

# EXHIBIT D

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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	:	Civil Action No. 1:23-cv-09260-JGK
In re ADOBE INC. SECURITIES LITIGATION	:	
	:	<u>CLASS ACTION</u>
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This Document Relates To:	:	
	:	
ALL ACTIONS.	:	
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**DECLARATION OF PROFESSOR ARUN SUNDARARAJAN**

I, ARUN SUNDARARAJAN, hereby declare under penalty of perjury the following:

1. I understand that Lead Plaintiffs Menora Mivtachim Insurance Ltd. and Menora Mivtachim Pensions & Gemel Ltd. and Lead Plaintiff Stichting Philips Pensioenfond (together, “Plaintiffs”) brought this federal securities lawsuit on behalf of a putative class of all persons and entities who purchased or otherwise acquired Adobe Inc. (“Adobe”) common stock between July 23, 2021 and September 22, 2022, inclusive (“Relevant Period”). I respectfully submit this Declaration in connection with Plaintiffs’ motion for leave to file their [Proposed] Second Amended Class Action Complaint for Violations of the Federal Securities Laws. My compensation in this matter is not contingent upon any specific opinion that I express or may render in the future or the outcome of this motion or proceeding.

**I. QUALIFICATIONS**

2. I am the Harold Price Professor of Entrepreneurship and Professor of Technology, Operations and Statistics at the Leonard N. Stern School of Business at New York University (“NYU”) in New York, New York, where I also serve as Director of their Fubon Center for Technology, Business, and Innovation.
3. I earned an undergraduate degree in Electrical Engineering from the Indian Institute of Technology in Madras, India in 1993. I earned an M.S. in Management Science in 1995 and a Ph.D. in Business Administration in 1998, both from the University Rochester.
4. At NYU, my research studies different facets of the economics of digital technologies, including the economics of digital goods and network effects, competition and its implication for antitrust

policy related to technology companies, the regulation and governance of artificial intelligence and digital platforms, and other related topics in industrial organization. I have taught courses about artificial intelligence and platforms, digital economics, and network analytics, among other topics.

5. I am the author of over 50 peer-reviewed papers published in academic journals that include Management Science, Proceedings of the National Academy of Sciences, Information Systems Research, Network Science, Statistical Science, the Journal of Marketing, the University of Chicago Law Review and the University of Chicago Legal Forum, and conference proceedings that include those of the International Conference on Information Systems and the ACM Conference on Economics and Computation. My published work has been recognized by numerous “best paper” awards. Earlier in my career, I served on editorial boards in the role of Senior Editor for the journal Information Systems Research and the role of Associate Editor for the journal Management Science.
6. I am the author of the award-winning book “The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism” published in 2016 by the MIT Press, which describes various economic and regulatory aspects of a specific set of digital platforms that, at the time of the book’s publication, were commonly referred to as constituting the “sharing economy.” The book has been translated into Mandarin Chinese, Japanese, Portuguese, and Vietnamese. I have authored over 40 op-eds on issues related to the digital economy and regulation that have been published in outlets that include the *New York Times*, the *Financial Times*, *The Guardian*, *Harvard Business Review*, *WIRED*, *Le Monde*, and the *Japan Times*, and have also published numerous book chapters and policy papers.
7. I have provided expert testimony to the United States House of Representatives at the congressional hearing titled “The Power of Connection: Peer-to-Peer Businesses” in January 2014,<sup>1</sup> and at the congressional hearing titled “The Sharing Economy: Creating Opportunities for Innovation and Flexibility” in September 2017.<sup>2</sup> I delivered the policy framing presentation at the Federal Trade Commission workshop titled “The “Sharing” Economy: Issues Facing Platforms,

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<sup>1</sup> “The Power of Connection: Peer-to-Peer Businesses.” *Hearing Before the Committee on Small Businesses*, United States House of Representatives (Jan. 15, 2014).

<<https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=364939>> (accessed Apr. 27, 2025).

<sup>2</sup> “The Sharing Economy: Creating Opportunities for Innovation and Flexibility.” *Hearing Before the Committee on Education and the Workforce*, United States House of Representatives (Sept. 6, 2017).

<<https://www.congress.gov/event/115th-congress/house-event/106358>> (accessed Apr. 27, 2025).

Participants, and Regulators” in June 2015.<sup>3</sup> I have also been invited to speak about the digital economy to numerous other bodies that include the European Parliament, the United Nations, federal government agencies that include the Presidential Council of Advisors on Science and Technology, the National Economic Council, the Federal Reserve Banks of New York, San Francisco and Atlanta, and various other state and city legislative bodies in the United States.

## **II. ADOBE’S DIGITAL MEDIA BUSINESS AND FIGMA’S ENTRY AND GROWTH DURING THE RELEVANT PERIOD**

8. Founded in 1982, Adobe is a large, diversified software company. It categorizes its business into three reportable segments, namely Digital Media, Digital Experience, and Publishing and Advertising.<sup>4</sup> As of 2022, Adobe’s Digital Media segment was further categorized into two segments, Creative Cloud and Document Cloud.<sup>5</sup> Creative Cloud includes software products such as Adobe Photoshop, Adobe Illustrator, and Adobe Premiere Pro.<sup>6</sup> Document Cloud includes software products such as Adobe Acrobat DC, Acrobat Sign, Adobe Scan, and also includes various application programming interface services.<sup>7</sup>
9. Adobe considers Creative Cloud to be the “flagship” of its Digital Media segment.<sup>8</sup> Creative Cloud is a subscription service that allows members to access Adobe’s creative products such as Photoshop, Illustrator and Premiere Pro.<sup>9</sup> While Photoshop and Illustrator are now widely used for digital interface design, the original versions of these software applications were released in the 1980s when the primary focus of such tools was on designing for print media.
10. In December 2015, Figma, then an early-stage venture backed software company launched a software product for product design, also called Figma.<sup>10</sup> While the product was simply called “Figma” initially and is still commonly referred to as “Figma,” for clarity in what follows, I refer

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<sup>3</sup> “The ‘Sharing Economy’: Issues Facing Platforms, Participants, and Regulators.” *Federal Trade Commission* (June 9, 2015). <<https://www.ftc.gov/news-events/events/2015/06/sharing-economy-issues-facing-platforms-participants-regulators>> (accessed Apr. 27, 2025).

