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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

_____, Individually and on Behalf
of All Others Similarly Situated,

Plaintiff,

v.

FATE THERAPEUTICS, INC., J.
SCOTT WOLCHKO, and EDWARD J.
DULAC III,

Defendants.

Case No. '23CV0111 WQHNS

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

Plaintiff _____ (“Plaintiff”), individually and on behalf of all others
similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s
complaint against Defendants, alleges the following based upon personal
knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as
to all other matters, based upon, *inter alia*, the investigation conducted by and
through Plaintiff’s

1 attorneys, which included, among other things, a review of the Defendants’ public
2 documents, conference calls and announcements made by Defendants, United States
3 (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press
4 releases published by and regarding Fate Therapeutics, Inc. (“Fate” or the
5 “Company”), analysts’ reports and advisories about the Company, and information
6 readily obtainable on the Internet. Plaintiff believes that substantial, additional
7 evidentiary support will exist for the allegations set forth herein after a reasonable
8 opportunity for discovery.

9 NATURE OF THE ACTION

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13 1. This is a federal securities class action on behalf of a class consisting
14 of all persons and entities other than Defendants that purchased or otherwise
15 acquired Fate securities between April 2, 2020 and January 5, 2023, both dates
16 inclusive (the “Class Period”), seeking to recover damages caused by Defendants’
17 violations of the federal securities laws and to pursue remedies under Sections 10(b)
18 and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule
19 10b-5 promulgated thereunder, against the Company and certain of its top officials.

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21
22 2. Fate is a clinical-stage biopharmaceutical company that develops
23 programmed cellular immunotherapies to treat cancer and immune disorders.

24
25 3. On April 2, 2020, after the market closed, Fate announced its entry into
26 a global collaboration and option agreement with Janssen Biotech, Inc. (“Janssen”),
27

1 one of the Janssen Pharmaceutical Companies of Johnson & Johnson, for cell-based
2 cancer immunotherapies, under which Fate received a \$50 million upfront payment
3 (the “Janssen Collaboration Agreement”). In addition, Fate was eligible for up to \$3
4 billion in various milestone payments and double-digit royalties on any net sales
5 from the collaboration. On the news, Fate’s stock price jumped 8.8% in trading on
6 April 3, 2020.
7

8
9 4. Throughout the Class Period, Defendants made materially false and
10 misleading statements regarding the Company’s business, operations, and
11 compliance policies. Specifically, Defendants made false and/or misleading
12 statements and/or failed to disclose that: (i) the Janssen Collaboration Agreement
13 was less sustainable than Fate had represented to investors; (ii) accordingly, certain
14 the clinical programs, milestone payments, and royalty payments associated with the
15 Janssen Collaboration Agreement could not be relied upon as future revenue
16 sources; (iii) as a result, Fate had overstated the impact of the Janssen Collaboration
17 Agreement’s on Fate’s long-term clinical and commercial profitability; and (iv) as a
18 result, the Company’s public statements were materially false and misleading at all
19 relevant times.
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24 5. On January 5, 2023, after the markets closed, Fate issued a press release
25 announcing that it had terminated the Janssen Collaboration Agreement.
26 Specifically, the Company disclosed that it was “not able to align with Janssen on
27

1 their proposal for continuation of our collaboration, where two product candidates
2 targeting high-value, clinically-validated hematology antigens were set to enter
3 clinical development in 2023[.]” As a result of the termination, Fate revealed that
4 all licenses and other rights granted pursuant to the Janssen Collaboration
5 Agreement would terminate, that it would reduce its headcount to about 220
6 employees in Q1 2023, and that it would discontinue several of its natural cell killer
7 programs in various cancers, including FT516 and FT538 NK cell programs in acute
8 myeloid leukemia, FT516 and FT596 NK cell programs in B-cell lymphoma, and
9 FT538 and FT536 NK cell programs in solid tumors.

13 6. On this news, Fate’s stock price fell \$6.76 per share, or 61.45%, to close
14 at \$4.24 per share on January 6, 2023.

16 7. As a result of Defendants’ wrongful acts and omissions, and the
17 precipitous decline in the market value of the Company’s securities, Plaintiff and
18 other Class members have suffered significant losses and damages.

19 **JURISDICTION AND VENUE**

21 8. The claims asserted herein arise under and pursuant to Sections 10(b)
22 and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5
23 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

25 9. This Court has jurisdiction over the subject matter of this action
26 pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

1 **Materially False and Misleading Statements Issued During the Class Period**

2 19. The Class Period begins on April 2, 2020, when Fate issued a press
3 release announcing that it had entered into the Janssen Collaboration Agreement.
4

5 The press release stated, in relevant part:

6 Fate [. . .] announced today a global collaboration and option agreement
7 with Janssen Biotech, Inc. (Janssen), one of the Janssen Pharmaceutical
8 Companies of Johnson & Johnson.

9 Under the multi-year collaboration agreement, Janssen will contribute
10 proprietary antigen binding domains for up to four tumor-associated
11 antigen targets. The Company will apply its iPSC product platform to
12 research and preclinically develop new iPSC-derived chimeric antigen
13 receptor (CAR) NK and CAR T-cell product candidates. The Company
14 will receive \$50 million in cash and \$50 million from the purchase by
15 Johnson & Johnson Innovation – JJDC, Inc. of newly issued shares of
16 the Company’s common stock at a price per share of \$31.00. Janssen
17 will also reimburse the Company for all activities conducted under the
18 collaboration.

