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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE ADOBE INC. STOCKHOLDER
DERIVATIVE LITIGATION

Lead Case No. 3:26-cv-03521-CRB

**VERIFIED CONSOLIDATED
STOCKHOLDER DERIVATIVE
COMPLAINT**

DEMAND FOR JURY TRIAL

1 Plaintiffs SEIU Pension Plan Master Trust, Michael Hirschberger, James Peterson, and Mitchell
2 Small (“Plaintiffs”), derivatively on behalf of Adobe Inc. (“Adobe” or the “Company”), allege the
3 following based on personal knowledge as to Plaintiffs and Plaintiffs’ acts and as to all other matters on
4 information and belief based on the investigation of Plaintiffs’ counsel, which included, among other
5 things, a review of legal and regulatory filings, press releases, Adobe’s online documents, media reports
6 about Adobe and other public statements issued by the Company. Plaintiffs believe that substantial
7 additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity
8 for discovery.

9 **I. NATURE OF THE ACTION**

10 1. Plaintiffs bring this stockholder derivative action on behalf of Adobe to remedy
11 wrongdoing committed by certain of the Company’s officers and directors in adopting and implementing
12 an unlawful business strategy whereby Adobe used copyrighted material to develop its Artificial
13 Intelligence (“AI”) services and then making false statements about it.

14 2. Adobe is a computer software company whose AI initiatives include the SlimLM line of
15 small language models (“SLMs”) engineered to perform language-processing and document-assistance
16 functions on mobile and lower-resource devices. Unlike large language models (“LLMs”), which
17 typically require extensive computational infrastructure, SLM systems are specifically designed for
18 operation on devices such as smartphones, tablets, and laptops. SlimLM, as a language model, is trained
19 by ingesting datasets that are chosen by Adobe personnel. The effectiveness of these models depends
20 entirely upon the quality of the datasets selected and utilized during the training process by Adobe
21 personnel.

22 3. To train and commercialize generative AI systems, companies must ingest and process
23 vast quantities of text and other data. Because those activities necessarily involve the reproduction,
24 storage, and use of copyrighted and licensed works, AI developers are legally required to ensure that
25 training datasets are lawfully sourced and properly licensed. Adobe’s Board of Directors (the “Board”),
26 however, failed to implement adequate safeguards or compliance protocols, or knowingly turned a blind
27 eye, to prevent the incorporation of infringing copyrighted materials and unlicensed voiceprints into the
28 datasets used to train its AI products.

1 4. Adobe’s own technical publications and research disclosures reveal that its SlimLM
2 models were pretrained using the “SlimPajama-627B” dataset (“SlimPajama”). SlimPajama was derived
3 from the “RedPajama” dataset, which itself incorporated the infamous “Books3” collection—a
4 repository containing hundreds of thousands of pirated copyrighted books copied and distributed
5 without authorization from their respective rights holders. SlimPajama also drew from “Common
6 Crawl,” a dataset long recognized as containing substantial quantities of copyrighted and unauthorized
7 content. Thus, Adobe knowingly utilized datasets contaminated with unlawfully copied material in
8 connection with the training and development of its AI systems.

9 5. Adobe AI models also include the training and deployment of generative AI models,
10 voice synthesis, voice cloning, and voice-conversion models, that developed multiple commercial voice
11 models (“CVMs”) for Adobe’s commercial voice AI products. Adobe distributes these CVMs through
12 Creative Cloud, Premier Pro, Adobe Podcast, Frame.io, Firefly Services, and GenStudio. These CVMs
13 include Firefly’s Speech Model, Firefly Voice Model, Translate Video, Translate Audio, and the
14 Translate and Lip Sync API. Adobe ingested within each of these CVMs hundreds of thousands of hours
15 of human speech recordings and extracted the unique biometric signatures and the voiceprints of the
16 speaker from those recordings. Defendants’ actions thus violated the Illinois Biometric Information
17 Privacy Act (“BIPA”), a potent statute that provides for massive damages for the use of unlicensed
18 voiceprints. In violation of BIPA, Defendants failed to identify the source speakers, provide written
19 notice of the specific purpose and duration of collection, and obtain a written release from each speaker
20 before ingesting that speaker’s recording into the training pipeline, which resulted in damages to the
21 source speakers.

22 6. At all relevant times, Defendants knew, or consciously disregarded, that Adobe’s AI-
23 development practices created substantial exposure under copyright and BIPA laws. Despite these
24 obvious risks, Defendants followed the “ask forgiveness not approval” model and failed to halt the
25 misconduct, implement meaningful oversight controls, or ensure legal compliance. Instead, Defendants
26 prioritized rapid AI expansion and competitive advantage over adherence to copyright and voiceprint
27 protections and lawful corporate conduct. Defendants’ misconduct constitutes bad faith and a violation
28 of positive law in directing, approving, or permitting the misconduct.

7. Defendants’ knowing violations of the copyright laws did not occur in a vacuum. Prior to the filing of the copyright infringement lawsuits against Adobe, the technology industry had already been inundated with highly publicized litigation accusing AI developers of unlawfully utilizing copyrighted works to train generative AI models. Those actions included: (i) *Kadrey v. Meta Platforms, Inc.*, No. 3:23-cv-3417-VC (N.D. Cal. 2023); (ii) *Concord Music Group Inc. v. Anthropic PBC*, No. 5:24-cv-03811-EKL (N.D. Cal. 2024) (“*Concord I*”); (iii) *Bartz v. Anthropic PBC*, No. 4:24-cv-05417-WHA (N.D. Cal. 2024); (iv) *In re Mosaic LLM Litigation*, No. 3:24-cv-01451-CRB (N.D. Cal. 2024); (v) *James v. Snowflake Inc.*, No. 2:25-cv-00108-BMM (D. Mont. 2025); (vi) *Hendrix v. Apple Inc.*, No. 3:25-cv-07558-YGR (N.D. Cal. 2025); and (vii) *In re Salesforce LLM Copyright Infringement Litigation*, No. 3:25-cv-08862-CRB (N.D. Cal. 2025). These proceedings constituted unmistakable red flags and warning signs demonstrating the immense risks associated with the unauthorized use of copyrighted datasets in AI training.

8. Similarly, Defendants are also well aware of multiple BIPA lawsuits filed against other AI platform developers, including: *Basich v. Microsoft Corp.*, No. 2:26-cv-00422 (W.D. Wash. 2026); *Amer v. Eleven Labs Inc.*, No. 1:26-cv-05437 (N.D. Ill. 2026); *Marin v. Alphabet, Inc.*, No. 1:26-cv-05436 (N.D. Ill. 2026); *Marin v. Meta Platforms, Inc.*, No. 1:26-cv-05438 (N.D. Ill. 2026); *Delgado v. Meta Platforms, Inc.*, No. 3:23-cv-04181 (N.D. Cal. 2023); *Lacour v. Apple Inc.*, No. 1:26-cv-05536 (N.D. Ill. 2026); *Rogers v. NVIDIA, Inc.*, No. 1:26-cv-05478 (N.D. Ill. 2026), and *Flowers v. Microsoft Corp.*, No. 1:26-cv-05491 (N.D. Ill. 2026).

9. The consequences of similar misconduct had already proven catastrophic within the AI industry. For example, Anthropic reportedly agreed to pay approximately \$1.5 billion to resolve the *Concord I* litigation and subsequently faced additional claims seeking billions more in damages in *Concord Music Group Inc. v. Anthropic PBC*, No. 3:26-cv-00880-RFL (N.D. Cal. 2026) (“*Concord II*”). These developments provided Defendants with direct notice that Adobe faced similar legal and financial exposure if it continued utilizing infringing training data. Defendants nevertheless failed to take corrective action and instead permitted Adobe’s unlawful practices to continue.

10. Consistent with these foreseeable risks, copyright holders ultimately initiated litigation against Adobe itself. On December 16, 2025, a lawsuit captioned *Lyon v. Adobe, Inc.*, No. 3:25-cv-

1 10732-JSC (N.D. Cal.), was filed asserting claims for violation of the U.S. copyright laws related to
 2 Adobe’s AI practices. Less than two months later, on February 9, 2026, a second action—*Kleiner v.*
 3 *Adobe, Inc.*, No. 3:26-cv-01218-JSC (N.D. Cal.)—was filed asserting similar allegations. On May 18,
 4 2026, a third class action was filed asserting similar allegations--*Tanzer v. Adobe Inc.*, Case No. 4:26-
 5 cv-04712-JSC (N.D. Cal.). On May 14, 2026, commercial voiceprint creators filed a class action lawsuit
 6 against Adobe, *Dorcus v. Adobe Inc.*, No. 1:26-cv-05575 (N.D. Ill. 2026) alleging BIPA violations. The
 7 filing of these lawsuits triggered significant investor concern regarding the Company’s legal exposure
 8 and governance failures.

9 11. Throughout the relevant period, Defendants caused Adobe to make false and misleading
 10 statements about its AI strategy, characterizing the strategy as a “generational opportunity” to enhance
 11 productivity and creativity through responsible, “commercially safe” models natively integrated into its
 12 software ecosystem. Adobe CEO Shantanu Narayen (“Narayen”) and the other members of the Board
 13 (collectively, the “Director Defendants”) and CFO Daniel Durn (“Durn”) each represented that this
 14 generational opportunity would significantly increase revenues and profits and also signed or approved
 15 unequivocal statements representing that Adobe did not infringe any copyrighted or unlicensed materials
 16 as part of training its AI software. This includes the representation in Adobe’s 2024 Proxy Statement
 17 that “*We trained our Adobe Firefly creative generative AI family of models only on licensed images*
 18 *from Adobe Stock, openly licensed content, and public domain content where the copyright has*
 19 *expired*,”¹ which was approved by the Director Defendants. Likewise, the Director Defendants also
 20 approved a statement in Adobe’s 2025 Proxy Statement that “*We chose to train the Adobe Firefly*
 21 *family of creative generative AI models on licensed and public domain content to offer customers a*
 22 *commercially safe solution that respects creator rights and doesn’t infringe on third-party intellectual*
 23 *property rights*.”²

26 ¹ Adobe Inc., *Notice of 2024 Annual Meeting of Stockholders and Proxy Statement*, at 7 (Mar. 1, 2024),
 27 available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2024-proxy.pdf>.
 Unless otherwise indicated all emphasis is added throughout.

28 ² Adobe Inc., *Notice of 2025 Annual Meeting of Stockholders and Proxy Statement*, at 7 (Feb. 28, 2025),
 available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2025-proxy.pdf>.

12. Adobe's senior executives made similar unequivocal statements in an effort to reassure customers that Adobe's new AI-trained software did not infringe other's copyrights and voiceprints. For example, on October 30, 2025, "Adobe global vice president of AI Alexandru Costin ("Costin") said that Adobe's new AI features were superior to those of competitors because they were safe for big companies to use at scale without the fear of costly litigation over accidental copyright breaches."³ Costin further represented that "*We know for sure that the output of these programs can be used in a commercially safe manner. They don't contain trademarks, so you can sleep well knowing you haven't infringed upon anyone's intellectual property by mistake.*"⁴

13. The Director Defendants and Durn also all signed annual reports making similar representations, including the representations in Adobe's 2025 Annual Report that:

As AI continues to change content creation, our customers, particularly creators and enterprises, increasingly require responsible, secure and human-centered AI solutions. *In developing our Firefly foundation models, we responsibly harness our unique data assets and help our customers amplify the value of their first-party data. Adobe leverages a rich dataset sourced from licensed content and public domain assets to train our Firefly generative AI models that are commercially safe for our customers.* This approach respects creator rights and builds trust among enterprise customers, enabling them to confidently use AI-generated outputs in production workflows.⁵

14. These statements and others, as detailed herein, were knowingly false when made because Adobe's AI-development strategy relied upon the unauthorized acquisition and exploitation of copyrighted and unlicensed speaker materials, including audiobooks and voices, which exposed the Company to enormous legal, financial, and reputational harm as well as hurting revenues.

15. While engaging or permitting Adobe to engage in conduct that violates copyright and BIPA laws, Defendants were also responsible for a series of false statements and material omissions (i) that Adobe's customers, who had repeatedly told Adobe they only wanted to purchase commercially safe AI products (meaning software products that did not infringe on copyrighted materials), had begun to decrease their purchases of Adobe's software products as news began to emerge suggesting that

³ See Amelia McGuire, *Adobe Ups the Ante in Canva Battle with 'Copyright-Safe' AI Features*, THE AUSTRALIAN FINANCIAL REVIEW, Oct. 30, 2025, available at, <https://www.afr.com/technology/adobe-ups-the-ante-in-canva-battle-with-copyright-safe-ai-features-20251024-p5n529>.

⁴ *Id.*

⁵ Adobe Inc., *Annual Report (Form 10-K)*, at 5 (January 15, 2026), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adobe-10k-fy25-final.pdf>

Adobe's software was not in fact commercially safe, as it had been developed by violating copyrighted and voiceprint materials; and (ii) that Adobe's AI-development strategy was proving ineffective to curtail decreasing demand for its products.

16. Defendants' false statements and omissions also helped maintain the inflation in Adobe's stock during the relevant time period. To maintain such inflation, the Director Defendants and Durn, with full knowledge of Adobe's unlawful conduct underlying the Company's AI-development strategy, caused Adobe to repurchase billions of dollars of its own stock at inflated prices. From March 2024 to February 27, 2026, ***Adobe repurchased \$26.89 billion*** of its own stock at significantly inflated prices.

17. Defendants' actions have saddled Adobe with extensive damages and ongoing exposure, including the costs associated with defending multiple copyright and BIPA actions, potential statutory and compensatory damages, reputational injury, loss of goodwill, diminished enterprise value, and increased regulatory and compliance burdens. Adobe additionally faces the prospect of claims from customers who unknowingly relied upon AI products allegedly trained using unlawfully obtained copyrighted works and commercialized voiceprints.

18. The truth finally emerged in a series of announcements by Adobe in 2026 that both CEO Narayan and CFO Durn would resign. On March 12, 2026, four minutes after the stock market had closed, Adobe provided disappointing guidance to Wall Street and announced that Narayan would resign as Adobe's CEO, prompting Adobe's stock to tank approximately 7.7% in after-market trading and wiping out billions of dollars of market capitalization. Narayan's unplanned departure was specifically attributed to his failure to develop and implement a viable AI strategy for Adobe and came in the wake of multiple lawsuits filed in the preceding months for copyright infringement, undermining Adobe's repeated representations to the market and customers that its software products provided a "commercially safe" AI product.

19. Then, on June 11, 2026, after the market closed, Adobe further surprised the market by announcing that CFO Durn had also resigned. The news triggered the steepest drop in Adobe's share price in 15 months, beginning with the stock falling about 5% in after-hours trading.⁶ The next day—on

⁶ *Adobe's CFO Departs While Company Also Searches for a New CEO*, BLOOMBERG, (June 11, 2026), available at <https://www.bloomberg.com/news/articles/2026-06-11/adobe-s-cfo-departs-leaving-company-seeking-top-executives>

Friday, June 12, 2026, on a day when the overall stock market notched large gains, Adobe's stock tanked over 10% in intraday trading, reaching a low of \$196.90 and eventually closing at \$204.02, a 6.76% decline from Adobe's closing price of \$218.80 the day before, on unusually heavy trading of over 25 million shares. Adobe's stock is down over 42% in 2026 alone, its lowest level in seven years, as reflected in the following chart:

Adobe Inc. (ADBE) ☆

202.30 -16.50 (-7.54%)

As of 3:02:29 PM EDT, Market Open.

Trade Adobe on Coinbase

Trading disclosure ⓘ

🔊 ADBE Q2 2026 earnings call Replay the call for the latest insights.

Read transcript

Play call



20. Adobe is now saddled with having to defend itself in two copyright infringement cases and a BIPA case as a result of Defendants' misconduct and is facing potentially massive liability and related costs and reputational damages, as well as potential loss of customers and/or claims from Adobe customers who unwittingly used the copyright-infringing Adobe services.

21. By consciously disregarding known legal risks, authorizing or permitting an unlawful business strategy, and failing to implement adequate oversight and compliance controls, Defendants

breached their fiduciary duties of loyalty and good faith to Adobe. As a direct result of Defendants' misconduct, the Company has suffered substantial harm and continues to face significant legal, financial, and reputational consequences.

II. JURISDICTION AND VENUE

22. This Court has subject matter jurisdiction over this action under 28 U.S.C. § 1331 because Plaintiffs' claims arise under 15 U.S.C. §§ 78j(b), 78n(a), 78t(a), 78t-1, and SEC regulations 10b-5 and 14a-9 promulgated thereunder, 17 C.F.R. §§ 240.10b-5 and 240.14a-9. This Court has supplemental jurisdiction pursuant to 28 U.S.C. § 1367 as to the state law claims alleged, as they arise out of the same transactions and occurrences as the federal claims.

23. This Court possesses general jurisdiction over each named defendant who is a resident in this District. Additionally, this Court has specific jurisdiction over each named non-resident Defendant because each of the Defendants maintains sufficient minimum contacts in this District to render jurisdiction by this Court permissible under traditional notions of fair play and substantial justice. At the time of the alleged wrongdoing detailed herein, Adobe was headquartered in this District, each of the Defendants was a director and/or officer of Adobe, and Defendants' conduct was purposefully directed at this District. Exercising jurisdiction over any non-resident Defendant is also reasonable under the circumstances.

24. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and 15 U.S.C. § 78aa. Adobe is headquartered in this District, one or more of the Defendants either resides in or works in this District, a substantial portion of the transactions and wrongs complained of herein, including the Defendants' primary participation in the wrongful acts detailed herein in violation of fiduciary duties owed to Adobe occurred in this District, and Defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect in this District.

III. THE PARTIES

25. Plaintiff SEIU Pension Plan Master Trust is a current stockholder of Adobe and has continuously owned shares of Adobe common stock at all times relevant herein.

26. Plaintiff Michael Hirschberger is a current stockholder of Adobe and has continuously owned shares of Adobe common stock at all relevant times.

1 27. Plaintiff James Peterson is a current stockholder of Adobe and has continuously owned
2 shares of Adobe common stock at all relevant times.

3 28. Plaintiff Mitchell Small is a current stockholder of Adobe and has continuously owned
4 shares of Adobe common stock at all relevant times.

5 29. Nominal defendant Adobe is a Delaware corporation headquartered in San Jose,
6 California. Adobe common stock trades on the Nasdaq under the ticker symbol “ADBE.”

7 30. Defendant Narayen is Chairman of Adobe’s board of directors (the “Board”) and has
8 been CEO since December 2007. Narayen received roughly \$51.2 million in compensation for 2025,
9 \$52.4 million in compensation for 2024, \$44.9 million in compensation for 2023, and \$31.6 million in
10 compensation for 2022, all approved by his co-defendants on the Board. Narayen stepped down from
11 his role as CEO on March 12, 2026 but plans to stay in the role until a new CEO is appointed on
12 December 1, 2026 and remains a member of the Board.

13 31. Defendant Christiano Amon (“Amon”) has been a director of Adobe since 2023. Amon
14 received over \$389,919 in Board-related compensation for 2025.

15 32. Defendant Amy Banse (“Banse”) has been a director of Adobe since 2012. Banse
16 received over \$419,919 in Board-related compensation for 2025.

17 33. Defendant Melanie Boulden (“Boulden”) has been a director of Adobe since 2020.
18 Boulden received \$389,919 in Board-related compensation for 2025.

19 34. Defendant Frank Calderoni (“Calderoni”) has been a director of Adobe since 2012.
20 Calderoni received \$459,919 in Board-related compensation for 2025.

21 35. Defendant Laura Desmond (“Desmond”) has been a director of Adobe since 2012 and is
22 a member of the Audit Committee. Desmond received \$392,955 in Board-related compensation for
23 2025.

24 36. Defendant Spencer Neumann (“Neumann”) has been a director of Adobe since 2022 and
25 is a member of the Audit Committee. Neumann received \$394,919 in Board-related compensation for
26 2025.

27 37. Defendant Kathleen Oberg (“Oberg”) has been a director of Adobe since 2019 and is a
28 member of the Audit Committee. Oberg received \$429,919 in Board-related compensation for 2025.

38. Defendant Dheeraj Pandey (“Pandey”) has been a director of Adobe since 2019 and is a member of the Audit Committee. Pandey received \$394,919 in Board-related compensation for 2025.

39. Defendant David Ricks (“Ricks”) has been a director of Adobe since 2018. Ricks received \$389,919 in Board-related compensation for 2025.

40. Defendant Daniel Rosensweig (“Rosenweig”) has been a director of Adobe since 2009. Rosensweig received \$384,919 in Board-related compensation for 2025.

41. Defendants Narayan, Amon, Banse, Boulden, Calderoni, Desmond, Neumann, Oberg, Pandey, Ricks, and Rosensweig are collectively referred to herein as the “Director Defendants.” Defendants Oberg, Desmond, Neumann, and Pandey are collectively referred to herein as the “Audit Committee Defendants.”

42. Defendant Claude Alexandre (“Alexandre”) is Adobe’s V.P. of Digital Media, B2B Product and Campaign Marketing at Adobe, a position he has held since January 2015.

43. Defendant Costin is Adobe’s global vice president of AI.

44. Defendant Anil Chakravarthy (“Chakravarthy”) is Adobe’s President, Digital Experience Business. Chakravarthy launched the generative AI strategy for Adobe Experience Cloud and generative AI first new applications such as Adobe GenStudio for Performance Marketing and AEP AI Assistant. Chakravarthy received nearly \$17.8 million in compensation in 2025, \$17 million in compensation in 2024, \$15 million in compensation in 2023, and \$10 million in compensation for 2022.

45. Defendant Durn was Adobe’s CFO and Executive Vice President, Finance, Technology, Security and Operations through June 15, 2026. Durn drove Adobe’s internal generative AI learning and adoption through the AI@Adobe program and also drove Digital Media and Digital Experience growth. Durn received roughly \$16.3 million in compensation in 2025, \$15.6 million in compensation in 2024, \$14.3 million in compensation in 2023, and \$13.2 million in compensation in 2022, all approved by the Board.

