

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Before The Honorable Rita F. Lin, Judge

IN RE ALPHABET, INC.,)
SHAREHOLDER DERIVATIVE)
LITIGATION.) No. 3:21-cv-09388-RFL
_____)

San Francisco, California

Tuesday, July 8, 2025

TRANSCRIPT OF PROCEEDINGS

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REPORTED BY: April Wood Brott, CSR No. 13782
Official United States Reporter

1 **Thursday - July 8, 2025**

10:04 A.M.

2 **P R O C E E D I N G S**

3 ---o0o---

4 **THE CLERK:** This court is now in session, the
5 Honorable Rita F. Lin presiding. Please be seated.

6 Calling Civil Case 21-9388, In re Alphabet Inc. versus --
7 not versus, I'm sorry -- In re Alphabet Inc. Shareholder
8 Derivative Litigation.

9 Counsel, please come forward and state your appearances,
10 beginning with the plaintiffs.

11 **MR. COUGHLIN:** Good morning, Your Honor. Patrick
12 Coughlin, Jeff Johnson, and Jing-Li Yu on behalf of the
13 plaintiffs.

14 **THE COURT:** Good morning.

15 **MR. FELDMAN:** Good morning, Your Honor. For Google,
16 Boris Feldman, Doru Gavril, and Rebecca Lockert. And if I may
17 introduce to you, we have three of our summer associates from
18 the Silicon Valley office here: On the right, Justin Weathers,
19 a law student of Stanford; next to him, Rachel Roddy, a law
20 student at Columbia; and next to her, Noah Onoff of UCLA law
21 school, a former Navy SEAL, in case things get out of control
22 today.

23 **THE COURT:** Welcome to all of you, and good morning to
24 all of you.

25 I thought I'd start off by giving you all some of my

1 initial thoughts about the preliminary approval hearing that we
2 have on today and that we can go through the questions that I
3 put out last week, and then after that, you'll have an
4 opportunity to tell me anything else you think I should know.

5 As you all know, the standard in this situation is for me
6 to look at whether the settlement that you all have proposed is
7 fair, reasonable, and adequate and not the product of fraud or
8 collusion, and I have to say I'm having a surprisingly hard
9 time assessing that based on the information that I have.

10 It looks to me like the three main elements of the
11 settlement are the 500 million dollar commitment to spend a
12 certain minimum amount on compliance and oversight; second, the
13 creation of this risk and compliance committee; and third, the
14 series of corporate reforms that are described in the
15 settlement agreement, most of which involve having more
16 attention paid to areas of compliance and oversight.

17 With respect to the 500 million dollar minimum spend, I
18 have to say when I initially saw it, I thought that looked
19 pretty good. It seems like a pretty significant commitment.
20 Then I thought, "Well, gosh. I ought to just do my due
21 diligence and ask the parties what's the history here," because
22 as all of us know, and it has been alleged in the complaint,
23 obviously Alphabet has been the target of a number of
24 investigations over the last few years, and enforcement
25 actions.

1 And it seemed to be possible that Alphabet may have
2 enacted many of these reforms and begun spending a very high
3 level on compliance and oversight independent of this lawsuit,
4 having nothing to do with the lawsuit. So I thought to myself,
5 "Well, I ought to ask the question," because I think it's
6 important for the shareholders to understand that, even if we
7 go ahead with preliminary approval. And I need to understand
8 it for preliminary approval.

9 So I asked Alphabet to tell me how much they were spending
10 before, and the answer that I got back, as I understand it, is
11 essentially, "It's really hard to calculate, Judge." And I
12 have to say it's really hard for me to believe that Alphabet
13 would agree to spend a minimum of \$500,000,000 on compliance
14 and oversight without having any idea or really reasonable
15 estimate of what it currently spends. It just seems incredible
16 to me. And it set off a lot of alarm bells for me when I got
17 Alphabet's answer.

18 Maybe it's my time as an ex prosecutor, former state court
19 judge, but when I ask someone a simple question and I don't get
20 a simple answer, it just raises a lot of red flags for me. And
21 so now I am wondering whether I need and the shareholders need
22 a clear accounting from Alphabet of exactly how much it has
23 been spending over the last five years in terms of compliance
24 and oversight.

25 And I totally understand the parties' point that even if

1 Alphabet's currently spending in that range, it is important to
2 have a commitment to continue to spend that amount for the time
3 period that's described in the settlement agreement. But
4 obviously the value of that commitment is dependent on what the
5 spend has been in the past. I mean, if I tell my teenage son
6 I'm going to give him a minimum of a \$15 allowance going
7 forward and I've been giving him \$20 for the last ten years,
8 he's not going to value that very much.