19 “We are delighted to enter this strategic collaboration, which brings
20 together Janssen’s scientific and global commercialization leadership,
21 deep domain expertise in oncology and proprietary technologies for
22 targeting and binding certain tumors and our industry-leading iPSC
23 product platform to develop novel off-the-shelf CAR NK and T-cell
24 cancer immunotherapies,” said Scott Wolchko, President and Chief
25 Executive Officer of Fate Therapeutics. “The collaboration strengthens
26 our financial and operating position through a focused effort of
27 developing cell-based cancer immunotherapies utilizing Janssen’s
28 proprietary antigen binding domains, while enabling us to continue to
exploit our deep pipeline of wholly-owned product candidates and
further develop our off-the-shelf, iPSC-derived cell-based
immunotherapies.”

The Company will advance candidates under the collaboration to the
filing of an Investigational New Drug (IND) application, after which
Janssen will have the right to exercise its option for an exclusive license

1 for the development and commercialization of collaboration candidates
2 targeting the tumor-associated antigens. The Company will be
3 primarily responsible for the manufacture of collaboration candidates,
4 the cost of which will be paid for by Janssen. The Company is eligible
5 to receive payments of up to \$1.8 billion upon the achievement of
6 development and regulatory milestones and up to \$1.2 billion upon the
7 achievement of commercial milestones, plus double-digit royalties on
8 worldwide commercial sales of products targeting the antigens. In
9 addition, the Company has the right to elect to co-commercialize each
10 collaboration candidate in the U.S. and share equally in profits and
11 losses in the U.S., subject to its payment of certain clinical development
12 costs and adjustments in milestone and royalty payments.

13 20. On the news, Fate's stock price jumped 8.8% in trading on April 3,
14 2020.

15 21. On May 11, 2020, Fate issued a press release announcing the
16 Company's Q1 2020 financial results and operational highlights. The press release
17 stated, in relevant part:

18 "[W]e entered into a transformative collaboration with Janssen that
19 leverages our iPSC product platform and Janssen's proprietary tumor-
20 targeting antigen binders to develop novel CAR NK and CAR T-Cell
21 product candidates for hematologic malignancies and solid tumors,
22 supporting our fundamental goal of bringing off-the-shelf, iPSC-
23 derived cell-based cancer immunotherapies to patients."

24 ***

25 **Corporate Highlights**

- 26 • **Strategic Collaboration Formed with Janssen for Novel
27 iPSC-derived Cell-based Cancer Immunotherapies.** In April,
28 the Company entered into a global collaboration and option
agreement with Janssen Biotech, Inc. (Janssen), one of the
Janssen Pharmaceutical Companies of Johnson & Johnson, to
develop iPSC-derived chimeric antigen receptor (CAR) NK and
CAR T-cell product candidates targeting up to four tumor-

1 associated antigens for which Janssen is contributing proprietary
2 antigen binding domains. The Company is eligible to receive
3 payments of up to \$3.0 billion upon the achievement of certain
4 development, regulatory and commercial milestones, plus tiered
5 double-digit royalties on worldwide net sales of products
6 targeting the antigens. In addition, the Company has the right to
7 elect to co-commercialize each product candidate in the U.S. and
8 share equally in profits and losses in the U.S., subject to its
9 payment of certain clinical development costs and adjustments
10 in milestone and royalty payments. The Company received \$100
11 million upon entering into the collaboration, including \$50
12 million in an upfront cash payment and \$50 million from the
13 purchase by Johnson & Johnson Innovation – JJDC, Inc. of
14 newly issued shares of the Company’s common stock at a price
15 per share of \$31.00.

16 22. That same day, Fate hosted an earnings call with investors and analysts
17 to discuss the Company’s Q1 2020 results (the “Q1 2020 Earnings Call”). During
18 the scripted portion of the Q1 2020 Earnings Call, Defendant Wolchko stated, in
19 relevant part:

20 Finally, I’d like to make a few comments about our newly formed
21 collaboration with Janssen. The partnership is transformative for us.
22 And I believe it significantly increases our ability to invest in
23 innovation, build commercial-scale iPSC manufacturing operations,
24 bring best-in-class iPSC-derived cell-based cancer immunotherapies to
25 patients and deliver value to shareholders. The collaboration brings
26 together Janssen’s scientific leadership in deep domain expertise in
27 oncology and our industry-leading iPSC product platform. Our mutual
28 objective is to research, develop and commercialize novel off-the-shelf
iPSC-derived CAR NK and CAR-T cell products.

Importantly, all these activities are entirely funded by Janssen. And we
will receive full funding for all innovation, preclinical development and
the IND-enabling activities that we perform under the collaboration.

1 Upon the completion of activities sufficient to allow for submission of
2 an IND, Janssen will have the right to exercise an exclusive option. And
3 obtain an exclusive license, for the clinical development and
commercialization of the collaboration candidate.

4 Janssen will be solely responsible for worldwide clinical development
5 and commercialization. And we will be primarily responsible for the
6 manufacture, at Janssen's cost, of the collaboration candidate.

7 ***

8 With respect to the collaboration economics, we received \$100 million
9 in April of which \$50 million was an upfront cash payment and \$50
10 million was in the form of an equity investment at \$31 per share.

11 ***

12 In total, assuming only one collaboration candidate, across each of the
13 four antigen targets we are eligible to receive payments of up to \$1.8
14 billion, upon the achievement of development and regulatory
15 milestones and up to \$1.2 billion, upon the achievement of commercial
milestones.

16 ***

17 With respect to the collaboration's strategic value, I would highlight
18 several key points. First, we have partnered with one of the strongest
19 oncology teams in the entire industry, one, with outstanding scientific
20 clinical development and commercialization expertise.

21 We will be building collaboration candidates using proprietary binding
22 domains, identified and optimized by Janssen, creating the opportunity
23 to develop highly differentiated products.

24 Second, Janssen has committed substantial dollars to the
25 collaboration's work plan. And we will be receiving significant annual
26 research and development payments to drive innovation, including for
27 the research and development of next-generation features and
28 functionality, and for the scaling of our GMP manufacturing processes
to support commercial-scale operations.

