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9 **UNITED STATES DISTRICT COURT**
10 **NORTHERN DISTRICT OF CALIFORNIA**

11 _____, Individually and on behalf of all others
12 similarly situated,

13 Plaintiff,

14 v.

15 THE CLOROX COMPANY, LINDA RENDLE,
16 and KEVIN JACOBSEN,

17 Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

18 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons similarly
19 situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined
20 below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own
21 acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation
22 conducted by and through Plaintiff’s attorneys, which included, among other things, a review of
23 the defendants’ public documents, conference calls and announcements made by defendants,
24 United States Securities and Exchange Commission (“SEC”) filings, wire and press releases
25 published by and regarding The Clorox Company (“Clorox” or the “Company”), analysts’ reports
26 and advisories about the Company, and other information readily obtainable on the Internet.
27 Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein
28 after a reasonable opportunity for discovery.

1 **NATURE OF THE ACTION**

2 1. This is a federal securities class action on behalf of a class consisting of all persons
3 and entities other than Defendants who purchased or otherwise acquired the publicly traded
4 securities of Clorox between August 14, 2023 and October 4, 2023, both dates inclusive (the “Class
5 Period”). Plaintiff seeks to recover compensable damages caused by Defendants’ violations of the
6 federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities
7 Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

8 2. On August 14, 2023, Clorox, a prominent consumer goods business, revealed it was
9 impacted by a cybersecurity hack which would wreak havoc on its business. Clorox was slow to
10 disclose the full extent of the damage while executives, including its CFO, were selling their shares
11 of Company stock.

12 **JURISDICTION AND VENUE**

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

16 4. This Court has jurisdiction over the subject matter of this action under 28 U.S.C.
17 §1331 and §27 of the Exchange Act.

18 5. Venue is proper in this District pursuant to §27 of the Exchange Act (15 U.S.C.
19 §78aa) and 28 U.S.C. §1391(b) as the alleged misstatements entered and the subsequent damages
20 took place in this judicial district. Further, the Company maintains an office within this judicial
21 district.

22 6. In connection with the acts, conduct and other wrongs alleged in this Complaint,
23 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,
24 including but not limited to, the United States mail, interstate telephone communications and the
25 facilities of the national securities exchange.
26

27 **PARTIES**

1 7. Plaintiff, as set forth in the accompanying Certification, purchased the Company’s
2 securities at artificially inflated prices during the Class Period and was damaged upon the revelation
3 of the alleged corrective disclosure.

4 8. Defendant Clorox produces consumer goods under brands including, but not limited
5 to, Brita®, Burt's Bees®, Clorox®, Fresh Step®, Glad®, Hidden Valley®, Kingsford®, Liquid-
6 Plumr®, Pine-Sol® and Natural Vitality®. Clorox has operations in 25 countries or territories.

7 9. The Company is incorporated in Delaware with its headquarters in Oakland,
8 California. Clorox common stock trades on the New York Stock Exchange (the “NYSE”) under the
9 ticker symbol “CLX”.

10 10. Defendant Linda Rendle (“Rendle”) has served as Clorox’s Chief Executive Officer
11 (“CEO”) since September 2020.

12 11. Defendant Kevin Jacobsen (“Jacobsen”) has served as Clorox’s Executive Vice
13 President - Chief Financial Officer (“CFO”) since April 2019.

14 12. Defendants Rendle and Jacobsen are sometimes referred to herein as the “Individual
15 Defendants.”

16 13. Each of the Individual Defendants:

17 (a) directly participated in the management of the Company;

18 (b) was directly involved in the day-to-day operations of the Company at the highest
19 levels;

20 (c) was privy to confidential proprietary information concerning the Company and its
21 business and operations;

22 (d) was directly or indirectly involved in drafting, producing, reviewing and/or
23 disseminating the false and misleading statements and information alleged herein;

24 (e) was directly or indirectly involved in the oversight or implementation of the
25 Company’s internal controls;

26 (f) was aware of or recklessly disregarded the fact that the false and misleading
27 statements were being issued concerning the Company; and/or
28

1 (g) approved or ratified these statements in violation of the federal securities laws.

