

1 Plaintiff John Votto (“Plaintiff”), by and through his undersigned counsel, derivatively on
2 behalf of Nominal Defendant Apple Inc. (“Apple” or the “Company”), submits this Verified
3 Shareholder Derivative Complaint (the “Complaint”). Plaintiff’s allegations are based upon his
4 personal knowledge as to himself and his own acts, and upon information and belief, developed
5 from the investigation and analysis by Plaintiff’s counsel, including a review of publicly available
6 information, including filings by Apple with the U.S. Securities and Exchange Commission
7 (“SEC”), press releases, news reports, analyst reports, investor conference transcripts, publicly
8 available filings in lawsuits, and matters of public record.

9 **NATURE OF THE ACTION**

10 1. This is a shareholder derivative action brought in the right, and for the benefit, of
11 Apple against certain of its officers and directors seeking to remedy Defendants’ violations of state
12 and federal law that have occurred from August 1, 2017 through January 2, 2019 (the “Relevant
13 Period”) and have caused, and continue to cause, substantial harm to Apple, including monetary
14 losses and damages to Apple’s reputation and goodwill.

15 2. Apple is a multinational technology company that designs, develops, and sells
16 consumer electronics and software in the U.S. and abroad. Apple’s flagship product is its iPhone,
17 accounting for nearly two-thirds of the Company’s revenues since 2007. Apple sells the iPhone
18 throughout the world, including in Greater China, its third-largest market segment behind the
19 Americas and Europe.¹

20 3. During the Relevant Period, the Defendants (defined below) misrepresented and/or
21 failed to disclose multiple material factors that negatively impacted Apple’s iPhone sales and
22 revenues, including that, *inter alia*: (a) consumer demand for new iPhone models was negatively
23 impacted by Apple’s sales of heavily discounted battery replacement program for older iPhone
24 models, as customers chose not to upgrade or to delay same; (b) macroeconomic factors, including
25 an escalating trade war with the United States, increased competition from cheaper smartphones,

26
27 ¹ The Greater China segment includes China, Hong Kong and Taiwan. The Americas segment
28 includes both North and South America. The Europe segment includes European countries, as well
as India, the Middle East and Africa.

1 and a sluggish economy, were likely to negatively affect, and were doing so, Apple's iPhone sales
2 in China; and (c) that as a result of the foregoing, the Defendants lacked a reasonable basis when
3 issuing positive iPhone sales and revenue guidance for the first quarter of 2019, and when publicly
4 denying the existence and negative impact of the foregoing.

5 4. Apple's wrongful conduct came to light on January 2, 2019, when the Company
6 disclosed declining iPhone sales and was forced to reveal to investors that it would not meet the first
7 quarter 2019 revenue guidance it had issued only two months earlier, the first instance of Apple
8 having to reduce its revenue expectations in the past 16 years. Apple's Chief Executive Officer
9 ("CEO"), Tim Cook, conceded that the declining sales were the result of users' decisions not to
10 upgrade after receiving discount battery replacements, as well as economic issues in China, both
11 issues of which Apple and the Defendants herein repeatedly denied to analysts and investors existed
12 and/or would have a negative impact on sales.

13 5. On this news, the Company's share price fell approximately 9%, from \$157.92 on
14 January 2, 2019 to \$142.19 on January 3, 2019, the first trading day after the disclosure, on
15 exceedingly high trading volume of over 91 million shares.

16 6. In addition, based on the wrongful conduct discussed herein, numerous lawsuits were
17 filed against Apple and certain of the Defendants and regulatory and governmental investigations
18 were started in the United States and abroad.

19 **JURISDICTION AND VENUE**

20 7. This Court has jurisdiction over federal claims/questions asserted in this action
21 pursuant to 28 U.S.C. § 1331, and supplemental jurisdiction over the remaining state law claims
22 under 28 U.S.C. § 1367.

23 8. This Court has jurisdiction over each defendant named herein because each is either
24 a corporation that conducts business in and maintains operations in this District, is an individual
25 residing in this District, and/or is an individual non-resident who has sufficient minimum contacts
26 with this District to render the exercise of jurisdiction by the District courts permissible under
27 traditional notions of fair play and substantial justice.

28

1 salary, \$12,000,000 in non-equity incentive plan compensation, and \$682,219 in all other
2 compensation.

3 15. **Defendant Arthur D. Levinson** (“Levinson”) is and has been the Company’s
4 Chairman of the Board since November 2011, has been a director since August 2000, and was the
5 Company’s co-lead director from 2005 to November 2011. Defendant Levinson is a member of the
6 Company’s Audit and Finance Committee.

7 16. According to the 2019 DEF 14A, in fiscal year 2018, Defendant Levinson received
8 \$567,188 in total compensation from the Company, which included \$300,000 in fees earned or paid
9 in cash, \$249,961 in stock awards, and \$17,227 in all other compensation.

10 17. **Defendant James A. Bell** (“Bell”) has been a director of the Company since October
11 2015 and is a member of the Audit and Finance Committee.

12 18. According to the 2019 DEF 14A, in fiscal year 2018, Defendant Bell received
13 \$362,665 in total compensation from the Company, which included \$100,000 in fees earned or paid
14 in cash, \$249,961 in stock awards, and \$12,704 in all other compensation.

15 19. **Defendant Albert Gore, Jr.** (“Gore”) has been a director of the Company since
16 March 2003 and is a member of the Nominating and Corporate Governance Committee and its
17 Compensation Committee.

18 20. According to the 2019 DEF 14A, in fiscal year 2018, Defendant Gore received
19 \$358,543 in total compensation from the Company, which included \$100,000 in fees earned or paid
20 in cash, \$249,961 in stock awards, and \$8,582 in all other compensation.

21 21. **Defendant Andrea Jung** (“Jung”) has been a director of the Company since January
22 2008 and is a member of the Nominating and Corporate Governance Committee and the Chair of
23 its Compensation Committee.

24 22. According to the 2019 DEF 14A, in fiscal year 2018, Defendant Jung received
25 \$403,106 in total compensation from the Company, which included \$130,000 in fees earned or paid
26 in cash, \$249,961 in stock awards, and \$23,145 in all other compensation.

27 23. **Defendant Ronald D. Sugar** (“Sugar”) has been a director of the Company since
28 November 2010 and is the Chair of the Audit and Finance Committee.

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