1 with Janssen’s proprietary tumor targeting antigen binders to develop
2 novel off-the-shelf CAR NK and CAR T-cell immunotherapies for both
3 hematologic malignancies and solid tumors.

4 ***

5 We are also leveraging our unique ability to build multiplexed
6 engineered cell products of increasing complexity, using already
7 established clonal master engineered iPSC lines with our collaboration
8 partners, including under our newly formed collaboration with Janssen,
9 which brings together Janssen’s deep domain expertise in oncology and
10 our industry-leading iPSC cell product platform.

11 We have successfully launched this collaboration with strong
12 momentum. Janssen has already contributed proprietary antigen-
13 binding domains against one hematologic malignancy target and one
14 solid tumor target, for which we are building novel CAR constructs. As
15 a first step, we are incorporating these constructs into existing multiplex
16 engineered master iPSC cell lines, which may enable an efficient and
17 accelerated pathway to clinical development for the collaboration’s
18 initial product candidates.

19 ***

20 Turning to our financial results. Revenue was \$5.5 million for the
21 second quarter of 2020 compared to \$2.8 million for the same period
22 last year. Revenue in the current quarter was derived from our
23 collaboration with Janssen and ONO Pharmaceutical.

24 25. On November 5, 2020, Fate issued a press release announcing the
25 Company’s Q3 2020 results which stated, in relevant part, that “[r]evenue was \$7.6
26 million for the third quarter of 2020, which was derived from the Company’s
27 collaborations with Janssen and Ono Pharmaceutical.”

28 26. On February 24, 2021, Fate filed an Annual Report on Form 10-K with
the SEC, reporting the Company’s financial and operating results for the year ended

1 December 31, 2020 (the “2020 10-K”). With respect to the Company’s strategy, the
2 2020 10-K stated, in relevant part:

- 3
4 • **Selectively share our iPSC product platform with industry-**
5 **leading strategic partners for the development of iPSC-**
6 **derived cell therapies.** The research, development and clinical
7 investigation of cell therapies for the treatment of human
8 diseases is rapidly expanding. We believe we are uniquely
9 positioned as an expert partner of choice for industry-leading
10 developers seeking to develop iPSC-derived cell therapies for the
11 treatment of human diseases, including cancer. For example, we
12 are collaborating with Ono Pharmaceutical Co. Ltd. (Ono) to
13 develop and commercialize off-the-shelf, iPSC-derived CAR T-
14 cells for the treatment of certain solid tumors, *and we are*
15 *collaborating with Janssen Biotech, Inc. (Janssen), part of the*
16 *Janssen Pharmaceutical Companies of Johnson & Johnson, to*
17 *develop and commercialize off-the-shelf, iPSC-derived CAR*
18 *NK cell and CAR T-cell product candidates for the treatment*
19 *of certain hematologic malignancies and solid tumors.* Since
20 iPSCs have the unique capacity to be genetically engineered,
indefinitely expanded and differentiated in culture into any type
of cell in the body, we believe there is significant opportunity to
broadly exploit our industry-leading iPSC product platform and
intellectual property position in other disease areas beyond
cancer. We will continue to seek partnerships with institutions
and companies for the research, development and
commercialization of iPSC-derived cell therapies for the
treatment of human diseases.

21 (Emphasis added.)

22 27. Appended to the 2020 10-K as exhibits were signed certifications
23 pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by the Individual Defendants,
24 attesting that “the information contained in the [2020 10-K] fairly presents, in all
25 material respects, the financial condition and results of operations of [Fate].”
26
27

1 During the scripted portion of the Q4 2020 Earnings Call, Defendant Wolchko
2 stated, in relevant part:

3
4 We also continued to innovate and optimize our manufacturing process,
5 including under our collaborations with ONO and Janssen and we have
6 initiated a second GMP manufacturing run of FT819 to implement
7 certain improvements. We expect to treat the first patients with FT819
8 in the middle of 2021.

9 ***

10 And finally, we believe our iPSC product platform represents the ideal
11 framework for designing and developing multiplex engineered CAR
12 NK cell product candidates. And we currently have four novel IPS
13 derived CAR NK cell programs for solid tumors undergoing preclinical
14 development. These programs include three wholly-owned programs
15 and one program under our collaboration with Janssen.

16 30. On May 5, 2021, Fate issued a press release announcing the Company's
17 Q1 2021 financial results and operational highlights. The press release stated, in
18 relevant part, that "[r]evenue was \$11.1 million for the first quarter of 2021, which
19 was derived from the Company's collaborations with Janssen and Ono
20 Pharmaceutical."

21 31. On August 4, 2021, Fate issued a press release announcing the
22 Company's Q2 2021 financial results and operational highlights. The press release
23 stated, in relevant part:

- 24 • **Preclinical Milestone Reached for First Product Candidate**
25 **under Janssen Collaboration.** In June, the Company and
26 Janssen elected to initiate IND-enabling activities for an iPSC-
27 derived CAR NK cell product candidate incorporating a Janssen
28 proprietary antigen binding domain that targets an antigen

1 expressed on certain solid tumors, triggering the payment of a
2 milestone fee to the Company from Janssen under the
3 collaboration. Janssen maintains an option to develop and
4 commercialize the iPSC-derived CAR NK cell product candidate
5 in all territories of the world, with the Company retaining the
6 option to co-commercialize the product candidate in the United
7 States.

8 ***

- 9 • **Total Revenue:** Revenue was \$13.4 million for the second
10 quarter of 2021, which was derived from the Company's
11 collaborations with Janssen and Ono Pharmaceutical.

12 32. On November 4, 2021, Fate hosted an earnings call with investors and
13 analysts to discuss the Company's Q3 2021 results (the "Q3 2021 Earnings Call").
14 During the scripted portion of the Q3 2021 Earnings Call, Defendant Dulac stated,
15 in relevant part, that "revenue was \$14.2 million for the third quarter of 2021
16 compared to \$7.6 million for the same period last year. Revenue in the current
17 quarter was derived from our collaborations with Janssen and Ono Pharmaceutical."