<sup>4</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 4.

<sup>5</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 9-11.

<sup>6</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 9-10.

<sup>7</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 11.

<sup>8</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 4 (“The flagship of our Digital Media business is Adobe Creative Cloud, a subscription service that allows members to use our creative products integrated with cloud-delivered services across desktop, web and mobile devices.”).

<sup>9</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2022) at 9-10.

<sup>10</sup> Field, Dylan. “Design: Meet the Internet.” *Figma* (Dec. 3, 2015). <<https://www.figma.com/blog/design-meet-the-internet>> (accessed Apr. 27, 2025).

to the company as Figma and the product that it initially launched as Figma Design. Figma Design was built specifically to support technology product design and initially catered to a niche market segment of designers who were early adopters of web-based collaborative design.<sup>11</sup> Among the many features that Figma Design offered, it notably enabled real-time design collaboration between designers, developers and other stakeholders in a cloud-based environment, making it an attractive solution for remote product design and development teams.<sup>12</sup>

11. At the time of Figma Design's launch, Figma's CEO Dylan Field stated: "For years software has been moving away from the operating system and into the cloud[.] ... But design software hasn't caught up—it is offline and isolate[d]."<sup>13</sup> The launch of Figma was perceived as "fundamentally chang[ing] the way teams design together[.]"<sup>14</sup> because "the underlying technology required to create a professional design tool online didn't exist—until now."<sup>15</sup>
12. Additionally, by the end of 2015, another desktop-based product design software product, Sketch, was gaining popularity.<sup>16</sup> Although Sketch did not facilitate real-time or web-based collaboration like Figma Design, it was simpler to use than Photoshop or Illustrator and also offered a cloud-based component for sharing and collaboration.<sup>17</sup> A few months later, in March 2016, Adobe launched a new creative software product for product design called Adobe XD, marketed as having the advantage of seamless integration with Adobe's established Creative Cloud software products. Specifically, Adobe XD supported "bringing in existing assets from Photoshop, Illustrator and Sketch."<sup>18</sup> This interoperability purportedly allowed designers who were existing users of Adobe design products like Photoshop, Illustrator and InDesign to leverage their existing

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<sup>11</sup> Eze, Linda. "Inside Figma: The Backbone of Modern Design Collaboration." *Medium* (Dec. 15, 2024). <<https://medium.com/@solinda90/inside-figma-the-backbone-of-modern-design-collaboration-1ee5a2ae1227>> (accessed Apr. 27, 2025) ("The founders leveraged their connections in the Silicon Valley tech scene to gain early traction with early adopters, particularly within design teams in the startup ecosystem.").

<sup>12</sup> Wallace, Evan. "Multiplayer Editing in Figma." *Figma* (Sept. 28, 2016). <<https://www.figma.com/blog/multiplayer-editing-in-figma>> (accessed Apr. 28, 2025).

<sup>13</sup> "Figma Introduces World's First Browser-Based, Professional Grade Tool for Collaborative Interface Design." *Business Wire* (Dec. 3, 2015).

<sup>14</sup> "Figma Introduces World's First Browser-Based, Professional Grade Tool for Collaborative Interface Design." *Business Wire* (Dec. 3, 2015).

<sup>15</sup> "Figma Introduces World's First Browser-Based, Professional Grade Tool for Collaborative Interface Design." *Business Wire* (Dec. 3, 2015).

<sup>16</sup> Klein, Ronit. "9 leading UX Designers: Why We Love Using Sketch." *Medium* (Dec. 8, 2016). <<https://medium.com/sketch-app-sources/9-leading-ux-designers-why-we-love-using-sketch-2a47a50e37eb>> (accessed Apr. 24, 2025).

<sup>17</sup> Schwarz, Daniel. "Figma or Sketch: Who Wins the War on Multiplayer Design?" *Sitepoint* <<https://www.sitepoint.com/figma-vs-sketch-who-wins-the-war-on-multiplayer-design>> (accessed Apr. 29, 2025).

<sup>18</sup> Shorten, Andrew. "Introducing Adobe Experience Design CC (Preview)." *Adobe* (Mar. 14, 2016). <<https://blog.adobe.com/en/publish/2016/03/14/introducing-adobe-experience-design-cc-preview>> (accessed Apr. 28, 2025).

designs without disrupting their creative process.<sup>19</sup> Adobe XD, however, was initially launched as a desktop application. It was not cloud-based and did not facilitate real-time collaboration.<sup>20</sup> Features that allowed collaboration were not made available in Adobe XD until a beta release in November 2019.<sup>21</sup>

13. Figma had an estimated revenue of \$75 million in 2020.<sup>22</sup> By 2022, Adobe reported that Figma was on track to generate about \$400 million in revenue.<sup>23</sup> Figma's growth had thus accelerated despite the 2016 launch of Adobe XD and Adobe XD's purported compatibility with market leader Adobe's other existing creative software. Figma Design's capability of real-time collaboration was a differentiating feature that Adobe XD lacked, at least initially.<sup>24</sup>
14. As of 2022, Adobe's Digital Media segment generated about 73 percent of the total annual revenue of the company. Specifically, Creative Cloud, central to Adobe's business strategy, generated \$10.5 billion of revenue in 2022, almost 60 percent of Adobe's revenue. Adobe estimated the total addressable market ("TAM") of the segment to be \$31 billion,<sup>25</sup> and the revenue generated by Creative Cloud in 2022 reflected a 10 percent increase from 2021. *See Table 1: Adobe's Revenue and YoY Growth by Business Segment in 2021 and 2022* below.