46. Defendant David Wadhwani (“Wadhwani”) is Adobe’s President, Digital Media Business. Wadhwani delivered Firefly innovations in imaging vector, video (in beta) and design, integrated into products and workflows, and launched Firefly Custom Models, Express on Mobile and Acrobat AI assistant. Wadhwani received nearly \$17.8 million in 2025 compensation, \$17 million in

2024 compensation, \$16.7 million for 2023 compensation, and \$11.6 million for 2022 compensation, all approved by the Board.

47. Defendants Narayan, Durn, Alexandre, Costin, Chakravarthy, and Wadhwani, are collectively referred to herein as the “Officer Defendants.” The Director Defendants and the Officer Defendants are collectively referred to herein as the “Defendants” and sometimes referred to as the “Individual Defendants.”

IV. DEFENDANTS BREACHED THEIR DUTY OF LOYALTY

A. General Fiduciary Duties of Officers and Directors

48. By reason of their positions as officers and directors of the Company, each of the Defendants owed and owe Adobe and its stockholders fiduciary obligations of care and loyalty, and were and are required to use their utmost ability to control and manage Adobe in a fair, just, honest, and equitable manner. Defendants were and are required to act in furtherance of the best interests of Adobe and not in furtherance of their personal interest or benefit.

49. Each Defendant owes to Adobe and its stockholders the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the use and preservation of its property and assets and the highest obligation of fair dealing.

50. Defendants, because of their positions of control and authority as directors and/or officers of Adobe, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

51. Defendants’ conduct complained of herein involves a knowing and culpable violation of their obligations as directors and/or officers of Adobe, the absence of good faith on their part, or a reckless disregard for their duties to the Company and its stockholders that Defendants were aware or should have been aware posed a risk of serious injury to the Company.

52. As senior officers and directors of a publicly-traded company whose common stock was registered with the SEC pursuant to the Securities Exchange Act (the “Exchange Act”) and traded on the Nasdaq, the Defendants also had a duty to prevent and not to effect the dissemination of inaccurate and untruthful information with respect to the Company’s financial condition, operations, products, management, and internal controls, including the dissemination of false and/or materially misleading

information regarding the Company's business, prospects, and operations, and had a duty to cause the Company to disclose in its regulatory filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market price of the Company's common stock would be based upon truthful, accurate, and fairly presented information.

53. To discharge their duties, the officers and directors of Adobe were required to exercise reasonable and prudent supervision (in like position) over the management, policies, practices, and controls of the financial affairs of the Company.

54. At all times relevant hereto, the Defendants were the agents of each other and of Adobe and were at all times acting within the course and scope of such agency.

55. Because of their advisory, executive, managerial, and directorial positions with Adobe, each of the Defendants had access to adverse, non-public information about the Company.

56. Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statement issued by Adobe.

B. Adobe's Code of Ethics and Code of Business Conduct

57. In addition to the fiduciary obligations owed to Adobe, each of the Defendants were also subject to layers of Adobe policies prohibiting certain conduct.

58. The Officer Defendants, as senior officers of Adobe, are bound by the Company's Code of Ethics.⁷ The Code of Ethics sets out basic principles to guide all senior officers of Adobe are required to perform their duties in an honest and ethical manner, and to handle all actual or apparent conflicts of interest between personal and professional relationships in an ethical manner. In particular, the Code of Ethics provides:

Each Senior Officer will comply with applicable governmental laws, rules, and regulations. . .

Senior Officers must promptly bring any instance, occurrence, or practice that they, in good faith, believe is inconsistent with or in violation of this Code of Ethics to the attention of the Chief Compliance Officer or the General Counsel or, if such person is involved in the matter giving rise to the conflict, Adobe's Audit Committee. . .

⁷ Code of Ethics available at: <https://www.adobe.com/content/dam/cc/en/corporate-responsibility/pdfs/code-of-ethics-external.pdf>.

1 Senior Officers should use common sense and good judgment and act in good
 2 faith. Senior Officers who become aware of a suspected violation should not
 3 attempt to investigate it or resolve it on their own. Prompt disclosure to the
 4 appropriate parties is vital to ensuring a thorough and timely investigation and
 resolution. A violation of this Code of Ethics is a serious matter and could have
 certain legal implications. Reports of suspected violations should always be
 made in good faith.⁸

5 59. All Defendants are also subject to the Company's Code of Business Conduct,⁹ which
 6 purports to establish the principles of business conduct that Adobe considers fundamental in its
 7 operations worldwide. In particular, the Code of Business Conduct provides that each officer, director
 8 and employee must:

9 Acting with integrity is a fundamental part of Adobe's culture and how we do
 10 business. Our commitment to being fair and honest is how we maintain trust
 and credibility with our employees, customers, business partners, stockholders,
 and communities where we operate.

11 ***

12 Reports of suspected violations must always be made based on honest, good-
 13 faith belief.

14 ***

15 Copyrighted Material: You are responsible for confirming that Adobe has the
 16 appropriate rights before you use, make copies of, transfer (externally or
 17 internally), or resell any copy-righted materials. Third-party software is an
 18 example of copyrighted material. You must en-sure that any third-party
 software you use is properly licensed and only used in accordance with the
 licensing agreement and relevant Adobe policies. Copyrighted materials also
 include software, manuals, articles, books, and databases. Please contact the
 Adobe Legal department for more guidance with respect to copyrighted material.

19 ***

20 You must protect all confidential information concerning Adobe, as well as any
 21 confidential information entrusted to Adobe by third parties. You must never
 inappropriately disclose an-other party's confidential information to Adobe.

22 ***

23 Another Party's Confidential Information: Similarly, you must never disclose
 24 another party's confidential information to Adobe unless you are authorized by
 that party to provide that information. This includes confidential information you
 may have received while employed by a prior employer; your obligations to
 continue to protect such information likely continue after your employment
 terminated.

25 ***

26 Although we compete vigorously, we play by the rules:

27 ⁸ *Id.*

28 ⁹ Code of Business Conduct available at: <https://www.adobe.com/cc-shared/assets/pdf/corporate-responsibility/code-of-conduct-ext.pdf>

- We gather competitive intelligence lawfully and without the use of deception.
- We do not seek to acquire, use, or disclose a competitor's trade secrets or confidential information. If you receive confidential information about a competitor, even if accidentally or from an unknown source, or if you become aware or suspect that someone at Adobe has received confidential information about a competitor, you must immediately contact your manager and either the Adobe Compliance Office or Adobe Legal Department to determine how to proceed.
- We communicate honestly, and we do not make false claims or comparisons about our competitors or their products or services.
- We conduct all interactions with competitors, including social activities, as if they were completely in public view. Remember that your interactions may later be subject to examination and unfavorable interpretation.

5.3. Data Protection and Privacy

Adobe is a steward of our employees', vendors', customers', and other individuals' personal information. We take our responsibility seriously. We handle personal information in accordance with our internal and external privacy policies, and we comply with applicable global data protection laws to protect personal information entrusted to us as part of our business operations.

6.5. AI Ethics

At Adobe, we have a decade-long history of Artificial Intelligence (AI) Innovation. We believe that AI done right will amplify human creativity and intelligence to new levels, which is why we are committed to advancing AI in an ethical, responsible, and inclusive way that makes the tech and its impact better for both our customers and our communities.

We have built a comprehensive AI Ethics program to ensure we are developing AI technologies in a way that respects our customers and aligns with our values. Our approach to AI development starts with our AI Ethics principals – Accountability, Responsibility, and Transparency.

Guided by our AI Ethics Principles, we have created standardized processes from design to development to deployment, including training, testing and review process overseen by a diverse AI Ethics Review Board, to manage risk without slowing down the pace of innovation.

7. Compliance with the Law

Adobe firmly believes in fostering global citizenship and complying with all applicable laws in countries where we operate. To guide your actions, Adobe maintains company policies that establish operating requirements on important topics. These policies are available on Adobe's Corporate Policies page on Inside Adobe.¹⁰

¹⁰*Id.*

C. Adobe's Audit Committee Charter

60. The Audit Committee Defendants are subject to heightened responsibilities to identify, assess, and mitigate risks associated with the Company's operations.

61. Under the Audit Committee Charter,¹¹ the Audit Committee Defendants owed specific additional duties to assist the Board in overseeing management's financial controls, the Company's enterprise risk management program and the Company's compliance with related legal, regulatory and ethical requirements.

62. As stated in the Company's most recent Proxy Statement¹²:

Our Audit Committee has primary responsibility for oversight of our ERM [enterprise risk management] program, as well as oversight of particular risks, such as cybersecurity, privacy, information and technology security and financial risk exposures and the steps our management has taken to monitor and control these exposures. The Audit Committee monitors the effectiveness of our Code of Ethics for senior officers. The Audit Committee also monitors compliance with legal and regulatory requirements and oversees the performance of our internal audit function and of our independent registered public accounting firm. In carrying out this oversight, the Audit Committee receives or participates in:

- regular updates by the CCO, CSO and senior cyber legal and other professionals regarding key risks, including cybersecurity;
- annual compliance updates regarding key compliance issues, as well as ongoing updates on developing risks, from the CCO, who reports to the Chief Legal Officer and regularly interacts with and directly communicates with the Audit Committee;
- annual meetings with the CCO without management present regarding key risks, issues or concerns;
- quarterly meetings without management present with the CAE, who reports to the Audit Committee, regarding key risks, issues or concerns;
- annual reviews of the Company's key risks by the CAE, including mitigation strategies, identified in the ERM process; and
- quarterly reviews of the risk factors included in the Company's quarterly and annual reports filed with the SEC.

The Audit Committee's role includes assisting the Board in fulfilling its responsibilities related to the oversight of our financial, accounting and reporting processes; our system of internal accounting and financial controls; our technology security policies and

¹¹ Charter of the Audit Committee of the Board of Directors available at: <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/audit-charter.pdf>

¹² Adobe Inc., *Notice of 2026 Annual Meeting of Stockholders and Proxy Statement*, at 9, 11 (Feb. 27, 2026), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2026-proxy.pdf>

1 internal cybersecurity and privacy controls; our ERM program; and our compliance with
2 related legal, regulatory and ethical requirements. The Audit Committee's
responsibilities include:

- 3 • the appointment, compensation, engagement, evaluation, retention, termination
4 and oversight of our independent registered public accounting firm, including
conducting an annual review of its independence;
- 5 • reviewing and approving the planned scope of our annual audit;
- 6 • overseeing our independent registered public accounting firm's audit work;
- 7 • reviewing and pre-approving any audit and non-audit services that may be
8 performed by our independent registered public accounting firm;
- 9 • reviewing with management and our independent registered public accounting
firm the adequacy of our internal financial and disclosure controls;
- 10 • reviewing our critical accounting policies and practices, critical audit matters and
11 the application of accounting principles;
- 12 • reviewing and discussing with management the adequacy and effectiveness of
13 our information and technology security policies and internal controls regarding
14 information and technology security, cybersecurity and privacy related areas;
- 15 • monitoring the rotation of partners of our independent registered public
16 accounting firm on our audit engagement team as required by regulation;
- 17 • reviewing our policies and practices with respect to swaps transactions;
- 18 • overseeing, and approving any amendments to, Adobe's worldwide investment
19 policy;
- 20 • overseeing the performance of our internal audit function;
- 21 • establishing and reviewing our procedures, as required under applicable
22 regulation, for the receipt, retention and treatment of complaints received by us
23 regarding accounting, internal accounting controls or auditing matters and the
24 confidential, anonymous submission by employees of concerns regarding
questionable accounting or auditing matters;
- 25 • overseeing and reviewing relevant elements of Adobe's ERM program; and
- 26 • reviewing and discussing with management and our independent registered
27 public accounting firm our annual audited financial statements and quarterly
28 financial statements.

The Audit Committee has the authority to obtain independent advice and assistance from
internal or external legal, accounting and other advisors at Adobe's expenses.

D. Integrity at Adobe

63. Defendants have also made a “commitment to ethics, integrity, and fairness across our company.”¹³ These commitments include “AI Ethics,”¹⁴ which explicitly promise:

We developed Adobe Firefly to prevent it from creating content that infringes copyright or intellectual property rights, and it is designed to be commercially safe;

We only train Adobe Firefly on content where we have permission or rights to do so.

We do not mine content from the web to train Adobe Firefly.

We compensate creators who contribute to Adobe Stock for use of their content in training Adobe Firefly.

We defend the intellectual property rights of the creative community through advocating for the Federal Anti-Impersonation Right Act.

We believe in protecting creator rights and founded the Content Authenticity Initiative (CAI) focused on ensuring transparency in content ownership and how it was created.¹⁵

E. Breaches of Duties

64. Defendants’ conduct constitutes a knowing and culpable breach of their duties as officers and/or directors of Adobe, demonstrating a lack of good faith and a reckless disregard for their obligations to the Company, as their actions violated positive law and they either knew or were reckless in failing to recognize that their actions posed a significant risk of serious harm to the Company.

65. Defendants breached their duty of loyalty and good faith by allowing Defendants to cause, or by themselves causing, the Company to violate copyright laws, federal securities laws, and to cause, or by themselves causing, the Company to make improper statements to the public and failing to implement adequate internal controls over legal and regulatory compliance. These improper practices caused Adobe to incur substantial damages.

66. Defendants, because of their positions of control and authority as officers or directors of Adobe, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein. Defendants also failed to prevent the other Defendants from taking such illegal actions. As a

¹³ Integrity @ Adobe available at: <https://www.adobe.com/about-adobe/integrity.html>

¹⁴ AI Ethics available at: <https://www.adobe.com/ai/overview/ethics.html>

¹⁵ *Id.*

1 result, and in addition to the damage the Company has already incurred, Adobe has expended, and will
2 continue to expend, significant sums of money to remedy Defendants' failures.

3 **V. FACTUAL BACKGROUND**

4 67. Adobe develops, markets, and distributes software and cloud-based services used for
5 digital content creation, document management, marketing, analytics, and customer-experience
6 management. The Company's flagship products include Photoshop, Illustrator, Acrobat, InDesign,
7 Premiere Pro, and other applications offered through Adobe Creative Cloud and Document Cloud.
8 Adobe generates billions of dollars in annual revenue from subscriptions and enterprise software
9 services provided to individual consumers, creative professionals, businesses, educational institutions,
10 and governmental entities worldwide. Adobe has increasingly emphasized artificial intelligence as a
11 core component of its growth strategy, investing heavily in the development and commercialization of
12 generative AI technologies, including its Firefly, SLMs, and CVMs, which the Company integrated into
13 numerous products and services throughout its software ecosystem.

14 68. Beginning years before the start of the Relevant Period,¹⁶ Adobe devoted substantial
15 financial and technological resources to expanding its AI capabilities in an effort to compete in the
16 rapidly emerging generative AI market. As generative AI technologies became increasingly important
17 to Adobe's future growth strategy, the Company sought to embed AI functionality throughout its
18 software ecosystem and develop proprietary AI models capable of powering both consumer-facing and
19 enterprise-grade products.

20 69. As part of these efforts, Adobe developed "SlimLM," a family of SLMs designed to
21 perform document-assistance, text-generation, and language-processing functions directly on mobile
22 devices and other resource-constrained hardware. Adobe promoted SlimLM as a highly efficient
23 alternative to larger cloud-based language models, emphasizing its ability to deliver sophisticated AI
24 capabilities while reducing latency, infrastructure costs, and reliance on remote servers.

25 70. The development of language models such as SlimLM requires the collection,
26 reproduction, storage, and processing of massive amounts of textual data. Through a process commonly
27 referred to as "training," developers expose models to billions of words obtained from books, articles,
28

¹⁶ The Relevant Period is January 2023 to the present.

websites, and other written sources. The model analyzes these materials to identify linguistic structures, contextual relationships, and predictive patterns, which are subsequently encoded into the model's parameters and enable the model to generate human-like responses and perform complex language tasks.

71. Adobe publicly disclosed that SlimLM was pretrained using the SlimPajama dataset—a large-scale language-model training corpus assembled and distributed by Cerebras Systems, Inc. Cerebras described SlimPajama as a refined, filtered, and deduplicated derivative of the “RedPajama” dataset developed by Together Computer, Inc.

72. The RedPajama dataset “is a publicly available, fully open, best-effort reproduction of the training data ... used to train the first iteration of LLaMA family of models.”¹⁷

73. Significantly, RedPajama incorporated the “Books3” dataset, a component of “The Pile,” a widely utilized collection of training data used throughout the artificial intelligence industry. Books3 consisted of approximately 196,640 books copied from Bibliotik, an online shadow-library known for distributing copyrighted literary works without authorization from authors, publishers, or other rights holders.

74. Books3 is “a dataset of books derived from a copy of the contents of the Bibliotik private tracker ... Bibliotik consists of a mix of fiction and nonfiction books and is almost an order of magnitude larger than our next largest book dataset (BookCorpus2). We included Bibliotik because books are invaluable for long-range context modeling research and coherent storytelling.”¹⁸

75. Bibliotek is well known as a notorious pirate website that contains vast quantities of unauthorized copyrighted materials used to train AI language models. Utilizing these illegal libraries provided Adobe and other AI entities to access large quantities of training data rapidly. Such pirate libraries are in violation of the Copyright Act, and the AI developers use of such materials to train AI models is not shielded by the fair use doctrine.

¹⁷ Maurice Weber, *et al.*, *RedPajama: an Open Dataset for Training Large Language Models*, Advances in Neural Information Processing Systems 37 (NeurIPS 2024) at 2, available at https://proceedings.neurips.cc/paper_files/paper/2024/file/d34497330b1fd6530f7afd86d0df9f76-Paper-Datasets_and_Benchmarks_Track.pdf.

¹⁸ Leo Gao, *et al.*, *The Pile: An 800GB Dataset of Diverse Text for Language Modeling*, arXiv:2101.00027v1 (Dec. 31, 2024) at 3-4, available at <https://arxiv.org/pdf/2101.00027>.

1 76. The Books3 dataset, as confirmed by the person that assembled it, Shawn Presser,
2 represents all of Bibliotek. Downloading The Pile dataset from sources such as “The Eye” and the
3 “Hugging Face” downloads a copy of Books3 and all of its unlicensed copyrighted material.

4 77. The creators of The Pile openly acknowledged that Books3 was included because long-
5 form books were viewed as particularly valuable for training advanced language models capable of
6 narrative generation, contextual reasoning, and long-sequence comprehension. Thus, the inclusion of
7 copyrighted books was not accidental. Rather, AI developers deliberately incorporated large quantities
8 of literary works into training datasets because those materials materially improved model quality and
9 performance.

10 78. By the time Adobe adopted SlimPajama as part of its AI-development pipeline, Bibliotik
11 and similar shadow libraries were widely recognized within the technology and publishing industries as
12 repositories containing massive collections of pirated copyrighted content. Such repositories provided
13 AI developers with access to extensive, high-quality training materials without requiring them to bear
14 the substantial costs associated with licensing copyrighted works from their lawful owners.

15 79. The copyright concerns associated with Books3 became increasingly public and well-
16 known throughout the AI industry. By October 2023, portions of the RedPajama project removed
17 Books3 from distribution following widespread allegations that the dataset contained unlawfully copied
18 copyrighted works. RedPajama’s own documentation acknowledged that Books3 had become
19 unavailable because of copyright-related concerns. Nevertheless, entities that had previously
20 downloaded RedPajama or derivative datasets, including SlimPajama, had already acquired and
21 incorporated Books3-derived content into their AI-development efforts.

22 80. SlimPajama also incorporated data obtained from Common Crawl, a massive web-
23 scraping repository containing content collected from millions of websites across the internet. Common
24 Crawl has long been understood to contain substantial amounts of copyrighted material originating from
25 newspapers, magazines, digital publishers, and other content creators. In 2023, a Dutch publishing
26 organization publicly demanded that Common Crawl remove millions of copyrighted news articles that
27 had allegedly been copied and incorporated into AI training datasets without authorization.

81. Adobe Firefly generates Adobe's AI model. Adobe Firefly is Adobe's family of creative generative AI models that span image, video, vector, audio, and more. Narayen stated that Adobe "introduced multiple generative AI models in Adobe Firefly, our family of creative generative models" and "[w]e are exposing the power of our creative tools and the magic of generative AI through Firefly Services APIs."¹⁹ Adobe's website touts the Adobe Firefly as an AI generator that was built through "thoughtful, responsible development," claiming that Adobe "developed Adobe Firefly to prevent it from creating content that infringes copyright or intellectual property rights, and it is designed to be commercially safe," and Adobe does "not mine content from the web to train Adobe Firefly."²⁰

82. Even though the website contends that Adobe has ethical AI development for its Firefly product, these statements are inaccurate because Adobe's SlimLM was trained on multiple datasets of copyright materials. Adobe's website describing the SlimLM model did not discuss any potential compensation for the writers and creators of the work on which SlimLM was trained.

83. The Adobe website also includes a publication prepared by Adobe research employees and university professors, entitled "SlimLM: An Efficient Small Language Model for On-Device Document Assistance."²¹ The publication was set up to present and describe the SlimLM process, which is a "series of SLMs optimized for document assistant tasks on mobile devices."²² The publication acknowledged, among things, that "We pre-trained SlimLM on the SlimPajama dataset":

SlimLM is pre-trained on SlimPajama-627B and fine-tuned on DocAssist, our constructed dataset for summarization, question answering and suggestion tasks. Our smallest model demonstrates efficient performance on S24, while larger variants offer enhanced capabilities within mobile constraints. We evaluate SlimLM against existing SLMs, showing comparable or superior performance and offering a benchmark for future research in on-device language models. We also provide a research demo, offering practical insights into SLM deployment. Our findings provide valuable insights and illuminate the capabilities of running advanced language models on high-end smartphones, potentially reducing server costs and enhancing privacy through on-device processing.

¹⁹ Adobe, Inc., *A Letter from Our Chair and CEO*, (2025) at 2, available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2025-stockholder-letter.pdf>.

²⁰ <https://www.adobe.com/ai/overview/ethics.html>.