9 And I don't want to be simplistic about it, but I think
10 it's important for the shareholders and for the Court to be
11 able to assess that information. I need to know what Alphabet
12 has spent, and so do the shareholders in determining whether
13 they would object to the proposed settlement.

14 So that's my initial view of it. I'm open to hearing
15 more, but I am now in a place where I think I need a
16 significantly higher level of detail than I would have,
17 honestly, if Alphabet had just been a little bit more upfront
18 in its initial response.

19 So the second component I see in the settlement is the
20 risk and compliance committee. I do see real value in that.
21 As you all saw from my request for supplemental briefing, I do
22 have some concern that the core allegation in the complaint is
23 that the board was allegedly captured by insiders, but I could
24 see how this advances the ball on that issue even, if it
25 doesn't take it on in a real direct sense. It's hard to

1 imagine what reform would take it on in a real direct sense
2 anyway. So I do see the value in the committee.

3 The remaining list of reforms, I understand the point that
4 these were implemented prior to the settlement but after the
5 filing of the lawsuit. On the current record though, it seems
6 likely to me that the investigations at issue caused the
7 changes and not the filing of the lawsuit.

8 Maybe there's something I don't know, something I should
9 understand about how the lawsuit triggered this, but it seems
10 like if Alphabet has been the subject of this series of
11 investigations and started all of these reforms in the
12 2021-2022 range, it's hard for me to see how I could credit
13 that to the filing of this lawsuit as opposed to the
14 investigations that are at issue in the lawsuit.

15 And it also seems likely to me for the same reason that
16 Alphabet would be motivated to continue those reforms because
17 of those prior and ongoing investigations rather than because
18 of this lawsuit. It's hard for me to say how I could credit
19 those reforms to this lawsuit, which brings me back around to
20 the importance of the minimum spend on compliance, which I
21 think of as the linchpin of this settlement agreement, and the
22 value that it brings to the table.

23 Normally I have some hesitation of preliminarily approving
24 a settlement that I think that there's a strong possibility I
25 will not give final approval to, because I don't like to put

1 you all through the cost of notice if I don't think it's likely
2 that there will be final approval, but I don't think the costs
3 of notice are going to be that high in this instance. I
4 thought your notice plan, which is the standard notice plan in
5 these cases, is reasonable. Seems like it would make sense to
6 get the shareholder reaction to the proposed settlement, but in
7 order for the shareholders to have an educated reaction, I do
8 think we need the information about the current compliance
9 spending.

10 So my tentative plan is to take the matter under
11 submission until I get more information about that from
12 Alphabet, until I'm satisfied that we have enough for the
13 shareholders to be able to weigh in effectively and for me to
14 conclude that this meets the preliminary approval bar. So
15 that's my initial thought.

16 I did also want to give Plaintiffs' counsel a heads-up
17 that I will likely have a lot of questions about attorneys fees
18 when we get to that stage, which hopefully we will, as long as
19 I get the information I need and I can see the value in the
20 settlement. But I think there's a strong possibility that
21 whatever attorneys fees I give will be on a lodestar basis or
22 something that is keyed off of how much work you've put into
23 this.

24 So as you're preparing your attorneys fees declaration, I
25 would just encourage you to make sure that there's detailed

1 information in the public filing about exactly what you've done
2 and why it costs so much and how much resources you've put in,
3 and I would encourage you to give me, under seal if you'd like,
4 detailed billing records that gives me a sense of exactly why
5 it took so long and exactly how much you invested in this. I
6 have a lot of hesitation about giving you 80 million dollars to
7 look at discovery that was produced in other litigation and
8 essentially to ride on the coattails of other litigation that's
9 already been mostly completed.

10 I completely understand the value added in terms of
11 reviewing the Section 220 documents and all of the board
12 deliberations on this, but it's hard for me to imagine giving
13 you total value on reviewing documents from other litigations
14 that are pending. I just want you to know that upfront so that
15 you can make the showing you need to to try to get the results
16 you want.

17 So those are my initial thoughts. I'm sure both sides
18 will have plenty to say about all of that, but let's just work
19 through the questions first, and then you can have an
20 opportunity to tell me more. So if counsel would both come to
21 the podium, let me just start with question 1, which is
22 probably really for Alphabet.

23 What's Alphabet's best estimate of its total spending on
24 regulatory readiness, compliance, and board and management
25 oversight in each over the past five years? Do you have that

1 information?

2 **MR. FELDMAN:** I have some information on it. And Your
3 Honor, thank you for the questions in advance, which enabled us
4 to focus on this. I'd like to give you the numbers and then
5 the context: 2022, 11 million dollars; 2023, 40 million
6 dollars; 2024, 78 million dollars.