<sup>19</sup> "Adobe XD and Creative Cloud—An Overview." *Adobe* (Feb. 23, 2022). <<https://helpx.adobe.com/xd/help/xd-overview.html>> (accessed Apr. 28, 2025) ("You can bring in your work from Photoshop, Illustrator, and InDesign or reuse assets from Creative Cloud Libraries.").

<sup>20</sup> Shorten, Andrew. "Introducing Adobe Experience Design CC (Preview)." *Adobe* (Mar. 14, 2016). <<https://blog.adobe.com/en/publish/2016/03/14/introducing-adobe-experience-design-cc-preview>> (accessed Apr. 27, 2025) ("Everyone can use Adobe XD for free during the preview period—you can download it from Adobe.com or through the Creative Cloud desktop app.").

<sup>21</sup> Shorten, Andrew. "November 2019 Release of Adobe XD: Coediting, Document History, Component States, and More Unveiled at Adobe MAX." *Adobe Blog* (Nov. 4, 2019). <<https://blog.adobe.com/en/publish/2019/11/04/xd-november-2019-update-coediting-more>> (accessed Apr. 29, 2025).

<sup>22</sup> Konrad, Alex. "How Figma Became Design's Hottest Startup, Valued At \$10 Billion." *Forbes* (Aug. 10, 2021). <<https://www.forbes.com/sites/alexkonrad/2021/08/10/how-figma-became-designs-hottest-startup-valued-at-10billion>> (accessed Apr. 27, 2025).

<sup>23</sup> "Adobe to Acquire Figma." *Adobe* (Sept. 15, 2022). <<https://news.adobe.com/news/news-details/2022/adobe-to-acquire-figma>> (accessed Apr. 28, 2025) ("The company is expected to add approximately \$200 million in net new ARR this year, surpassing \$400 million in total ARR exiting 2022[.]").

<sup>24</sup> Chapman, Lizette. "Startups Try to Chip Away at Adobe's Dominance in Design Tools." *Bloomberg News* (Feb. 1, 2018). <<https://www.bloomberg.com/news/articles/2018-02-01/startups-try-to-chip-away-at-adobe-s-dominance>> (accessed Apr. 28, 2025) ("Like Google Docs, Figma allow multiple users to work on the same project simultaneously and save version histories. This is key. Adobe XD doesn't have either capability.").

<sup>25</sup> "Adobe Financial Analyst Meeting." *Adobe* (Dec. 10, 2020). <<https://www.adobe.com/cc-shared/assets/investor-relations/pdfs/adbe-fa-meeting-2020.pdf>> (accessed Apr. 24, 2025) at 15.

**Table 1:** Adobe's Revenue and YoY Growth by Business Segment in 2021 and 2022<sup>26</sup>

Segment	2021 Revenue (\$MM)	2022 Revenue (\$MM)	YoY Growth	Pct. of Total Revenue (2022)
Total Revenue	\$15,785	\$17,606	12%	100%
Digital Media	\$11,520	\$12,842	11%	73%
- Creative Cloud	\$9,546	\$10,459	10%	59%
- Document Cloud	\$1,974	\$2,383	21%	14%
Digital Experience	\$3,867	\$4,422	14%	25%
Publishing & Advertising	\$398	\$342	-14%	2%

15. By early 2022, however, Adobe XD had not made significant inroads into capturing the user base that Figma was gaining traction with. In February 2022, Adobe placed Adobe XD into “maintenance mode,”<sup>27</sup> indicating that the company was “not investing in ongoing development or shipping new features within the product.”<sup>28</sup> In other words, Adobe essentially discontinued the product.

16. Figma began generating revenue in 2017 and grew rapidly.<sup>29</sup> In late 2022, Figma's revenue for the year was projected to reach \$400 million, roughly doubling its revenue from 2021.<sup>30</sup> Earlier that year, Figma had formed a partnership with Google for Education which was expected to further expand its growth.<sup>31</sup> An industry survey in 2022 revealed that Figma Design was not only the erstwhile dominant tool for user interface (“UI”) design,<sup>32</sup> but was also considered by

<sup>26</sup> Adobe Inc. *Form 10-K* (Jan. 17, 2023) at 41-42.

<sup>27</sup> “Anticipated Acquisition by Adobe Inc. of Figma, Inc. Summary of Provisional Findings.” *Competition & Markets Authority* (Nov. 28, 2023). <[https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary\\_of\\_provisional\\_findings\\_pdf.pdf](https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary_of_provisional_findings_pdf.pdf)> (accessed Apr. 28, 2025) at 3.

<sup>28</sup> “Adobe XD Learn & Support.” *Adobe*. <<https://helpx.adobe.com/support/xd.html#troubleshooting>> (accessed Apr. 28, 2025).

<sup>29</sup> See Chan, Rosalie “How Figma CEO Dylan Field Grew the \$2 Billion Design Software Startup.” *Business Insider* (Oct. 1, 2020) <<https://www.businessinsider.com/figma-ceo-dylan-field-design-software-startup-2020-10>> (accessed Apr. 27, 2025).

<sup>30</sup> Goldfarb, Jeffrey. “Adobe's \$20 bln Deal Uses Ample Creative License.” *Reuters* (Sept. 15, 2022). <<https://www.reuters.com/breakingviews/adobes-20-bln-deal-uses-ample-creative-license-2022-09-15>> (accessed Apr. 25, 2025) (“Figma, which was started in 2012, expects to make more than \$400 million in annual recurring revenue in 2022, roughly doubling from the previous year. It has a gross margin of about 90%, Adobe said.”).

<sup>31</sup> Bravo, Amber and Lauren McCann. “Figma and Chromebook: Empowering the Next Generation of Designers.” *Figma* (June 7, 2022). <<https://www.figma.com/blog/figma-chromebook-next-generation-of-designers>> (accessed Apr. 24, 2025).

<sup>32</sup> “UI Design.” *2022 Design Tool Survey*. <<https://uxtools.co/survey/2022/ui-design>> (accessed Apr. 27, 2025).



designers as the tool they were most excited to try in 2023.<sup>33</sup> The company could thus reasonably be viewed as having substantial positive momentum and growth in 2022.