²¹ Thang M. Pham, *et al.*, *SlimLM: An Efficient Small Language Model for On-Device Document Assistance*, arXiv:2411.09944v3 (Nov. 25, 2024), available at <https://arxiv.org/pdf/2411.09944>.

²² *Id.*

1 We propose a set of small language models *pretrained on SlimPajama* with 627B tokens
2 and finetuned on the DocAssist dataset.

3 *****

4 **Data Collection**

5 We utilize our proprietary tools to compile a diverse collection of documents, primarily
6 consisting of illustrations, presentation slides, and spreadsheets. This dataset also
7 includes machine-generated documents to ensure a comprehensive representation of
8 various document types. We extract the document contents and prepare them for pre-
9 processing to ensure the data is suitable for model fine-tuning.

10 *****

11 SlimLM is based on the MPT (Mosaic Pre-trained Transformer) architecture by
12 MosaicML-NLP-Team, 2023 with specific modifications to optimize for document
13 assistance tasks.

14 *****

15 Our largest model, SlimLM-1B, approaches the performance of the much larger model
16 Qwen2-1.5B-Instruct, highlighting the potential for SlimLM to achieve competitive
17 results with reduced computational requirements. While the commercial LLM still leads
18 in overall performance, our SlimLM models offer a range of efficient options for various
19 computational constraints and privacy concerns in document assistance tasks.

20 *****

21 **SLMs for Mobile Devices**

22 Deploying language models on mobile devices presents unique challenges, including
23 memory constraints, inference latency, and energy efficiency (Liu et al., 2024; MBZUAI,
24 2024.02; Chen et al., 2024). The growing importance of efficient on-device language
25 models is further underscored by recent developments from major tech companies (Reid
26 et al., 2024; Apple, 2024.09; Meta, 2024.09). Our work extends this line of research by
27 identifying the optimal balance between model size, context length, and performance
28 specifically for real mobile devices e.g. Samsung Galaxy S24. We focus on enhancing
document assistance abilities by *designing and training SlimLM (Sec. 2.3) from scratch
on SlimPajama* and DocAssist (Sec. 2.2), advancing the SoTA in mobile-deployed
language models for document processing applications.

In this work, we introduce SlimLM models optimized for document assistance tasks. We
identify the optimal balance between model size, inference time, and maximum context
length for efficient processing on real mobile devices. Our specialized DocAssist dataset,
constructed from ~83K documents, enabled fine-tuning of SlimLM for three critical
document assistance tasks. SlimLM models, ranging from 125M to 1B parameters,
demonstrate comparable or superior performance to existing SLMs of similar sizes across
standard metrics, while efficiently handling up to 800 context tokens. To showcase real-
world applicability, we develop a research demo featuring SlimLM's document

1 assistance capabilities, paving the way for widespread deployment of efficient, on-device
2 language models for enhanced user privacy and reduced server costs.²³

3 84. As described herein, the datasets underlying SlimPajama contained substantial quantities
4 of copyrighted books, articles, and other creative works obtained without authorization from the
5 corresponding rights holders. Despite these known issues, Adobe utilized SlimPajama to train SlimLM
6 and thereby incorporated data derived from unauthorized copyrighted content into a key component of
7 its artificial intelligence ecosystem.

8 85. In addition, Adobe built a suite of commercial voice AI products using the voices of real
9 people, establishing its CVMs, including Firefly Speech Model, Firefly Voice Model, Translate Video,
10 Translate Audio, and the Translate and Lip Sync API. Adobe extracts mathematical representations of
11 real human voices: pitch, timbre, resonance, cadence, accent, articulation, and phrasing. Adobe extracts
12 voiceprints, and states that its AI dubbing technology “preserv[es] the original speaker’s voice
13 characteristics ... [maintaining] tone, and cadence across languages.”²⁴ Adobe’s subscribers receive
14 access to voice products on these CVMs, and upload recordings of speakers’ voiceprints without notice,
15 consent, or written release to the speakers.

16 86. Adobe distributes its CVMs through Creative Cloud, Premier Pro, Adobe Podcast,
17 Frame.io, Firefly Services, and GenStudio. Adobe monetizes the voiceprints it infused in these
18 platforms. The products Adobe sells from these platforms include lifelike synthetic speech, multilingual
19 dubbing, voice preservation across languages, speaker separation, transcription, and audio enhancement,
20 which otherwise are placed in markets for voice speakers, such as audiobook narration, podcast
21 production, broadcast journalism, documentary narration, e-learning, advertising, dubbing, and
22 voiceover work. Each of these products depends on the voice characteristics in Adobe CVMs, learned
23 during training, and the training is where voiceprints and biometric information are extracted from voice
24 recordings. Adobe also licenses Translate and Lip Sync API to enterprise customers, and integrates
25 ElevenLabs’ Multilingual v2 model into Generate Speech alongside Adobe’s Firefly Speech Model.
26
27

28 ²³ *Id.*

²⁴ <https://www.adobe.com/products/firefly/features/ai-dubbing.html>.

87. Adobe has been building its voice synthesis technology since 2016. Adobe voice synthesis process includes neural speech synthesis, neural audio coding, voice conversion, voice watermarking, and zero-shot voice synthesis. This process extracts a representation of a speaker's distinctive vocal characteristics from a recording of that speaker and uses that representation to synthesize new speech reproducing the speaker's voice.

88. At Adobe's MAX annual multi-day "creativity conference" in 2019 Adobe previewed a speech-enhancement tool called "Project Awesome Audio." In mid-2022, Adobe articulated speech-enhancement as the Enhance Speech feature in its Adobe Podcast. At Adobe's MAX in 2023, Adobe demonstrated AI dubbing labeled "Project Dub Dub Dub." In 2024 and 2025, Adobe platformed AI dubbing in Translate Video and Translate Audio inside Adobe Firefly. At Adobe's MAX in October 2025, Adobe disclosed the launching of its commercial voice synthesis on the Firefly Speech Model, the Firefly Voice Model, and Generate Speech.

89. Adobe contends that the Firefly Speech Model is a "commercially safe" multilingual text-to-speech model, and that the Firefly Voice Model preserves an input speaker's voice characteristics across translated audio output. Adobe has made a myriad of false and misleading statements to convince customers and voice persons that Adobe's CVMs are "commercially safe."²⁵

90. Narayan publicly stated "we have to build AI that is commercially safe and respects the rights of the creators who works it learns from," and that Adobe will "'respect[] the rights of the creators whose work it learns from."²⁶ In 2023, Adobe's former EVP and General Counsel, Dana Rao ("Rao"), told the U.S. Senate Judiciary Committee's Subcommittee that Adobe "trained our first Firefly model only on licensed images ... [and] we intend to expand that dataset to include openly licensed content and public domain images where copyright has expired."²⁷ Rao also disseminated a blog post on Adobe's website conceding that "if an artist slavishly copies another artist's work, they could be found

²⁵ *Id.*

²⁶ Antoine Buteau, *Lessons from Shantanu Narayan* (Mar. 12, 2026), <https://www.antoinebuteau.com/lessons-from-shantanu-narayan/>.

²⁷ Hearing on *Artificial Intelligence and Intellectual Property – Part II: Copyright*, Before Subcomm. on Intellectual Property of the Sen. Comm. on the Judiciary (July 12, 2023) at 4 (written testimony of Dana Rao, Exec V.P. of Adobe, Inc.), https://www.judiciary.senate.gov/imo/media/doc/2023-07-12_pm_-_testimony_-_rao.pdf.

1 guilty of copyright infringement” and “creates the possibility for someone to misuse an AI tool to
 2 intentionally impersonate the style of an artist, and then use that AI-generated art to compete directly
 3 against them in the marketplace,” which “could pose serious economic consequences for the artist whose
 4 original work was used to train that AI model in the first place.”²⁸ But Rao contended, falsely, that
 5 “Adobe trained our generative AI model Firefly only on our own licensed Adobe Stock images, other
 6 works in the public domain, moderated generative AI content, and work that is openly licensed by the
 7 rightsholder.”²⁹ At Adobe’s MAX in 2025, Adobe VP of Generative AI Costin stated “We purchased
 8 music and voice from IP owners, that why we have the confidence to offer it as commercially safe.”³⁰

9 91. Adobe did not apply that principle to the voice professionals whose voices it used to train
 10 the Firefly Speech Model and the Firefly Voice Model, and Adobe has admitted in its Privacy Policy
 11 that its voice processing collects voiceprints.³¹ No consent infrastructure was built for broadcast
 12 journalists, podcasters, audiobook narrators, voice actors, or any other voice professionals whose
 13 recordings were ingested into the Firefly Speech Model and the Firefly Voice Model training pipelines.
 14 Adobe has not provided any notice, consent, written release, retention policy, or subject access process
 15 for the voiceprints it extracted from non-user human voice recordings.

16 92. On April 12, 2024, *Bloomberg* published a report that suggested that Adobe may not be
 17 “commercially safe” because it did not seek consent for, and/or financially assess, the images and
 18 scraping pictures plugged into its AI platform.³² This would result in a BIPA violation once Adobe
 19 applied this same identical pattern to its CVMs. Rachel Metz, in *Adobe’s ‘Ethical’ Firefly AI Was*
 20 *Trained on Midjourney Images*, stated:³³

21
 22 ²⁸ Dana Rao, *The FAIR Act: A new right to protect artists in the age of AI* (Sept. 12, 2023),
 23 <https://blog.adobe.com/en/publish/2023/09/12/fair-act-to-protect-artists-in-age-of-ai>

24 ²⁹ *Id.*

25 ³⁰ Jess Weatherbed, *Adobe’s New AI Audio Tools Can Add Soundtracks and Voice-Overs to Videos*,
 (Oct. 28, 2025), available at <https://www.theverge.com/news/807809/adobe-firefly-ai-audio-generate-soundtrack-speech>.

26 ³¹ <https://www.adobe.com/privacy/policy.html>

27 ³² Rebecca Tushnet, *Adobe’s ‘Ethical’ Firefly AI Was Trained on Midjourney Images*, (Apr. 12, 2024),
 28 available at <https://www.bloomberg.com/news/articles/2024-04-12/adobe-s-ai-firefly-used-ai-generated-images-from-rivals-for-training>

³³ *Id.*

When Adobe Inc. released its Firefly image-generating software last year, the company said the artificial intelligence model was trained mainly on Adobe Stock, its database of hundreds of millions of licensed images. Firefly, Adobe said, was a “commercially safe” alternative to competitors like Midjourney, which learned by scraping pictures from across the internet.

But behind the scenes, Adobe also was relying in part on AI-generated content to train Firefly, including from those same AI rivals. In numerous presentations and public posts about how Firefly is safer than the competition due to its training data, Adobe never made clear that its model actually used images from some of these same competitors.

AI-generated content made it into Firefly’s training set because creators were allowed to submit millions of images into Adobe’s stock marketplace that used the technology from other companies. “Generative AI images from the Adobe Stock collection are a small part of the Firefly training dataset,” wrote Adobe representative Michelle Haarhoff in September on a Discord group for photographers and artists who contribute to the marketplace.

Criticism of the practice has come from inside the company: Since the early days of Firefly, there has been internal disagreement on the ethics and optics of ingesting AI-generated imagery into the model, according to multiple employees familiar with its development who asked not to be named because the discussions were private. Some have suggested weaning the system off generated images over time, but one of the people said there are no current plans to do so.

Still, Adobe never made clear publicly that Firefly had trained in part on images from competitors’ tools that are supposedly less ethical. It did, however, outline such details in at least two online discussion groups the company runs on Discord — one for Adobe Stock and another devoted to Firefly — according to messages Bloomberg has viewed.

93. If Adobe’s voice models were trained on properly licensed and consented data, Adobe’s CVMs would be commercially safe. They were not.

94. The legal and financial risks associated with Adobe’s AI strategy were particularly significant because Adobe simultaneously sought to distinguish its AI offerings as uniquely safe for commercial use. Beginning in 2023, Adobe publicly represented that enterprise customers using its Firefly generative AI products would receive broad contractual indemnification against intellectual property, publicity and privacy rights claims arising from Firefly-generated content.³⁴ Adobe assured

³⁴ *Firefly Legal FAQs – Enterprise Customers* (May 10, 2024), available at <https://business.adobe.com/assets/pdfs/products/firefly-business/firefly-legal-faqs-enterprise-customers-2024-06-11.pdf?nocache=1757923675353>

1 customers that, if they were sued based on content generated by Firefly, Adobe would bear the resulting
 2 legal defense costs and potential liability. As Adobe V.P. of Digital Media, B2B Product and Campaign
 3 Marketing at Adobe Alexandre publicly stated, “Anything created using Firefly’s text-to-image tool will
 4 be fully indemnified by the company as a proof point that we stand behind the commercial safety . . . of
 5 these features.”³⁵

6 95. Thus, while relying on datasets derived from sources widely associated with
 7 unauthorized copyrighted and voiceprint content, Adobe simultaneously promoted its AI initiatives to
 8 customers and investors as responsibly developed, legally compliant, and commercially safe. In
 9 particular, Adobe heavily marketed “Adobe Firefly”—its flagship suite of generative AI products
 10 encompassing image-generation, audio-generation, vector-generation, and video-generation
 11 technologies—as a trustworthy platform suitable for enterprise deployment and commercial use. In SEC
 12 filings from fiscal years 2024 and 2025, Adobe repeatedly characterized its artificial intelligence
 13 strategy as a “generational opportunity” to enhance productivity and creativity through responsible,
 14 “commercially safe” models natively integrated into its software ecosystem.³⁶

15 96. Adobe told investors that its AI strategy focuses on three pillars: AI Models (proprietary
 16 and partner), AI Agents (to automate complex tasks), and Data (leveraging licensed and public domain
 17 assets).

18 97. The Director Defendants and Durn also approved public statements and SEC filings that
 19 characterized Adobe’s AI-development practices as “thoughtful” and “responsible,” and publicly
 20 represented that Adobe Firefly had been designed to avoid generating infringing content. Adobe further
 21 claimed that it did “not mine content from the web” to train Firefly and marketed the platform as
 22 commercially safe for users concerned about intellectual-property risks.³⁷

24 ³⁵ Chris Stokel-Walker, *Adobe is So Confident its Firefly Generative AI Won’t Breach Copyright That*
 25 *it’ll Cover Your Legal Bills*, (June 8, 2023), available at
 26 [https://www.fastcompany.com/90906560/adobe-feels-so-confident-its-firefly-generative-ai-wont-](https://www.fastcompany.com/90906560/adobe-feels-so-confident-its-firefly-generative-ai-wont-breach-copyright-itll-cover-your-legal-bills)
 27 [breach-copyright-itll-cover-your-legal-bills](https://www.fastcompany.com/90906560/adobe-feels-so-confident-its-firefly-generative-ai-wont-breach-copyright-itll-cover-your-legal-bills)

28 ³⁶ See Adobe Inc., *Annual Report (Form 10-K)*, (January 13, 2025), available at
<https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy24-final.pdf> and Adobe
 Inc., *Annual Report (Form 10-K)*, (January 15, 2026), available at [https://www.adobe.com/cc-](https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy25-final.pdf)
[shared/assets/investor-relations/pdfs/adbe-10k-fy25-final.pdf](https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy25-final.pdf)

³⁷ See <https://www.adobe.com/ai/overview/ethics.html>

VI. CLASS ACTION COPYRIGHT INFRINGEMENT AND BIPA VIOLATION LAWSUITS ARE FILED AGAINST ADOBE

98. On December 16, 2025, copyright holders filed a class action lawsuit against Adobe for copyright infringement (*Lyon*).³⁸ A second class action was filed on February 9, 2026 (*Kleiner*).³⁹ And on May 18, 2026 a third class action lawsuit was filed against Adobe for copyright infringement was also filed (*Tanzer*).⁴⁰ The actions each allege that Adobe violated federal copyright and IP law by utilizing pirated libraries that included copyrighted materials and that Adobe’s downloading, storage, and use of the copyrighted works was not fair use.

99. The *Kleiner* complaint alleges “[i]t is near impossible that ‘any accused infringer could ever meet its burden of explaining why downloading source copies from pirate sites that it could have purchased or otherwise accessed lawfully was itself reasonably necessary to any subsequent fair use.’”⁴¹

100. The *Lyon* class action alleges the authors owned registered copyrighted material that was included in the SlimPajama dataset used by Adobe to train its SlimLM models, and the authors never authorized Adobe to download, copy, store and/or use their copyright works as pre-training models.

101. *Reuters* ran an article on December 17, 2025, entitled “Adobe Sued for Allegedly Misusing Authors’ Work in AI Training.”⁴² The article noted that “The lawsuit is the latest in a wave of high-stakes U.S. lawsuits brought by copyright owners against tech companies over their AI training and the first such case against Adobe.”⁴³

102. The same day, *TechCrunch* published an article which stated:⁴⁴

Like pretty much every other tech company in existence, Adobe has leaned heavily into AI over the past several years. The software firm has launched a number of different AI services since 2023, including Firefly—its AI-powered media-

³⁸ No. 3:25-cv-10732-JSC (N.D. Cal.).

³⁹ No. 3:26-cv-01218-JSC (N.D. Cal.).

⁴⁰ No. 4:26-cv-04712-JSC (N.D. Cal.).

⁴¹ No. 3:26-cv-01218-JSC (N.D. Cal.), Dkt. No. 1 at 10 (citing to *Bartz v. Anthropic PBC*, 787 F. Supp. 3d 1007, 1025 (N.D. Cal. 2025)).

⁴² Blake Brittain, *Adobe Sued for Allegedly Misusing Authors’ Work in AI Training*, REUTERS (Dec. 17, 2025) available at <https://www.reuters.com/legal/government/adobe-sued-allegedly-misusing-authors-work-ai-training-2025-12-17/>.

⁴³ *Id.*

⁴⁴ Lucas Ropek, *Adobe Hit With Proposed Class-action, Accused of Misusing Authors’ Work in AI Training*, TECHCRUNCH, (Dec. 17, 2025), available at <https://techcrunch.com/2025/12/17/adobe-hit-with-proposed-class-action-accused-of-misusing-authors-work-in-ai-training/>.

generation suite. Now, however, the company’s full-throated embrace of the technology may have led to trouble, as a new lawsuit claims it used pirated books to train one of its AI models.

103. Lyon alleges her writing was included in a processed subset of a manipulated dataset that was the basis of Adobe’s program: “The SlimPajama dataset was created by copying and manipulating the RedPajama dataset (including copying Books3). . . Thus, because it is a derivative copy of the RedPajama dataset, SlimPajama contains the Books3 dataset, including the copyrighted works of Plaintiffs and the Class members.”

104. “Books3”—a huge collection of 191,000 books that have been used to train GenAI systems—has been an ongoing source of legal trouble for the tech community. RedPajama has also been cited in a number of litigation cases. In September, a lawsuit against Apple claimed the company had used copyrighted material to train its Apple Intelligence model. The litigation mentioned the dataset and accused the tech company of copying protected works “without consent and without credit or compensation.” “In October, a similar lawsuit against Salesforce also claimed the company had used RedPajama for training purposes.”⁴⁵

105. A December 18, 2025 article, entitled “Explosive: Adobe Faces Massive Class-Action Lawsuit Over Alleged AI Training Data Theft,”⁴⁶ commented on Adobe’s potential liability:

This case stands out for several reasons. First, Adobe has positioned itself as a company that respects creator rights, making these allegations particularly damaging to its reputation. Second, the lawsuit specifically targets the company’s use of the Books3 dataset, which contains 191,000 books, potentially affecting thousands of authors.

The Adobe case highlights a fundamental tension in the AI industry. Companies need massive amounts of data to train effective models, but obtaining proper licensing for all that content is expensive and complex. This has led some companies to use datasets like Books3 and RedPajama, which contains copyrighted material obtained through questionable means.

106. After the *Lyon* action was filed, Defendants initially denied the allegations, “asserting that SlimLM was trained on SlimPajama-627B—an open-source dataset that was released by Cerebras

⁴⁵ *Id.*

⁴⁶ Keshav Aggarwal, *Explosive: Adobe Faces Massive Class-Action Lawsuit Over Alleged AI Training Data Theft*, CRYPTORANK (Dec. 18, 2025), available at <https://cryptorank.io/news/feed/0080a-adobe-ai-lawsuit-training-data>.

1 in 2023. However, the lawsuit claims that SlimPajama is derivative of RedPajama, which includes
 2 Books3's set of nearly 200,000 pirated books. In short, the *Lyon* complaint alleges that because
 3 SlimPajama includes RedPajama/Books3, it contains copyrighted work without consent, credit, or
 4 compensation.⁴⁷ On March 16, 2026, Adobe answered the *Lyon* complaint instead of moving to dismiss
 5 it.⁴⁸

6 107. The *Kleiner* action alleges that Adobe engaged in widespread and unauthorized misuse
 7 of copyrighted works through the use of the SlimPajama dataset and the copyrighted works via
 8 RedPajama and Common Crawl. The *Kleiner* action further alleges that:

9 Adobe used the SlimPajama dataset (comprised of data from the RedPajama and
 10 Common Crawl datasets), which includes materials sourced from shadow libraries
 11 known to indiscriminately hoover up countless copyrighted works, for its
 12 centralized commercial database, all with complete disregard to the rights of
 13 copyright holders. Adobe used these datasets containing Plaintiffs and Class
 14 members' copyrighted works as a substitute for purchasing or compensating
 creators for authorized copies of those works. In doing so, Adobe displaced or
 diluted the market for Plaintiffs' and Class members' works. Plaintiffs works were
 copied and maintained for future commercial purposes, including to further develop
 its SlimLM series of SLMs. Pirating otherwise purchasable works is copyright
 infringement.