7 And now if I can tell you what those are for, there was a
8 sea change in how Alphabet managed regulatory compliance across
9 the board beginning in 2022 with a project called reg ready,
10 regulatory readiness. Of the many ongoing internal legal and
11 compliance functions, we think that's the most analogous to
12 what will be required under the settlement agreement if you
13 approve it.

14 So that did two things: One, it took compliance away from
15 the individual units like YouTube and others, and it
16 centralized them. And second, it established very detailed
17 protocols for compliance situations around the world, not just
18 competition.

19 So that is not -- what those numbers include are not every
20 lawyer under the umbrella Alphabet, part of whose job may have
21 entailed working on regulatory issues. It was the creation and
22 the rollout of reg ready. It began in 2022, which was two
23 years after the lawsuit was filed. The lawsuit was filed in
24 December of 2020, I guess you could say early COVID, and the
25 first settlement mediation was in December of 2022, although we

1 had had discussions about a settlement before.

2 In 2023, there was an internal management reorg that
3 refocused how reg ready was being rolled out. So when you look
4 at those three numbers, I just want to be clear for the Court,
5 those were the internal sums spent on reg ready to design and
6 start to roll out this regulatory framework.

7 If I can give you a perspective of looking at the 500
8 million, I think it was Everett Dirksen who used to say, "A
9 million here, a million there, pretty soon you're talking about
10 real numbers." I think the better way of looking at it is not
11 "Oh, that comes out to 50 million dollars a year for ten
12 years."

13 I think the way the parties approached it in fashioning
14 the settlement was we want to make sure that there's enough
15 money to implement this. We're going to commit half a billion
16 dollars to implement it. So my expectation, although it's not
17 a promise, is that the expenditure of that 500 million will
18 occur much more rapidly than ten years.

19 If you approve the settlement, it will then begin to roll
20 out and be implemented, and the 500 million commitment
21 guarantees that there won't be a response saying, "We couldn't
22 do this. We didn't have enough money for it." There is an
23 analogy in Google's history. It was a case where Scott & Scott
24 was one of the firms on the other side. We referred to it
25 internally as G-19 because it was in 2019.

1 They were derivative suits in federal court, Santa Clara
2 Superior, and Delaware Chancery. And a component of it was a
3 minimum funding commitment of 310 million over ten years. So
4 that kicked in in 2020.

5 There, as here, the expenses weren't tracked before in the
6 manner that they would -- so the company set up mechanisms in
7 finance to make sure that they would track it and would satisfy
8 the commitment. I double-checked this morning, just to be
9 sure, with the in-house person working on it, who said they've
10 nearly satisfied the spend in five years rather than ten, and
11 finance was able to implement tracking mechanisms for it.

12 So the reason I think this is -- it's better to look at
13 this as a half billion dollar bolus rather than a
14 50-million-dollar-a-year spend is there's really a tripartite
15 structure to the settlement, and I think the parties may
16 evaluate the portions a little differently.

17 If I may, the centerpiece of this, the headline, if you
18 will, is the new board committee, and the plaintiffs may want
19 to talk about that. That was the biggest fight. That was a
20 bigger fight than the money. We represent a lot of tech
21 companies. I believe this is the first technology company that
22 is splitting off regulatory oversight issues to a dedicated
23 board committee. That's part of it.

24 A big part of it is the internal changes. And I
25 understand completely, Your Honor, might these have happened

1 without the derivative suit? I don't know. Did they happen
2 with an eye on the derivative suit and potential resolution?
3 They did. So to every point, as the company was going through
4 it, we were getting hammered by the plaintiffs for "You
5 need to" -- I think their first demand letter may have been
6 21-pages single-spaced, and it had a lot more than we finally
7 agreed to.

8 But just to highlight, so at a 10,000-foot level, what
9 matters is it won't now be YouTube's compliance function. It
10 will be Alphabet centralized, which I think you can appreciate
11 may enhance the oversight quality, especially when those people
12 then have a dedicated board committee. But there are two of
13 the bodies that are being created and under the settlement will
14 be required.

15 One is the trust and compliance committee, and the other
16 is the trust and compliance steering committee. They sound
17 like more sort of just Alphabet committees, but the trust and
18 compliance committee is all of Sundar Pichai's direct reports.
19 I shouldn't say all of his direct reports. Everyone on the
20 committee is a direct report to the CEO. So it's a very senior
21 committee at the company.

22 And the steering committee is all vice president level and
23 will meet, I think, every other month. So those are -- and
24 you're right. The company's been under a lot of regulatory
25 scrutiny around the world, as has Apple, as has Meta, as has

1 Amazon. So this is a serious attempt, I think, to change the
2 entire structure.

3 So if the message to Plaintiffs' lawyers from this is "You
4 can't get credit for it," then the next time I try to settle a
5 case, they're going to say, "Don't implement that." I mean,
6 it's just the reality of game theory. They're going to say,
7 "Don't implement this. We love what you've designed. Hold off
8 on it."