17. In September 2022, Adobe announced that it intended to acquire Figma for approximately \$20 billion. When announcing this proposed acquisition, Adobe projected a TAM of \$16.5 billion for Figma Design by 2025.<sup>34</sup> This announcement underscored Adobe's recognition of Figma's leadership in collaborative design.<sup>35</sup> However, in December 2023, Adobe and Figma terminated the proposed acquisition "based on a joint assessment that there is no clear path to receive necessary regulatory approvals from the European Commission and the UK Competition and Markets Authority."<sup>36</sup>

18. Following the withdrawal of Adobe's proposed acquisition offer of Figma in December 2023, Adobe confirmed publicly that it would not invest further in Adobe XD.<sup>37</sup>

### **III. ADOBE XD'S INABILITY TO CAPTURE MARKET SHARE IN THE MARKET PURSUED BY FIGMA LIKELY IMPACTED ADOBE'S BUSINESS AND PROSPECTS.**

19. Figma Design demonstrates many traits of a *disruptive innovation*. As I explain further below, Figma Design gained traction initially by serving a niche group of designers who valued product design software that enabled real-time and cloud-based collaboration. Over time, while continuing to serve the needs of these early adopters, Figma Design expanded its feature set and user base, allowing it to gradually meet evolving mainstream needs. As a result, by 2021 and 2022, it posed a challenge to Adobe's dominance in the creative software market. Had Adobe XD succeeded, this disruptive threat from Figma may have been less pronounced.

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<sup>33</sup> "2023 Predictions." *2022 Design Tool Survey*. <<https://uxtools.co/survey/2022/what-comes-next>> (accessed Apr. 28, 2025).

<sup>34</sup> "Adobe to Acquire Figma." *Adobe* (Sept. 15, 2022). <<https://news.adobe.com/news/news-details/2022/adobe-to-acquire-figma>> (accessed Apr. 24, 2025).

<sup>35</sup> "Adobe to Acquire Figma." *Adobe* (Sept. 15, 2022). <<https://news.adobe.com/news/news-details/2022/adobe-to-acquire-figma>> (accessed Apr. 24, 2025) ("Today, Adobe (Nasdaq:ADBE) announced it has entered into a definitive merger agreement to acquire Figma, a leading web-first collaborative design platform, for approximately \$20 billion in cash and stock. The combination of Adobe and Figma will usher in a new era of collaborative creativity.").

<sup>36</sup> "Adobe and Figma Mutually Agree to Terminate Merger Agreement." *Adobe* (Dec. 18, 2023) <<https://news.adobe.com/news/news-details/2023/adobe-and-figma-mutually-agree-to-terminate-merger-agreement>> (accessed Apr. 28, 2025).

<sup>37</sup> Ford, Brody. "Adobe Gives Up on Web-Design Product to Rival Figma After Deal Collapse." *Bloomberg* (Jan. 30, 2024). <<https://www.bloomberg.com/news/articles/2024-01-30/adobe-gives-up-on-xd-after-figma-deal-collapse>> (accessed Apr. 25, 2025).



20. As explained further below, Figma’s products also benefited from network effects. As more users adopted Figma’s products, these products became more valuable to existing users, in part because more seamless collaboration was central to the value users derived from these products. Adobe, long reliant on entrenched user habits and proprietary formats, saw its strategy to counter Figma Design with Adobe XD falter. Adobe’s \$20 billion acquisition bid signaled Adobe’s recognition that Figma Design was not just a fringe competitor in a market of little importance, but a disruptive threat. The sharp drop in Adobe’s market capitalization following the merger announcement reflected market acknowledgment that Adobe had conceded ground in its core creative software business.

**A. Figma Design Exhibited the Hallmarks of a Disruptive Technology, and the Theory of Disruptive Innovation Was Widely Understood in the Technology Industry.**

21. Figma Design possesses several characteristics of a disruptive innovation. Two relevant aspects of the theories of disruptive innovation stand out in this case. First, products that have characteristics of a disruptive innovation often display inferior performance on attributes that customers of established products in a *mainstream* market value, but simultaneously display superior performance on attributes that customers in a *fringe* market might value highly.<sup>38</sup>
22. Second, the performance of disruptive products will, over time, improve rapidly on performance attributes that are important to customers in the mainstream market, and thus become more attractive to these customers of established products whose performance needs may also be evolving. In turn, this can lead to the disruptive product capturing market share from or even displacing dominant products in the mainstream market.
23. Google Docs provides a useful illustration of the disruptive trajectory one might have expected for a product like Figma Design. Before Google Docs (originally called Google Documents) was launched in 2006, most document creation and editing happened using desktop software like Microsoft Word, the dominant product in the mainstream market.<sup>39</sup> Jen Mazzon, a member of the original Google Docs team, noted that “[e]veryone told us it was crazy to try and give people a

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<sup>38</sup> See, e.g., Christensen, Clayton M., Rory McDonald, Elizabeth J. Altman, and Jonathan E. Palmer. “Disruptive Innovation: An Intellectual History and Directions for Future Research.” *Journal of Management Studies* 55.7 (2018):1043-1078 at 1047, 1048; Bower, Joseph L. and Clayton M. Christensen. “Disruptive Technologies: Catching the Wave.” *Harvard Business Review* (January-February 1995) at 45; Christensen, Clayton M. “The Rigid Disk Drive Industry: A History of Commercial and Technological Turbulence.” *Business History Review* 67. 4 (1993):531-588 at 560.