15 The exploitation of Plaintiffs Infringed Work was not indirect. It was and is a direct
 16 and illegal download, use and scraping of the entirety of Plaintiffs' Infringed Work
 17 (as part of the SlimPajama dataset) with no transformation of form. Plaintiffs
 18 Infringed Work was copied, used and maintained for future commercial purposes.
 19 Defendant's use was not transitory as Plaintiffs Infringed Work was not
 20 immediately destroyed, but was retained to train Adobe's SLMs. Integration of this
 21 technology into Adobe's existing document editing and creation suite could
 22 generate billions of dollars for Adobe. Adobe's "piracy of otherwise available
 23 copies is inherently, irredeemably infringing even if the pirated copies are
 24 immediately used for [a] transformative use and immediately discarded.

25 Adobe's use of these copyrighted works to train its SlimLM SLMs are not
 26 transformative. SLM outputs are the result of statistical outputs based on the
 27 training corpora. Broadly, SLMs operate by probabilistically predicting the next
 28 "token." Tokens are units of language which can be words, combinations of letters,
 or even a punctuation or space. Adobe's SlimLM models are no different. Recent
 studies demonstrate that the LLMs created by the leading AI developers are capable
 of regurgitating substantial portions of the training data for those models, even with
 the implementation of safeguards designed to prevent the regurgitation of training
 data. (Emphasis added.)⁴⁹

47 Craig Hale, *Adobe Faces Class Action Lawsuit After Allegedly Misusing Authors Work in AI Training* TECHRADAR, (Dec. 19, 2025), available at <https://www.techradar.com/pro/adobe-faces-class-action-lawsuit-after-allegedly-misusing-authors-work-in-ai-training>.

48 No. 3:25-cv-10732-JSC (N.D. Cal. Mar. 16, 2026) (Dkt. No. 30).

49 No. 3:26-cv-01218-JSC (N.D. Cal., Feb. 9, 2026) (Dkt. No. 1 at ¶¶ 54-56).

108. The *Dorcus* action, filed on May 14, 2026, alleged that “Adobe treated the human voices that built Firefly as ownerless – ignoring the speakers’ rights, taking their voiceprints without asking, paying them nothing, and giving them no notice that their voices were being used Adobe built a mirage of commercial safety around products whose construction violated the one thing Illinois requires before collecting a voiceprint: consent from the person.”⁵⁰

The products at issue are Adobe Firefly’s voice AI and the voice aware features Adobe has integrated across Creative Cloud, Premiere Pro, Adobe Podcast, Frame.io, Firefly Services, and GenStudio. Firefly’s Generate Speech produces lifelike voiceovers in more than twenty languages. Its Translate Audio, Translate Video, and Translate and Lip Sync tools convert uploaded speech into new-language audio while preserving the original speaker’s tone, rhythm, and cadence — generating, in Adobe’s product description, audio that “replicat[es] the original speaker’s voice.” Adobe Podcast detects and labels distinct speakers automatically. Premiere Pro’s Speech to Text, speaker labeling, and Enhance Speech features analyze, separate, and reconstruct vocal output. These are not ordinary editing functions. They are speaker-aware voice systems, designed to identify, preserve, and reproduce the features that distinguish one human voice from another.

Systems of that kind cannot be built from nothing. To train and operate voice models capable of generating lifelike speech, preserving speaker tone across languages, and replicating vocal identity on demand, Adobe necessarily extracted mathematical representations of real human voices: pitch, timbre, resonance, cadence, accent, articulation, and phrasing. The AI industry calls those representations speaker embeddings, acoustic tokens, or voice features. By any name, they capture a speaker’s vocal identity in a form sufficient to identify the speaker and replicate the speaker’s voice. BIPA calls them voiceprints.

Adobe’s voice technology continues to extract voiceprints every time a customer uses it. Adobe states that its AI dubbing technology “preserves voice characteristics including tone, cadence, and acoustic qualities” of an input speaker, and that the Firefly Voice Model “matches the original speaker’s voice” across languages. Those admissions describe a system that extracts a speaker’s vocal identity from each uploaded recording, processes that identity, and outputs new audio replicating it. That runtime extraction is itself the collection of a voiceprint under BIPA, independent of the foundational training data ingestion alleged separately herein. Every Translate session is a separate act of biometric collection.⁵¹

⁵⁰ No. 1:26-cv-05575 (N.D. Ill., May 14, 2026), (Dkt. No. 1 at ¶ 2).

⁵¹ *Id.* at ¶¶ 3-5.

VII. THE DIRECTOR DEFENDANTS AND DURN CAUSED ADOBE TO MAKE FALSE AND MISLEADING STATEMENTS AND OMISSIONS IN SEC FILINGS

A. The False and Misleading Statements and Omissions

109. The Director Defendants and Durn were responsible for a series of false and misleading public statements and omissions that Adobe’s AI program was sustainable and not built on violating the copyrights and intellectual property of others.

110. On January 17, 2024, the Director Defendant and Durn caused Adobe to file its Annual Report on Form 10-K with the SEC for the fiscal year ended December 1, 2023 (the “2023 Annual Report”).⁵²

111. The 2023 Annual Report⁵³ made the following misrepresentations to investors:

- a. **AI Strategy & Mission.** The 2023 Annual Report represented Adobe was “expanding the capabilities of Creative Cloud on the web with the launch of Adobe Firefly and Photoshop on the web,” and was “infusing AI into our creative apps as a copilot to help our customers and users work faster and smarter, with new models for images and vector graphics, and AI-powered video features natively integrated into our flagship products like Photoshop, Illustrator, and Premiere Pro.” Adobe further stated that it was “empowering creators by putting the power of artificial intelligence (‘AI’) in their hands, and doing so in ways we believe are responsible.”
- b. **Establishing the “Safe” Brand.** The 2023 Annual Report was Adobe’s first annual report to explicitly define its software products as “commercially safe.”⁵⁴ The 2023 Annual Report stated “[w]ith Adobe Firefly, we believe we compete well by offering generative AI capabilities that are natively integrated into our products and designed to be safe for commercial use,” and it was “building our own foundation models in areas where we have domain expertise... to design

⁵² Adobe Inc. *Annual Report (Form 10-K)*, (January 17, 2024) <https://www.sec.gov/Archives/edgar/data/796343/000079634324000006/adbe-20231201.htm>

⁵³ *Id.*

⁵⁴ *Id.*

Firefly to be commercially safe and in line with our AI Ethics principles of accountability, responsibility and transparency.”

- c. **Training Data Rights.** The 2023 Annual Report also claimed by training Firefly exclusively on Adobe Stock and public domain content, it avoided the copyright infringement risks associated with other models, stating “*[t]he content that Adobe Firefly generates is designed to be commercially safe because the Adobe Firefly generative AI model is trained on licensed content, such as Adobe Stock, and public domain content for which copyright has expired.*”
- d. **The “Co-pilot” Concept.** The 2023 Annual Report characterized its AI implementation as a “co-pilot” intended to enhance, rather than replace, human ingenuity. The 2023 Annual Report represented that this includes the native integration of features like Generative Fill and Generative Expand into Photoshop to accelerate professional workflows.
- e. **Revenue & Growth Drivers.** The 2023 Annual Report represented to investors that it “expect[ed] Creative Cloud will drive sustained long-term revenue growth... by attracting new users with new features and products like Adobe Express and Adobe Firefly... and delivering new features and technologies to existing customers... such as generative AI capabilities.”
- f. **A New Usage Model.** The 2023 Annual Report introduced the concept of Generative Credits as a mechanism to monetize high-consumption AI tasks. This marked the transition from a purely ratable subscription model to one that includes consumption-based components for AI. The 2023 Annual Report stated: “Beginning in late 2023, we offer subscriptions with Generative Credits for generative AI creation with Firefly.”
- g. **Monetization Through Upselling.** The 2023 Annual Report also attributed revenue growth to upselling existing subscribers, representing that “[r]evenue from Digital Media increased... driven by... migrating our customers to higher valued subscription offerings with increased revenue per subscription.”

h. **Expanding the Audience.** A primary goal of the AI strategy in 2023 was to use easy-to-use AI capabilities to attract “novice content creators” and “knowledge workers” through products like Adobe Express, thereby expanding the company’s total addressable market beyond creative professionals.⁵⁵

112. The Director Defendants and Durn caused Adobe to make other public statements that Firefly was better protected from copyright challenges than its competitors such as OpenAI, Midjourney, and Stability AI because of its purportedly *licensed* training corpus.

113. In 2024 Adobe posted the following statements to its website in an attempt to assuage content creators that Adobe was not infringing their intellectual property and copyrights:

Adobe Firefly models are trained on a dataset of licensed content, such as Adobe Stock, and public domain content where copyright has expired. Adobe Stock content is covered under a separate license agreement, and Adobe compensates contributors for the use of that content.

We do not mine the web or video hosting sites for content. We only train on content where we have rights or permission to do so.

Many other companies train their generative AI models on content that is collected from the web without permission (often referred to as “publicly available online data”). We do not believe this is fair toward creators, and this is not our approach.

We only train Adobe Firefly models on a dataset of public domain content where copyright has expired and licensed content, such as Adobe Stock, where Adobe compensates contributors for the use of that content.

Adobe focuses on training its models in a way that is responsible and respects the rights of creators. We deploy safeguards at each step (prior to training, during generation, at prompt, and during output) to ensure Adobe Firefly models do not create content that infringes copyright or intellectual property rights and that it is safe to use for commercial and educational work.

114. Adobe stated that it would provide intellectual property indemnification for enterprise customers for content generated with Adobe Firefly.⁵⁶ Nevertheless, customers want to know they will not be subject to suit despite Adobe’s promise of indemnification.

115. Adobe chief strategy officer Scott Belsky recognizing this stated:

A lot of our very big enterprise customers are very concerned about using generative AI without understanding how it was trained. They don’t see it as viable for commercial use in a similar way to using a stock image and making sure that if

⁵⁵ *Id.*

⁵⁶ <https://www.adobe.com/ai/overview/firefly/gen-ai-approach.html#:~:text=We%20only%20train%20Adobe%20Firefly>

1 you're going to use it in a campaign you better have the rights for it—and model
2 releases and everything else. There's that level of scrutiny and concern around the
viability for commercial use.⁵⁷

3 116. Adobe, understanding that consumers are sensitive to how AI is trained, *said Firefly was*
4 *“only trained on licensed content from Adobe's image banks.”*⁵⁸

5 117. To back up that claim, Adobe allegedly “provided enterprise users with full legal
6 indemnification for any content created using it. *This is ‘a proof point that we stand behind the*
7 *commercial safety and readiness of these features,’ Claude Alexandre, the company's VP of digital*
8 *media, said at last year's Adobe Summit.*”⁵⁹ This wasn't entirely true.

9 118. A *Bloomberg* report found Firefly was trained, in part, on AI-generated images. Some of
10 these came from Midjourney, an AI many believe was trained on images scraped from the web.”⁶⁰ While
11 Adobe confessed that images from Midjourney were included it sought to temper any concerns by noting
12 Midjourney images only made up 5% of the training. ⁶¹That however does not mean the generative
13 images are free from copyright infringement claims as Katie Robbert, CEO and co-founder of Trust
14 Insights, and a *MarTech* contributor noted:

15 That's not a great defense. The company has 248 million images under license, so
16 that “only” could be up to 1.25 million pictures. ‘It doesn't matter if it's 5%, 1%,
17 000.1%,’ said Katie Robbert, CEO and co-founder of Trust Insights, and a *MarTech*
contributor. ‘You are making the declarative statements of what your product does
and doesn't do. And when it's shown that what you're saying is not true, then you're
no longer a trustworthy brand.’”⁶²

18 119. Adobe's customers were understandably concerned about whether or not Adobe truly
19 possessed all legal rights to the materials it was using. As the *MarTech* article noted: “In the event of a
20 lawsuit, it's the brand and not Adobe that's at risk. ‘I'm not an IP attorney, but I believe the end user is
21

22
23 ⁵⁷ Constantine von Hoffman, *Legal Risks Loom for Firefly Users After Adobe's AI Image Tool*
24 *Training Exposed*, MARTECH, (Apr.22, 2024), available at: [https://martech.org/legal-risks-loom-for-](https://martech.org/legal-risks-loom-for-firefly-users-after-adobes-ai-image-tool-training-exposed/)
[firefly-users-after-adobes-ai-image-tool-training-exposed/](https://martech.org/legal-risks-loom-for-firefly-users-after-adobes-ai-image-tool-training-exposed/).

25 ⁵⁸ *Id.*

26 ⁵⁹ *Id.*

27 ⁶⁰ Rebecca Tushnet, *Adobe's 'Ethical' Firefly AI Was Trained on Midjourney Images*, (Apr. 12,
2024), available at [https://www.bloomberg.com/news/articles/2024-04-12/adobe-s-ai-firefly-used-ai-](https://www.bloomberg.com/news/articles/2024-04-12/adobe-s-ai-firefly-used-ai-generated-images-from-rivals-for-training)
[generated-images-from-rivals-for-training](https://www.bloomberg.com/news/articles/2024-04-12/adobe-s-ai-firefly-used-ai-generated-images-from-rivals-for-training)

28 ⁶¹ *Id.*

⁶² *Id.*

the one who's liable for the use of the tool,' said Paul Roetzer, CEO of The Marketing AI Institute. 'So if there is some massive class action lawsuit and it's determined that these models were actually illegally trained, the end user is the one that's going to get caught up in it.'"⁶³

120. As further evidence that Defendants knew consumers and investors were concerned about training source materials, the Company sought to clarify that consumer-uploaded images to Adobe products would not be used for training purposes.

121. In mid-2024, Adobe faced intense criticism after updating its Terms of Use. Many creators interpreted the revised language as giving Adobe broad rights to access and potentially use customer content for AI purposes. Artists, photographers, designers, and enterprise users expressed concerns that: (i) Adobe might train AI on customer files; (ii) confidential client work could be accessed; and (iii) copyrighted projects could be incorporated into future AI systems.

122. In response, in a blog post dated June 10, 2024, Adobe publicly denied that it was training generative AI models on users' content and subsequently revised and clarified its terms. Adobe stated that customer content "will never be used to train any generative AI tool" and emphasized that Firefly was trained on licensed and public-domain material.⁶⁴ The post stated:

"At Adobe, there is no ambiguity in our stance, our commitment to our customers, and innovating responsibly in this space. *We've never trained generative AI on customer content, taken ownership of a customer's work, or allowed access to customer content beyond legal requirements.* Nor were we considering any of those practices as part of the recent Terms of Use update. That said, we agree that evolving our Terms of Use to reflect our commitments to our community is the right thing to do."⁶⁵

123. Adobe's June 10, 2024 blog post went on to state:

Areas of clarification within our Terms of Use:

- **You own your content.** Your content is yours and will never be used to train any generative AI tool. We will make it clear in the license grant section that any license granted to Adobe to operate its services will not supersede your ownership rights.
- ***We don't train generative AI on customer content. We are adding this statement to our Terms of Use to reassure people that is a legal obligation on Adobe. Adobe Firefly is only trained on a dataset of licensed content with***

⁶³ *Id.*

⁶⁴ Scott Belsky & Dana Rao, *Updating Adobe's Terms of Use*, (June 10, 2024), available at <https://blog.adobe.com/en/publish/2024/06/10/updating-adobes-terms-of-use>.

⁶⁵ *Id.*

1 permission, such as Adobe Stock, and public domain content where
2 copyright has expired.

- 3 • **You have a choice to not participate in our product improvement program.**
4 We may use usage data and content characteristics to improve your product
5 experience and develop features like masking and background removal among
6 others through techniques including machine learning (NOT generative AI). You
7 always have the option of opting out of our desktop product improvement
8 programs.
- 9 • **The licenses we require to operate and improve our products on your behalf
10 should be narrowly tailored to the activities needed.** The licenses required to
11 operate our products on your behalf use the standard statutory copyright rights
12 but will now include plain English examples of what they mean and why they are
13 required. We will also separate out and further limit the licenses required to
14 improve our products and emphasize the opt-out option. We will reiterate that, in
no case do these license grants transfer ownership of your content to Adobe.
- 15 • **Adobe does not scan content stored locally on your computer in any way.** For
16 content that you upload to our servers — like all content-hosting platforms —
17 Adobe automatically scans content you upload to our services to ensure we are
18 not hosting any child sexual abuse material (CSAM). If our automated system
19 flags an issue, we will conduct a human review to investigate. The only other
20 instances where a human will review your content is upon your request (per a
21 support request) if it is posted to a public facing site, or to otherwise comply with
22 the law.⁶⁶

23 124. On March 27, 2024, the Director Defendants and Durn caused Adobe to file its Q1 2024
24 Form 10-Q (the “2024 Q1 Form 10-Q”).⁶⁷ In the Quarterly Report, Adobe made the following
25 representations regarding its AI strategy:

- 26 a. **Implementation into Software:** The 2024 Q1 Form 10-Q identified Adobe
27 Firefly as “a group of creative generative AI models designed to generate high
28 quality images and text effects,” released in September 2023, and represented that
“Adobe Firefly-powered generative AI features are also available across Creative
Cloud apps including Adobe Photoshop and Adobe Express.” The 2024 Q1 Form
10-Q further represented that “Creative Cloud delivers value with... frequent
product updates and feature enhancements... and AI-powered features natively
integrated throughout Adobe Photoshop, Adobe Illustrator and Adobe Premiere
Pro.”

⁶⁶ *Id.*

⁶⁷ Adobe, Inc., *Quarterly Report for the Period Ended Mar. 1, 2024 (Form 10-Q)*, (March 27, 2024),
available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10q-q124-final.pdf>

- b. **AI Strategy.** The 2024 Q1 Form 10-Q represented: “For our first quarter of fiscal 2024, we experienced strong demand across our Digital Media and Digital Experience offerings, driven by our innovative product roadmap. As we execute on our long-term growth initiatives, with focus on delivering product innovation and driving adoption and usage of our AI-powered solutions, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.”
- c. **Monetization and Growth:** The 2024 Q1 Form 10-Q attributed current growth in software-based subscription revenue to the “adoption and usage of our AI-powered solutions.” It specified that AI is a core driver for attracting “first-time creators and communicators” to the platform and “expect[ed] Creative Cloud will drive sustained long-term revenue growth through a continued expansion of our customer base by attracting new users with new features and products like Adobe Express and Adobe Firefly.”
- d. **Operational Integration:** The 2024 Q1 Form 10-Q introduced Adobe GenStudio (as of that quarter) as a solution combining the “creativity of our Digital Media business with the science of our Digital Experience business” to help customers monetize content through automated AI workflows.

125. On June 26, 2024, the Director Defendants and Durn caused Adobe to file its Q2 2024 Form 10-Q, for the quarter ending May 31, 2024 (the “2024 Q2 Form 10-Q”).⁶⁸ The Q2 2024 10-Q repeated many of the same misrepresentations and focused on the operational expansion of AI capabilities following the initial release of Firefly and the introduction of the Acrobat AI Assistant:

- a. **Monetization Mechanism.** The 2024 Q2 Form 10-Q explicitly linked revenue growth to the “adoption and usage” of AI-powered solutions. It identified a specific strategy of migrating customers to “higher valued subscription offerings”

⁶⁸ Adobe, Inc., *Quarterly Report for the Period Ended May 31, 2024 (Form 10-Q)*, (June 26, 2024), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10q-q224-final.pdf>

as a result of AI integration, which increases the average revenue per subscription.

- b. **AI Strategy.** The 2024 Q2 Form 10-Q represented: “As we execute on our long-term growth initiatives, with focus on delivering product innovation and driving adoption and usage of our AI-powered solutions, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.”
- c. **Software Implementation.** The 2024 Q2 Form 10-Q also stated “Adobe Firefly-powered generative AI features are also available across Creative Cloud apps including Adobe Photoshop and Adobe Express.”
- d. **New AI Products.** The 2024 Q2 Form 10-Q represented: “In April 2024, we introduced Acrobat AI Assistant, a new generative AI-powered product designed to deliver insights and enhance productivity through interactive document experiences, which is available as an add-on subscription...”
- e. **Revenue & Growth.** The 2024 Q2 Form 10-Q represented that Adobe “expect[ed] Creative Cloud will drive sustained long-term revenue growth through a continued expansion of our customer base by attracting new users with new features and products like Adobe Express and Adobe Firefly... and delivering new features and technologies to existing customers... such as... generative AI capabilities.”
- f. **Growth Drivers—Monetization Mechanism.** The 2024 Q2 Form 10-Q explicitly linked revenue growth to the “adoption and usage” of AI-powered solutions and identified a strategy of migrating customers to higher-valued subscription offerings as a result of AI integration. Adobe represented: “Revenue from Digital Media increased... driven by increases in revenue associated with our Creative and Document Cloud subscription offerings... and migrating our customers to higher valued subscription offerings with increased revenue per subscription.”

g. **Responsible AI.** The 2024 Q2 Form 10-Q represented: “we have taken a responsible approach to the development and use of AI in our offerings...”

h. **Operational Integration:** The 2024 Q2 Form 10-Q highlighted the release of Adobe GenStudio as a cross-cloud solution that combines Digital Media creativity with Digital Experience science to help customers “monetize their content across every channel.” The 2024 Q2 Form 10-Q stated that “Digital Experience revenue was \$1.33 billion in the second quarter of fiscal 2024, up from \$1.22 billion in the second quarter of fiscal 2023, representing 9% year-over-year growth. Driving this growth was the increase in subscription revenue, which grew to \$1.20 billion in the second quarter of fiscal 2024 from \$1.07 billion in the second quarter of fiscal 2023, representing 13% year-over-year growth.”

126. On September 25, 2024, the Director Defendants and Durn caused Adobe to file its Q3 2024 Form 10-Q, for the quarter ending May 31, 2024 (the “2024 Q3 Form 10-Q”) containing the following misrepresentations, many of which mirror previous misstatements:⁶⁹

a. **Implementation into Software.** The 2024 Q3 Form 10-Q highlighted the expansion of AI capabilities beyond just “Creative” tasks into “Document” workflows through the Acrobat AI Assistant, which it notes is available as an add-on subscription to increase product value. It also stated products like Adobe Express and Firefly served as entry points for “first-time creators and communicators” into the Adobe ecosystem.

b. **AI Strategy & Innovation.** The 2024 Q3 Form 10-Q represented: “As we execute on our long-term growth initiatives, with focus on delivering product innovation and driving adoption and usage of our AI-powered solutions, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.”