18 33. In addition, during the Q&A portion of the Q3 2021 Earnings Call,
19 when asked to discuss the status of the collaboration with Janssen, Defendant
20 Wolchko responded, in relevant part:

21 [T]he Janssen collaboration has continued to go very well. And
22 obviously, as you can tell from the revenue that continues to increase,
23 we continue to increase the resources under the collaboration. I think
24 we've disclosed in the past that the collaboration started with two
25 antigen targets, one in hematologic malignancies, one in solid tumors.

26 A third antigen target has now been added to the collaboration. And
27 Janssen reserves the right to add a fourth target to the collaboration. So,
28

1 collaboration is moving forward. We're really pleased with it. I think
2 we'll be able to give a little bit of visibility on the first product candidate
3 at the solid tumor day, although we may not be able to disclose the
4 target quite yet.

5 34. On February 28, 2022, Fate filed an Annual Report on Form 10-K with
6 the SEC, reporting the Company's financial and operating results for the year ended
7 December 31, 2021 (the "2021 10-K"). The 2021 10-K contained a substantively
8 similar description of the Janssen Collaboration Agreement's impact on the
9 Company's strategy as discussed, *supra*, in ¶ 26. Appended to the 2021 10-K as
10 exhibits were signed certifications pursuant to the SOX by the Individual
11 Defendants, attesting that "the information contained in the [2021 10-K] fairly
12 presents, in all material respects, the financial condition and results of operations of
13 [Fate]."

14 35. That same day, Fate issued a press release announcing the Company's
15 Q4 and full year 2021 financial results and operational progress. The press release
16 stated, in relevant part:
17

- 18 • **Preclinical Milestone Reached for Second Product Candidate under Janssen Collaboration.** In January 2022,
19 Janssen elected to initiate IND-enabling activities for a second
20 iPSC-derived CAR NK cell product candidate incorporating a
21 Janssen proprietary antigen binding domain, triggering the
22 payment of a milestone fee to the Company under the
23 collaboration.
24

25 ***
26

- **Total Revenue:** Revenue was \$17.1 million for the fourth quarter of 2021, which was derived from the Company’s collaborations with Janssen and Ono Pharmaceutical.

36. On May 4, 2022, Fate issued a press release announcing the Company’s Q1 2022 financial results and operational highlights. The press release stated, in relevant part:

“We are also poised to treat the first solid tumor patient with FT536, our multi-antigen targeted CAR MICA/B NK cell product candidate, and have initiated IND-enabling activities for two CAR NK cell product candidates under our collaboration with Janssen. We look forward to providing clinical updates for our multiplexed-engineered, iPSC-derived NK and T-cell product candidates across our disease franchises in the second half of 2022.”

- **Preclinical Milestone Reached for Third Product Candidate under Janssen Collaboration.** In April 2022, Janssen nominated a third iPSC-derived, CAR-targeted cell product candidate incorporating a Janssen proprietary antigen binding domain, triggering the payment of a milestone fee to the Company under the collaboration.

- **Total Revenue:** Revenue was \$18.4 million for the first quarter of 2022, which was derived from the Company’s collaborations with Janssen and Ono Pharmaceutical.

37. That same day, Fate hosted an earnings call with investors and analysts to discuss the Company’s Q1 2022 results (the “Q1 2022 Earnings Call”). During the scripted portion of the Q1 2022 Earnings Call, Defendant Wolchko stated, in relevant part:

1 Turning to our collaborations with Janssen and Ono. We continue to
2 show strong momentum in bringing multiplexed-engineered iPS-
3 derived CAR NK and CAR T cell product candidates to patients for the
4 treatment of hematologic malignancies and solid tumors. Under our
5 collaboration with Janssen, we have now initiated IND-enabling
6 activities for two iPS-derived CAR NK cell collaboration candidates.
7 And we are actively working together with Janssen to prepare and
8 submit IND applications for both of these candidates.

9 For each of these collaboration candidates, Janssen maintains the option
10 subject to its payment of an option fee prior to IND submission to
11 initiate worldwide clinical development. We maintain the right in the
12 U.S. alongside Janssen to co-commercialize and share equally in profits
13 and losses of each collaboration candidate. As a reminder, under our
14 collaboration, Janssen has the right to designate and contribute novel
15 binding domains targeting up to four tumor-associated antigens.
16 Janssen has now designated and contributed novel binding domains
17 targeting three antigens. And we have now successfully achieved
18 preclinical milestones for collaboration candidates targeting all three
19 antigens.

20 ***

21 We are very pleased with the success we have achieved with Janssen
22 and Ono in developing multiplexed-engineered iPS-derived CAR NK
23 and CAR T cell product candidates for both liquid and solid tumors.
24 And we are now poised to achieve significant milestones in connection
25 with option exercised by Janssen and Ono over the course of the next
26 three to six months.

27 38. In addition, during the scripted portion of the Q1 2022 Earnings Call,
28 Defendant Dulac stated, in relevant part, “[i]n the first quarter of this year, our
collaboration revenue derived from our partnerships with Janssen and Ono
Pharmaceutical increased by \$7.3 million to \$18.4 million compared to \$11.1 million
for the same period last year.”

1 tumor-associated antigen as its fourth and final program for
2 initiation of candidate development.