<sup>39</sup> Martindale, John. “Microsoft Word vs. Google Docs.” *Digital Trend* (Sept. 4, 2024). <<https://www.digitaltrends.com/computing/microsoft-word-versus-google-docs>> (accessed Apr. 28, 2025).

way to access their documents from anywhere—not to mention share documents instantly, or collaborate online within their browser.”<sup>40</sup> While it lacked a number of the more advanced features of Microsoft Word, Google Docs enabled web-based collaborative document sharing and editing, and its early adopters were from a fringe market of millennials and students outside of traditional corporate settings.<sup>41</sup> Google pursued a growth strategy that targeted teachers who might influence technology adoption in schools, and by 2017, more than half the nation’s primary- and secondary-school students used Google Docs.<sup>42</sup> A recent survey of college graduates by SADA, a partner of Google Cloud, found that the next-generation workforce now overwhelmingly prefers Google Doc to Microsoft Word.<sup>43</sup> Specifically, “86 [percent] reported preferring Google Docs for collaborating with a team to draft a document or write a paper, while only 14 [percent] chose Microsoft Word.”<sup>44</sup> Today, Google Docs is available as part of the Google Workplace suite of online productivity and collaboration tools targeted at businesses, and is used by many Fortune 500 corporations.<sup>45</sup>

24. At the time of Figma’s launch, Adobe garnered much of its Creative Cloud business from larger corporations. From 2016 to 2020, Adobe noted that it marketed its products and services “directly to enterprise customers through [its] sales force and local field office,”<sup>46</sup> and further stated that its direct sales force was “focused on building relationships with our largest customers and driving adoption of our Creative Cloud for enterprise offering.”<sup>47</sup>

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<sup>40</sup> McHugh-Johnson, Molly. “15 Milestones, Moments, and More for Google Docs’ 15<sup>th</sup> Birthday.” *Google* (Oct. 11, 2021) <<https://blog.google/products/docs/happy-15-years-google-docs>> (accessed Apr. 28, 2025).

<sup>41</sup> Richman, Matt. “Millennials Prefer Microsoft Word for Individual Work, Google Docs for Collaborative Work.” *Vox* (Jul. 29, 2016) <<https://www.vox.com/2016/7/29/12312086/millennials-microsoft-word-google-docs-collaboration-study>> (accessed Apr. 28, 2025).

<sup>42</sup> Singer, Natasha. “How Google Took Over the Classroom.” *New York Time* (May 13, 2017) <<https://www.nytimes.com/2017/05/13/technology/google-education-chromebooks-schools.html>> (accessed Apr. 27, 2025).

<sup>43</sup> “The Emerging Workforce Overwhelmingly Prefers Google Cloud Productivity and Collaboration Tools Over Alternatives.” *SADA* <<https://sada.com/insights/press-release/the-emerging-workforce-overwhelmingly-prefers-google-cloud-productivity-and-collaboration-tools-over-alternatives>> (accessed Apr. 27, 2025).

<sup>44</sup> “The Emerging Workforce Overwhelmingly Prefers Google Cloud Productivity and Collaboration Tools Over Alternatives.” *SADA* <<https://sada.com/insights/press-release/the-emerging-workforce-overwhelmingly-prefers-google-cloud-productivity-and-collaboration-tools-over-alternatives>> (accessed Apr. 27, 2025).

<sup>45</sup> “Our Customers.” *Google Workplace* <<https://workspace.google.com/customers>> (accessed Apr. 27, 2025).

<sup>46</sup> Adobe Inc. *Form 10-K* (Jan. 20, 2017) at 3; Adobe Inc. *Form 10-K* (Jan. 22, 2018) at 3; Adobe Inc. *Form 10-K* (Jan. 25, 2019) at 3; Adobe Inc. *Form 10-K* (Jan. 21, 2020) at 3; Adobe Inc. *Form 10-K* (Jan. 15, 2021) at 3.

<sup>47</sup> Adobe Inc. *Form 10-K* (Jan. 20, 2017) at 5; Adobe Inc. *Form 10-K* (Jan. 22, 2018) at 5; Adobe Inc. *Form 10-K* (Jan. 25, 2019) at 5; Adobe Inc. *Form 10-K* (Jan. 21, 2020) at 6; Adobe Inc. *Form 10-K* (Jan. 15, 2021) at 6.

25. Figma initially targeted a niche market of designers who were early adopters of collaborative, cloud-based design tools.<sup>48</sup> At its launch, Figma was advertised to offer “the speed and stability of powerful legacy design programs like Adobe, but with the versatility and collaborative flexibility of online apps like Google Docs.”<sup>49</sup>
26. After its launch, Figma Design’s capabilities expanded rapidly, as did the company’s product line. It added a Team Library feature in 2017, along with additional functionalities like developer handoff and prototyping.<sup>50</sup> In 2018, Figma launched Figma Platform, connecting Figma Design to other tools, scripts, and web apps in a reliable way.<sup>51</sup> Figma highlighted the example of Uber’s design team using Figma Platform to create a live feed of ongoing work to raise visibility across the organization, and GitHub’s use in automating part of its icon creation processes to improve its efficiency.<sup>52</sup> In 2021, Figma introduced FigJam, an online whiteboard for teams to brainstorm and ideate together.<sup>53</sup> By 2022, *CNBC* reported that Figma Design was used by tens of thousands of employees inside Microsoft,<sup>54</sup> and “Microsoft’s requests [for more features] helped Figma develop its top-tier enterprise plan.”<sup>55</sup> For Figma Design, “getting traction inside big companies, particularly within Microsoft, has required going head-to-head with Adobe’s competing XD program, and winning its fair share of deals.”<sup>56</sup>
27. Together, these developments illustrate how the evolution of Figma’s products align with some core characteristics of being a disruptive innovation. When it launched, Figma Design was a

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<sup>48</sup> Eze, Linda. “Inside Figma: The Backbone of Modern Design Collaboration.” *Medium* (Dec. 15, 2024). <<https://medium.com/@solinda90/inside-figma-the-backbone-of-modern-design-collaboration-1ee5a2ae1227>> (accessed Apr. 27, 2025) (“The founders leveraged their connections in the Silicon Valley tech scene to gain early traction with early adopters, particularly within design teams in the startup ecosystem.”).

<sup>49</sup> “Figma Introduces World’s First Browser-Based, Professional Grade Tool for Collaborative Interface Design.” *Business Wire* (Dec. 3, 2015).