⁶⁹ Adobe, Inc., *Quarterly Report for the Period Ended Aug. 30, 2024 (Form 10-Q)*, (September 25, 2024), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10q-q324-final.pdf>.

- 1 c. **Responsible AI Approach.** The 2024 Q3 Form 10-Q represented: “we have
2 taken a responsible approach to the development and use of AI in our offerings...”
- 3 d. **Revenue and Growth.** The 2024 Q3 Form 10-Q represented “[r]evenue from
4 Digital Media increased... driven by... strong engagement across customer
5 segments and migrating our customers to higher valued subscription offerings
6 with increased revenue per subscription,” explicitly identifying the strategy of
7 using AI to migrate customers to higher-priced tiers and thereby increase revenue
8 per subscription.
- 9 e. **Safety and Training.** The 2024 Q3 Form 10-Q stated “[u]ncertainty around new
10 and evolving AI use... may require additional investment to develop responsible
11 use frameworks, develop or license proprietary datasets and machine learning
12 models and develop new approaches and processes to attribute or compensate
13 content creators...” By describing the need to “develop or license proprietary
14 datasets” and “develop new approaches... to attribute or compensate content
15 creators” as something that *might* become necessary going forward, Adobe
16 concealed the material fact that it was already misappropriating creators’ content
17 by violating their copyrights without paying them or obtaining licensing rights.

18 127. On January 13, 2025, the Durn and the Director Defendants caused Adobe to file its
19 Annual Report on Form 10-K with the SEC for the fiscal year ended November 29, 2024 (the “2024
20 Annual Report”).⁷⁰ It unequivocally stated that Adobe’s software products were “commercially safe”
21 and did not infringe any copyrights or IP law.

22 128. The 2024 Annual Report made the following representations regarding Adobe's AI
23 training practices, safety claims, enterprise trust measures, monetization strategy, and product
24 implementation:⁷¹

27 ⁷⁰ Adobe Inc., *Annual Report (Form 10-K)*, (January 13, 2025), available at [https://www.adobe.com/cc-](https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy24-final.pdf)
28 shared/assets/investor-relations/pdfs/adbe-10k-fy24-final.pdf

⁷¹ *Id.* at 12.

- a. **Creative Co-pilot.** The 2024 Annual Report emphasized that it was infusing AI into flagship products like Photoshop (Generative Fill/Expand), Illustrator (Generative Recolor), and Premiere Pro (Text-Based Editing) to help users work “faster and smarter.”
- b. **Training & Data Rights.** The 2024 Annual Report represented that “*the Firefly generative AI model is trained on data Adobe has the rights to use.*”
- c. **Commercially Safe Design.** The 2024 Annual Report *represented that Firefly was “designed to be commercially safe,”* and that “*[d]eveloping our own foundation models enables us to design Firefly to be commercially safe and in line with our AI Ethics principles of accountability, responsibility and transparency.*” The 2024 Annual Report reiterated this position, stating: “[W]ith Adobe Firefly, we believe *we compete well by offering generative AI models designed to be safe for commercial use and AI capabilities that are natively integrated into our products,* and with Adobe Express, we believe we compete well by making our creative technologies accessible to a wide audience and enabling easy-to-use, efficient content creation, collaboration and sharing for quick projects.”
- d. **IP Indemnification.** The 2024 Annual Report represented that, to build enterprise trust, it offers intellectual property indemnification to certain businesses for AI-generated content produced through most Firefly workflows.
- e. **Content Transparency.** The 2024 Annual Report represented it employs Content Credentials, which it describes as a digital “nutrition label,” to provide verifiable metadata indicating that generative AI was used to create an asset.
- f. **AI Strategy and Revenue Growth (Overview).** The 2024 Annual Report represented its AI strategy had achieved success in increasing revenues, describing AI as a core driver of future growth centered on the “responsible” deployment of generative AI through its Firefly models, and emphasizing a

strategy of natively integrating these capabilities across its software ecosystem to enhance professional workflows.

g. **Value Enhancement.** The 2024 Annual Report represented that its generative AI capabilities increased the value of existing subscription products, helping migrate customers to “higher valued subscription offerings” and increasing revenue per subscription.

h. **Generative Credits.** The 2024 Annual Report represented that it monetizes high-volume AI usage through a system of Generative Credits, which are bundled into subscriptions but may be purchased in additional quantities once a user’s monthly limit is reached.

i. **New Audience Acquisition.** The 2024 Annual Report represented that, through easy-to-use AI capabilities in products like Adobe Express, it aimed to attract “communicators” and “knowledge workers” beyond its traditional base of creative professionals.

j. **New Modalities.** In fiscal 2024, Adobe expanded Firefly with the launch of the Firefly Video Model (public beta) for text-to-video and the Firefly Image 3 Foundation Model.

k. **Document Intelligence.** The 2024 Annual Report highlighted the April 2024 introduction of **Acrobat AI Assistant**, which uses generative AI to provide summaries and insights from documents.

l. **Enterprise Products.** The 2024 Annual Report represented it introduced Firefly Services for automated content production, and Custom Models, which allow enterprises to train models on their own branded assets to maintain brand consistency.

129. On March 1, 2024, Adobe filed its annual Proxy Statement on Schedule 14A with the SEC (the “2024 Proxy Statement”).⁷² The 2024 Proxy Statement was approved by each of the Director

⁷² Adobe Inc., *Notice of 2024 Annual Meeting of Stockholders and Proxy Statement*, at 7 (Mar. 1, 2024), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2024-proxy.pdf>.

Defendants and was filed in connection with the 2024 annual stockholder meeting to elect the Director Defendants, vote on executive compensation, and vote on stockholder proposals.

130. The 2024 Proxy Statement specifically represented that Adobe only trained its AI products on openly licensed content and public domain content:

We trained our Adobe Firefly creative generative AI family of models only on licensed images from Adobe Stock, openly licensed content, and public domain content where the copyright has expired. Beyond our own model, Adobe is working to enable creators to attach a “Do Not Train” tag to the metadata of their work, leveraging Content Credentials. We are working to drive adoption of an industry standard for this technology to give creators the option to keep their content out of AI training datasets if they choose.⁷³

131. The 2024 Proxy Statement specifically represented that Adobe had developed Firefly to avoid copyright and BIPA violations:

We continually enhance the AI ethics processes we built over the past decade to test our models for bias, harm and safety and ***train our models to avoid copyright issues and respect the concerns of our creative customers.*** We are driving global solutions and standards through industry-wide efforts such as the Content Authenticity Initiative which we founded in 2019 and technologies like Content Credentials, dedicated to building trust and transparency in digital content.⁷⁴

132. The 2024 Proxy Statement also represented that Adobe’s Firefly was “commercially safe” and helping to generate significant revenue growth:

The launch of the Adobe Firefly family of creative generative AI models and their integrations across Creative Cloud drove tremendous customer excitement with over 4.5 billion generations since launch, making Firefly the most popular AI image generation model designed for safe commercial use.⁷⁵

133. The 2024 Proxy Statement also stated that the Board of Directors and its committees provide ***direct oversight of Adobe’s AI strategy*** through several governance layers. The Board reviews the Company’s overall strategy annually, including the strategy of various business units and key risks identified in the Enterprise Risk Management (“ERM”) process. Stockholders were also told that the Board’s Governance and Sustainability Committee has primary oversight responsibility for ESG

⁷³ *Id.* at 7.

⁷⁴ *Id.* at p.3 of *A Letter From Our Chair & CEO*.

⁷⁵ *Id.* at p.1 of *A Letter From Our Chair & CEO*.

(Environmental, Social, and Governance) matters, which includes receiving *regular updates on AI disclosures, risks, and ethics*.⁷⁶

134. The 2024 Proxy Statement also stated:

*As we harness the power of AI, Adobe is committed to combining technology leadership with responsible innovation. Guided by our principles of accountability, responsibility and transparency, we have implemented a comprehensive AI ethics program that includes training, testing and review by our AI Ethics Committee and Review Board, a cross-functional group of individuals from product, legal, marketing and more. Adobe's AI-powered tools and features go through a multi-part review process to help ensure that we are developing AI in an ethical, responsible and inclusive way.*⁷⁷

135. The 2024 Proxy Statement also stated:

In fiscal year 2023, our teams delivered incredible innovations at an accelerated pace. We built on our decade-plus of AI leadership with a robust, multi-faceted generative AI strategy that focuses on all three layers of the technology stack: data, models and interfaces. *Our rich data sets draw upon our investments across creativity, documents and customer experiences and enable us to train our AI models on high-quality assets which are designed to generate commercially viable, professional quality content.* We are building foundation models in the categories where we have deep domain expertise, including imaging, vector, video, documents and marketing. We are bringing generative AI to life across our incredible array of industry-leading product interfaces to accelerate ideation, exploration, insights and end-to-end production, delivering magic and productivity gains for a broader set of customers.⁷⁸

136. On January 15, 2026, the Director Defendants and Durn caused Adobe to file its Annual Report on Form 10-K with the SEC for the fiscal year ended November 28, 2025 (the “2025 Annual Report”).

137. In the 2025 Annual Report, Adobe describes its artificial intelligence strategy as a “generational opportunity” to serve a diverse customer universe by assisting and amplifying human ingenuity. The report outlines a shift toward “agentic” capabilities, where AI does more than just generate content—it automates multi-step actions and decision-making across Adobe's software ecosystem.

138. The 2025 Annual Report represented that Adobe had achieved a major milestone in August 2025 with the release of Acrobat Studio, which unites Adobe Acrobat and Adobe Express with AI agents to combine productivity and creativity in a single destination.

⁷⁶ *Id.* at 7.

⁷⁷ *Id.*

⁷⁸ *Id.* at p.3 of *A Letter From Our Chair & CEO*.

139. The 2025 Annual Report made several specific representations to differentiate Adobe AI as a responsible choice for enterprises. Specifically, with respect to Training Data and Copyright Issues, the 2025 Annual Report made the following false representations:

a. **Data Rights.** The 2025 Annual Report represented “[t]he *Firefly generative AI model is trained on data Adobe has the rights to use.*” Adobe further represented that its training dataset is sourced from licensed content, such as *Adobe Stock, and public domain assets for which copyright has expired.* Adobe reiterated this position elsewhere in the same report, stating: “*Firefly models are commercially safe. They are trained on data Adobe has the rights to use.* Every asset generated with Firefly includes Content Credentials, a digital ‘nutrition label’, to indicate that generative AI was used, bringing more trust and transparency to digital content.”

b. **Commercial Safety.** Because of this training approach, the 2025 Annual Report represented that Firefly models are “commercially safe,” enabling enterprise customers to use AI-generated outputs in professional production workflows with confidence. The 2025 Annual Report stated: “we are harnessing the power of AI across our solutions by bringing together our commercially safe first-party and leading partner AI models best suited for the job; deploying conversational and agentic capabilities across offerings; ensuring ubiquity on all surfaces; delivering trusted and secure solutions; and expanding our global presence.” The 2025 Annual Report further represented: “As AI fundamentally transforms content production, distribution and monetization, our solutions accelerate creative expression for creators and creative professionals and enable anyone to create by using the AI functionality infused in our flagship creative applications as well as our AI-first solutions. We offer an end-to-end, ideation-to-creation platform powered by our commercially safe Firefly models and an expansive partner model ecosystem, offering customers choice and flexibility without the friction of switching between workflows and platforms.” The 2025 Annual Report also

distinguished Adobe’s “commercially safe” products from those of its competitors, stating: “Adobe Models: We build our own creativity-focused, commercially safe Firefly foundation models for generation and editing across categories.”

c. **IP Indemnification.** To further emphasize the purportedly “commercially safe” nature of its AI-trained and AI-enabled software products, the 2025 Annual Report represented that Adobe offers indemnification protection to its customers, stating: “with certain of our enterprise and teams solutions, businesses are eligible to obtain an intellectual property indemnification for AI content generated by most Firefly-powered workflows.” The 2025 Annual Report further represented that “we provide indemnifications of varying scope to our customers and channel partners against claims of intellectual property infringement made by third parties arising from the use of our products.”

d. **Transparency.** The 2025 Annual Report represented that, to build trust, every asset created with Firefly includes Content Credentials—a digital “nutrition label” that provides verifiable metadata indicating that generative AI was used.

140. The 2025 Proxy Statement largely repeated the representations from the 2024 Proxy Statement that Adobe’s dataset contained exclusively public domain materials: “*We chose to train the Adobe Firefly family of creative generative AI models on licensed and public domain content to offer customers a commercially safe solution that respects creator rights and doesn’t infringe on third-party intellectual property rights.*”⁷⁹

141. These statements were materially false and misleading when made because the Individual Defendants knew, or were deliberately reckless in not knowing, that Adobe’s AI training datasets were not limited to “public domain content where the copyright has expired” and did not exclusively consist of materials that “do[] not infringe on third-party intellectual property rights.” At the time these representations were made, Defendants were aware that numerous AI developers had already been sued by copyright and voiceprint holders for training AI models on datasets containing unlicensed

⁷⁹ *Id.* at p.3 of *A Letter From Our Chair & CEO*.

copyrighted works. The Individual Defendants also knew, or should have known, that datasets associated with Adobe’s AI development efforts—including Books3 and SlimPajama—had been the subject of widespread public scrutiny and copyright-related allegations arising from their inclusion of copyrighted materials without authorization. At a minimum, the Individual Defendants acted negligently in making or approving these representations without adequately investigating the provenance and legal status of the datasets upon which Adobe’s AI models were trained.

142. On October 30, 2025, Defendant Costin said Adobe’s new AI features were superior to those of competitors because they were safe for big companies to use at scale without the fear of costly litigation over accidental copyright breaches.⁸⁰ Costin further stated: “*We know for sure that the output of these programs can be used in a commercially safe manner. They don’t contain trademarks, so you can sleep well knowing you haven’t infringed upon anyone’s intellectual property by mistake.*”⁸¹

143. On February 27, 2026, Adobe filed its annual Proxy Statement on report on Schedule 14A with the SEC (the “2026 Proxy Statement”).⁸² The 2026 Proxy Statement, again authorized by each of the Director Defendants, *conspicuously omitted the representations made in the 2024 Proxy Statement and the 2025 Proxy Statement* that the dataset used to train the Company’s AI products “openly licensed... public domain content where the copyright has expired” and “doesn’t infringe on third-party intellectual property rights.”⁸³

144. The Director Defendants’ effective retraction of their prior representations regarding dataset used to develop SlimLM represents an implicit admission that that dataset was not free from copyrighted materials at the time the 2024 and 2025 Proxy Statements were disseminated. However, the 2026 Proxy Statement did not disclose that this was the case and thus concealed material information.

⁸⁰ Amelia McGuire, *Adobe Ups the Ante in Canva Battle with ‘Copyright-Safe’ AI Features*, THE AUSTRALIAN FINANCIAL REVIEW, Oct. 30, 2025, available at, <https://www.afr.com/technology/adobe-ups-the-ante-in-canva-battle-with-copyright-safe-ai-features-20251024-p5n529>.

⁸¹ *Id.*

⁸² Adobe, Inc., *Notice of 2026 Annual Meeting of Stockholders and Proxy Statement (Schedule 14A)*, (Feb. 27, 2026), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2026-proxy.pdf>.

⁸³ *Id.*

145. The 2026 Proxy Statement also represented that the Director Defendants had direct oversight responsibility for Adobe's AI strategy:

*The Board maintains direct oversight of and receives regular updates from management on AI, including our strategy, risks, development and governance and ethical innovation approaches.*⁸⁴

146. Adobe's 2026 Proxy Statement also highlighted the fact that 8 out of 11 directors at Adobe possess specific "AI Experience," which the Company considers an essential attribute for navigating the current technology landscape.⁸⁵

147. In fact, in at least two places the 2026 Proxy Statement reiterated the fact that the Board received *regular briefing from management about the Company's AI strategy*, underscoring the fact that the Board knew all the material facts about Adobe's AI strategy:

Our management team also provides regular updates to the Board and its committees on topics including those related to risk management, cybersecurity, regulatory updates and various environmental, social and governance ("ESG") matters including climate actions, *AI ethics and responsible innovation*, and ESG disclosures and performance objectives.⁸⁶

148. The 2026 Proxy Statement noted that the Executive Compensation Committee explicitly linked Defendant Narayan's 2025 compensation to his performance in leading Adobe through the "AI era."⁸⁷

B. Reasons Why the Statements Were False and Misleading

149. Defendants repeatedly assured investors that Adobe's AI products were "commercially safe," "designed to be safe for commercial use," and trained only on "licensed content" and "data Adobe has the rights to use." These representations were materially false and misleading because Adobe's Firefly generative AI model was trained, at least in part, using the SlimLM dataset and the CVMs, which contained pirated copyrighted and voiceprint works for which Adobe did not possess the rights it claimed to have. Defendants knew, or were deliberately reckless in not knowing, that these statements were false. At the time the statements were made, Defendants were aware that multiple companies had

⁸⁴ *Id.* at 8.

⁸⁵ *See Infra.* FN85 at 3.

⁸⁶ *Id.* at 4.

⁸⁷ *Id.* at 37.

1 already been sued for copyright infringement and BIPA violations based on their use of copyrighted and
 2 voiceprint materials in AI training datasets and that the Books3 dataset—a widely used source of
 3 copyrighted books for AI training—had become the subject of extensive copyright litigation and was
 4 effectively abandoned due to the legal risks associated with its use. Notwithstanding these known risks
 5 and circumstances, Defendants continued to assure investors that Adobe’s AI products were trained only
 6 on content for which Adobe possessed legal rights and were safe for commercial infringement, when
 7 the truth was that Adobe’s products had been trained on the pirated works.

8 150. Specifically, Adobe’s AI software and tools, including SlimLM and the CVMs, were
 9 trained using data derived from sources widely known to contain unauthorized copyrighted and
 10 voiceprint works. While publicly touting its commitment to ethical and responsible AI development,
 11 Adobe failed to disclose that SlimLM relied on training data sourced from SlimPajama, RedPajama,
 12 Books3, and other datasets containing copyrighted and voiceprint material for which the necessary
 13 rights, licenses, or permissions had not been obtained.

14 151. The Defendants’ knowledge of these facts is further evidenced by Adobe’s publication
 15 entitled “SlimLM: An Efficient Small Language Model for On-Device Document Assistance,” authored
 16 by Adobe researchers and academic collaborators.⁸⁸ In that publication, Adobe expressly acknowledged
 17 that SlimLM was pretrained using the SlimPajama-627B dataset and further disclosed that the model
 18 was developed and trained using both SlimPajama and Adobe’s internally generated “DocAssist”
 19 dataset.

20 152. Adobe represented that SlimLM was an optimized language model designed to perform
 21 document-assistance functions directly on mobile devices, thereby reducing server costs and enhancing
 22 user privacy through on-device processing. Adobe further promoted SlimLM’s ability to achieve
 23 performance comparable to substantially larger commercial language models despite requiring
 24 significantly fewer computational resources.

25 153. Adobe additionally disclosed that SlimLM was built on the Mosaic Pre-trained
 26 Transformer (“MPT”) architecture and further fine-tuned using tens of thousands of documents
 27

28 ⁸⁸ Thang M. Pham, *et al.*, *SlimLM: An Efficient Small Language Model for On-Device Document Assistance*, arXiv:2411.09944v3 (Nov. 25, 2024). <https://arxiv.org/pdf/2411.09944>

1 collected through Adobe's proprietary document-acquisition tools. Through these disclosures, Adobe
2 emphasized the scalability, efficiency, and commercial viability of deploying SlimLM across a broad
3 range of consumer-facing products and services.

4 154. Notwithstanding these disclosures, Adobe failed to disclose that the datasets used to train
5 SlimLM and CVMs incorporated copyrighted books, articles, voiceprints, and web content obtained
6 without authorization from the corresponding rights holders. Adobe likewise failed to disclose whether
7 it had secured any licenses, permissions, releases, or compensation arrangements from the authors,
8 publishers, voice persons and other copyright owners whose works were included in the training data.

9 155. The Defendants authorized, approved, and/or permitted Adobe's reliance on
10 SlimPajama, the CVMs, and related datasets because doing so enabled Adobe to accelerate the
11 development and commercialization of competitive AI products without incurring the substantial costs,
12 delays, and operational burdens associated with assembling or licensing lawfully sourced training
13 datasets.

14 156. Rather than obtaining the necessary legal rights to the data it used to train Adobe's
15 software products, the Director Defendants approved an unlawful business plan predicated on violating
16 others' copyrighted material out of a desire to achieve a competitive advantage in the "Ai race." In so
17 doing, the Defendants caused Adobe to blatantly violate intellectual property rights that Adobe claimed
18 to honor as a software company. Defendants knew, or were deliberately reckless in not knowing, that
19 the datasets upon which SlimLM relied contained copyrighted material obtained without authorization,
20 and the CVMs exploited voiceprints in violation of BIPA. As a foreseeable consequence of that
21 misconduct, Adobe has been exposed to substantial legal and regulatory risks, including class action
22 copyright infringement and BIPA violation claims brought by rights holders whose works were
23 allegedly unlawfully infringed.

24 **VIII. DEFENDANTS ACTED WITH SCIENTER**

25 157. The Defendants acted with scienter in that Defendants knew, or recklessly disregarded,
26 that the public statements they issued or disseminated during the relevant time period were false or
27 misleading. Alternatively, the Defendants consciously or recklessly ignored red flags which
28 demonstrated the falsity of Defendants' statements.

158. The facts, when viewed holistically and together with the other allegations in the Complaint, establish a strong inference of scienter that each of the Individual Defendants knew or was severely reckless in not knowing that each of the alleged misrepresentations and omissions was false and misleading at the time that it was made.

159. The Defendants' scienter is demonstrated by the fact that they were actively involved in the development of Adobe's AI strategy, which was a key executive and board issue that had been prioritized as a "generational" opportunity.