3 40. That same day, Fate hosted an earnings call with investors and analysts
4 to discuss the Company's Q2 2022 results (the "Q2 2022 Earnings Call"). During
5 the scripted portion of the Q2 2022 Earnings Call, Defendant Wolchko stated, in
6 relevant part:
7

8 During the second half of 2022, we expect to present new preclinical
9 data for our ADR technology and highlight its integration into a next-
10 generation NK cell product candidate. Turning to our collaborations
11 with Janssen and Ono. We continue to show strong momentum in
12 bringing multiplexed engineered IPS-derived CAR NK and CAR-T cell
13 collaboration programs to patients for the treatment of hematologic
14 malignancies and solid tumors. And we are reaching key inflection
15 points where multiple candidates are poised to advance towards IND
16 submission. Under our collaboration with Janssen, entered into in April
17 2020, Janssen designated and contributed novel binding domains
18 targeting 4 tumor-associated antigen programs, two of which are
19 directed to hematologic malignancies and two of which are directed to
20 solid tumors. Jansen maintains the option, subject to its payment of an
21 option exercise fee prior to IND submission to initiate worldwide
22 clinical development of and to commercialize collaboration products
23 under each antigen program.

24 We maintain an opt-in right to co-commercialize and share equally in
25 profits and losses of collaboration products in the U.S. under each
26 antigen program. In May, Janssen exercised its option on a first antigen
27 program, triggering a \$10 million payment to fee, and we have now
28 advanced a second antigen program to the stage of option exercise
decision. We are currently working with Janssen to prepare and submit
2 IND applications: one for each of these two antigen programs for off-
the-shelf iPS-derived CAR NK cell collaboration products.

1 We are very pleased with the success we've achieved with Janssen and
2 Ono in developing multiplexed engineered IPS-derived CAR NK and
3 CAR-T cell product candidates for both liquid and solid tumors. We are
4 poised to achieve significant milestones in connection with option
5 exercises by Janssen and Ono and advance multiple collaboration
6 products toward IND submission over the next 6 months.

7 41. In addition, during the scripted portion of the Q2 2022 Earnings Call,
8 Defendant Dulac stated, in relevant part, “[i]n the second quarter of this year, our
9 collaboration revenue derived from our partnerships with Janssen and Ono
10 Pharmaceutical increased by \$5.1 million to \$18.5 million compared to \$13.4 million
11 for the same period last year.”

12 42. On November 3, 2022, Fate issued a press release announcing the
13 Company's Q3 2022 financial results and operational highlights which stated, in
14 relevant part, that “[r]evenue was \$15.0 million for the third quarter of 2022, which
15 was derived from the Company's collaborations with Janssen and ONO.” In
16 addition, the press release stated, in relevant part:
17

18
19 “[U]nder our collaboration with Janssen, we are pleased to announce
20 our first IND candidate FT555, a multiplexed-engineered, iPSC-
21 derived CAR NK cell targeting GPRC5D for multiple myeloma, and
22 that Janssen has also exercised its commercial option to an additional
23 product candidate targeting an undisclosed hematologic malignancy
24 antigen.”

25 ***

26 ***Janssen Collaboration Highlights***

- 27 • **FT555 IND Candidate from GPRC5D Antigen Program for**
28 **MM to be Presented at ASH.** In May, Janssen exercised its

1 commercial option to FT555, a multiplexed-engineered, iPSC-
2 derived CAR NK cell product candidate targeting GPRC5D, a
3 tumor-associated orphan G-protein-coupled receptor found to be
4 highly expressed on myeloma cells. The companies will jointly
5 present preclinical data at ASH demonstrating that
6 administration of FT555 resulted in robust tumor growth
7 inhibition in vivo in a disseminated xenograft mouse model
8 comprised of engrafted MM.1S cells, and that the durability of
9 tumor growth inhibition as well as survival were further
10 enhanced in combination with daratumumab to simultaneously
11 co-target GPRC5D and CD38 antigens.

- 12 • **Commercial Option Exercised for Second Hematologic
13 Malignancy Product Candidate.** In September, Janssen
14 exercised its commercial option, subject to Hart-Scott-Rodino
15 regulatory clearance, to a second multiplexed-engineered, iPSC-
16 derived CAR NK cell product candidate, which targets an
17 undisclosed antigen expressed on certain blood cancers. The
18 Company expects to submit an IND application for the product
19 candidate under the collaboration during the fourth quarter of
20 2022.
- 21 • **Preclinical Development Ongoing for Two Solid Tumor
22 Antigen Programs.** The companies will jointly present
23 preclinical data at SITC of an iPSC-derived CAR T-cell program
24 targeting human kallikrein-related peptidase 2 (KLK2), an
25 antigen with prostate-restricted expression that is maintained
26 during prostate cancer progression. Preclinical data demonstrate
27 that iPSC-derived CAR T cells targeting KLK2 have the
28 potential to infiltrate the tumor mass and eliminate tumor cells in
a highly-selective manner and to prolong survival in xenograft
models of prostate cancer. In addition, during the third quarter,
Janssen selected an undisclosed solid tumor-associated antigen
as its fourth and final antigen program for initiation of product
candidate development.

43. On November 12, 2022, Fate gave a presentation to investors
concerning its programmed cellular immunotherapies for treating cancer. In the

1 presentation, Fate touted the Janssen Collaboration Agreement, including
2 highlighting (i) Janssen’s affiliation with Johnson & Johnson, and (ii) the
3 “Significant Economics” of the Agreement, including “Janssen pays for all
4 collaboration costs,” and “\$3+ billion in milestones, double-digit royalties.”
5

6 44. On December 10, 2022, Fate issued a press release entitled “Fate
7 Therapeutics Highlights iPSC-derived, Off-the-shelf CAR NK Cell Programs for
8 Multiple Myeloma at 2022 ASH Annual Meeting.” The press release stated, in
9 relevant part:
10

11 ***Preclinical Data under Janssen Collaboration with FT555 GPRC5D-
12 targeted Product Candidate Demonstrate Robust and Durable Tumor
13 Clearance in Highly Aggressive Myeloma Model***

14 ***

15 ***FT555 GPRC5D-targeted CAR NK Cell Program***

16 Under its collaboration with Janssen Biotech, Inc. (Janssen), one of the
17 Janssen Pharmaceutical Companies of Johnson & Johnson, the
18 Company is currently conducting preclinical development of FT555, a
19 multiplexed-engineered CAR NK cell product candidate derived from
20 a clonal master engineered iPSC line incorporating four functional
21 components: a proprietary CAR optimized for NK cell biology that
22 targets GPRC5D, an orphan G-protein-coupled receptor expressed on
23 myeloma cells with a distribution that is similar to but independent of
24 BCMA; a novel hnCD16 Fc receptor for enhanced ADCC; an IL-15
receptor fusion (IL-15RF) that augments NK cell activity; and the
deletion of the CD38 gene (CD38KO), which promotes persistence and
function in high oxidative stress environments.

