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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

RICHARD MONTEMARANO, individually
and on behalf of all others similarly situated,

Plaintiff,

v.

IMPINJ, INC., CHRIS DIORIO, EVAN FEIN
and ERIC BRODERSEN,

Defendants.

No. 2:18-cv-01264

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

1 Plaintiff, individually and on behalf of all others similarly situated, by plaintiff's
2 undersigned attorneys, for plaintiff's complaint against defendants, alleges the following based
3 upon personal knowledge as to plaintiff and plaintiff's own acts and upon information and belief
4 as to all other matters based on the investigation conducted by and through plaintiff's attorneys,
5 which included, among other things, a review of U.S. Securities and Exchange Commission
6 ("SEC") filings by Impinj, Inc. ("Impinj" or the "Company"), Company press releases and
7 conference call transcripts, as well as media and analyst reports about the Company. Plaintiff
8 believes that substantial additional evidentiary support will exist for the allegations set forth herein
9 after a reasonable opportunity for discovery.

10 **NATURE OF THE ACTION**

11 1. This is a securities class action on behalf of all purchasers of the publicly traded
12 securities of Impinj between May 4, 2017, and August 2, 2018, inclusive (the "Class Period"),
13 alleging violations of §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange
14 Act").

15 **JURISDICTION AND VENUE**

16 2. The claims asserted herein arise under §§ 10(b) and 20(a) of the Exchange Act, 15
17 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder by
18 the SEC. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
19 § 1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

20 3. Venue is proper in this District pursuant to § 27 of the Exchange Act and 28 U.S.C.
21 § 1391(b). The acts and transactions giving rise to the violations of law complained of occurred
22 and Impinj's headquarters are located in this District.

23 **PARTIES**

24 4. Plaintiff Richard Montemarano purchased Impinj securities during the Class
25 Period, as described in the Certification attached hereto and incorporated herein by reference, and
26 was damaged thereby.

1 5. Defendant Impinj is a Delaware corporation with its principal executive offices
2 located in Seattle, Washington. Impinj is traded on the NASDAQ under the ticker symbol “PI.”

3 6. Defendant Chris Diorio (“Diorio”) is, and was at all relevant times, the Vice
4 Chairman and Chief Executive Officer of Impinj and a member of the Board of Directors.

5 7. Defendant Evan Fein (“Fein”) was, until he resigned effective March 30, 2018, the
6 Chief Financial Officer (“CFO”) of Impinj.

7 8. Defendant Eric Brodersen (“Brodersen”) is, and was at all relevant times, the
8 President and Chief Operating Officer of Impinj. Since defendant Fein’s departure, defendant
9 Brodersen has also been serving as the Principal Financial Officer of Impinj.

10 9. Defendants Diorio, Fein, and Brodersen are referred to herein as the “Individual
11 Defendants.”

12 10. During the Class Period, the Individual Defendants served as Impinj’s executive
13 management and oversaw the Company’s operations and finances. The Individual Defendants
14 were intimately knowledgeable about all aspects of Impinj’s financial and business operations.
15 They were also intimately involved in deciding which disclosures would be made by Impinj. The
16 Individual Defendants made various public statements for Impinj during the Class Period, and
17 participated in Class Period analyst conferences.

18 **INTRODUCTION**

19 11. Impinj sells integrated circuit (“IC”) tags (“tag ICs”), which, when connected to an
20 item, are called endpoints. These endpoints function as a tag system that provides wireless
21 information about tagged items, including information about the item’s identity, location, and
22 authenticity. Impinj’s platform connects items such as apparel, medical supplies, automobile parts,
23 driver’s licenses, food, and luggage to applications such as inventory management, patient safety,
24 asset tracking, and item authentication, delivering real-time information to businesses about items
25 they create, manage, transport, and sell.