160. The Individual Defendants were also aware of, or recklessly disregarded, news articles at the time alleging copyright infringement by Adobe. On April 12, 2024, a *Bloomberg* article alleged that Adobe's software products were trained on content for which Adobe did not have legal rights for the content.⁸⁹ The reporter's investigation unearthed that contrary to Adobe's initial disclosures, Firefly was trained, in part, on AI-generated images. Some of these images were sourced from *MidJourney*, another AI tool known to contain infringing material. As evidenced in company-managed Discord groups, internal discussions within Adobe showed that including these images was a known and intentional part of the training strategy.⁹⁰ "Adobe was totally aware of what it was doing," *Bloomberg* reporter Rachel Merz stated, noting that the Company even awarded bonuses in September 2023 to contributors whose images were used to refine Firefly—including those who supplied AI-generated content via Adobe Stock.⁹¹

161. As another article on April 12, 2024 noted:

The potential IP ramifications are significant. ***With AI-generated images forming part of Firefly's training dataset, questions about the originality and ownership of Firefly's output are brought to the fore.*** This could affect how the tool is perceived among professionals who rely heavily on copyright protection to safeguard their creative investments.

In response to inquiries, Adobe acknowledged using synthetic images, justifying it to enhance the model's effectiveness. However, the company assured that all contributors, including those whose AI-generated photos were used, had been compensated.

⁸⁹ Rebecca Tushnet, *Adobe's 'Ethical' Firefly AI Was Trained on Midjourney Images*, (Apr. 12, 2024), available at <https://www.bloomberg.com/news/articles/2024-04-12/adobe-s-ai-firefly-used-ai-generated-images-from-rivals-for-training>

⁹⁰ *Id.*

⁹¹ *Id.*

1 The broader implications for the AI industry are profound. As AI tools increasingly
 2 infiltrate creative spaces, the lines between human-generated and machine-generated
 3 content blur, making it imperative for companies like Adobe to navigate these issues with
 4 greater transparency and adherence to their ethical standards.⁹²

5 162. The Defendants were aware of these allegations of infringement at the time. They were
 6 also aware that Adobe had acknowledged at the time that some infringement had occurred, albeit
 7 downplaying the extent of the infringement. In response to the April 12, 2024 articles, Adobe claimed
 8 that only approximately 5% of its AI training data at the time contained infringing images, and that those
 9 images had been created by some of its content creators using Midjourney images.⁹³ As noted in an
 10 April 22, 2024 article, “Adobe said the images from Midjourney only made up 5% of the training
 11 material. That’s not a great defense. The company has 248 million images under license, so that ‘only’
 12 could be up to 1.25 million pictures.”⁹⁴ “It doesn’t matter if it’s 5%, 1%, 000.1%,” said Katie Robbert,
 13 CEO and co-founder of Trust Insights. “You are making the declarative statements of what your product
 14 does and doesn’t do. And when it’s shown that what you’re saying is not true, then you’re no longer a
 15 trustworthy brand.”⁹⁵

16 163. The Individual Defendants were either aware of, or recklessly disregarded, these public
 17 concessions of infringement, and thus had a duty to investigate further, especially in light of the
 18 enormous financial risks to Adobe of infringement lawsuits.

19 164. The Defendants’ scienter is also demonstrated by the fact that Adobe’s Board members
 20 and executives had personally approved a major indemnification provision associated with the AI
 21 strategy. Starting in 2023, prior to the start of the relevant time period, Adobe announced that enterprise
 22 customers of Firefly would receive “full indemnification for the content created” using Firefly.⁹⁶ In other
 23 words, Adobe told its customers that if someone ever sued them claiming a Firefly-generated image

24 ⁹² See *Adobe’s Firefly Trained on AI-Generated Images Despite Ethical Claims*, WEBPRONews, Apr.
 25 12, 2024.

26 ⁹³ Constantine von Hoffman, *Legal Risks Loom for Firefly Users After Adobe’s AI Image Tool Training*
 27 *Exposed*, MARTECH, (Apr. 22, 2024), available at: [https://martech.org/legal-risks-loom-for-firefly-](https://martech.org/legal-risks-loom-for-firefly-users-after-adobes-ai-image-tool-training-exposed/)
 28 [users-after-adobes-ai-image-tool-training-exposed/](https://martech.org/legal-risks-loom-for-firefly-users-after-adobes-ai-image-tool-training-exposed/)

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Firefly Legal FAQs – Enterprise Customers* (May 10, 2024), available at
[https://business.adobe.com/assets/pdfs/products/firefly-business/firefly-legal-faqs-enterprise-](https://business.adobe.com/assets/pdfs/products/firefly-business/firefly-legal-faqs-enterprise-customers-2024-06-11.pdf?nocache=1757923675353)
[customers-2024-06-11.pdf?nocache=1757923675353](https://business.adobe.com/assets/pdfs/products/firefly-business/firefly-legal-faqs-enterprise-customers-2024-06-11.pdf?nocache=1757923675353)

infringed their copyright, Adobe would cover the legal bills and damages. “Anything created using Firefly’s text-to-image tool will be fully indemnified by the company as a proof point that we stand behind the commercial safety of these features,” said Adobe’s VP of digital media at the time—Defendant Claude Alexandre.⁹⁷ The massive potential legal fees and damages associated with the blanket indemnification provision meant that the Director Defendants actively monitoring the issue of whether images generated by Firefly violated any copyrights or intellectual property.

165. The Defendants’ scienter is also demonstrated by the fact that they intentionally changed the language in Adobe’s 2026 Proxy Statement pertaining specifically to whether the Company infringed copyright laws, removing language that had been in Adobe’s two prior proxy statements (for 2024 and 2025) to the effect that no such infringement had occurred. The following chart demonstrates the omission:

2024 Proxy	2025 Proxy	2026 Proxy
We trained our Adobe Firefly creative generative AI family of models only on licensed images from Adobe Stock, openly licensed content, and public domain content where the copyright has expired. ⁹⁸	We chose to train the Adobe Firefly family of creative generative AI models on licensed and public domain content to offer customers a commercially safe solution that respects creator rights and doesn’t infringe on third-party intellectual property rights. ⁹⁹	No such language.

166. The Defendants’ scienter is also demonstrated by their conduct in causing Adobe to repurchase billions of dollars of its own stock at inflated prices. During the time that Adobe was developing SlimLM based on the Red Pajama dataset, the Director Defendants agreed to cause Adobe to repurchase its own common stock at prices that were artificially inflated by the materially false and misleading statements and omissions in Adobe’s SEC filings. In March 2024, the Director Defendants—while aware of the true extent of the Company’s copyright infringement and BIPA violations on its

⁹⁷ Chris Stokel-Walker, *Adobe is So Confident its Firefly Generative AI Won’t Breach Copyright That it’ll Cover Your Legal Bills*, (June 8, 2023), available at <https://www.fastcompany.com/90906560/adobe-feels-so-confident-its-firefly-generative-ai-wont-breach-copyright-itll-cover-your-legal-bills>

⁹⁸ Adobe Inc., *Notice of 2024 Annual Meeting of Stockholders and Proxy Statement*, at 7 (Mar. 1, 2024), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2024-proxy.pdf>

⁹⁹ Adobe Inc., *Notice of 2025 Annual Meeting of Stockholders and Proxy Statement*, at 7 (Feb. 28, 2025), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2025-proxy.pdf>

1 AI platforms and datasets, and the false and misleading 2024 Proxy Statement and 2024 Annual
2 Report—authorized a share repurchase program up to \$25 billion through March 14, 2028. From March
3 2024 to February 27, 2026, Adobe repurchased \$26.89 billion of its own stock at significantly inflated
4 prices through a combination of accelerated repurchase agreements and open-market purchases. All
5 these repurchases were made at times when the Defendants knew, but had failed to disclose, the
6 Company’s copyright infringement on its AI platforms and datasets. As a result, the Company paid
7 artificially inflated prices to buy its own shares.

8 167. Moreover, Adobe’s share repurchases during the relevant time period were unusual in
9 timing and amount. Adobe *more than doubled* its annual repurchase spending from 2023 to 2024 and
10 continued at an even higher level in 2025:

- 11 • Fiscal 2023 net repurchases: approximately **\$4.1 billion**.
- 12 • Fiscal 2024 net repurchases: approximately **\$9.1 billion**.
- 13 • Fiscal 2025 net repurchases: approximately **\$10.9 billion**.

14 168. Adobe’s large and accelerated buyback program during the relevant time period helped
15 Defendants earn higher salaries and bonuses, and increased the value of their Adobe stock holdings.
16 Stock repurchases reduce share count and increase earnings per share. Moreover, as the following chart
17 demonstrates, the stock repurchases were carefully and unusually timed to coincide with the false
18 statements the Defendants caused Adobe to make concerning its AI strategy, thus bolstering a finding
19 of scienter:

20 [The remainder of this page is intentionally left blank.]
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Fiscal Period	Share Repurchases	Key AI / Firefly Events
2020	~\$3.1B	Pre-generative AI era
2021	~\$4.0B	Early AI investment messaging
2022	~\$4.2B	Firefly development period; generative AI boom begins after ChatGPT launch
2023	\$4.437B	Adobe launches and promotes Firefly as commercially safe AI
2024	\$9.145B	Buybacks more than double; March 2024 \$25B authorization; April 2024 Bloomberg article regarding Firefly training data
2025	\$11.281B	Record repurchases; continued AI-focused investor messaging
Q1 2026	\$2.478B	Continued repurchases under remaining authorization

IX. THE DIRECTOR DEFENDANTS CAUSED ADOBE TO REPURCHASE ITS OWN STOCK DURING THE RELEVANT PERIOD AT INFLATED PRICES

A. The Stock Repurchases Made by Adobe During the Relevant Period

169. During the Relevant Time Period, the Director Defendants caused the Company to initiate repurchases of its common stock that substantially damaged the Company.

170. Adobe has a fiscal year that does not correspond to the calendar year. Its 2025 fiscal year spanned the period from November 27, 2024 to November 28, 2025.

171. According to Adobe's 2025 Annual Report on Form 10-K, filed January 15, 2026: "In March 2024, our Board of Directors granted authority to repurchase up to \$25 billion of our common stock through March 14, 2028."¹⁰⁰ All Adobe's stock repurchases were directly approved by the Board.

172. Adobe's 2024 Annual Report disclosed that "During fiscal 2024, we entered into accelerated share repurchase agreements ("ASRs") with large financial institutions whereupon we provided them with prepayments totaling \$9.5 billion. Subsequent to November 29, 2024, as part of the March 2024 stock repurchase authority, we entered into stock repurchase arrangements with a large financial institution which totaled \$3.25 billion, including a \$2.75 billion ASR and a trading plan under which we may execute up to \$500 million in open market repurchases."¹⁰¹

¹⁰⁰ Adobe Inc., *Annual Report (Form 10-K)*, at 31 (January 15, 2026), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy25-final.pdf>.

¹⁰¹ Adobe Inc., *Annual Report (Form 10-K)*, at 19 (January 13, 2025), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy24-final.pdf>.

173. The 2024 Annual Report also identified the following repurchases in fiscal year 2024:¹⁰²

Number of Shares Delivered (in millions)	Average Price Paid Per Share
Fiscal 2024	
Structured stock repurchase agreement entered into in fiscal 2023	0.6 \$626.68
ASR entered into in December 2023	3.5 \$578.11
ASR entered into in March 2024	5.2 \$475.94
ASR entered into in June 2024	4.6 \$546.30
ASR entered into in September 2024	3.6 \$— ¹⁰³
Total shares delivered	17.5

174. The 2024 Annual Report also disclosed:

Subsequent to November 29, 2024, as part of the March 2024 stock repurchase authority, we entered into stock repurchase arrangements with a large financial institution which totaled \$3.25 billion, including a \$2.7 billion ASR and a trading plan under which we may execute up to \$500 million in open market repurchases. Under the ASR, we received an initial delivery of 4.5 million shares, which represents approximately 75% of our \$2.75 billion prepayment.¹⁰⁴

175. Adobe's Form 10-Q filed on September 25, 2024 disclosed that:

During the nine months ended August 30, 2024, we repurchased a total of 12.9 million shares, including approximately 0.6 million shares at an average price of \$626.68 through a structured repurchase agreement entered into during fiscal 2023, 3.5 million shares at an average price of \$578.11 through an ASR entered into in December 2023, 5.2 million shares at an average price of \$475.94 through an ASR entered into in March 2024, and 3.6 million shares from the initial delivery of an ASR entered into in June 2024. Subsequent to August 30, 2024, the ASR entered into in June 2024 was settled which resulted in total repurchases of 4.6 million shares at an average price of \$546.30.¹⁰⁵

¹⁰² *Id.* at 84.

¹⁰³ During fiscal 2024, Adobe received the initial delivery of shares under the ASR entered into in September 2024, which remained outstanding as of November 29, 2024. Subsequent to November 29, 2024, the outstanding ASR was settled which resulted in total repurchases of 5.0 million shares at an average price of \$501.37.

¹⁰⁴ *See Supra.* FN101.

¹⁰⁵ Adobe, Inc., *Quarterly Report for the Period Ended Aug. 30, 2024 (Form 10-Q)* at 38, (September 25, 2024), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10q-q324-final.pdf>

176. The 2025 Annual Report also stated that “During fiscal 2025, we entered into stock repurchase arrangements with large financial institutions and made payments totaling \$11.28 billion to repurchase shares.”¹⁰⁶

177. The following chart reflects the repurchases of Adobe stock approved by the Board of Directors that were effectuated during the three months ending November 28, 2025:¹⁰⁷

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value that May Yet be Purchased Under the Plans
(in millions, except average price per share)				
August 30—September 26, 2025	2.1	\$ 353.68	2.1	\$ 8,088
September 27—October 24, 2025	2.3	\$ 345.96	2.3	\$ 7,307
October 25—November 28, 2025	2.8	\$ 332.31	2.8	\$ 6,369
Total	7.2		7.2	

178. The 2025 Annual Report also stated:

In September 2025, we entered into a stock repurchase arrangement with a large financial institution to execute up to \$2.5 billion in open market repurchases, which remained partially outstanding as of November 28, 2025. Upon completion of this arrangement, ***\$5.90 billion remains under our March 2024 stock repurchase authority.***¹⁰⁸

179. Although Adobe did not provide the details of all the stock repurchases, the information it did disclose demonstrates that from March 2024 to November 28, 2025, Adobe repurchased \$24.41 billion of its own stock, since only \$5.91 billion of the \$25 billion authorized repurchases remained available as of the end of 2025.

¹⁰⁶ Adobe Inc., *Annual Report (Form 10-K)*, at 43 (January 15, 2026), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-10k-fy25-final.pdf>.

¹⁰⁷ *Id.* at 31.

¹⁰⁸ *Id.* at 38.

180. Further, with respect to just those shares repurchased during fiscal year 2025, the repurchases represented a substantial increase from the amount of shares repurchased in Adobe's prior two fiscal years. The 2025 repurchases of 30.8 million shares for \$11.281 billion represented a 256% increase in dollar terms and a 268% increase in terms of number of shares repurchased compared to fiscal year 2023 (Adobe repurchased 11.5 million shares for \$4.4 billion in 2023), as reflected in the following table:¹⁰⁹

<i>(in millions)</i>	Number of Shares Delivered	Amount Paid ¹¹⁰
Fiscal 2025		
Accelerated share repurchase agreements	16.8	\$ 6,250
Open market repurchases	14.0	5,031
Total	30.8	\$ 11,281
Fiscal 2024		
Accelerated share repurchase agreements	16.9	\$ 9,500
Other structured stock repurchases	0.6	—
Total	17.5	\$ 9,500
Fiscal 2023		
Accelerated share repurchase agreements	4.0	\$ 1,400
Other structured stock repurchases	7.5	3,000
Total	11.5	\$ 4,400

[The remainder of this page is intentionally left blank.]

¹⁰⁹ *Id.* at 78.

¹¹⁰ During fiscal 2024, Adobe received the final delivery of shares under a structured stock repurchase agreement entered into in fiscal 2023 through which “financial institutions agree to deliver a portion of shares to us at contract inception and the remaining shares at settlement” and that the “number of shares delivered and average purchase price paid per share are determined upon settlement based on the Volume Weighted Average Price[.]”

181. Adobe also repurchased 8.1 million of its shares during the three months ending February 27, 2026, all of which were accomplished through open market purchases:¹¹¹

Period	Total number of shares purchased	Average price paid per share (1)
11/28/25 to 2/27/26	8,100,000	\$306 ¹¹²

182. As the Company's stock was artificially inflated during this time due to false statements and omissions made or approved by the Durn and the Director Defendants, the Company overpaid for the shares. As the figures above demonstrate, during 2025 Adobe paid an average of \$372 when repurchasing its shares, and in 2024 and 2023 paid an average of \$542.86 and \$382.61. It thus paid vastly inflated prices for its stock, which traded at just \$204.02 when the truth was disclosed.

X. LOSS CAUSATION/ECONOMIC LOSS

183. During the Relevant Time Period, as detailed herein, the Individual Defendants deceived the market and artificially inflated the prices of Adobe common stock and operated as a fraud or deceit on purchasers or acquirers of Adobe common stock, including Adobe which was repurchasing its own stock at the Director Defendants' direction. When Defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of Adobe common stock fell precipitously as the prior artificial inflation came out. As a result of its purchases or acquisitions of Adobe common stock during the Relevant Period, Adobe suffered economic loss, *i.e.*, damages, under the federal securities laws.

184. The Defendants' false and misleading statements and omissions, which as alleged above were made with scienter, had the intended effect and caused Adobe common stock to trade at artificially inflated levels throughout the time of Adobe's stock purchases.

¹¹¹ Adobe, Inc., *Quarterly Report for the Period Ended Feb. 27, 2026 (Form 10Q)* at 18 (Mar. 25, 2026), available at <https://www.sec.gov/Archives/edgar/data/796343/000079634326000056/adbe-20260227.htm>

¹¹² Total price paid for the repurchases was \$2.478 billion.

185. On March 12, 2026, four minutes after the stock market had closed, Adobe announced that Narayen would resign as Adobe's CEO. Adobe also announced its quarterly earnings and provided earnings guidance, which was disappointing to the market.¹¹³

186. On March 12, 2026, Adobe stock had closed at \$269.78.

187. When the stock market opened the next day—March 13, 2026—Adobe's stock opened at a materially lower price of \$249.00, representing a decline of 7.7%. Adobe's stock closed that day almost unchanged, at \$249.32 on unusually heavy trading volume of 17,406,400 shares. Narayen's unplanned departure was specifically attributed to his failure to develop and implement a viable AI strategy for Adobe.

188. Adobe's stock had also declined due to analysts' concerns about Adobe's potential liability from the copyright cases. Adobe's earnings results and guidance disappointed analysts and investors, who expressed concerns regarding AI competition and growth prospects. Several contemporaneous reports specifically attributed the after-hours decline to the CEO transition announcement and uncertainty surrounding Adobe's AI strategy, despite earnings that exceeded analyst expectations. For example, *Reuters* published a story on March 12, 2026 entitled "Adobe's Longtime CEO to Exit Role Amid AI Disruption, Shares Fall."¹¹⁴ The article reported "Adobe's longtime CEO Shantanu Narayen will leave his role once a successor is appointed, the design software maker said on Thursday, sending its shares down over 7% in extended trading on renewed worries around its strategy as it grapples with AI disruption."¹¹⁵ The article also noted "the announcement of him leaving the helm puts the company in a precarious position as it comes at a time when Adobe is doubling down on AI, striking partnerships and exploring acquisitions to extend its industry lead."¹¹⁶ An analyst quoted by

¹¹³ <https://news.adobe.com/news/2026/03/leadership-update>. Adobe's official press release is timestamped March 12, 2026, 1:04 PM Pacific Time. 1:04 PM Pacific Time corresponds to 4:04 PM Eastern Time. The Nasdaq market closes at 4:00 PM Eastern Time.

¹¹⁴ Zaheer Kachwala, *Adobe's Longtime CEO to Exit Role Amid AI Disruption, Shares Fall*, REUTERS (March 12, 2026), available at <https://www.reuters.com/sustainability/boards-policy-regulation/adobe-announces-ceo-transition-shares-fall-2026-03-12/>.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

Reuters noted that “investor skepticism about monetization timing and payoff may have factored into a drop in its share prices.”

189. Similarly, a March 13, 2026 *Bloomberg* article entitled “Adobe CEO to Step Down in Face of Investor Concerns Over AI” noted that “Adobe has worked to weave artificial intelligence tools through its creative and marketing software—and offers its own range of AI models meant to generate imagery that doesn't carry copyright risks—in an effort to keep its massive market share.”¹¹⁷

190. Other news reports similarly attributed the stock decline to increased material risks to Adobe’s AI strategy. The market was concerned about Adobe’s stock declining from AI competition, which posed the threat of the creation of similar software products at a lower cost. Adobe had consistently represented to the market that it was protected from these risks due to its legally compliant AI strategy, pursuant to which it had built AI capabilities into its products. When Narayan resigned as Adobe’s CEO and Adobe provided guidance that was lower than the market expected, the market perceived increased risk that Adobe’s AI strategy would not be able to protect the Company against broader AI risks and that its AI strategy and products had, contrary to the Company’s representations, been developed by violating intellectual property, copyrights, and voiceprints held by others.

191. A March 13, 2026 article in *Investor’s Business Daily* entitled “Adobe Stock Falls Despite Better-Than-Expected Report As CEO Steps Down” noted that despite Adobe having added AI functions across its creative and marketing software products “overall top-line growth continues to decelerate this year, and AI sales may not scale quickly enough to prevent further deceleration in FY27,” quoting BNP Paribas analyst Stefan Slowinski.¹¹⁸ TD Cowen analyst Derrick Wood lowered his price target on Adobe stock to 325 from 400 and reiterated his hold rating.¹¹⁹

192. Then, on June 11, 2026, after the market closed, Adobe shocked the market even further by announcing that Durn, its CFO and another key architect of its AI strategy, would also resign. The

¹¹⁷ Brody Ford, *Adobe CEO to Step Down in Face of Investor Concerns Over AI*, BLOOMBERG (March 13, 2026), available at <https://www.bloomberg.com/news/articles/2026-03-12/adobe-announces-ceo-to-step-down-gives-lackluster-forecast>.