2 14. The Company is liable for the acts of the Individual Defendants and its employees
3 under the doctrine of *respondeat superior* and common law principles of agency because all of the
4 wrongful acts complained of herein were carried out within the scope of their employment.

5 15. The scienter of the Individual Defendants and other employees and agents of the
6 Company is similarly imputed to the Company under *respondeat superior* and agency principles.

7 16. The Company and the Individual Defendants are referred to herein, collectively, as
8 the “Defendants.”

9
10 **SUBSTANTIVE ALLEGATIONS**
11 **Materially False and Misleading Statements**
12 **Issued During the Class Period**

13 17. The class period begins on August 14, 2023, when Clorox filed with the SEC a
14 Current Report on Form 8-K (the “First Cybersecurity Issue Current Report”), after market hours,
15 disclosing, in small part, a hack (the “Cybersecurity Issue”). The First Cybersecurity Issue Current
16 Report stated, in pertinent part:

17 The Clorox Company (the “Company” or “Clorox”) has identified unauthorized
18 activity on some of its Information Technology (IT) systems. After becoming aware
19 of the activity, the Company began taking steps to stop and remediate the activity,
20 including taking certain systems offline. The Company is working diligently to
21 respond to and address this issue, and is also coordinating with law enforcement. To
22 the extent possible, and in line with its business continuity plans, ***Clorox has***
23 ***implemented workarounds for certain offline operations in order to continue***
24 ***servicing its customers. However, the incident has caused, and is expected to***
25 ***continue to cause, disruption to parts of the Company’s business operations.***

26 Clorox has engaged leading third-party cybersecurity experts to support its
27 investigation and recovery efforts. The investigation to assess the nature and scope of
28 the incident remains ongoing and is in its early stages.

(Emphasis added.)

1 18. On August 14, 2023, a Notice of Proposed Sale of Securities on Form 144 (the
2 “Sale Notice”) revealed that Defendant Jacobsen intended to sell 3,346 shares of Clorox common
3 stock on August 14, 2023, with an aggregate market value of \$538,096.02.

4 19. August 16, 2023, the Company filed an Insider Trading Report on Form 4
5 confirming that Defendant Jacobsen sold \$538,096 worth of Clorox common stock on August 14,
6 2023. The 3,346 shares constituted nearly 12.6% of Defendant Jacobsen’s holdings in Clorox
7 common stock.

8 20. The statements referenced in ¶¶ 17-19 above were materially false and/or misleading
9 because they misrepresented and failed to disclose the following adverse facts pertaining to the
10 Company’s business which were known to Defendants or recklessly disregarded by them.
11 Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1)
12 the Cybersecurity Issue which was first revealed by the Company on August 14, 2023 was material;
13 (2) in response to the attack, the Company’s CFO sold substantial amounts of Clorox securities; (3)
14 After the suspiciously timed sale, the Company announced that the Cybersecurity Issue would have
15 a substantial impact on Clorox’s business; and; (4) as a result, Defendants’ public statements were
16 materially false and/or misleading at all relevant times.

17
18 **THE TRUTH BEGINS TO EMERGE**

19 21. On September 18, 2023, before the market opened, the Company filed with the SEC
20 a current report on Form 8-K (the “Second Cybersecurity Issue Current Report”) which revealed,
21 among other things, that Clorox’s IT infrastructure was damaged and Clorox halted manufacturing,
22 which led to consumer product availability issues. The Second Cybersecurity Issue Current Report
23 stated, in pertinent part, the following:

24
25 On Aug. 14, 2023, The Clorox Company (the “Company” or “Clorox”) announced
26 that it had identified unauthorized activity on some of its Information Technology
27 (IT) systems and took immediate steps to stop and remediate the activity, including
28 taking certain systems offline. The Company implemented its business continuity
plans and began manual ordering and processing procedures shortly thereafter at a
reduced rate of operations. *The Company is operating at a lower rate of order*

1 *processing and has recently begun to experience an elevated level of consumer*
2 *product availability issues.*

3 Based on the information available to date, the Company believes the unauthorized
4 activity is contained due to the steps the Company has taken to address the incident.

