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11
12 **UNITED STATES DISTRICT COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**

14 PAUL HESSONG, on Behalf of Himself
15 and All Others Similarly Situated,

16 Plaintiff,

17 v.

18 PINTEREST, INC. and BEN SILBERMANN
19 and TODD MORGENFELD

20 Defendants.
21
22
23
24
25
26
27
28

Case No.

CLASS ACTION COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff, Paul Hessong (“Plaintiff”), individually and on behalf of all others similarly
2 situated, by and through his undersigned counsel, hereby brings this Class Action Complaint for
3 Violation of Federal Securities Law (“Complaint”) against (i) Pinterest, Inc. (“Company” or
4 “Pinterest”); (ii) Ben Silbermann, the Company’s co-founder, President and Chief Executive Officer
5 (“CEO”); (iii) Todd Morgenfeld, the Company’s Chief Financial Officer and Head of Business
6 Operations (“CFO”) (Defendants Silbermann and Morgenfeld are collectively referred to as
7 “Individual Defendants”, and together with the Company as “Defendants”) based upon, *inter alia*,
8 the investigation conducted by and under the supervision of Plaintiff’s counsel, which included a
9 review of the Company’s public documents, conference calls, and announcements, United States
10 (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by
11 and regarding the Company, analysts’ reports and advisories about the Company and readily
12 obtainable information. Plaintiff’s counsel’s investigation into the matters alleged herein is ongoing
13 and many relevant facts are known only to, or are exclusively within the custody or control of, the
14 Company and the Individual Defendants. Plaintiff believes that substantial additional evidentiary
15 support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

16 NATURE OF THE ACTION

17
18 1. This is a federal securities class action on behalf of a class consisting of all persons
19 other than Defendants who purchased or otherwise acquired common shares of Pinterest stock
20 between May 16, 2019 and November 1, 2019, both dates inclusive (the “Class Period”), seeking to
21 recover damages caused by Defendants’ violation of the federal securities laws and to pursue
22 remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
23 Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

24 2. Pinterest is a Delaware corporation headquartered in San Francisco, California. The
25 Company is an image sharing and social media service comprised of small images or “pins” for
26 finding ideas like recipes, home décor and style inspiration. The Company offers online marketing
27 services to commercial brands, which allow them to connect with people on the basis of their shared
28 tastes, aesthetic preferences and interests. Pinterest monetizes its platform through online

1 advertising. The Company utilizes user data to show targeted advertisements to its users based on
2 their interests and searches. As far as advertising revenue is concerned, the Company readily admits
3 that its financial and operational well-being critically depends on its ability to grow its base of
4 monthly active users.

5 3. Throughout the Class Period, Defendants repeatedly assured the market that Pinterest
6 was successfully expanding its domestic user base and that there existed a significant addressable
7 market of U.S. users that served as a catalyst for its online advertising revenue. Unbeknownst to
8 investors, however, the domestic market was quickly becoming saturated, leaving little room for
9 future expansion or growth. This negative trend, which would ultimately impact Pinterest's current
10 and future financial results, was known to Defendants throughout the Class Period, yet undisclosed
11 to the investing public.

12 4. Therefore, throughout the Class Period, Defendants made materially false and
13 misleading statements, and failed to disclose material adverse facts about the Company's business,
14 operations, and financial health. Specifically, Defendants made false and/or misleading statements
15 and failed to disclose to investors that: (i) the Company's addressable market in the U.S. was reaching
16 its maximum capacity; (ii) which significantly decelerated Pinterest's future ability to monetize on
17 U.S. average revenue per user; (iii) Pinterest was at an increased risk of losing advertising revenue;
18 (iv) and as a result, Defendants' public statements were materially false and misleading at all relevant
19 times or lacked a reasonable basis and omitted material facts.

