

# CPM Files Lawsuit Against Yahoo! Executives and Verizon Relating to Massive Data Breaches

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Yahoo! shareholder Patricia Spain filed a lawsuit in Santa Clara County Superior court on behalf of the Company, and against certain Yahoo officers and directors, over their recent disclosure that “senior executives” and legal staff knew about a massive data breach back in 2014 – one of the largest in U.S. history, impacting **five hundred million users** – yet failed to inform impacted users and shareholders until September 2016, two months after Yahoo entered into a proposed transaction with Verizon Communications, Inc. (“Verizon”).

In December 2016, Yahoo then disclosed for the first time that it had been subject to an even larger hack in 2013, involving **one billion users** and their sensitive user information, including names, telephone numbers, dates of birth, encrypted passwords and unencrypted security questions that could be used to reset a password. The two attacks are the largest known security breaches of one company’s computer network.

The lawsuit also includes a class action claim against Verizon, which is set to acquire Yahoo for \$4.8 billion in 2017. The suit alleges that, after Yahoo announced the security breaches, Verizon and Yahoo’s management negotiated a **\$350 million reduction** in the purchase price that will allow Yahoo’s executives to keep golden parachutes potentially worth millions of dollars after the deal closes.

The Yahoo shareholder is represented by the law firms of Cotchett, Pitre & McCarthy and Bottini & Bottini.

Mark Molumphy, who is leading the case at Cotchett, Pitre & McCarthy, said of the conduct, “This is a case about corporate accountability. Yahoo has now admitted that senior executives and legal staff knew about the breach years ago, but did not disclose it. The lawsuit alleges that Verizon

## Attorneys

Mark C. Molumphy

## Practice Areas

Securities / Financial Fraud

Shareholder Rights / Corporate  
Governance

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then used the admissions to negotiate a better price and gave Yahoo executives valuable benefits in return.”