5 *The cybersecurity attack damaged portions of the Company's IT infrastructure,*
6 *which caused widescale disruption of Clorox's operations. The Company is repairing*
7 *the infrastructure and is reintegrating the systems that were proactively taken offline.*
8 *The Company expects to begin the process of transitioning back to normal*
9 *automated order processing the week of Sept. 25. Clorox has already resumed*
10 *production at the vast majority of its manufacturing sites and expects the ramp up*
11 *to full production to occur over time.* At this time, the Company cannot estimate
12 how long it will take to resume fully normalized operations.

13 Clorox is still evaluating the extent of the financial and business impact. Due to the
14 order processing delays and elevated level of product outages, the Company now
15 believes the impact will be material on Q1 financial results. It is premature for the
16 Company to determine longer-term impact, including fiscal year outlook, given the
17 ongoing recovery.

18 The Company will provide an update as to financial impact after it has increased
19 visibility.

20 (Emphasis added.)

21 22. On this news, Clorox's stock price fell \$3.50 per share, or 2.39%, to close at \$142.70
22 per share on September 18, 2023. The next day, Clorox's stock price fell a further \$4.26 per share,
23 or 2.98%, to close at \$138.44.

24 23. On October 4, 2023, after the market closed, Clorox filed a current report on Form 8-
25 K with the SEC to announce preliminary financial information for the first quarter of its 2024 fiscal
26 year (the "1Q24 Current Report"). The 1Q24 Current Report revealed, among other things, the
27 extent of the cybersecurity issues' impact on Clorox's financial figures. In pertinent part, the 1Q24
28 Current Report stated the following:

- *Net sales are expected to decrease by 28% to 23% from the year-ago quarter.* Organic sales are now expected to decrease by 26% to 21% for the quarter, compared to the Company's prior expectations of mid-single-digits growth as provided in the Q4 earnings remarks. This is due to the impacts of the recent cybersecurity attack that was disclosed in August, which caused wide-scale disruption of Clorox's operations, including order processing delays and significant

1 product outages. Shipment and consumption trends prior to the cybersecurity attack
2 were in line with the Company's prior expectations.

- 3 • **Gross margin** is now expected to be down from the year-ago quarter compared to
4 the Company's prior expectations for gross margin to be up, as provided in the Q4
5 earnings remarks, as the impact of the cybersecurity attack more than offset the
6 benefits of pricing, cost savings and supply chain optimization. The impact of the
7 cybersecurity attack on gross margin also includes lower cost absorption driven by
8 lower volume.
- 9 • *Diluted net earnings per share (diluted EPS) is expected to be between a loss of*
10 *\$0.75 to a loss of \$0.35.*
- 11 • *Adjusted EPS is expected to be a loss of \$0.40 to \$0.00, as the impact from the*
12 *cybersecurity attack more than offset the benefits of pricing, cost savings and*
13 *supply chain optimization.* The impact of the cybersecurity attack also includes
14 lower cost absorption in cost of products sold and operating expenses, which are
15 largely fixed costs in the short term. To provide greater visibility into the underlying
16 operating performance of the business, preliminary adjusted EPS excludes charges
17 related to the Company's long-term strategic investment in digital capabilities and
18 productivity enhancements, costs related to the cybersecurity attack, and the
19 streamlined operating model.

20 *Based on its current assessment of the situation, the Company expects to experience*
21 *ongoing, but lessening, operational impacts in the second quarter as it makes progress in*
22 *returning to normalized operations.* The Company also expects to begin to benefit from the
23 restocking of retailer inventories as it ramps up fulfillment in the second quarter.

24 Clorox is in the process of assessing the impact of the cybersecurity attack on fiscal year
25 2024 and beyond. The Company will provide an updated outlook during its first quarter
26 earnings call in November.

27 **Operational Update**

28 As previously disclosed, the Company believes the cybersecurity attack has been contained
and the Company is making progress in restoring its systems and operations. On Sept. 25,
Clorox began the process of transitioning back to automated order processing and the vast
majority of orders are now taking place in an automated manner, which is enabling the
Company to ramp up output and shipments to rebuild retailer inventories. Clorox expects the
process of restocking retailer inventories will occur over time as it ships above consumption
levels.

(Emphasis added.)

