
9 exercised by defendants Page, Brin, Schmidt, and Doerr, as of April 18, 2018, are set forth in the  
10 chart below:

Name	Class B Shares and Percentage Owned		Voting Control
Larry Page	19,952,558	42.5%	<b>25.9%</b>
Sergey Brin	19,290,366	41.1%	<b>25.1%</b>
Eric Schmidt	4,283,434	9.1%	<b>5.6%</b>
L. John Doerr	1,117,447	2.4%	<b>1.5%</b>
<b>Total</b>	44,656,305	95.1%	<b>58.2%</b>

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16 370. In fact, defendants Page and Brin have owned and exercised majority voting control  
17 of Alphabet's stock since Google's IPO in 2004. According to Alphabet's Proxy Statements, Page  
18 and Brin have controlled between 51% and 54.3% of Alphabet's stock voting power every year  
19 between 2014 and 2018. In addition, Schmidt has controlled at least 5.5% of Alphabet's stock voting  
20 power between 2014 and 2018. Thus, the aggregate stockholdings of Page, Brin, and Schmidt have  
21 accounted for at least **56.6%** of Alphabet's voting power at all relevant times.

22 371. Defendants Page, Brin, and Schmidt maintained majority voting control over  
23 Alphabet's stock throughout these years, even though multiple shareholders have proposed at the  
24 shareholder meetings each year to amend Alphabet's certificate of incorporation to implement a  
25 one-vote-per-share policy. Each year, the Board — controlled by Page, Brin, and Schmidt — voted  
26 their controlling shares against such proposals, thereby single-handedly defeating the proposals  
27 without even considering the votes of the minority shareholders.

1           372. Despite the corporate-governance risks resulting from the dual-class voting structure,  
2 the Board continued, year after year, to justify its recommendation to vote against any equal-  
3 shareholder-voting proposal on the purported basis that allowing Page and Brin control over  
4 Alphabet would provide “stability over long time horizons.”

5           373. In addition to controlling the majority of Alphabet’s voting power, Page, Brin, and  
6 Schmidt exercise control and domination over the entire eleven-member Board. In fact, Alphabet  
7 has repeatedly admitted in its annual reports during the relevant period that defendants Page, Brin,  
8 and Schmidt “have significant influence over management and affairs and over all matters requiring  
9 stockholder approval,” and that they have the ability to elect all of [Alphabet’s] directors”:

10                   As of December 31, 2017, Larry, Sergey, and Eric E. Schmidt  
11                   beneficially owned approximately 92.7% of our outstanding Class B  
12                   common stock, which represented approximately 56.7% of the voting  
13                   power of our outstanding capital stock. ***Larry, Sergey, and Eric***  
14                   ***therefore have significant influence over management and affairs***  
15                   ***and over all matters requiring stockholder approval, including the***  
16                   ***election of directors*** and significant corporate transactions, such as a  
17                   merger or other sale of our company or our assets, for the foreseeable  
18                   future. In addition ..., the issuance of the Class C capital stock ...  
19                   could prolong the duration of Larry and Sergey’s ***current relative***  
20                   ***ownership of our voting power and their ability to elect all of our***  
21                   ***directors and to determine the outcome of most matters submitted to***  
22                   ***a vote of our stockholders. Together with Eric, they would also***  
23                   ***continue to be able to control any required stockholder vote with***  
24                   ***respect to certain change in control transactions involving Alphabet***  
25                   (including an acquisition of Alphabet by another company).

26                   ***This concentrated control limits or severely restricts our***  
27                   ***stockholders’ ability to influence corporate matters and, as a result,***  
28                   ***we may take actions that our stockholders do not view as beneficial.***  
As a result, the market price of our Class A common stock and our  
Class C capital stock could be adversely affected.

See Alphabet’s Form 10-K Filed with the SEC on February 5, 2018, at 18–19.

374. Shareholders and proxy firms have expressed alarm at the governance risks created  
by Page and Brin’s control. For instance, Shareholder Proposal 4 in the 2018 Proxy Statement sought  
challenged Alphabet’s dual-class voting structure (which cements Brin and Page’s control) as  
follows:

1 In our company’s dual-class voting structure, each share of Class A  
2 common stock has one vote and each share of Class B common stock  
3 has 10 votes. As a result, Mr. Page and Mr. Brin currently control over  
4 51% of our company’s total voting power, while owning less than  
5 13% of stock. All insiders control nearly 57% of the vote. This raises  
6 concerns that the interests of public shareholders may be subordinated  
7 to those of our co-founders. ***By allowing certain stock to have more  
8 voting power than other stock our company takes our public  
9 shareholder money but does not let us have an equal voice in our  
10 company’s management. Without a voice, shareholders cannot hold  
11 management accountable.***

8 For example, despite the fact that more than 85% of outsiders  
9 (average shareholders) voted AGAINST the creation of a third class  
10 of stock (class C) in 2012, the weight of the insiders’ 10 votes per  
11 share allowed the passage of this proposal. . . .