1 12. Impinj also sells reader ICs that enable wireless communication with the tag ICs.
2 Original equipment manufacturing customers typically place large orders for reader ICs for use in
3 their products and often secure supply for an extended period of time. Impinj also sells gateway
4 systems that allow tag ICs to be scanned while in motion, such as when the item passes through a
5 hallway, and employs software to manage the information and process.

6 13. During the Class Period, defendants claimed to be experiencing robust demand for
7 their endpoint ICs, permitting them to report outsized sales. The strong sales and revenues being
8 reported, however, were not sustainable because they were the result of inlay customer orders
9 running ahead of actual consumption due to longer production lead times than normal (nearly twice
10 as long), and did not support defendants' claims that the strong sales were indicative of increasing
11 adoption. When supply constraints eased in mid- to late 2017, customers adjusted their ordering
12 practices and the backlog dropped to match the shortened lead times. As a result, customers had
13 accumulated approximately half a billion excess endpoint ICs in inventory that would depress the
14 Company's sales during 2018.

15 **FALSE AND MISLEADING CLASS PERIOD STATEMENTS**

16 14. The Class Period begins on May 4, 2017. On May 4, 2017, Impinj issued a press
17 release reporting its financial results for the first quarter of 2017 ("1Q17"), ended March 31, 2017.
18 Revenue for the quarter grew 47% year over year to \$31.7 million. Defendants also issued
19 guidance for Impinj's second quarter 2017 ("2Q17") results, stating that revenues were expected
20 to be in the range of \$32.4 million to \$33.9 million.

21 15. Defendants also conducted a conference call with investors and stock analysts on
22 May 4, 2017, to discuss Impinj's business metrics and financial prospects. In his prepared remarks,
23 defendant Diorio stated in pertinent part as follows:

24 We delivered a strong first quarter, with revenue growing 47% year over year to
25 \$31.7 million, just above the top end of our guidance. All layers of our platform
26 delivered solid results. Importantly, the momentum we see in our business today is
strong.

* * *

1 My view of the RAIN market today is strong growth with enormous
2 potential. Starting with that strong growth, *recall on our last*
3 *earnings call we guided our 2017 Endpoint IC volumes to be*
4 *between 7.8 billion and 8 billion units, 32% growth over 2016 at*
5 *the midpoint.* Roughly equivalent to one IC for every person on the
6 planet.

7 *That prior guidance, which represents growth of nearly 2 billion*
8 *units over 2016, remains unchanged.*

9 16. Defendant Fein reiterated Impinj’s purportedly ongoing strong financial
10 performance in his prepared remarks, representing that Impinj was increasing inventory levels in
11 order to meet strong demand, stating in pertinent part as follows:

12 *Consistent with our plan, we continued increasing inventory levels*
13 *to meet market demands, reduce lead times, and support our*
14 *growth.* We increased inventory by \$11.5 million over the prior
15 quarter, bringing the balance to \$39.2 million.

16 * * *

17 *[W]e are maintaining our 2017 Endpoint IC volume estimate*
18 *between 7.8 billion and 8.0 billion units, representing 32% growth*
19 *over 2016 at the midpoint and a 2010 to 2017 volume CAGR of*
20 *36%.*

21 17. Brad Erickson, an analyst from Pacific Crest Securities, pressed defendants about
22 inventory and visibility in the following exchange on the May 4, 2017 conference call, with
23 defendants assuring him that the strong sales were supported by strong product adoption, stating
24 in pertinent part as follows:

25 [Erickson:] Got it. And then there’s obviously been a lot of reports
26 of retail store closures here recently. Evan, you made some nice
comments earlier on the balance sheet and how you’re thinking
about inventory levels.

How do you feel about inventory, and specifically your visibility of
inventory, with your inlay providers? And maybe just talk about
where you stand today on that?