25 At ASH, scientists from the companies jointly presented preclinical
26 data demonstrating that single-dose administration of FT555 as
27 monotherapy resulted in robust and durable antigen-mediated tumor
28 regression in two independent disseminated tumor models of

1 aggressive myeloma, which activity was further improved in
2 combination with daratumumab to simultaneously target GPRC5D and
3 CD38 antigens. Administration of three doses of FT555 as
4 monotherapy further improved tumor clearance and showed superior
activity compared to single-dose primary CAR T cells.

5 In May 2022, Janssen exercised its commercial option to FT555,
6 pursuant to which the Company granted Janssen an exclusive license
7 for development and commercialization of FT555. The Company is
8 eligible to receive clinical, regulatory, and commercial milestones, plus
9 double-digit royalties on worldwide commercial sales of the product
10 candidate. In addition, the Company retains the right to elect to co-
11 commercialize, and share equally in profits and losses, in the United
States, subject to its payment of certain clinical development costs and
adjustments in milestone and royalty payments.

12 45. The statements referenced in ¶ 19 and ¶¶ 21-44 were materially false
13 and misleading because Defendants made false and/or misleading statements, as
14 well as failed to disclose material adverse facts about the Company's business,
15 operations, and compliance policies. Specifically, Defendants made false and/or
16 misleading statements and/or failed to disclose that: (i) the Janssen Collaboration
17 Agreement was less sustainable than Fate had represented to investors; (ii)
18 accordingly, certain the clinical programs, milestone payments, and royalty
19 payments associated with the Janssen Collaboration Agreement could not be relied
20 upon as future revenue sources; (iii) as a result, Fate had overstated the impact of the
21 Janssen Collaboration Agreement's on Fate's long-term clinical and commercial
22 profitability; and (iv) as a result, the Company's public statements were materially
23 false and misleading at all relevant times.
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1 **The Truth Emerges**

2 46. On January 5, 2023, after the markets closed, Fate issued a press release
3 announcing that it had terminated the Janssen Collaboration Agreement.
4 Specifically, the press release stated, in relevant part:
5

6 Fate [. . .] announced today that it has declined a proposal from Janssen
7 Biotech, Inc. (“Janssen”) for continuation of the collaboration and
8 option agreement between the parties on revised terms and conditions
9 and, as a result, the agreement has been terminated and all collaboration
10 activities will be wound down in the first quarter of 2023. In addition,
11 the Company has completed a strategic review of its natural killer (NK)
12 cell product pipeline and has elected to focus on advancing its most
13 innovative and differentiated programs, which have a multiplexed-
14 engineered cellular framework of novel synthetic controls designed to
15 promote multi-antigen targeting, increase potency, extend functional
16 persistence, and enable patient dosing with reduced conditioning
17 chemotherapy. The Company ended the fourth quarter with
18 approximately \$475 million in cash, cash equivalents, and receivables
19 and, based on its pipeline prioritization and expense reduction, the
20 Company expects to have sufficient financial resources through the end
21 of 2025 to capitalize on its iPSC-derived chimeric antigen receptor
22 (CAR) NK and CAR T-cell programs.

23 “We are disappointed that we were not able to align with Janssen on
24 their proposal for continuation of our collaboration, where two product
25 candidates targeting high-value, clinically-validated hematology
26 antigens were set to enter clinical development in 2023,” said Scott
27 Wolchko, President and Chief Executive Officer of Fate Therapeutics.
28 “As a consequence, in keeping with the Company’s commitment to
develop disruptive product candidates, programs and technologies with
the potential to address large, unmet clinical needs, we have prioritized
our clinical programs and substantially reduced operating expenses,
including taking the difficult and painful step of reducing our
workforce, to ensure that we have a three-year cash runway. We are
greatly saddened to move in this direction as our employees have
continually demonstrated the highest level of dedication and
commitment in pioneering iPSC-derived cell therapy for patients with

1 cancer. I want to extend my deepest appreciation to all of our employees
2 for their tremendous efforts and wish those employees who will be
3 departing great success in the future.”

4 ***

5 ***Wind Down of Janssen Collaboration***

6 During the fourth quarter of 2022, the FDA allowed an IND application
7 for a first collaboration product for the treatment of B-cell lymphoma,
8 for which the Company expects to receive a \$3 million milestone
9 payment, and Janssen exercised its second commercial option for a
10 collaboration product, for which the Company expects to receive a \$10
11 million milestone payment. As a result of the collaboration’s
12 termination, during the first quarter of 2023, the Company will wind
13 down its activities with Janssen, including discontinuing development
14 of all collaboration products, at the expense of Janssen. As a result of
15 such termination, all licenses and other rights granted pursuant to the
16 agreement terminate; neither party has any right to continue to develop,
17 manufacture or commercialize any collaboration product or use the
18 other party’s materials; and neither party is restricted from
19 independently developing, manufacturing, or commercializing any
20 product, including any product directed to any antigen targeted by a
21 collaboration product.