¹¹⁸ Patrick Seitz, *Adobe Stock Falls Despite Better-Than-Expected Report As CEO Steps Down*, INVESTOR’S BUSINESS DAILY (March 12, 2026), available at <https://www.investors.com/news/technology/adobe-stock-adbe-fiscal-q1-2026-earnings/>.

¹¹⁹ *Id.*

news triggered the steepest drop in Adobe's share price in 15 months, with the stock falling about 5% in after-hours trading.¹²⁰ The next day—on Friday, June 12, 2026, on a day when the overall stock market notched large gains and Elon Musk's SpaceX completed its IPO and began trading, Adobe's stock tanked over 10% in intraday trading, reaching a low of \$196.90 and eventually closing at \$204.02, a 6.76% decline from Adobe's closing price of \$218.80 the day before, on unusually heavy trading of over 25 million shares. Analysts also attributed Durn's departure to failures in Adobe's AI strategy and lowered their targets for Adobe stock, citing concern that Adobe's AI products may generate revenue more slowly than expected.¹²¹

193. According to Adobe's filing with securities regulators, Durn told Adobe of his resignation on June 8, 2026, indicating he would stop working *just one week* later (on June 15, 2026), an unusually short notice period for a CFO of a publicly traded company.¹²² Wall Street was shocked. Adobe had to scramble to do damage control. Adobe failed to disclose this material fact to the market immediately, instead biding time to try to find an emergency replacement. It was finally able to do so three days later, on June 11, 2026, disclosing that Durn would be temporarily replaced with Steve Day, the finance chief of one of Adobe's business units. Finance chiefs of \$150 billion companies rarely leave in a week, and they rarely leave the day before earnings.

194. The declines in the price of Adobe common stock after the disclosures came to light were a direct result of the nature and extent of the Defendants' fraud finally being revealed to investors and the market and a materialization of the undisclosed risks alleged herein. The timing and magnitude of the price declines in Adobe common stock negates any inference that the loss suffered by Adobe was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Adobe was a direct result of the Defendants' fraudulent scheme to artificially inflate the price of Adobe

¹²⁰ *Adobe's CFO Departs While Company Also Searches for a New CEO*, BLOOMBERG, June 11, 2026, available at <https://www.bloomberg.com/news/articles/2026-06-11/adobe-s-cfo-departs-leaving-company-seeking-top-executives>.

¹²¹ *See, e.g.,* Arnab Paul, *Adobe Stock on Track to Hit 8-Year Lows – Wall Street Flags Concerns About AI Monetization*, STOCKTWITS, (June 12, 2026), available at <https://stocktwits.com/news-articles/markets/equity/adbe-stock-falls-wall-street-questions-freemium-services-/cZK5wPKR7PF>.

¹²² Adobe, Inc., *Current Report (Form 8k)*, at 4 (June 11, 2026).

common stock and the subsequent significant declines in the value of Adobe common stock when the Defendants' prior misrepresentations and other fraudulent conduct were revealed.

XI. DAMAGES TO ADOBE

195. Adobe is significantly damaged by Defendants' misconduct. Due to the Defendants' failure to take required steps to eliminate copyrighted material from the AI SlimLM dataset, Adobe will be subject to potentially massive liability from the copyright infringement and BIPA violation class actions. This includes not only the potential costs to resolve the litigation, but also legal fees, loss of goodwill, reputational damage, and lost customers, among other things.

196. Adobe was further damaged by Narayen's unjust enrichment. Narayen earned excessive compensation during the relevant time period, as the Defendants' false statements and stock repurchases caused Adobe's stock to be inflated. Narayen was awarded compensation in the aggregate amount of \$148,496,695 between 2023-25:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards(1) (\$)	Non-Equity Incentive Plan Comp.(2) (\$)	All Other Comp.(3) (\$)	Total (\$)
Shantanu Narayen	2025	1,500,000	—	45,376,110	3,120,000	1,177,825	51,173,935
CHAIRMAN AND CEO	2024	1,500,000	—	46,349,135	2,940,000	1,601,047	52,390,182
	2023	1,500,000	—	40,077,295	3,000,000	355,283	44,932,578

197. Narayen's fiscal year 2025 annual total compensation of \$51,173,935 vastly exceeded the annual total compensation of Adobe's median compensated employee, which was \$235,989, resulting in a pay ratio of 217 to 1. Such an outsized pay ratio was hardly just or equitable in light of Narayen's unlawful conduct which severely damaged Adobe and its stockholders.

198. The Director Defendants received the following compensation for each of the years 2024 and 2025:

<u>Name</u>	<u>Cash Award (\$)</u>	<u>Stock Awards (\$)</u>	<u>Total (\$)</u>
Cristiano Amon	75,000	314,919	389,919
Amy Banse	105,000	314,919	419,919
Brett Biggs ¹²³	31,649	—	31,649
Melanie Boulden	75,000	314,919	389,919
Frank Calderoni	145,000	314,919	459,919
Laura Desmond	78,036	314,919	392,955
Spencer Neumann	80,000	314,919	394,919
Kathleen Oberg	115,000	314,919	429,919
Dheeraj Pandey	80,000	314,919	394,919
David Ricks	75,000	314,919	389,919
Daniel Rosensweig	70,000	314,919	384,919

199. The Director Defendants' compensation in 2023 was as follows:

<u>Name</u>	<u>Cash Fees (\$)</u>	<u>Stock Awards (\$)</u>	<u>Total (\$)</u>
Cristiano Amon	7,830	150,609	158,439
Amy Banse	100,000	317,897	417,897
Brett Biggs	80,000	317,897	397,897
Melanie Boulden	75,000	317,897	392,897
Frank Calderoni	140,000	317,897	457,897
Laura Desmond	75,000	317,897	392,897
Spencer Neumann	80,000	317,897	397,897
Kathleen Oberg	110,000	317,897	427,897
Dheeraj Pandey	80,000	317,897	397,897
David Ricks	75,000	317,897	392,897
Daniel Rosensweig	70,000	317,897	387,897

¹²³ Biggs, the former Executive Vice President and Chief Financial Officer of Walmart, joined the Adobe Board in January 2022. On January 9, 2025 he informed the Board that he decided not to stand for re-election at the 2025 Annual Meeting. Thus, Biggs is no longer on the Board.

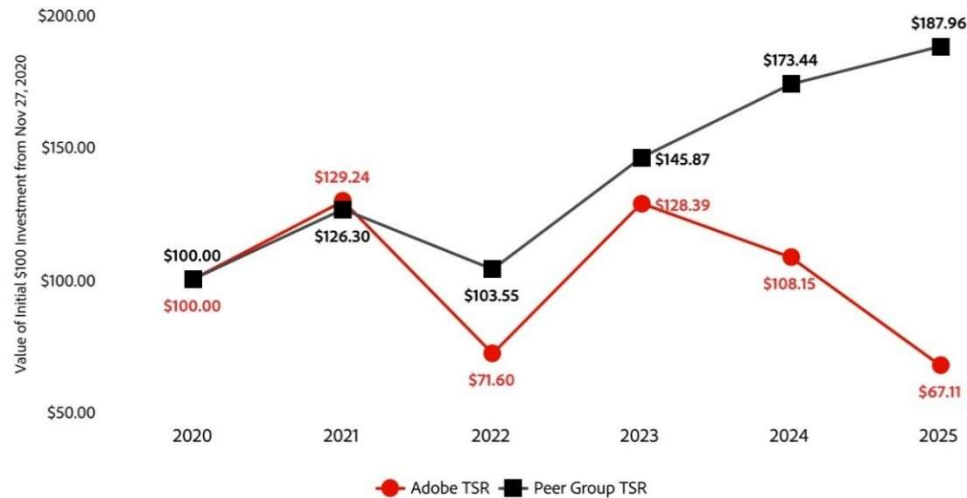
John Warnock

42,858

317,897

360,755

200. During this same time, Adobe significantly underperformed its peer group companies, as reflected in the following chart contained in Adobe's 2026 Proxy Statement:¹²⁴



201. The Defendants earned excessive compensation, stock awards, bonuses, and other compensation during the relevant time period. The full details of the compensation have not been made public by Adobe, and thus discovery is necessary to allege all relevant facts regarding the unjust compensation earned by the Defendants. Adobe only discloses certain information about the compensation of its Section 16 officers. However, based on that information, it is clear that Narayen earned unjust compensation because his compensation was based to a large extent on (i) earnings per share metrics that were artificially inflated due to the unlawful stock buyback program; and (ii) Narayen's alleged success in Adobe's AI strategy, notwithstanding the fact that Narayen caused the Company to engage in material and substantial copyright infringement and BIPA violations to achieve the supposed success in the AI strategy.

202. Specifically, the 2026 Proxy reveals that Narayen's 2025 compensation was unjust due to at least the following facts:

¹²⁴ . Adobe, Inc., *Notice of 2026 Annual Meeting of Stockholders and Proxy Statement (Schedule 14A)*, (Feb. 27, 2026) at 71, available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2026-proxy.pdf>.

a. **Cash Bonus.** Narayen earned a cash incentive of \$3,120,000, representing 104% of his target. This payout was affected by Adobe’s corporate financial results: Adobe achieved \$23.77 billion in revenue and diluted EPS of \$16.70 on a GAAP basis and \$20.94 on a non-GAAP basis, exceeding the targets which had been set and therefore entitling Narayen to a 100% payout. The EPS target, however, was manipulated by Narayen, Durn and the Director Defendants by the massive stock buyback program, which materially reduced Adobe’s outstanding shares and thus inflated Adobe’s reported EPS figures.

b. **Long-Term Equity Incentives and AI Strategy.** Equity awards comprised *over 90% of the CEO’s target compensation*. The factors affecting these awards included:

c. **Increased Target Value for AI Leadership.** The Compensation Committee increased Narayen’s total target equity value in 2025 to motivate him to lead Adobe through a “significant transformational period” focused on artificial intelligence innovation, specifically citing his delivery of products like Adobe Firefly and Adobe GenStudio. These products, however, as detailed herein, were developed by infringing the IP and copyrights owned by others. Narayen thus caused Adobe to violate federal law, leading to class action infringement lawsuits. When those lawsuits came to light and the Company’s AI strategy was proven to be nowhere near as effective as Adobe had led Wall Street to believe, Narayen was allowed to “resign,” causing the stock to tank 7.7%. This hardly represents the resounding success for which Narayen was paid out tens of millions of dollars less than two weeks before he resigned.

d. **Relative Total Stockholder Return (TSR).** A significant portion of Narayen’s performance shares (PSPs) are tied to Adobe’s TSR relative to the Nasdaq 100. For the 2023 PSP (which vested in January 2026), the overall payout was 83% of target because Adobe’s relative TSR rank was at the 28th percentile, failing to reach the 55th percentile required for a full payout. As the chart above demonstrates, however, Adobe’s TSR was dismal compared to its competitors. Adobe achieved a return of just \$67.11, compared to the peer group return of \$187.96. In other words, an investor who bought Adobe stock in 2020 lost a significant amount of money, having just \$67.11 left from an original investment of \$100. An investor who bought stock in the peer group companies in 2020, in stark contrast, earned a significant return, having earned \$187.96 from the original \$100 investment. Narayen’s

1 compensation was thus unjust in that he was paid a significant bonus despite destroying stockholder
2 value. Narayen in fact was paid out at 85% of the target of this metric despite achieving horrible results.

3 203. The Director Defendants' compensation was also unjust for the following reasons. As
4 disclosed in the Company's proxy statements, Adobe targets its director compensation against a specific
5 peer group of 20 technology companies (including Alphabet, Microsoft, and Meta). The Compensation
6 Committee targets the equity compensation for the directors to be within the 50th to 75th percentile
7 range of the peer group. The total stockholder return for Adobe, however, was well below that of the
8 peer group identified in the proxy. In addition, the Director Defendants caused the Company to violate
9 copyrights and IP, to issue false and misleading statements, and to repurchase billions of dollars of the
10 Company's stock at inflated prices. This conduct caused Adobe's reported financial performance to be
11 artificially inflated, thus directly inflating the financial metrics used by the Compensation Committee to
12 set the Director Defendants' cash and stock compensation. Under these circumstances, the Director
13 Defendants were unjustly enriched.

14 204. Adobe was also damaged by spending nearly *\$26.89 billion* to repurchase its own stock
15 at market prices artificially inflated by the false and misleading statements and omissions in SEC filings
16 approved by the Director Defendants, amounting to a massive waste of corporate assets.

17 **XII. INSIDER SELLING BY DEFENDANTS NARAYEN AND DURN**

18 205. Narayen is Adobe's Chairman of the Board and CEO. In such roles, Narayen was heavily
19 involved in approving the Company's stock repurchases.

20 206. Durn was Adobe's Executive Vice President and Chief Financial Officer. During the
21 Relevant Time Period, Adobe repeatedly quoted Durn in its public statements announcing repurchase
22 authorizations, and he oversaw Adobe's finances, treasury, and capital allocation decisions, including
23 issues surrounding the stock repurchases. Adobe's leadership profile states he is responsible for Finance,
24 Technology, Security and Operations.

25 207. During the Relevant Time Period, and while they were involved in making key decisions
26 regarding Adobe's \$25 billion stock buyback program announced in March 2024, Durn and Narayen
27 engaged in unlawful insider trading. As the chart below demonstrates, Durn and Narayen sold millions
28 of dollars of Adobe stock at the same time that Adobe was repurchasing its stock, thus violating Section

20A of the Exchange Act. Durn sold 39,936 shares for proceeds of \$16,428,202 and Narayen sold 202,441 shares for proceeds of \$73,407,371.

NARAYEN INSIDER TRADING ACTIVITY

Date	Transaction	Shares	Price Per Share	Transaction Value
Apr. 15, 2024	Sell	1,716	\$470.10	\$806,692
Apr. 24, 2024	Sell	1,269	\$477.12	\$605,465
June 27, 2024	Sell	25,000	\$544.11	\$13,602,750
Jul. 15, 2024	Sell	1,717	\$565.71	\$971,324
Jul. 24, 2024	Sell	1,270	\$531.04	\$674,421
Sep. 25, 2024	Sell	25,000	\$521.58	\$13,039,500
Oct. 15, 2024	Sell	1,716	\$508.03	\$871,779
Oct. 24, 2024	Sell	1,269	\$482.87	\$612,762
Jan. 15, 2025	Sell	1,729	\$417.28	\$721,477
Jan. 24, 2025	Sell	19,605	\$435.38	\$8,535,625
Apr. 17, 2025	Sell	2,696	\$350.38	\$944,624
Apr. 28, 2025	Sell	621	\$360.91	\$224,125
Jul. 17, 2025	Sell	2,697	\$364.18	\$982,193
Jul. 28, 2025	Sell	621	\$371.69	\$230,819
Oct. 16, 2025	Sell	2,696	\$330.63	\$891,378
Oct. 27, 2025	Sell	621	\$353.52	\$219,536
Jan. 16, 2026	Sell	2,715	\$304.09	\$825,604
Jan. 27, 2026	Sell	34,483	\$301.07	\$10,381,797
Apr. 30, 2026	Sell	75,000	\$243.54	\$18,265,500
TOTAL		202,441		\$73,407,371

DURN INSIDER TRADING ACTIVITY

Date	Transaction	Shares	Price Per Share	Transaction Value
Apr. 15, 2024	Sell	932	\$470.10	\$438,133
Apr. 24, 2024	Sell	317	\$477.12	\$151,247
May 15, 2024	Sell	2,008	\$485.35	\$974,583
Jul. 15, 2024	Sell	932	\$565.71	\$527,242
Jul. 24, 2024	Sell	317	\$531.04	\$168,340
Aug. 15, 2024	Sell	2,008	\$554.16	\$1,112,753
Sep. 17, 2024	Sell	6,500	\$515.44	\$3,350,360
Oct. 15, 2024	Sell	932	\$508.03	\$473,484
Oct. 24, 2024	Sell	316	\$482.87	\$152,587
Nov. 15, 2024	Sell	2,008	\$503.37	\$1,010,767
Jan. 15, 2025	Sell	950	\$417.28	\$396,416
Jan. 24, 2025	Sell	4,324	\$435.38	\$1,882,583
Apr. 17, 2025	Sell	1,481	\$350.38	\$518,913
Apr. 28, 2025	Sell	317	\$360.91	\$114,408
Jul. 17, 2025	Sell	1,482	\$364.18	\$539,715
Jul. 28, 2025	Sell	317	\$371.69	\$117,826
Oct. 16, 2025	Sell	1,481	\$330.63	\$489,663
Oct. 27, 2025	Sell	317	\$353.52	\$112,066
Jan. 16, 2026	Sell	1,509	\$304.09	\$458,872

Jan. 27, 2026	Sell	11,488	\$299.29	\$3,438,244
TOTAL		39,936		\$16,428,202

XIII. DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

208. Plaintiffs bring this action derivatively and for the benefit of Adobe to redress injuries suffered, and to be suffered, as a result of the Defendants' breaches of their fiduciary duties as directors and/or officers of Adobe, unjust enrichment, and violations of the Exchange Act.

209. Adobe is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

210. Plaintiffs are, and have been at all relevant times, stockholders of Adobe. Plaintiffs will adequately and fairly represent the interests of Adobe in enforcing and prosecuting its rights, and, to that end, has retained competent counsel, experienced in derivative litigation, to enforce and prosecute this action.

211. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

212. A pre-suit demand on the Board of Adobe is futile and, therefore, excused. At the time this action was commenced, the Board consisted of the eleven Director Defendants: Narayen, Amon, Banse, Boulden, Calderoni, Desmond, Neumann, Oberg, Pandey, Ricks, and Rosensweig. Since Adobe has an odd-numbered board, Plaintiffs need to allege demand futility as to six of the eleven Directors that were on the Board at the time this action was filed. As set forth below, the Director Defendants are incapable of making an independent and disinterested decision to institute and vigorously prosecute this action, including because they face a substantial likelihood of liability for their wrong acts, such that demand on the Board to institute this action is excused as futile.

213. The Director Defendants, together and individually, violated and breached their fiduciary duties of loyalty and acted in bad faith. The Director Defendants knowingly approved and/or permitted the wrongs alleged herein and caused the Company to engage in copyright infringement misconduct, authorized and/or permitted the false statements to be disseminated directly to the public and made available and distributed to stockholders, authorized and/or permitted the issuance of various false and

misleading statements, and are principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully prosecute such a suit even if they instituted it.

A. Each Director Defendant Faces a Substantial Likelihood of Personal Liability for Lack of Oversight

214. The Director Defendants either knowingly or recklessly issued or caused the Company to engage in copyright infringement and BIPA violations, and to issue the materially false and misleading statements alleged herein. The Director Defendants knowingly approved and/or permitted a business model to train Adobe's AI products on a dataset that included copyrighted and private materials and knew of the falsity of the misleading statements in SEC filings at the time they were made. The Director Defendants thus face a substantial likelihood of liability and are not disinterested.

215. For a software company like Adobe, intellectual property rights, including copyright and voiceprint protection, is a *mission critical issue* to the Company. If third parties could violate Adobe's copyright and voiceprint protections willy-nilly, Adobe's software would have no value and the Company's revenues would collapse. In a similar vein, if Adobe violates the copyright rights of other companies or persons, it exposes itself to substantial damages. Even worse, if Adobe's own software is developed in such a way that violates intellectual property rights, the consequences are dire, as Adobe's software would be imbued with copyright and BIPA violations, posing a much more substantial threat, as the legal violations would threaten the Company's recurring revenues from its software, thereby not only exposing it to damages but also adversely impacting its revenues, profits, and growth rate. That is what happened here under the Director Defendants' watch.

216. All eleven of the Director Defendants—Narayan, Amon, Banse, Boulden, Calderoni, Desmond, Neumann, Oberg, Pandey, Ricks, and Rosensweig—have been on the Board of Directors at all relevant times, including during the time that Adobe committed the copyright and IP violations, and all Director Defendants made the false and misleading statements and also caused Adobe to make the stock repurchases. Thus, all eleven Director Defendants are interested because they face a substantial likelihood of liability for each of the claims asserted herein.

217. The tenure of the current Board is reflected in the chart below:

Director	Joined Board	Approx. Tenure (as of June 2026)
Shantanu Narayen	Dec. 2007	18.5 years
Daniel Rosensweig	Jan. 2009	17.5 years
Amy Banse	May 2012	14 years
Frank Calderoni	May 2012	14 years
Laura Desmond	May 2012	14 years
David Ricks	Apr. 2018	8.2 years
Kathleen Oberg	Jan. 2019	7.4 years
Dheeraj Pandey	Jan. 2019	7.4 years
Melanie Boulden	Oct. 2020	5.7 years
Spencer Neumann	Jan. 2022	4.4 years
Cristiano Amon	Oct. 2023	2.6 years

218. The Director Defendants also failed to act on numerous red flags related to Adobe’s copyright, IP and privacy infringement. In April 2024, multiple news reports—including a *Bloomberg* investigation—revealed that Adobe’s Firefly tool was trained in part on AI-generated images despite Adobe’s prior disclosures suggesting otherwise; internal Discord communications showed this was a known, intentional strategy, and Adobe even awarded bonuses to contributors of AI-generated content used to refine Firefly, raising serious questions about the originality and ownership of Firefly’s outputs. Later that year, Adobe faced further backlash after updating its Terms of Use in a way that many creators interpreted as granting Adobe broad rights over customer content for AI training purposes.

219. Compounding these red flags, the Director Defendants had personally approved Adobe’s 2023 announcement offering enterprise Firefly customers “full indemnification” for content generated using the tool—a blanket commitment covering legal fees and damages for any infringement claims—which necessarily required the Board to actively monitor whether Firefly-generated images infringed copyrights, voiceprints, or other intellectual property, demonstrating that the Board knew of or consciously disregarded the infringement risks.