<sup>50</sup> Field, Dylan. “Reflecting on Figma’s First Year.” *Figma* (Mar. 22, 2018). <<https://www.figma.com/blog/reflecting-on-figmas-first-year>> (accessed Apr. 24, 2025).

<sup>51</sup> Rasmussen, Kris. “Introducing: Figma’s Platform.” *Figma* (Mar. 22, 2018). <<https://www.figma.com/blog/introducing-figmas-platform>> (accessed Apr. 24, 2025).

<sup>52</sup> Rasmussen, Kris. “Introducing: Figma’s Platform.” *Figma* (Mar. 22, 2018). <<https://www.figma.com/blog/introducing-figmas-platform>> (accessed Apr. 24, 2025).

<sup>53</sup> Yamashita, Yuhki. “Introducing FigJam.” *Figma* (Apr. 21, 2021). <<https://www.figma.com/blog/introducing-figjam>> (accessed Apr. 24, 2025).

<sup>54</sup> “Microsoft Employees Love Figma, and It’s Testing the Company’s Cory Relationship with Adobe.” *CNBC* (Aug. 25, 2022) <<https://www.cnn.com/2022/08/25/figma-growing-inside-microsoft-testing-longtime-deal-with-adobe.html>> (accessed Apr. 27, 2025).

<sup>55</sup> “Microsoft Employees Love Figma, and It’s Testing the Company’s Cory Relationship with Adobe.” *CNBC* (Aug. 25, 2022) <<https://www.cnn.com/2022/08/25/figma-growing-inside-microsoft-testing-longtime-deal-with-adobe.html>> (accessed Apr. 27, 2025).

<sup>56</sup> “Microsoft Employees Love Figma, and It’s Testing the Company’s Cory Relationship with Adobe.” *CNBC* (Aug. 25, 2022) <<https://www.cnn.com/2022/08/25/figma-growing-inside-microsoft-testing-longtime-deal-with-adobe.html>> (accessed Apr. 27, 2025).

“lightweight” alternative to desktop design tools like those provided by Adobe and CorelDraw and not necessarily of interest to the enterprise customers in the mainstream market served by Adobe. However, Figma Design’s rapid evolution and growing feature set poised it to move beyond its initial niche user base and eventually gain adoption by mainstream corporate design teams, whose product design needs were also evolving. Its browser-based, collaborative platform offered a fundamentally new approach to interface design—one that was especially well-suited for designing web and mobile applications, as well as to the increasingly distributed and remote nature that characterized modern work during and following the COVID-19 pandemic.<sup>57</sup> Indeed, John Lilly, a member of Figma’s Board of Directors, noted early on that it is “hard to overstate how much [Figma Design] will fundamentally change the way teams design together.”<sup>58</sup> His statement underscores the recognition, even at Figma’s early stages, that experts saw Figma Design as not just an incremental improvement, but a transformational shift in how design teams collaborate and create.

28. Additionally, by 2015, the theory of disruptive innovation was widely understood in the technology business. A 2015 Global Innovation Survey asked global technology leaders to identify the most “disruptive technologies” in the next few years. Cloud computing, including SaaS (Software as a Service), PaaS (Platform as a Service), and IaaS (Infrastructure as a Service) topped the list.<sup>59</sup> Figma Design, a SaaS product, is thus exactly the type of technology that global technology leaders viewed as a disruptive threat in 2015. Indeed, when announcing its launch, the company promised to “do for interface design what Google Docs did for text editing.”<sup>60</sup>
29. Soon after its launch and initial success, Figma is thus likely to have been viewed as a threat to Adobe’s dominance in the creative software market. For example, Mamoon Hamid, the general partner of the storied Silicon Valley venture capital firm Kleiner Perkins, noted in 2018 that “software like Figma’s can infiltrate companies by appealing directly to designers, similar to how

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<sup>57</sup> Pabilonia, Sabrina Wulff and Jill Janocha Redmond. “The Rise in Remote Work Since the Pandemic and Its Impact on Productivity.” *Beyond the Numbers* 13.8 (Oct. 2024). <<https://www.bls.gov/opub/btn/volume-13/remote-work-productivity.htm>> (accessed Apr. 27, 2025).

<sup>58</sup> “Figma Introduces World’s First Browser-Based, Professional Grade Tool for Collaborative Interface Design.” *Business Wire* (Dec. 3, 2015).

<sup>59</sup> Columbus, Louis. “5 Insights & Predictions on Disruptive Tech from KPMG’s 2015 Global Innovation Survey.” *Forbes* (Nov. 8, 2015). <<https://www.forbes.com/sites/louiscolombus/2015/11/08/5-insights-predictions-on-disruptive-tech-from-kpmgs-2015-global-innovation-survey>> (accessed Apr. 24, 2025).

<sup>60</sup> Constine, Josh. “23-Year-Old’s Design Collaboration Tool Figma Launches with \$14M to Fight Adobe.” *TechCrunch* (Dec. 3, 2015). <<https://techcrunch.com/2015/12/03/figma-vs-goliath>> (accessed Apr. 24, 2025).

Slack Technologies Inc. and Box Inc. found employees to champion their apps to management.”<sup>61</sup> Therefore, it was natural for Adobe to see Figma as a potentially disruptive threat, and the launch of Adobe XD was likely an attempt to neutralize this threat.

30. Indeed, in 2020, Adobe added Figma to the list of competitors it publishes in its annual report.<sup>62</sup> It reported that “[c]ompetitors to Adobe XD include Figma, Invision and Sketch. Partnerships and integrations between these companies and third parties create an increasingly competitive landscape in this space.”<sup>63</sup>

**B. Figma Benefited from Network Effects as It Grew Its User Base.**

31. A product is said to display network effects when increased adoption or usage of the product by some users increases the value of the product for other users.<sup>64</sup> Network effects can create a powerful growth loop under which increased value derived from existing users attracts more users, which in turn drives even more value.<sup>65</sup>
32. Figma’s products derive their network effects from many sources. As more designers choose Figma’s products, the products become more valuable to existing designers because it is easier to find collaborators who know how to and are willing to use the same product. This is tied in part to the fact that collaborative design is at the heart of the value of Figma Design – more users means more potential collaborators, increasing the value of the product for each user, and the adoption of Figma Design by non-designers who used it to collaborate with designers further reflected the meaningful (and promising) role that network effects would play for the product.<sup>66</sup> Additionally,

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<sup>61</sup> Chapman, Lizette. “Startups Try to Chip Away at Adobe’s Dominance in Design Tools.” *Bloomberg News* (Feb. 1, 2018).