22 47. On this news, Fate’s stock price fell \$6.76 per share, or 61.45%, to close
23 at \$4.24 per share on January 6, 2023.

24 48. As a result of Defendants’ wrongful acts and omissions, and the
25 precipitous decline in the market value of the Company’s securities, Plaintiff and
26 other Class members have suffered significant losses and damages.

27 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

28 49. Plaintiff brings this action as a class action pursuant to Federal Rule of
Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who

1 purchased or otherwise acquired Fate securities during the Class Period (the
2 “Class”); and were damaged upon the revelation of the alleged corrective
3 disclosures. Excluded from the Class are Defendants herein, the officers and
4 directors of the Company, at all relevant times, members of their immediate families
5 and their legal representatives, heirs, successors or assigns and any entity in which
6 Defendants have or had a controlling interest.
7

8
9 50. The members of the Class are so numerous that joinder of all members
10 is impracticable. Throughout the Class Period, Fate securities were actively traded
11 on the NASDAQ. While the exact number of Class members is unknown to Plaintiff
12 at this time and can be ascertained only through appropriate discovery, Plaintiff
13 believes that there are hundreds or thousands of members in the proposed Class.
14 Record owners and other members of the Class may be identified from records
15 maintained by Fate or its transfer agent and may be notified of the pendency of this
16 action by mail, using the form of notice similar to that customarily used in securities
17 class actions.
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21 51. Plaintiff’s claims are typical of the claims of the members of the Class
22 as all members of the Class are similarly affected by Defendants’ wrongful conduct
23 in violation of federal law that is complained of herein.
24

25 52. Plaintiff will fairly and adequately protect the interests of the members
26 of the Class and has retained counsel competent and experienced in class and
27

1 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those
2 of the Class.

3
4 53. Common questions of law and fact exist as to all members of the Class
5 and predominate over any questions solely affecting individual members of the
6 Class. Among the questions of law and fact common to the Class are:

- 7
8 • whether the federal securities laws were violated by Defendants' acts
9 as alleged herein;
- 10 • whether statements made by Defendants to the investing public
11 during the Class Period misrepresented material facts about the
12 business, operations and management of Fate;
- 13 • whether the Individual Defendants caused Fate to issue false and
14 misleading financial statements during the Class Period;
- 15 • whether Defendants acted knowingly or recklessly in issuing false
16 and misleading financial statements;
- 17 • whether the prices of Fate securities during the Class Period were
18 artificially inflated because of the Defendants' conduct complained of
19 herein; and
- 20 • whether the members of the Class have sustained damages and, if so,
21 what is the proper measure of damages.

22 54. A class action is superior to all other available methods for the fair and
23 efficient adjudication of this controversy since joinder of all members is
24 impracticable. Furthermore, as the damages suffered by individual Class members
25 may be relatively small, the expense and burden of individual litigation make it
26

1 impossible for members of the Class to individually redress the wrongs done to them.

2 There will be no difficulty in the management of this action as a class action.

3
4 55. Plaintiff will rely, in part, upon the presumption of reliance established
5 by the fraud-on-the-market doctrine in that:

- 6 • Defendants made public misrepresentations or failed to disclose
7 material facts during the Class Period;
- 8 • the omissions and misrepresentations were material;
- 9 • Fate securities are traded in an efficient market;
- 10 • the Company's shares were liquid and traded with moderate to heavy
11 volume during the Class Period;
- 12 • the Company traded on the NASDAQ and was covered by multiple
13 analysts;
- 14 • the misrepresentations and omissions alleged would tend to induce a
15 reasonable investor to misjudge the value of the Company's
16 securities; and
- 17 • Plaintiff and members of the Class purchased, acquired and/or sold
18 Fate securities between the time the Defendants failed to disclose or
19 misrepresented material facts and the time the true facts were
20 disclosed, without knowledge of the omitted or misrepresented facts.

21 56. Based upon the foregoing, Plaintiff and the members of the Class are
22 entitled to a presumption of reliance upon the integrity of the market.

23 57. Alternatively, Plaintiff and the members of the Class are entitled to the
24 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens*
25 *of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as
26
27

1 Defendants omitted material information in their Class Period statements in violation
2 of a duty to disclose such information, as detailed above.

3
4 **COUNT I**

5 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated**
6 **Thereunder Against All Defendants)**

7 58. Plaintiff repeats and re-alleges each and every allegation contained
8 above as if fully set forth herein.

9
10 59. This Count is asserted against Defendants and is based upon Section
11 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
12 thereunder by the SEC.

13
14 60. During the Class Period, Defendants engaged in a plan, scheme,
15 conspiracy and course of conduct, pursuant to which they knowingly or recklessly
16 engaged in acts, transactions, practices and courses of business which operated as a
17 fraud and deceit upon Plaintiff and the other members of the Class; made various
18 untrue statements of material facts and omitted to state material facts necessary in
19 order to make the statements made, in light of the circumstances under which they
20 were made, not misleading; and employed devices, schemes and artifices to defraud
21 in connection with the purchase and sale of securities. Such scheme was intended
22 to, and, throughout the Class Period, did: (i) deceive the investing public, including
23 Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and
24 maintain the market price of Fate securities; and (iii) cause Plaintiff and other
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1 members of the Class to purchase or otherwise acquire Fate securities at artificially
2 inflated prices. In furtherance of this unlawful scheme, plan and course of conduct,
3 Defendants, and each of them, took the actions set forth herein.
4

5 61. Pursuant to the above plan, scheme, conspiracy and course of conduct,
6 each of the Defendants participated directly or indirectly in the preparation and/or
7 issuance of the quarterly and annual reports, SEC filings, press releases and other
8 statements and documents described above, including statements made to securities
9 analysts and the media that were designed to influence the market for Fate securities.
10 Such reports, filings, releases and statements were materially false and misleading
11 in that they failed to disclose material adverse information and misrepresented the
12 truth about Fate's finances and business prospects.
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16 62. By virtue of their positions at Fate, Defendants had actual knowledge
17 of the materially false and misleading statements and material omissions alleged
18 herein and intended thereby to deceive Plaintiff and the other members of the Class,
19 or, in the alternative, Defendants acted with reckless disregard for the truth in that
20 they failed or refused to ascertain and disclose such facts as would reveal the
21 materially false and misleading nature of the statements made, although such facts
22 were readily available to Defendants. Said acts and omissions of Defendants were
23 committed willfully or with reckless disregard for the truth. In addition, each
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1 Defendant knew or recklessly disregarded that material facts were being
2 misrepresented or omitted as described above.