9 One reason that this settlement took so long is what you
10 pointed out. We had a lot of stuff going on in all the
11 underlying matters, and so there's a limited corporate
12 attention span to how many things you can deal with at one
13 time. So as the company dealt with those other matters, it was
14 in constant negotiation with these plaintiffs to say, "What do
15 you think the right way is to address this going forward?"

16 So to me, the three key things are the committee, the
17 internal enhancements. If you -- the committee is a hundred
18 percent this lawsuit, and but for this, I do not believe we
19 could have gotten the company to agree to it. The enhancements
20 were shaped by what will we need to get the plaintiffs to agree
21 and to get the judge to approve it.

22 And then the money was not "All right. As a routine
23 operating expense, we'll spend 50 million a year." It was "Can
24 you put half a billion dollars behind this rollout?" So I hope
25 that helps.

1 In terms of additional information, if you need it, if we
2 can focus on the spend for the reg ready project, I could get
3 that to you in two weeks. If there's something else you
4 want -- and I know it seems funny because we manage the world's
5 information, so you would think we could hit F3 and it would
6 spit it out. But it was decentralized across many units, and
7 there's an allocation issue.

8 If you're a product counsel for Verily, which is one of
9 the partially owned subsidiaries that does health care
10 management issues, how do you retrospectively go back to
11 someone who is product counsel and then say, "Well, X percent
12 of her time was really regulatory" as opposed to something
13 else?

14 But if you're comfortable with the reg ready project, we
15 can get that to you, and I apologize for not getting it to you
16 before. I understand that we should have.

17 **THE COURT:** Thank you. Let me just make sure I
18 understand the reg ready project and exactly what it is. So
19 what I hear you saying is that it took compliance functions
20 that were previously decentralized among subunits and
21 centralized them all in one place.

22 So is, for example, the 2024 reg ready spend -- is that
23 now the project has basically been rolled out, and so that
24 amount is how much Google -- or not just Google, but Alphabet,
25 across all its companies, is spending on compliance and

1 oversight now that it's all been centralized in one place? I
2 understand in the early years, maybe it's lower because it's a
3 transition period and you're rolling out the centralized
4 system, and so some of it is decentralized and some of it is
5 centralized, but by the time you get to 2024, I'm assuming
6 you're done and it's all centralized. Is that about right?

7 **MR. FELDMAN:** I believe it is not accurate. So reg
8 ready -- like sourdough starter, reg ready's not done. In
9 part, it will continue to be shaped by what you do in your
10 approval of the settlement. But there are many, many people
11 throughout the organization working on, for example, anti-money
12 laundering through Google Pay. This doesn't capture that.
13 This captures the costs of imposing on all the entities the reg
14 ready structure.

15 I don't think that's done. I believe the amount that will
16 be spent this year is almost certainly going to be more than
17 what was spent in 2024, but I don't want to overstate it. This
18 is not every dollar that Google lawyers spend on compliance
19 across the board.

20 **THE COURT:** And when you're measuring what the 500
21 million dollar spend commitment is, I think I want something
22 that's close to that. Whatever you're going to use to measure
23 that, I think what the shareholders and what the Court need to
24 understand is how much do you spend on that category now.

25 So it is hard for me to understand from what you're saying

1 what the difference is between -- it seems, like, totally
2 different to me, honestly, based on what you're saying. I
3 don't have a clear understanding of what the difference is
4 between the reg ready amount that's being spent as opposed to
5 the amount you're committing to spend.

6 **MR. FELDMAN:** So by design, we wanted to leave the
7 board maximum flexibility in how it spends the half billion
8 dollars. For all we know, two years from now, most of that
9 could go to AI regulation in Europe. Over the last few years,
10 with the DSA and the DMA in Europe, those were regulatory items
11 that people hadn't really focused on in prior years that
12 consumed a lot of resources.

13 The settlement agreement commits the spending amount that
14 the parties felt would be adequate to roll all this out, but it
15 doesn't allocate it. We thought that the closest analog to
16 rolling out an integrated, company-wide regulatory system was
17 reg ready.

18 **THE COURT:** And when you're talking about the amount
19 that Alphabet spends on reg ready, right, in 2024, for example,
20 does that include the actual compliance functions, that is the
21 person who is, you know, looking at new laws that are coming
22 out in California or other jurisdictions to see if the company
23 is complying?

24 Does it cover, you know, all of the sort of standard
25 compliance functions, or is it just limiting -- the amount

1 you're telling me for 2024 is just limited to creating a new
2 structure for centralizing compliance and that special project
3 reassigning people to different roles and all of that, which
4 seem to me to be a small percentage of what the total cost of
5 compliance and oversight at Alphabet would be?