<sup>62</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2020) at 9.

<sup>63</sup> Adobe Inc. *Form 10-K* (Jan. 21, 2020) at 9.

<sup>64</sup> See, e.g., Sundararajan, Arun. “Network Effects.” *NYU Stern*. <[oz.stern.nyu.edu/io/network.html](https://oz.stern.nyu.edu/io/network.html)> (accessed Apr. 24, 2025); Katz, Michael L. and Carl Shapiro. “Systems Competition and Network Effects.” *Journal of Economic Perspectives* 8.2 (1994): 93-115 at 94 (“Because the value of membership to one user is positively affected when another user joins and enlarges the network, such markets are said to exhibit ‘network effects,’ or ‘network externalities.’”).

<sup>65</sup> Varian, Hal. R. “Use and Abuse of Network Effects.” *SSRN* (Sept. 17, 2017) at 1 (“The concept is easy to describe: a good exhibits network effects if the value to a new user from adopting the good is increasing in the number of users who have already adopted it. This generates a positive feedback loop: the more users who adopt the good, the more valuable it becomes to potential adopters.”).

<sup>66</sup> “Bringing Non-Designers into the Designer Process.” *Figma* <<https://www.figma.com/reports/bringing-non-designers-into-design-process>> (accessed Apr. 28, 2025) (“Bringing people from outside of the design team into the product development process opens up more meaningful communication, and keeps everyone pointing in the same direction.”). See also Schwarz, Daniel. “Figma or Sketch: Who Wins the War on Multiplayer Design?” *Sitepoint* <<https://www.sitepoint.com/figma-vs-sketch-who-wins-the-war-on-multiplayer-design>> (discussing how Figma enabled bringing non-designers into the design process).

Figma now offers Figma Community<sup>67</sup> which allows designers to create and share with each other varied assets—including templates, plug-ins and widgets—that are complementary to Figma Design.<sup>68</sup> As more people use Figma Design, there are likely to be more complementary assets available through Figma Community, making Figma Design more valuable to its existing users.

33. It is well-known to academics and industry practitioners that the presence of network effects creates both challenges and opportunities when launching a new product. Network effects can potentially limit demand initially because users may only value a product enough to adopt it if there are sufficient existing users. Thus, successfully launching a product with network effects involves overcoming what is sometimes referred to as the cold-start problem.<sup>69</sup> On the positive side, once a product that displays network effects acquires an initial user base and begins to succeed, its growth can accelerate rapidly due to positive feedback and the growth loop discussed earlier.
34. As I discussed in Section II.B., disruptive technologies often have features that cater to the needs of a niche group of users who may establish the product's initial user base. In its early days, Figma successfully captured a niche market of designers and teams who were early adopters of cloud-based design tools and real-time collaborative design practices. By 2021, however, what had started as a niche group of users had grown significantly—in part, as discussed earlier, due to the increase in demand for remote collaboration tools caused by the COVID-19 pandemic. According to Figma's CEO Dylan Field, the year 2020 was an inflection point for Figma as the pandemic upended the way people collaborated and put an emphasis on digital spaces over physical ones.<sup>70</sup> By 2021, 63 percent of designers reported using Figma as their primary UI design tool.<sup>71</sup>
35. Figma's partnership with Google's Education initiative, announced in June 2022, further expanded Figma's user base by making it even more accessible to students and educators

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<sup>67</sup> "Figma Community." *Figma*. <<https://www.figma.com/community>> (accessed Apr. 28, 2025).

<sup>68</sup> "Guide to The Figma Community." *Figma Learn*. <<https://help.figma.com/hc/en-us/articles/360038510693-Guide-to-the-Figma-Community>> (accessed Apr. 28, 2025).

<sup>69</sup> See Chen, Andrew. *The Cold Start Problem*. New York: HarperCollins (2021).

<sup>70</sup> Chan, Rosalie. "Figma CEO Dylan Field Explains How 2020 Was an 'Inflection Point.'" *Business Insider* (Feb. 1, 2021). <<https://www.businessinsider.com/figma-ceo-dylan-field-design-software-inflection-point-2021-1>> (accessed Apr. 28, 2025).

<sup>71</sup> Dexter, Sean. "Figma Continues to Skyrocket—63% Reported It Was Their Primary UI Tool." *Medium* <<https://uxdesign.cc/figma-continues-to-skyrocket-63-reported-it-was-their-primary-ui-design-tool-in-2021-bb9390a8b96b>> (accessed Apr. 25, 2025).



globally, strengthening the user base that fueled its network effects. Free access to Figma's products under a formal initiative geared toward students and educators meant that as students graduated and entered the workforce, they were already likely to be proficient Figma users and would naturally advocate for it in the workplace as the design choice they were most familiar with, thereby facilitating the adoption of Figma's products in larger enterprises over time. This strategy echoed Mamoon Hamid's observation that Figma would infiltrate companies from the bottom up, driven by employees who champion the app to their teams and management.<sup>72</sup>

36. The growth in Figma's user base in 2021 and 2022 was driven not just by attracting users of Adobe's products, but also by attracting new users who may have not previously been active participants in the design software market. Figma's CEO Dylan Field noted that "[d]esign is growing so fast as an industry...Over time, more and more people will call themselves designers."<sup>73</sup>

**C. As of 2022, Adobe XD Lagged Behind Figma Design in the Collaborative Design Space.**

37. As part of its assessment of the proposed acquisition of Figma by Adobe, the U.K.'s Competition and Market Authority ("CMA") assessed the relative success of Figma Design and Adobe XD in 2023, and this assessment included the analysis of a specific market for what it termed "all-in-one product design software" that it argued Figma Design and Adobe XD competed in.<sup>74</sup> According to the CMA's analysis, by 2022, Figma Design was "the leading product design software accounting for over 80 [percent] of the market by revenue."<sup>75</sup> Further, it concluded that Figma's leadership in this market had not been constrained by Adobe XD, which, according to the CMA, was a "a desktop-based product with a 5-10% share."<sup>76</sup> While Adobe's Creative Cloud revenues

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<sup>72</sup> Chapman, Lizette. "Startups Try to Chip Away at Adobe's Dominance in Design Tools." *Bloomberg News* (Feb. 1, 2018) ("Hamid said software like Figma's can infiltrate companies by appealing directly to designers, similar to how Slack Technologies Inc. and Box Inc. found employees to champion their apps to management.").