20 5. On October 31, 2019, Pinterest announced disappointing preliminary financial results
21 for the third quarter 2019, having missed revenue estimates. Additionally, Pinterest reported net
22 revenue \$279.7 versus the consensus projection of \$282 million, indicating strong deceleration in the
23 growth of its domestic user base. The Company also gave full year 2019 guidance, which it only
24 marginally increased, indicating further deceleration in future quarters.

25 6. On this news, the price of Pinterest common shares sharply declined by 17%, to close
26 at \$20.86, on November 1, 2019, on unusually high trading volume.

27

28

1 7. As a result of Pinterest's wrongful acts and misrepresentations, and the precipitous
2 decline in the market value of its common shares, Plaintiff and other Class members have suffered
3 significant losses and damages.

4 **JURISDICTION AND VENUE**

5 8. The claims asserted herein arise under Section 10(b) and 20(a) of the Exchange Act
6 (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §
7 240.10b-5).
8

9 9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
10 § 1331 and Section 27 of the Exchange Act.

11 10. Venue is proper in this judicial district pursuant to Section 27 of the Exchange Act
12 (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Pinterest's common stock trades on the New York Stock
13 Exchange ("NYSE"). Accordingly, there are presumably hundreds, if not thousands, of investors in
14 Pinterest's common stock located within the U.S., some of whom undoubtedly reside in this judicial
15 district.

16 11. In connection with the acts alleged in this Complaint, Pinterest, directly or indirectly,
17 used the instrumentalities of interstate commerce, including interstate wires, U.S. Postal Service
18 mail, wireless spectrum, and the national securities exchange.

19 **INTRADISTRICT ASSIGNMENT**

20 12. Pursuant to Local Rule 3-2(c), this is a securities fraud class action to be assigned on
21 a district-wide basis. Defendant Pinterest, Inc. is headquartered in San Francisco, CA, which is
22 within the San Francisco/Oakland Division.

23 **PARTIES**

24
25 13. Plaintiff is a resident of Smithsburg, Maryland. As set forth in the attached
26 Certification, incorporated by reference herein, Plaintiff acquired Pinterest's shares during the Class
27 Period and was damaged by the federal securities law violations and false and/or misleading
28 statements and/or material omissions alleged herein.

1 14. Defendant Pinterest is a Delaware company with a principal place of business at 505
2 Brannan Street, San Francisco, California, United States. Pinterest shares trade on the NYSE under
3 the ticker symbol “PINS.” Defendant Pinterest is a visual discovery platform where users create,
4 share and discover image-based content for inspiration for their lives.

5 15. Defendant Ben Silbermann (“Defendant Silbermann”), is the co-founder of the
6 Company and has served as the Company’s CEO since the launch of the Company in January 2010.

7 16. Defendant Todd Morgenfeld (“Defendant Morgenfeld”), has served as the
8 Company’s CFO since October 2016.

9 17. The Individual Defendants possessed the authority to control the contents of
10 statements made by Pinterest in the Company’s reports to the SEC, press releases and presentations
11 to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The
12 Individual Defendants were provided with copies of the Company’s reports and press releases alleged
13 herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to
14 prevent their issuance or cause them to be corrected. Due to their position with the Company at
15 various points, and their access to Pinterest’s material information that was unavailable to the public,
16 the Individual Defendants knew that the adverse facts described herein were not disclosed to and
17 were being concealed from investors. Defendants are therefore liable for the false statements and
18 omissions alleged herein.

19 **SUBSTANTIVE ALLEGATIONS**

20 **Background**

21 18. Launched in 2010, Pinterest is a visual search engine, where users create, share and
22 seek inspiration from content in various categories such as home décor, recipes, and fashion. On both
23 its website and app, Pinterest consists of images called “pins” that have been linked to or from a
24 website or uploaded by a user. These pins are then grouped in themes called “boards” to create
25 different virtual albums. The Company caters to many business enterprises that utilize Pinterest to
26 promote their businesses and websites and to attract buyers. The Company filed its Initial Public
27 Offering on March 22, 2019 and started trading publicly on April 18, 2019.

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