6 **MR. FELDMAN:** It's between the two. It is not just
7 assembling the team and moving it from the YouTube product area
8 to the regulatory compliance group, but it is not every dollar
9 that someone at Alphabet is spending on compliance.

10 **THE COURT:** And can you give me some sense of where it
11 lands between those two things, and what does it include that
12 is part of actual compliance functions?

13 **MR. FELDMAN:** I don't know the answer to that, and I
14 will get it.

15 **THE COURT:** If I wanted to understand better how much
16 Alphabet spends on actual compliance functions, are you really
17 telling me that there's no -- you all cannot come up with an
18 estimate of what that is? It seems -- I have to say it just
19 seems hard for me to believe that you all would agree to spend
20 a certain amount on regulatory readiness, compliance, and
21 oversight without having any sense of whatever it is right now.

22 **MR. FELDMAN:** The way the number was negotiated was
23 not "Okay. We're spending X now, and we can agree to increase
24 it to Y or maintain it." It was "What level of funding do we
25 think will ensure that this initiative is rolled out with

1 adequate funding." So I can't -- what I can say to you with
2 confidence --

3 **THE COURT:** I'm sorry. Let me just interrupt you.
4 When you say "this initiative," are you talking about reg
5 ready?

6 **MR. FELDMAN:** No. The whole settlement.

7 **THE COURT:** Okay.

8 **MR. FELDMAN:** Way beyond reg ready --

9 **THE COURT:** So the reforms that are listed in the
10 settlement agreement, in terms of various management positions
11 that are going to be compliance-focused that will be embedded
12 throughout the organization, that type of thing? That's what
13 you all were trying to make sure there was enough money for
14 funding?

15 **MR. FELDMAN:** Exactly.

16 **THE COURT:** Okay.

17 **MR. FELDMAN:** So, again, I know it's hard to imagine
18 that we can't hit a button to do it, but in large part because
19 of the transition from product area compliance people to
20 centralized, it's not like there are time sheets that we can go
21 back and say, "Well, for him, how much did he spend on this or
22 that?" We can track it going forward because we'll set up
23 those kind of tracking systems in advance, which is why we know
24 we'll be able to monitor the half billion and ensure that they
25 get it.

1 But to do an apples-to-apples comparison, we're pretty
2 confident -- I'd say quite confident -- in the reg ready
3 figures, but to go beyond that, our degree of confidence goes
4 way down.

5 **THE COURT:** I'll tell you what I'm hearing from this,
6 and you can tell me if you think that's the wrong impression.
7 What I'm hearing from this is that Alphabet already spends a
8 lot on compliance. It's probably in total significantly more
9 than -- over the next ten years would be significantly more
10 than 500 million anyway, a lot more.

11 This is just a way of ensuring that one of the components
12 of that compliance is sufficiently funded, that is the
13 committee and all of the requirements to embed certain
14 compliance functions within different parts of that Alphabet
15 organization. So the value of the settlement -- maybe I'm
16 looking at it wrong, but the value is really -- the 500 million
17 is not necessarily the headline. The headline is more the
18 compliance committee, which I understand. I see the value in
19 that.

20 But that's my big-picture reaction to what you're saying.
21 I'm open to hearing if they're something you think I'm
22 undercounting there, but I wanted to put that out there for
23 you.

24 **MR. FELDMAN:** You articulated it brilliantly. It's
25 exactly what you just said. As we were negotiating this and

1 got over the final stumbling block where the board split off
2 into a committee, we thought that the headline was the
3 committee followed by -- again, to borrow from history, when we
4 did the MeToo settlement and set up -- I don't know if I can
5 use these words anymore. It was a diversity advisory committee
6 to the board, and other companies followed that, and they said,
7 "Wow, it's Google," and this is sort of state-of-the-art.

8 I believe that the regulatory compliance mechanisms that
9 we're setting up here will become sort of a good housekeeping
10 model for other tech companies. I don't view the funding as
11 nearly as important. I view it in the way that you
12 articulated.

13 **THE COURT:** Okay. Let me give Plaintiffs an
14 opportunity --

15 **MR. COUGHLIN:** Yes.

16 **THE COURT:** -- to weigh in on it. I'd also be
17 interested in hearing your sell maybe a little bit more than
18 what's in the papers as to why this compliance committee is
19 really something that's, you know, valuable enough to be the
20 linchpin of the settlement.

21 **MR. COUGHLIN:** Well, I think you're right that you
22 focused on what we argued about for a year and a half in the
23 settlement was a board -- whether we would actually have a
24 board committee. Right now the compliance issues go through
25 the audit committee, and of course what the audit committee is

1 concerned about are the numbers. What are we doing here? What
2 are we spending there? What's the cost there? Much less so
3 than compliance.