24. On this news, Clorox's stock price fell \$6.90 per share, or 5.23%, to close at \$124.93
per share on October 5, 2023.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

1 25. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
2 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
3 acquired the publicly traded securities of the Company during the Class Period (the “Class”); and
4 were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class
5 are Defendants herein, the officers and directors of the Company, at all relevant times, members of
6 their immediate families and their legal representatives, heirs, successors or assigns and any entity
7 in which Defendants have or had a controlling interest.

8 26. The members of the Class are so numerous that joinder of all members is
9 impracticable. Throughout the Class Period, the Company’s securities were actively traded on the
10 NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be
11 ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or
12 thousands of members in the proposed Class. Record owners and other members of the Class may
13 be identified from records maintained by the Company or its transfer agent and may be notified of
14 the pendency of this action by mail, using the form of notice similar to that customarily used in
15 securities class actions.

16 27. Plaintiff’s claims are typical of the claims of the members of the Class as all
17 members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal
18 law that is complained of herein.

19 28. Plaintiff will fairly and adequately protect the interests of the members of the Class
20 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
21 no interests antagonistic to or in conflict with those of the Class.

22 29. Common questions of law and fact exist as to all members of the Class and
23 predominate over any questions solely affecting individual members of the Class. Among the
24 questions of law and fact common to the Class are:

- 25 • whether the federal securities laws were violated by Defendants’ acts as alleged
26 herein;

- 1 • whether statements made by Defendants to the investing public during the Class
2 Period misrepresented material facts about the financial condition, business,
3 operations, and management of the Company;
- 4 • whether Defendants' public statements to the investing public during the Class
5 Period omitted material facts necessary to make the statements made, in light of the
6 circumstances under which they were made, not misleading;
- 7 • whether the Individual Defendants caused the Company to issue false and misleading
8 SEC filings and public statements during the Class Period;
- 9 • whether Defendants acted knowingly or recklessly in issuing false and misleading
10 SEC filings and public statements during the Class Period;
- 11 • whether the prices of the Company's securities during the Class Period were
12 artificially inflated because of the Defendants' conduct complained of herein; and
- 13 • whether the members of the Class have sustained damages and, if so, what is the
14 proper measure of damages.

15 30. A class action is superior to all other available methods for the fair and efficient
16 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
17 damages suffered by individual Class members may be relatively small, the expense and burden of
18 individual litigation make it impossible for members of the Class to individually redress the wrongs
19 done to them. There will be no difficulty in the management of this action as a class action.

20 31. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-
21 on-the-market doctrine in that:

- 22 • Defendants made public misrepresentations or failed to disclose material facts during
23 the Class Period;
- 24 • the omissions and misrepresentations were material;
- 25 • the Company's securities are traded in efficient markets;
- 26 • the Company's securities were liquid and traded with moderate to heavy volume
27 during the Class Period;
- 28 • the Company traded on the NASDAQ, and was covered by multiple analysts;

- 1 • the misrepresentations and omissions alleged would tend to induce a reasonable
- 2 investor to misjudge the value of the Company's securities; and
- 3 • Plaintiff and members of the Class purchased and/or sold the Company's securities
- 4 between the time the Defendants failed to disclose or misrepresented material facts
- 5 and the time the true facts were disclosed, without knowledge of the omitted or
- 6 misrepresented facts.

7 32. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a
8 presumption of reliance upon the integrity of the market.

9 33. Alternatively, Plaintiff and the members of the Class are entitled to the presumption
10 of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United*
11 *States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their
12 Class Period statements in violation of a duty to disclose such information, as detailed above.

13 **COUNT I**

14 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5** 15 **Against All Defendants**

16 34. Plaintiff repeats and realleges each and every allegation contained above as if fully
17 set forth herein.

18 35. This Count is asserted against the Company and the Individual Defendants and is
19 based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
20 thereunder by the SEC.

21 36. During the Class Period, the Company and the Individual Defendants, individually
22 and in concert, directly or indirectly, disseminated or approved the false statements specified above,
23 which they knew or deliberately disregarded were misleading in that they contained
24 misrepresentations and failed to disclose material facts necessary in order to make the statements
25 made, in light of the circumstances under which they were made, not misleading.