220. Finally, all eleven Director Defendants approved the Company’s 2024, 2025, and 2026 Proxy Statements, and specifically approved removing from the 2026 Proxy Statement the prior years’ unequivocal representations that Adobe was not engaging in any copyright infringement—a change strongly indicative of scienter.

1 221. The Director Defendants consciously ignored these red flags. For these reasons, the
2 Director Defendants are incapable of making an independent and disinterested decision to institute and
3 vigorously prosecute this action, including because they face a substantial likelihood of liability for their
4 wrong acts, such that demand on the Board to institute this action is excused as futile.

5 **B. Each Director Defendant Faces a Substantial Likelihood of Liability for**
6 **Approving the Issuance of False and Misleading Public Statements**

7 222. As explained above, the Director Defendants caused Adobe to issue numerous false and
8 misleading disclosures during the Relevant Period, misrepresenting that Adobe had not trained its AI
9 with any copyrighted material and concealing the extent to which Adobe had infringed the IP,
10 copyrights, and voiceprints of other persons and companies.

11 223. The Direct Defendants were ultimately responsible for the Company's public
12 disclosures. Each Director Defendants approved one or more of the false and misleading statements
13 alleged herein.

14 224. The Director Defendants, together and individually, violated and breached their fiduciary
15 duties of loyalty and acted in bad faith. The Director Defendants knowingly approved and/or permitted
16 the wrongful conduct alleged herein and caused the Company to engage in copyright infringement and
17 BIPA violation misconduct, authorized and/or permitted the false statements to be disseminated directly
18 to the public and made available and distributed to stockholders, authorized and/or permitted the
19 issuance of various false and misleading statements, and are principal beneficiaries of the wrongdoing
20 alleged herein, and thus, could not fairly and fully prosecute the causes of action asserted herein.

21 225. Each Director Defendants had actual knowledge of the undisclosed material facts alleged
22 herein and knowingly or consciously disregarded them in bad faith when approving the false and
23 misleading statements. The Director Defendants either knowingly or recklessly issued or caused the
24 Company to engage in copyright infringement misconduct, and to issue the materially false and
25 misleading statements alleged herein. The Director Defendants knowingly approved and/or permitted a
26 business model to train Adobe's AI products on a dataset that included copyrighted materials and knew
27 of the falsity of the misleading statements in SEC filings at the time they were made. The Director
28 Defendants thus face a substantial likelihood of liability and are not disinterested.

C. Defendant Narayan is Interested and Received Improper Financial Benefits

226. Narayan has served as the CEO of the Company at relevant times and is not disinterested or independent. Narayan derived his sole employment income from Adobe and does not qualify as an independent director, as Adobe's proxy statements admit.

227. Narayan has "[c]hampioned ... innovation to establish Adobe as an AI leader in creativity, marketing and digital experience," which submits him substantially to the allegations of wrongdoing arising from many of the same events based on the same facts as alleged in this action, and the copyright infringement actions.¹²⁵

228. As alleged herein, Narayan was awarded unjust compensation in the aggregate amount of \$148,496,695 million between 2023-25. His massive compensation was unjust because he breached his fiduciary duties, issued false and misleading statements, and manipulated the targets for his compensation.

229. Furthermore, as detailed herein, Narayan engaged in improper insider selling during the Relevant Time Period. He is therefore interested in the claims asserted herein and demand is clearly futile as to Narayan.

D. All Director Defendants are Interested Because They Received Improper Financial Benefits Directly Related to Their Wrongdoing

230. Each of the Director Defendants is interested because they received improper financial benefits. To be clear, as particularly alleged herein, Plaintiffs do not simply allege that the Director Defendants received director fees. Instead, from 2023 to 2025 they received both cash fees and stock grants that were directly inflated due to the wrongdoing in which they directly participated.

231. Specifically, the Compensation Committee targets the equity compensation for the directors to be within the 50th to 75th percentile range of the peer group. The total stockholder return for Adobe, however, was well below that of the peer group identified in the proxy. In addition, the directors caused the Company to violate copyrights and IP, to issue false and misleading statements, and

¹²⁵ Adobe Inc., *Notice of 2025 Annual Meeting of Stockholders and Proxy Statement*, at 45 (Feb. 28, 2025), available at <https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-2025-proxy.pdf>

1 to repurchase billions of dollars of the Company's stock at inflated prices. This conduct caused Adobe's
2 reported financial performance to be artificially inflated, thus directly inflating the financial metrics used
3 by the Compensation Committee to set the Director Defendants' cash and stock compensation.

4 **E. Demand is Futile as to the Audit Committee Directors**

5 232. The Audit Committee Defendants (Desmond, Neumann, Pandey, and Oberg) are not
6 disinterested or independent, and therefore, are incapable of considering a demand. The Audit
7 Committee Directors were responsible for assessing the adequacy and effectiveness of Adobe's
8 technology security policies, internal controls regarding information and technology security,
9 cybersecurity, and privacy related areas, compliance with related legal, regulatory and ethical
10 requirements, and public disclosure requirements. The Audit Committee Defendants breached their
11 fiduciary duties to the Company by allowing Adobe to engage in copyright and voiceprint violations
12 and by failing to prevent and correct such violations after they occurred, thus exposing the Company to
13 substantial damages. The Audit Committee Defendants therefore cannot independently consider any
14 demand to sue themselves for breaching their fiduciary duties and committing violations of the
15 Exchange Act.

16 **F. Demand is Futile For Additional Reasons**

17 233. The Director Defendants, as members of the Board, were and are subject to the
18 Company's Code Business Conduct. The Code of Business Conduct go well beyond the basic fiduciary
19 duties required by applicable laws, rules, and regulations, requiring the Defendants to also adhere to
20 Adobe's standards of business conduct. The Director Defendants violated the Code of Ethics and Code
21 of Business Conduct because they knowingly or recklessly engaged in and participated in making and/or
22 causing the Company to engage in copyright infringement misconduct and make the materially false
23 and misleading statements alleged herein. Because the Director Defendants violated the Code of Ethics
24 and Code of Business Conduct, they face a substantial likelihood of liability for breaching their fiduciary
25 duties, and therefore demand upon them is futile.

26 234. The Director Defendants' conduct was not the product of legitimate business judgment
27 as it was based on bad faith and intentional, reckless, or disloyal misconduct. Thus, none of the Director
28 Defendants can claim exculpation from their violations of duty pursuant to the Company's charter. As

all of the Director Defendants face a substantial likelihood of liability, they are self-interested in the conduct challenged herein. They cannot be presumed to be capable of exercising independent and disinterested judgment about whether to pursue this action on behalf of the stockholders of the Company. Accordingly, demand is excused as being futile.

235. The acts complained of herein constitute violations of fiduciary duties owed by Adobe's officers and directors, and these acts are incapable of ratification.

236. The acts complained of herein constitute violations of fiduciary duties owed by Adobe's officers and directors, and these acts are incapable of ratification.

237. The Director Defendants are covered by D&O insurance policies. Such policies contain provisions that eliminate coverage for any action brought by Adobe against the Director Defendants, known as the "insured versus insured exclusion." As a result, if the Director Defendants were to sue themselves or certain of the officers of Adobe, there would be no D&O insurance protection. By contrast, if the suit is brought derivatively, as this action is brought, such insurance coverage exists and will provide a basis for the Company to effectuate recovery. Therefore, the Board cannot be expected to file the claims asserted in this derivative lawsuit because such claims would not be covered under Adobe's D&O insurance policy.

238. Thus, there is no majority of disinterested directors among the Director Defendants and demand is excused as futile.

XIV. CAUSES OF ACTION

COUNT I

BREACH OF FIDUCIARY DUTY (Against All Defendants)

239. Plaintiffs repeat and reallege each and every allegation contained above as though fully set forth in this paragraph.

240. As Adobe's directors and/or officers, the Defendants owed Adobe the fiduciary duties of loyalty and care.

241. The fiduciary duties the Defendants owed to Adobe included, without limitation, implementing and overseeing a system of internal controls to monitor, detect and prevent unlawful

1 violations of copyright and IP laws. The Defendants' duty of loyalty required them to make good faith
2 efforts to ensure that the Company's policies, procedures and practices did not systematically violate
3 federal copyright and IP laws, and Illinois BIPA laws.

4 242. The Defendants consciously breached their fiduciary duties and violated their corporate
5 responsibilities in at least the following ways:

- 6 a. despite knowing that Adobe was training its AI on material for which it lacked
7 the relevant copyright and voiceprints rights, they consciously and repeatedly
8 failed to ensure that the Company's reporting systems were adequately designed
9 to detect copyright and IP infringement and BIPA violations, thus disabling them
10 from being informed of risks or problems requiring their attention;
11
12 b. consciously disregarding their duty to investigate red flags and to remedy any
13 misconduct uncovered; and
14
15 c. consciously issuing false and misleading statements to stockholders, including in
16 the Company's 2023 to 2025 Annual Reports, Quarterly Reports, and Proxy
17 Statements.

18 243. The conduct of the Defendants, individually and collectively, as set forth herein, was due
19 to their conscious intentional, knowing, and/or reckless disregard for the fiduciary duties owed to the
20 Company.

21 244. The Defendants had actual or constructive knowledge that they had caused the Company
22 to fail to maintain adequate internal controls and failed to provide adequate oversight to protect the
23 Company from liability related to the Company's unlawful copyright infringement and BIPA violations.

24 245. These actions were not good-faith exercises of prudent business judgment to protect and
25 promote the Company's corporate interests and those of its stockholders. Further, the Officer Defendants
26 do not enjoy the protection of the business judgment rule.

27 246. As a direct and proximate result of the Defendants' conscious failure to perform their
28 fiduciary duties, Adobe has sustained significant damages, both financially and to its corporate image
and goodwill. Such damages to Adobe include, and will include, substantial risk of liability, legal costs,

increased regulatory scrutiny, reputational damages, declining customer base, declining revenue, declining stock price, increased cost of capital, and other costs, damages and liabilities.

247. For their conscious and bad faith misconduct alleged herein, Defendants are liable to the Company.

248. In addition, the Director Defendants have further breached their fiduciary duties by deciding not to exercise the Compensation Committee's and Board's authorities and responsibilities under the Clawback Policy to claw back, forfeit, and recover the executive compensation of Defendant Narayan and others—to the extent that compensation was earned as a result of misconduct and failures in risk management resulting in copyright infringement, BIPA violations, and the filing of materially false and misleading SEC filings—the Director Defendants have caused the Company to waste its valuable corporate assets by paying Narayan and others highly wasteful executive compensation and allowing them to retain that compensation despite the misconduct and failures in risk management that led to the Company's copyright infringement, BIPA violations, and other misconduct.

249. Plaintiffs, on behalf of Adobe, have no adequate remedy at law.

COUNT II

VIOLATION OF SECTION 14(a) OF THE EXCHANGE ACT AND SEC RULE 14a-9 THEREUNDER

(AGAINST THE DIRECTOR DEFENDANTS)

250. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth in this paragraph, except to the extent those allegations plead knowing or reckless conduct by the Director Defendants. This claim is based solely on negligence, not on any allegation of reckless or knowing conduct by or on behalf of the Director Defendants. Plaintiffs specifically disclaim any allegations of or reliance upon any allegation of or reference to any allegation of fraud, scienter, or recklessness with regard to this claim.

251. SEC Rule 14a-9 (17 C.F.R. § 240.14a-9), promulgated under Section 14(a) of the Exchange Act, provides:

No solicitation subject to this regulation shall be made by means of any proxy statement form of proxy, notice of meeting or other communication, written or oral, containing any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any

1 material fact necessary in order to make the statements therein not false or misleading or
2 necessary to correct any statement in any earlier communication with respect to the
3 solicitation of a proxy for the same meeting or subject matter which has become false or
4 misleading.

5 252. The Director Defendants negligently issued, caused to be issued, and participated in the
6 issuance of materially misleading written statements to stockholders that were contained in the 2023,
7 2024, and 2025 Proxy Statements. Such Proxy Statements contained proposals to Adobe's stockholders
8 urging them to re-elect the members of the Board and approve executive compensation. The Proxy
9 Statements, however, misstated or failed to disclose (i) deficiencies in Adobe's internal and disclosure
10 controls that were known to the Board when the Proxy Statements were filed; and (ii) reporting failures
11 known to the Board when the Proxy Statements were filed, which failed to address on-going unlawful
12 copyright infringement. By reason of the conduct alleged in this Complaint, the Director Defendants
13 violated Section 14(a) of the Exchange Act and SEC Rule 14a-9. As a direct and proximate result of the
14 Director Defendants' wrongful conduct, Adobe misled or deceived its stockholders by making
15 misleading statements that were an essential link in stockholders heeding Adobe's recommendation to
16 re-elect the current Board, approve certain executive compensation, and vote against stockholder
17 proposals presented to the Company.

18 253. The misleading information contained in the 2023 – 2026 Proxy Statements was material
19 to Adobe's stockholders in determining whether or not to elect the Director Defendants and approve
20 certain executive compensation. This information was also material to the integrity of the directors who
21 were proposed for election to the Board. The proxy solicitation process in connection with the Proxy
22 Statements was an essential link in (i) the reelection of nominees to the Board, and (ii) the approval of
23 the executive compensation plan.

24 254. Plaintiffs, on behalf of Adobe, seek relief for damages inflicted upon the Company based
25 on the misleading 2023 – 2026 Proxy Statements in connection with the improper re-election of the
26 members of the Board, approval of executive compensation, and defeat of stockholder proposals.

27 255. This action was timely commenced within three years of the date of each Proxy
28 Statement and within one year from the time Plaintiffs discovered or reasonably could have discovered
the facts on which this claim is based.

COUNT III

VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND
SEC RULE 10b-5 THEREUNDER

(AGAINST DEFENDANTS NARAYEN AND DURN)

256. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth in this paragraph.

257. During the Relevant Period, Narayen and Durn disseminated or approved false or misleading statements and omissions about Adobe related to the Company's AI strategy, including representing that its software products were "commercially safe" because Adobe had only trained Firefly and its other software on Adobe Stock and public domain content, thereby avoiding the copyright infringement and BIPA violation risks associated with software from other competing companies. Defendants made other false and misleading statements and omissions on similar topics, as alleged more particularly herein.

258. Narayen and Durn knew or recklessly disregarded statements that were false or misleading and were intended to deceive, manipulate, or defraud. Those false or misleading statements and Narayen and Durn's course of conduct were designed to artificially inflate the price of the Company's common stock.

259. At the same time that the price of the Company's common stock was inflated due to the false or misleading statements, Narayen and Durn also caused the Company to repurchase billions of dollars of its own common stock at prices that were artificially inflated due to their false or misleading statements. From March 2024 to February 27, 2026, Narayen and Durn caused Adobe to repurchase **\$26.89 billion** of its own stock at significantly inflated prices.

260. Narayen and Durn violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 in that they (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Adobe in connection with the Company's purchases of its stock during the Relevant Period.

261. Narayen and Durn, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce or of the mails; (a) engaged and participated in a continuous course of conduct that operated as a fraud and deceit upon the Company; (b) made various false or misleading statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (c) made the above statements intentionally or with a severely reckless disregard for the truth; and (d) employed devices and artifices to defraud in connection with the purchase and sale of Adobe stock, which were intended to, and did, (a) deceive Adobe regarding, among other things, the Company's lack of internal controls to monitor, detect and prevent illegal copyright infringement and BIPA violations; and (b) artificially inflate and maintain the market price of Adobe stock.

262. Narayen and Durn were among the most senior executive officers of the Company, and were therefore directly responsible for, and are liable for, all materially false or misleading statements made during the Relevant Period, as alleged above.

263. Narayen and Durn acted with scienter throughout the Relevant Period, in that they acted either with intent to deceive, manipulate, or defraud, or with deliberate recklessness. The misstatements and omissions of material facts set forth in this Complaint were either known to Narayen and Durn or were so obvious that they should have been aware of them. Throughout the Relevant Period, Narayen and Durn also had a duty to disclose new information that came to their attention and rendered their prior statements to the market materially false or misleading.

264. As a direct and proximate result of Narayen and Durn's wrongful conduct, the Company suffered damages in connection with its purchases of Adobe stock during the Relevant Period. By reason of such conduct, Narayen and Durn are liable to the Company pursuant to Section 10(b) of the Exchange Act and SEC Rule 10b-5.

265. Plaintiffs brought this claim within two years of their discovery of the facts constituting the violation and within five years of the violation.

COUNT IV**VIOLATION OF SECTION 20A OF THE EXCHANGE ACT
(AGAINST DEFENDANTS NARAYEN AND DURN)**

266. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth in this paragraph.

267. While Adobe securities traded at artificially inflated and distorted prices, Defendants Narayen and Durn personally profited by selling shares of Adobe common stock on the dates alleged *supra*—while they were in possession of adverse, material non-public information about the Company. In sum, Narayen sold 202,441 shares for proceeds of \$73,407,371 and Durn sold 39,936 shares for proceeds of \$16,428,202.

268. Contemporaneously, Adobe repurchased its own shares during this same period, repurchasing \$26.89 billion of its own stock at significantly inflated prices.

269. The exact dates of Defendants' sales of Adobe stock are alleged *supra*. The exact dates of each repurchase of Adobe stock by the Company is not known, and discovery is necessary to learn all the exact dates because Adobe does not disclose the details of each stock repurchase, and instead only publishes summary data. The data publicly disclosed by Adobe is alleged herein. However, based on the huge volume of shares involved in Adobe's stock repurchase plan, and the fact that the repurchase program was ongoing during the entire Relevant Time Period, Plaintiffs believe, and on that basis allege, that Adobe repurchased its shares within one to three days of each date that Narayen and Durn sold stock.

270. Adobe suffered damages because: (i) in reliance on the integrity of the market, Adobe paid artificially inflated prices as a result of Defendants' violations of Sections 10(b) and 20 (a) of the Exchange Act as alleged herein; and (ii) Adobe would not have repurchased its shares at the same prices if had been aware that the market for Adobe stock had been artificially inflated by the false and misleading statements and omissions alleged herein.

271. By reason of the foregoing, Defendants violated Section 20A of the Exchange Act and are liable to Adobe for the substantial damages the Company sustained in connection with its purchases of Adobe common stock during the Relevant Period.

1 **XV. PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiffs respectfully pray for judgment in the form of an order:

3 A. Declaring and determining that Plaintiffs may maintain this action on behalf of Adobe
4 and that Plaintiffs are adequate representatives of the Company;

5 B. Declaring and determining that Defendants have breached their fiduciary duties to
6 Adobe;

7 C. Declaring and determining that the Director Defendants violated Section 14(a) of the
8 Exchange Act and SEC Rule 14a-9 by reason of the acts and omissions alleged herein;

9 D. Declaring and determining that Narayen and Durn violated Section 10(b) of the
10 Exchange Act and SEC Rule 10b-5 by reason of the acts and omissions alleged herein;

11 E. Determining and awarding to Adobe the damages sustained as a result of the violations
12 set forth above by all Defendants, jointly and severally, together with pre-judgment and post-judgment
13 interest thereon;

14 F. Directing Adobe to take all necessary actions to reform and improve its corporate
15 governance, internal controls, and policies by implementing a Board-level reporting and information
16 system—and to monitor that system—to ensure that the Company addresses copyright and voiceprint
17 infringement in any form, and any other civil and criminal laws relating to violation of intellectual
18 property rights;

19 G. Awarding against all Defendants and in favor of the Company extraordinary equitable
20 and injunctive relief as permitted by law and/or equity as this Court deems just and appropriate,
21 including restitution from Defendants, disgorgement of any benefits wrongly obtained by Defendants;

22 H. Awarding Plaintiffs' costs and disbursements for this action, including reasonable
23 attorneys' fees and expenses; and

24 I. Granting such other relief as this Court deems just and appropriate.

25 ///

26 ///

27 ///

XVI. JURY TRIAL DEMAND

Plaintiffs demand a trial by jury on all issues so triable.

Dated: September 24, 2026

BOTTINI & BOTTINI, INC.

s/ Francis A. Bottini, Jr.

Francis A. Bottini, Jr.

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*Counsel for Plaintiff SEIU Pension Plan Master
Trust*

VERIFICATION

I, Eunice Washington, as the Executive Director of the SEIU Pension Plan Master Trust (“Plaintiff”), hereby verify that Plaintiff is a stockholder of nominal defendant Adobe, Inc. (the “Company”), and has continuously held stock in the Company since at least 2019. I have reviewed the allegations in the Verified Consolidated Stockholder Derivative Complaint (the “Complaint”). As to those allegations of which Plaintiff has personal knowledge, I believe them to be true. As to those allegations of which Plaintiff lacks personal knowledge, Plaintiff relies upon the investigation of Plaintiff’s counsel, and I believe them to be true and correct to the best of my knowledge, information and belief. Having received a copy of the Complaint and reviewed it with counsel, I authorized its filing.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: September 24, 2026



Eunice Washington
Executive Director
SEIU Pension Plan Master Trust

VERIFICATION

I, Michael Hirschberger, verify that I am a shareholder of nominal defendant Adobe, Inc. (the “Company”), and that I have continuously owned stock in the Company at all relevant times. I have reviewed the allegations in this Verified Consolidated Shareholder Derivative Complaint (the “Complaint”). As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel’s investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: 9/23/2026 | 8:32 PM PDT

Michael Hirschberger

Michael Hirschberger

VERIFICATION

I, James Peterson, verify that I am a shareholder of nominal defendant Adobe, Inc. (the “Company”), and that I have continuously owned stock in the Company at all relevant times. I have reviewed the allegations in this Verified Consolidated Shareholder Derivative Complaint (the “Complaint”). As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel’s investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: 9/23/2026 | 10:11 AM PDT

James Peterson

James Peterson

VERIFICATION

I, Mitchell Small, verify that I am a shareholder of nominal defendant Adobe, Inc. (the “Company”), and that I have continuously owned stock in the Company at all relevant times. I have reviewed the allegations in this Verified Consolidated Shareholder Derivative Complaint (the “Complaint”). As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel’s investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: 9/23/2026 | 11:46 AM PDT

Mitchell Small

Mitchell Small