4 That's why when you looked at our complaint and you said,
5 "Oh, you've identified a lot of red flags, and now what you're
6 doing is just trying to give notice to the board," you know,
7 doesn't seem like you're really impacting, you know, what this
8 company's doing.

9 And I'd say just the complete opposite. By setting up a
10 board committee -- like, when I did the Enron case, once that
11 happened and it blew up and Arthur Andersen blew up and
12 disappeared, audit committees became really important across
13 the board, and everybody started to pay attention. Do we have
14 800 off-the-books partnerships? You know, it really changed
15 the way public companies were doing -- were reporting their
16 auditing in a public way.

17 Here, you won't find a risk-ready or a regulatory
18 compliance committee on any of these high-tech companies,
19 whether it's Amazon, Meta. You go across the board. None of
20 them have it. And they don't -- I don't want to say it like
21 this. Not that they didn't want it, but I think they might
22 even have been concerned about the risk of having such a
23 committee on the board responsible for getting reported to and
24 having a place at the board.

25 You see, these minutes we've reviewed over the years about

1 the red flags being reported -- and that's exactly what they
2 are. They're reported, but there's no indication that hey, you
3 know what? They're complaining over in the EU that some of our
4 search contracts are exclusive, you know, that we are paying
5 people, you know, to be the only default on their search or to
6 be their only search, or we're paying the original equipment
7 manufacturers not to have other apps on the rollout of the
8 original product and things like that.

9 And that's it. They say it in the board minutes. They
10 know that the EU has a compliant. They get fined 8.2 billion
11 dollars, and nothing changes. Okay? And so we argued for at
12 least the last year and a half about getting a board committee,
13 and so that was the linchpin of this, you know.

14 And kind of like what you just assumed, "Oh, well, this is
15 a big company across the world. They've got a hundred, you
16 know, lawsuits sitting out there. You know, I'm sure they're
17 spending all this money." No. All this money that they might
18 have been spending here and there to put out this fire or that
19 fire or to answer something with the Digital Markets Act over
20 in Europe. Okay?

21 That was always at the product level. Like, if you go to
22 the -- let's say their ad, the ad tech case where they've just
23 lost, right? Three. They've lost Play, search, and ad. The
24 ad tech case -- well, they go out and buy, you know, the ad
25 tech centerpiece, which is like the New York Stock Exchange,

1 in 2008. Nobody says anything about it like, "Wait a second.
2 We're on the advertiser side, we're on the publisher side, and
3 now we control the exchange."

4 You know, that should have set off a red flag. In fact,
5 one of the executives writes, "Hey, you know, somebody's going
6 to call us on this because shouldn't this be like the New York
7 Stock Exchange and be out here and that we don't control it?
8 Right now we have first look. We have last look," you know,
9 and something else with the waterfall. And then that wasn't
10 even good enough.

11 They looked over and they saw that "Hey, maybe we should
12 go into the -- you know, the social area, and yet we've got
13 Meta over there," so they make a deal to divide up, you know,
14 what they call the accessible market. In other words, there
15 was 53 billion dollars sitting over here, and they decided to
16 make a deal because it's at the product level and it makes good
17 business sense for that division to make a deal with Meta,
18 right?

19 And Meta says, "Okay. You give us our social media
20 customers," because now Google's good enough to identify who's
21 on Facebook. Send those customers first to Facebook. Divide
22 up the money between the two of them. They keep the overall
23 search group to themselves for those ads. You know, and all of
24 that is happening in the company, and nobody is saying, "You
25 know what? That agreement -- that's not okay. It's not okay

1 to look out and see this much is out there.

2 And we have a threat -- and they write about it. "We have
3 an existential threat for header bidding." Okay? Which was a
4 new thing where the ad people and the publishers said, "Hey,
5 we've got to get away. We've got to get a little distance from
6 both Meta, who we're trying to get to join header bidding, and
7 from Google. We're just getting swallowed up."

8 Google wasn't even looking at the prices they charge for
9 ads because they knew they had no competition. So if they
10 moved an increment here, did this, or 10 percent for these
11 three months, nothing happened. Nothing happened to their
12 market share. Nothing happened to the volume.

13 You know, and then they moved away from click-throughs
14 just to, again, show that "Hey, we don't need to tell you what
15 your click-throughs are. We're going to charge you by the
16 image." None of these things were getting up to the board
17 level for somebody to say, "Hey, this is a problem," you know,
18 and so now --

19 **THE COURT:** So are you saying that when you were going
20 through the, you know, 220 records, you didn't even see these
21 being raised in the first place? Because I know the complaint
22 has a whole list of red flags you say were raised to the board
23 that were ignored, but you're saying that there were also all
24 these other issues that should have -- didn't even get to the
25 red flag level, the board never even heard about, and so at

1 least we'll be moving the needle on those?