3
4 63. Information showing that Defendants acted knowingly or with reckless
5 disregard for the truth is peculiarly within Defendants' knowledge and control. As
6 the senior managers and/or directors of Fate, the Individual Defendants had
7 knowledge of the details of Fate's internal affairs.
8

9 64. The Individual Defendants are liable both directly and indirectly for the
10 wrongs complained of herein. Because of their positions of control and authority,
11 the Individual Defendants were able to and did, directly or indirectly, control the
12 content of the statements of Fate. As officers and/or directors of a publicly-held
13 company, the Individual Defendants had a duty to disseminate timely, accurate, and
14 truthful information with respect to Fate's businesses, operations, future financial
15 condition and future prospects. As a result of the dissemination of the
16 aforementioned false and misleading reports, releases and public statements, the
17 market price of Fate securities was artificially inflated throughout the Class Period.
18 In ignorance of the adverse facts concerning Fate's business and financial condition
19 which were concealed by Defendants, Plaintiff and the other members of the Class
20 purchased or otherwise acquired Fate securities at artificially inflated prices and
21 relied upon the price of the securities, the integrity of the market for the securities
22 and/or upon statements disseminated by Defendants, and were damaged thereby.
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1 65. During the Class Period, Fate securities were traded on an active and
2 efficient market. Plaintiff and the other members of the Class, relying on the
3 materially false and misleading statements described herein, which the Defendants
4 made, issued or caused to be disseminated, or relying upon the integrity of the
5 market, purchased or otherwise acquired shares of Fate securities at prices artificially
6 inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of
7 the Class known the truth, they would not have purchased or otherwise acquired said
8 securities, or would not have purchased or otherwise acquired them at the inflated
9 prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff
10 and the Class, the true value of Fate securities was substantially lower than the prices
11 paid by Plaintiff and the other members of the Class. The market price of Fate
12 securities declined sharply upon public disclosure of the facts alleged herein to the
13 injury of Plaintiff and Class members.

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18 66. By reason of the conduct alleged herein, Defendants knowingly or
19 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act
20 and Rule 10b-5 promulgated thereunder.

21
22 67. As a direct and proximate result of Defendants' wrongful conduct,
23 Plaintiff and the other members of the Class suffered damages in connection with
24 their respective purchases, acquisitions and sales of the Company's securities during
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1 the Class Period, upon the disclosure that the Company had been disseminating
2 misrepresented financial statements to the investing public.

3
4 **COUNT II**

5 **(Violations of Section 20(a) of the Exchange Act Against the Individual**
6 **Defendants)**

7 68. Plaintiff repeats and re-alleges each and every allegation contained in
8 the foregoing paragraphs as if fully set forth herein.

9
10 69. During the Class Period, the Individual Defendants participated in the
11 operation and management of Fate, and conducted and participated, directly and
12 indirectly, in the conduct of Fate's business affairs. Because of their senior
13 positions, they knew the adverse non-public information about Fate's misstatement
14 of income and expenses and false financial statements.

15
16 70. As officers and/or directors of a publicly owned company, the
17 Individual Defendants had a duty to disseminate accurate and truthful information
18 with respect to Fate's financial condition and results of operations, and to correct
19 promptly any public statements issued by Fate which had become materially false
20 or misleading.

21
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23 71. Because of their positions of control and authority as senior officers,
24 the Individual Defendants were able to, and did, control the contents of the various
25 reports, press releases and public filings which Fate disseminated in the marketplace
26 during the Class Period concerning Fate's results of operations. Throughout the
27

1 Class Period, the Individual Defendants exercised their power and authority to cause
2 Fate to engage in the wrongful acts complained of herein. The Individual
3 Defendants, therefore, were “controlling persons” of Fate within the meaning of
4 Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful
5 conduct alleged which artificially inflated the market price of Fate securities.
6

7
8 72. Each of the Individual Defendants, therefore, acted as a controlling
9 person of Fate. By reason of their senior management positions and/or being
10 directors of Fate, each of the Individual Defendants had the power to direct the
11 actions of, and exercised the same to cause, Fate to engage in the unlawful acts and
12 conduct complained of herein. Each of the Individual Defendants exercised control
13 over the general operations of Fate and possessed the power to control the specific
14 activities which comprise the primary violations about which Plaintiff and the other
15 members of the Class complain.
16
17

18 73. By reason of the above conduct, the Individual Defendants are liable
19 pursuant to Section 20(a) of the Exchange Act for the violations committed by Fate.
20

21 **PRAYER FOR RELIEF**

22 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:
23

24 A. Determining that the instant action may be maintained as a class action
25 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
26 Class representative;
27

1 B. Requiring Defendants to pay damages sustained by Plaintiff and the
2 Class by reason of the acts and transactions alleged herein;

3
4 C. Awarding Plaintiff and the other members of the Class prejudgment and
5 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and
6 other costs; and

7
8 D. Awarding such other and further relief as this Court may deem just and
9 proper.

10 **DEMAND FOR TRIAL BY JURY**

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12 Plaintiff hereby demands a trial by jury.

13 Dated:

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