11 In reaction to the change at the S&P, Ken Bertsch, executive director  
12 of the Council of Institutional Investors, stated: “Multi-class  
13 structures . . . rob shareholders of the power to press for change when  
14 something goes wrong, which happens sooner or later at most if not  
15 all companies . . . Shareholders at such companies have no say in  
16 electing the directors who are supposed to oversee management.”

15 Independent analysts appear to agree with our concerns. As of  
16 December 1, 2017, Institutional Shareholder Services (ISS), which  
17 rates companies on risk, gave our company a 10, its highest risk  
18 category, for the Governance Quality Score. ISS rates our shareholder  
19 rights and compensation a 10, and our board is rated a 9, also  
20 indicating relatively higher risk according to the ISS.

19 375. Those shareholders’ concerns are well-placed. Defendants Page and Brin have  
20 already made clear that they will put their preference for loyalty over good corporate governance.  
21 For instance, as noted above, various shareholder proxy services have recommended in recent years  
22 that stockholders withhold their votes for Defendants Hennessy, Doerr, and Shriram on the basis of  
23 both financial conflicts of interest and poor performances. Doerr and Shriram, in particular, have  
24 been criticized for approving an excessive compensation package for Defendant Schmidt unrelated  
25 to his performance at the Company. Despite these recommendations, Page and Brin continue to vote  
26 for these Board members annually.

27 376. Due to the control and domination exercised by Page, Brin, and Schmidt, the other  
28 Demand Directors are prevented from taking remedial action against defendants Brin, Page, and

1 Schmidt. Indeed, Alphabet’s Proxy Statements have repeatedly conceded that Brin, Page and  
2 Schmidt exercise control over the “election of directors” due to their stock voting control and can  
3 therefore easily fire any director they do not like or who would dare to take any legal action against  
4 them. A demand is therefore futile and excused.

5 **IX. THE STATUTE OF LIMITATIONS DOES NOT BAR LEAD PLAINTIFFS’**  
6 **CLAIMS, OR, ALTERNATIVELY, WAS TOLLED**

7 377. The statute of limitations does not bar Lead Plaintiffs’ shareholder derivative action.  
8 Lead Plaintiffs have brought this Complaint within the applicable statute of limitations.

9 378. Alternatively, the statute of limitations was tolled during the Individual Defendants’  
10 adverse domination of Google and the concealment by the Individual Defendants of their wrongful  
11 acts. Here, the Demand Directors and Google were wholly under the adverse domination of Brin,  
12 Page, and Schmidt, who collectively control almost two-thirds of shareholder votes. Consequently,  
13 the Demand Directors were “deemed to be in the same position as an incompetent person or a minor  
14 without legal capacity either to know or to act in relation to” the wrongful conduct. Moreover,  
15 Defendants concealed, and continue to conceal, their wrongful acts and this is a continuing  
16 conspiracy. The statute of limitations has therefore been tolled since defendants Brin, Page, and  
17 Schmidt adversely dominated Google. Lead Plaintiffs did not and could not have discovered the  
18 liability of the Defendants until the revelation of misconduct by the October 2018 articles in *The*  
19 *New York Times* and *Wall Street Journal*.

20 **FIRST CAUSE OF ACTION**  
21 **(Breach of Fiduciary Duty Against the Individual Defendants and Does 1–30)**

22 379. Lead Plaintiffs incorporate by reference and reallege each and every allegation  
23 contained above, as though fully set forth herein.

24 380. Defendants each owe Alphabet and its stockholders the highest fiduciary duties of  
25 loyalty, good faith, fair dealing, due care, and oversight in managing and administering the  
26 Company’s affairs.

1           381. Defendants knowingly, intentionally, and fraudulently violated and breached their  
2 fiduciary duties of good faith, fair dealing, loyalty, due care, and oversight as a result of the  
3 misconduct described above.

4           382. Defendants have a duty to the Company and its stockholders to establish and  
5 maintain adequate internal controls to ensure the Company was operated in a prudent and lawful  
6 manner. Defendants have an affirmative obligation to maintain an internal control system to uncover  
7 wrongdoing and to act when informed of wrongdoing. Moreover, the Defendants have an obligation  
8 to ensure that, at all times, the Company and its officers and directors act in compliance with the  
9 law as detailed herein. The Defendants engaged in a sustained and systematic failure to properly  
10 exercise their fiduciary duties. Among other things:

- 11           (a) Defendants breached their fiduciary duties by failing to ensure that Alphabet  
12 had adequate internal controls, risk management procedures and other  
13 policies to prevent its executives from engaging in sexual misconduct in the  
14 workplace and creating an abusive workplace environment in violation of  
15 federal and state laws and regulations, and Google's Code of Conduct;
- 16           (b) Defendants breached their duties by concealing the abusive workplace  
17 environment that allowed powerful male executives accused of serious sexual  
18 misconduct to receive large severance packages and the Company's public  
19 blessing;
- 20           (c) Defendants breached their duties by permitting the Company to  
21 systematically underpay and discriminate against female employees, in  
22 violation of state and federal law;
- 23           (d) Defendants breached their fiduciary duties by failing to ensure that Alphabet  
24 had adequate internal controls, risk management procedures and other  
25 policies to ensure compliance with applicable data privacy regimes, in  
26 violation of federal and state laws and regulations, and Google's Code of  
27 Conduct;
- 28           (e) Defendants breached their fiduciary duties by participating or acquiescing in  
the Company's decision to hide a major privacy breach from users and the  
general public in order to avoid regulatory scrutiny, in likely violation of the  
Company's obligations under a 2011 FTC Consent Decree and other laws  
and regulations; and
- (f) Defendants breached their fiduciary duties by violating the Company's  
Corporate Governance Guidelines, Code of Business Ethics and other duties

1 required of Board members as set forth in other corporate governance  
2 documents.

3 383. These actions could not have been a good faith exercise of prudent business judgment  
4 to protect and promote the Company's corporate interests.

5 384. As a direct and proximate result of Defendants' breaches of their fiduciary duties,  
6 Alphabet has sustained significant damages, including damages to its stock price and market  
7 capitalization and injury to its corporate image and goodwill. Damages also include, among other  
8 things, the cost of defending Alphabet against government investigations and the penalties, fines  
9 and other liabilities and expenses associated with those investigations including the potential loss or  
10 denial of federal contracts as well as significant fines under the Consent Decree. As a result of the  
11 misconduct alleged herein, Defendants are liable to the Company and their continuing violations of  
12 duty should be enjoined.

13 **SECOND CAUSE OF ACTION**  
14 **(Unjust Enrichment Against the Individual Defendants and Does 1-30)**

15 385. Lead Plaintiffs incorporate by reference and reallege each and every allegation  
16 contained above as though fully set forth herein.

17 386. By their wrongful acts and omissions, Defendants were unjustly enriched at the  
18 expense, and to the detriment, of Alphabet and its stockholders.

19 387. Defendants were unjustly enriched for years as a result of compensation, stock  
20 options, stock awards, directors' fees and other remuneration they received while breaching their  
21 fiduciary duties owed to the Company.

22 388. In addition, as detailed herein Defendants Rubin and Singhal were unjustly enriched  
23 when they received and accepted multi-million dollar severance payments after the Company's own  
24 investigation determined there were credible allegations that both men had sexually harassed  
25 Alphabet employees.

26 389. Lead Plaintiffs, as shareholders and representatives of Alphabet, seek restitution  
27 from Defendants and seek an order from this Court disgorging all profits, benefits, stock options,  
28

1 stock awards, and other compensation obtained by the Defendants from their wrongful conduct and  
2 fiduciary breaches.

3 390. Lead Plaintiffs, on behalf of Alphabet, have no adequate remedy at law.

4  
5 **THIRD CAUSE OF ACTION**  
6 **(Against the Individual Defendants and Does 1–30 for Corporate Waste)**

7 391. Lead Plaintiffs incorporate by reference and reallege each and every allegation  
8 contained above, as though fully set forth herein.

9 392. The Individual Defendants have a fiduciary duty to protect Alphabet’s assets from  
10 loss or waste.

11 393. By approving excessive compensation payments to male executives credibly accused  
12 of sexual harassing female employees when those executives could have been fired for cause and  
13 paid nothing, Individual Defendants breached this fiduciary duty and have caused Alphabet to waste  
14 its corporate assets.

15 394. As a result of the Defendants’ corporate waste, the Company has suffered substantial  
16 damages.

17 **FOURTH CAUSE OF ACTION**  
18 **(Against Defendants Page, Brin, Doerr, and Schmidt for Abuse of Control)**

19 395. Lead Plaintiffs incorporate by reference and realleges each and every allegation  
20 contained above, as though fully set forth herein.

21 396. By virtue of their positions and financial holdings at Alphabet and Google,  
22 Defendants Page, Brin, Doerr and Schmidt exercised control over Alphabet and its operations, and  
23 owed duties as controlling persons to Alphabet not to use their positions of control for their own  
24 personal interests and contrary to Alphabet’s interests.

25 397. Defendants Brin, Schmidt, Doerr and Page’s conduct alleged herein constitutes an  
26 abuse of their ability to control and influence Alphabet, for which they are legally responsible.

27 398. As a result of defendants Page, Brin, Doerr and Schmidt’s abuse of control, Alphabet  
28 has sustained and will continue to sustain damages and injuries for which it has no adequate remedy  
at law.



1 **JURY DEMAND**

2 Plaintiffs demand a trial by jury on all issues so triable.

3 Dated: August 16, 2019

Respectfully submitted,

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