2 **MR. COUGHLIN:** Absolutely. We identified, you know, a
3 bunch of the red flags in the complaint, but there were so many
4 more, so to speak, red flags and things that should have been
5 identified and dealt with that were not dealt with, and so we
6 needed -- we thought that you had to have a board committee and
7 that we weren't going to settle without the board committee.
8 And the funding, frankly, you know, that we ended up agreeing
9 to was a secondary thing. It was the structure of the
10 reporting.

11 And Your Honor said, "Well, you know, I'm a little
12 concerned about you guys taking credit for the information that
13 was uncovered in the ad tech case, the search case," you know,
14 the Play case in front of Donato. Well, I have to say --
15 because I was supposed to go to trial, actually, last month
16 with Meta for the ads. I have to say to actually negotiate
17 with these guys about these issues, we had to understand each
18 of those areas.

19 So it wasn't just like -- I wasn't just reviewing it. You
20 know, I was reviewing it like, "Hey, I might have to go to
21 trial here because right now all the big tech companies are
22 pushing back," you know. And so yes, they've now lost in the
23 three. But that's just the start of it.

24 It's almost going to be like Microsoft all over again -- a
25 ten-year pushback, you know, and the remedies. Like, if you go

1 look at what the remedy -- fight, you know, now back in the
2 Eastern District of Virginia or in the DC case, you know, about
3 search, the remedies -- the fight about what the remedies are
4 going to be are really -- you know, it's almost like they're
5 still totally in litigation.

6 It's almost like there wasn't a loss, that somebody found
7 they were a monopoly and that there were some unfair business
8 practices, that they, you know, favored their own products
9 first or there was an exclusive agreement with this or that
10 company, whether it's Mozilla or Apple.

11 I mean, we really had to understand what was going on, and
12 we felt that we needed to address these things, because right
13 now, you look at this company -- and I'm not picking on it.
14 I'm not picking on the company, but it was just all over the
15 board. Everybody was in it for their own "Hey, how can we
16 improve over here in that and this?"

17 And it's very different than Meta where really Zuckerberg
18 has got kind of an iron fist and control in it all the way
19 down. And yet here, you have, like, you know, some founders
20 and other people, and they didn't appear to be outright, "Let's
21 see if we can crush the competition." They were just, like,
22 making the business decisions like, "Well, wouldn't it be
23 better if we not only had first look at the ads? We get second
24 look. Let's take down to the second price."

25 Everything, you know, was being done here at the product

1 level, as Mr. Feldman says, you know, as my friend Mr. Feldman
2 says. But it wasn't -- nobody said, "Well, we'd better watch
3 out for that because somebody's going to come along." And
4 they're not -- in any of these cases, including in the Epic,
5 you know, Games case upstairs, they're not saying, "Oh, wow.
6 We really had a problem here. Look what happened." No.
7 They're pushing back and fighting this, and we need somebody to
8 address it at the board level that somebody's going to listen
9 to and say, "Everybody's responsible."

10 Like, right now, the audit committee goes -- the audit and
11 compliance committee -- they're just -- they're more worried
12 about, as well they should be, the audited numbers. But
13 they're not evaluating the Digital Markets Act over in Europe
14 and what they have to do to comply there and what they have to
15 do here for privacy or any of those issues are just really not
16 being addressed.

17 So this structure is so unique and different, and that's
18 why they pushed back. They didn't say right away, "Hey, that's
19 great." No. We had to go through, that's right, those cases,
20 figure out what was happening, figure out what the potential
21 remedies might be, and change as it might be necessary and know
22 that the only way you were going to get those changes in is if
23 you had a board committee that was responsible.

24 And once that board committee has to sign off on something
25 like these issues -- and that was not done before -- you know,

1 there seemed to be almost no remedies being proposed. You're
2 going to see a real change, and it is going to -- it is, just
3 like the audit committees changed after Enron. It is going to
4 go across these high-tech companies. And so there was a lot of
5 pushback.

6 The 500 million, you know --

7 **THE COURT:** Yeah. I don't think I need more on the
8 500 million. I kind of understand now that the headline is
9 really the compliance committee, and I see the value --

10 **MR. COUGHLIN:** Okay.

11 **THE COURT:** -- in what you're saying the compliance
12 committee brings to the table and that it's very different from
13 what the current setup is. But also, it's not something that
14 is present in the industry, and it also is helpful to
15 understand that part of the issue is not just that red flags
16 were ignored but also that red flags just never reached the
17 board level.

18 **MR. COUGHLIN:** That's right.