26 37. The Company and the Individual Defendants violated §10(b) of the 1934 Act and
27 Rule 10b-5 in that they:

- 28 • employed devices, schemes and artifices to defraud;

- 1 • made untrue statements of material facts or omitted to state material facts necessary
- 2 in order to make the statements made, in light of the circumstances under which they
- 3 were made, not misleading; or
- 4 • engaged in acts, practices and a course of business that operated as a fraud or deceit
- 5 upon plaintiff and others similarly situated in connection with their purchases of the
- 6 Company's securities during the Class Period.

7 38. The Company and the Individual Defendants acted with scienter in that they knew
8 that the public documents and statements issued or disseminated in the name of the Company were
9 materially false and misleading; knew that such statements or documents would be issued or
10 disseminated to the investing public; and knowingly and substantially participated, or acquiesced in
11 the issuance or dissemination of such statements or documents as primary violations of the
12 securities laws. These defendants by virtue of their receipt of information reflecting the true facts of
13 the Company, their control over, and/or receipt and/or modification of the Company's allegedly
14 materially misleading statements, and/or their associations with the Company which made them
15 privy to confidential proprietary information concerning the Company, participated in the
16 fraudulent scheme alleged herein.

17 39. Individual Defendants, who are the senior officers and/or directors of the Company,
18 had actual knowledge of the material omissions and/or the falsity of the material statements set forth
19 above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative,
20 acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in
21 the statements made by them or other personnel of the Company to members of the investing
22 public, including Plaintiff and the Class.

23 40. As a result of the foregoing, the market price of the Company's securities was
24 artificially inflated during the Class Period. In ignorance of the falsity of the Company's and the
25 Individual Defendants' statements, Plaintiff and the other members of the Class relied on the
26 statements described above and/or the integrity of the market price of the Company's securities
27 during the Class Period in purchasing the Company's securities at prices that were artificially
28

1 inflated as a result of the Company's and the Individual Defendants' false and misleading
2 statements.

3 41. Had Plaintiff and the other members of the Class been aware that the market price of
4 the Company's securities had been artificially and falsely inflated by the Company's and the
5 Individual Defendants' misleading statements and by the material adverse information which the
6 Company's and the Individual Defendants did not disclose, they would not have purchased the
7 Company's securities at the artificially inflated prices that they did, or at all.

8 42. As a result of the wrongful conduct alleged herein, Plaintiff and other members of
9 the Class have suffered damages in an amount to be established at trial.

10 43. By reason of the foregoing, the Company and the Individual Defendants have
11 violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the
12 Plaintiff and the other members of the Class for substantial damages which they suffered in
13 connection with their purchases of the Company's securities during the Class Period.

14 **COUNT II**

15 **Violation of Section 20(a) of The Exchange Act** 16 **Against The Individual Defendants**

17 44. Plaintiff repeats and realleges each and every allegation contained in the foregoing
18 paragraphs as if fully set forth herein.

19 45. During the Class Period, the Individual Defendants participated in the operation and
20 management of the Company, and conducted and participated, directly and indirectly, in the
21 conduct of the Company's business affairs. Because of their senior positions, they knew the adverse
22 non-public information regarding the Company's business practices.

23 46. As officers and/or directors of a publicly owned company, the Individual Defendants
24 had a duty to disseminate accurate and truthful information with respect to the Company's financial
25 condition and results of operations, and to correct promptly any public statements issued by the
26 Company which had become materially false or misleading.

27 47. Because of their positions of control and authority as senior officers, the Individual
28 Defendants were able to, and did, control the contents of the various reports, press releases and
public filings which the Company disseminated in the marketplace during the Class Period.

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

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

13 49. By reason of the above conduct, the Individual Defendants are liable pursuant to
14 Section 20(a) of the Exchange Act for the violations committed by the Company.

15 **PRAYER FOR RELIEF**

16 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

17 A. Determining that the instant action may be maintained as a class action under Rule
18 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

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

21 C. Awarding Plaintiff and the other members of the Class prejudgment and post-
22 judgment interest, as well as their reasonable attorneys’ fees, expert fees and other costs; and

23 D. Awarding such other and further relief as this Court may deem just and proper.

24 **DEMAND FOR TRIAL BY JURY**

25 Plaintiff hereby demands a trial by jury.
26
27
28

1 Date:

Respectfully submitted,

2 **THE ROSEN LAW FIRM, P.A.**

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