<sup>73</sup> Chan, Rosalie. "Figma CEO Dylan Field Explains How 2020 Was an 'Inflection Point.'" *Business Insider* (Feb. 1, 2021). <<https://www.businessinsider.com/figma-ceo-dylan-field-design-software-inflection-point-2021-1>> (accessed Apr. 28, 2025).

<sup>74</sup> "Anticipated Acquisition by Adobe Inc. of Figma, Inc. Summary of Provisional Findings." *Competition & Markets Authority* (Nov. 28, 2023), <[https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary\\_of\\_provisional\\_findings\\_pdf.pdf](https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary_of_provisional_findings_pdf.pdf)> (accessed Apr. 28, 2025).

<sup>75</sup> "Anticipated Acquisition by Adobe Inc. of Figma, Inc. Summary of Provisional Findings." *Competition & Markets Authority* (Nov. 28, 2023), <[https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary\\_of\\_provisional\\_findings\\_pdf.pdf](https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary_of_provisional_findings_pdf.pdf)> (accessed Apr. 28, 2025) at 2.

<sup>76</sup> "Anticipated Acquisition by Adobe Inc. of Figma, Inc. Summary of Provisional Findings." *Competition & Markets Authority* (Nov. 28, 2023).



were strong and growing, it is very likely that by this time, Adobe saw Figma as a disruptive threat that had reached a level of adoption where it would soon start to pose a competitive threat to Adobe's core business from Creative Cloud.

38. Due to both the disruptive nature of its product and its sizable network effects, Figma's prospects in 2022 were likely to be projected as involving sustained rapid growth, and it would have been natural to expect it to eventually encroach on Adobe's previously well-established markets. Figma's and Adobe's TAMs are not completely distinct. Rather, they both reflect potential spending by users interested in software and tools that enable creative design, and as the popularity of real-time collaborative design continues to grow and the needs of product designers evolve, Figma's TAM will increasingly overlap with Adobe's. Thus, even though Figma Design did not necessarily offer a suite of features that rivaled those of Adobe's Creative Cloud in 2021 and 2022, Figma Design was a disruptive technology that threatened to significantly weaken the demand for Adobe's core product line over time. Figma Design's threat to Adobe's Creative Cloud was gradually being realized as its user base grew, its functionality and features evolved and improved, and as the product design needs of mainstream customers evolved.
39. The fact that Adobe XD failed to capture a significant portion of the market pursued by Figma Design therefore likely negatively impacted Adobe's business and prospects. The failure of Adobe XD meant that the strategy of neutralizing the disruptive threat with a competing niche product had not succeeded. Thus, a likely explanation for Adobe's acquisition bid in 2022 at what was widely seen as a high valuation<sup>77</sup> is that the acquisition was pursued by Adobe's leadership as an alternative path to avoid disruption in its core Creative Cloud business.
40. The dramatic fall in Adobe's stock price following the merger announcement—wiping out roughly \$24 billion in market cap in a single day<sup>78</sup>—was therefore likely not merely a reaction to

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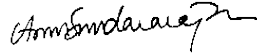
<[https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary\\_of\\_provisional\\_findings\\_pdf.pdf](https://assets.publishing.service.gov.uk/media/6565c3e262180b000dce82c1/Summary_of_provisional_findings_pdf.pdf)> (accessed Apr. 28, 2025) at 2.

<sup>77</sup> See, e.g., Palmer Annie. "Adobe Shares Plunge on Deal to Acquire Design Platform Figma for \$20 Billion." *CNBC* (Sept. 15, 2022) <<https://www.cnbc.com/2022/09/15/adobe-to-acquire-design-platform-figma-for-20-billion.html>> (accessed Apr. 28, 2025) ("Adobe is paying in the neighborhood of 50 times revenue at a time when sales multiples for cloud software are contracting dramatically from their records highs reached last year.").

<sup>78</sup> Miao, Hannah. "Adobe Shares Drop After Figma Acquisition Announcement." *The Wall Street Journal* (Sept. 15, 2022). <<https://www.wsj.com/livecoverage/stock-market-news-today-09-15-2022/card/adobe-shares-drop-after-figma-acquisition-announcement-b4ZSOBPnK38CY2AcXcxy?msockid=287ab142f5b26e8804b2a071f43c6f72>> (accessed Apr. 24, 2025) ("A drop of that magnitude would knock off roughly \$24 billion from Adobe's market value of around \$174 billion as of Wednesday's close.").

the acquisition being viewed as overpriced,<sup>79</sup> but the market recognizing that Adobe acknowledged Figma posed a greater disruptive threat to their core business than the market had previously realized.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 30th, 2025, in New York, NY.



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Arun Sundararajan

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<sup>79</sup> See, e.g., Palmer Annie. “Adobe Shares Plunge on Deal to Acquire Design Platform Figma for \$20 Billion.” *CNBC* (Sept. 15, 2022) <<https://www.cnbc.com/2022/09/15/adobe-to-acquire-design-platform-figma-for-20-billion.html>> (accessed Apr. 28, 2025) (“Adobe is paying in the neighborhood of 50 times revenue at a time when sales multiples for cloud software are contracting dramatically from their records highs reached last year.”).