19 **THE COURT:** And it was helpful, Mr. Feldman's point
20 about the makeup of the domestic compliance committee, and that
21 it will be folks that have a direct reporting relationship to
22 the CEO. So it is people who will potentially have the ability
23 to move the needle and to raise the alarm when it needs to be
24 raised. So I understand the value in that. This argument was
25 really helpful.

1 I think what I'm going to do is -- I don't think I need
2 the declaration that was described in question 2. It seems to
3 me from the additional submissions you all have made that you
4 all agree that I should let any current shareholder object. So
5 I don't think I need to ask question 3 anymore.

6 Question 5 was the same way in terms of building out
7 enough time in the schedule for folks to look at the attorneys
8 fees motion.

9 So that just leaves me question 4, which is just
10 confirming with you all that you're okay with me adding a
11 requirement to the preliminary approval order that you put all
12 the papers --

13 **MR. COUGHLIN:** Yes.

14 **THE COURT:** -- on the website.

15 **MR. COUGHLIN:** We're fine. Yes, we'll do that.

16 **MR. FELDMAN:** Yes, Your Honor.

17 **THE COURT:** The other question I had about that is I
18 found our conversation today to be very helpful in terms of
19 understanding from the parties what the value of the settlement
20 was and that there was not necessarily a big new commitment to
21 spend a lot more money on compliance. That was not the
22 headline of the settlement and is really, I don't think,
23 necessarily accurately a significant difference in the amount
24 that Alphabet will be spending on compliance.

25 I think it would be helpful for the shareholders to have a

1 copy of our conversation. So I would like to include the
2 transcript of this oral argument on the website also. Do the
3 parties have any objection to that requirement?

4 **MR. COUGHLIN:** No objection.

5 **THE COURT:** Okay. Great. So thank you. I appreciate
6 the conversation.

7 I am going to preliminarily approve the settlement. I
8 find it fair, reasonable, and adequate for the reasons we
9 talked about in terms of the committee, and I will say I do
10 want to hear the shareholder reaction to the committee, because
11 I'm sure there's folks who are much more well-versed than I am
12 in the industry who will have opinions on how valuable the
13 committee is, and I need to hear that from folks. But I
14 definitely think it's worth getting the shareholder reaction,
15 and it meets the low bar for preliminary approval.

16 I did want to -- I know I promised you all an opportunity
17 at the end to tell me anything else you want. Is there
18 anything else you all wanted to tell me about approval or
19 attorneys fees or anything along those lines? I'll give
20 Plaintiffs an opportunity and then Alphabet.

21 **MR. COUGHLIN:** Your Honor, you talked about how the
22 central part was the compliance committees, and that's
23 absolutely true. That's really what we fought over. That's
24 not to say that we didn't say, "Hey, we need a certain amount
25 that's committed to funding," and that really is a part of the

1 settlement. And if Google had -- if Alphabet had walked in
2 here and said, "Hey, you know, we're going to spend this
3 anyway," that's really not really what happened.

4 We said, "Hey, to put this into effect, you're going to at
5 least have to spend a half a billion dollars," and they agreed
6 and understood that. So that's part of the settlement. I
7 understand what you're saying and the questions you've asked.
8 I just didn't want to walk out of here and not say that.

9 As to the attorneys fees, we understand. You're going to
10 look at our lodestar and say, "Hey, you know, you said you
11 spent X," you know, and I really think hopefully I can show you
12 that the analysis and the due diligence of actually -- I didn't
13 know if I would be preparing for trial. I was preparing for
14 trial against Meta that was supposed to start last month.
15 Probably go in September.

16 But we really had to understand these issues, and then --
17 and we're really now just focused on the remedies, then the
18 pushback that Alphabet is giving. So just close with those
19 comments.

20 **THE COURT:** Thank you.

21 **MR. FELDMAN:** Thank you, Your Honor.

22 **THE COURT:** Be well. I will issue a written order
23 later today on the preliminary approval, and we'll set the
24 hearing at -- I believe my courtroom deputy cleared the date
25 with you of September 30th. We'll set the hearing on that

1 date.

2 **MR. COUGHLIN:** Great. Thank you, Your Honor.

3 **THE COURT:** Thank you. Be well.

4 **THE CLERK:** Court is in in recess.

5 (The proceedings concluded at 10:54 A.M.)

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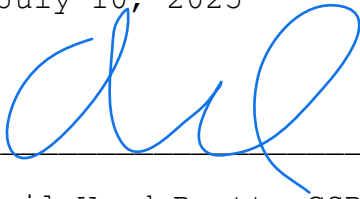
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CERTIFICATE OF REPORTER

I certify that the foregoing is a correct transcript from
the record of proceedings in the above-entitled matter.

DATE: Thursday, July 10, 2025



April Wood Brott, CSR No. 13782