* * *

[Fein:] Yes. Hi, Brad. So as you know, *we have an array of*
Endpoint IC customers that we keep in regular contact with. We

1 *have relationships at all levels of those customers, meaning both*
2 *executive and kind of in the line and managerial level. And based*
3 *on those checks, we feel very good about the inventory levels at*
4 *those places.*

5 18. Mitch Steves, an analyst with RBC Capital Markets, also engaged defendant Fein
6 on the growing inventory numbers, with Fein reassuring him too that the growing inventory was
7 required to fulfill the strong demand, stating in pertinent part as follows:

8 [Steves:] So I just had two quick ones from me. So first, *on the*
9 *inventory side, it looks like that's building pretty rapidly here.* It
10 looks like you're at \$39 million for March, but then you are talking
11 about potentially this being one of the best setups you've seen in
12 years. *So is this just essentially a backlog of demand building or*
13 *why is the inventory up another \$12 million or so?*

14 . . . [Fein:] *2016 was a year where we were not able to adequately*
15 *meet customer demand because our inventory position was too*
16 *low.*

17 *And we are in the process of correcting for that so that we can*
18 *have an inventory position that meets demands of our market, the*
19 *timing needs of our customer,* and so forth. And we're not quite
20 there yet. The \$39.2 million is a step in that direction.

21 But as I said, *the momentum and the demands are so great, we're*
22 *going to invest even more in inventory in the second quarter.* And
23 then that growth in inventory will slow a bit on an absolute basis
24 that will continue to rise. But the expansion will moderate.

25 19. The price of Impinj stock rose more than 8% following the May 4, 2017 earnings
26 announcement and conference call.

27 20. On August 3, 2017, Impinj issued a press release announcing its 2Q17 financial
28 results. Impinj reported revenue of \$34.1 million, representing 31% year-over-year growth.
29 Defendants issued guidance for Impinj's third quarter 2017 ("3Q17") results, with revenue
30 expected to be in the range of \$31.75 million to \$33.25 million.

31 21. The August 3, 2017 press release included the following quote from defendant
32 Diorio:

1 [A]s we enter the third quarter we *see schedule slips in planned*
2 *rollout expansions at several large end customers, and*
3 *consequently, we are revising our 2017 full-year endpoint IC*
4 *estimate* to be between 7.0 billion to 7.2 billion units.

5 22. Defendants also conducted a conference call with investors and stock analysts on
6 August 3, 2017, in which they discussed their reduced sales expectations for the rest of the year,
7 claiming they were due to internal issues with customers rather than a lack of demand for the
8 product. Specifically, defendant Diorio in his prepared remarks stated in pertinent part as follows:

9 In 2016, we benefited from several large end customer rollouts that
10 helped drive our endpoint IC volumes up approximately 70% over
11 2015. *As we enter the third quarter, we see a different situation*
12 *with several large end customers delayed planned expansions.* I
13 visited 2 of these customers overseas in the last 30 days. According
14 to them, their deployment plans and goals remain unchanged, but
15 their *rollouts are delayed by internal schedule slips. Consequently,*
16 *we are reducing our full year 2017 endpoint IC guidance* from
17 between 7.8 and 8.0 billion units to between 7.0 and 7.2 billion units
18 representing 18% growth over 2016 at the midpoint.

19 23. In response to questions from analyst Craig Hettenbach, defendant Diorio assured
20 him the reduced sales expectations were due to “internal” customer issues and not to a “macro”
21 decline in demand, stating in pertinent part as follows:

22 [Hettenbach:] Any sense in terms of how long they view the delay?
23 Is there some digestion period? Any visibility into when they would
24 kind of ramp back up?

25 [Diorio:] Craig I think I’m just going to say a little bit about kind of
26 those delays, maybe a little bit more right now, and then we’ll touch
27 on their ramp period as they ramp back up. So despite seeing
28 significant wins in the second quarter in retail logistics and
29 healthcare, in this coming third quarter, *we’re seeing coincident*
30 *schedule slips in a few planned and funded end customer*
31 *deployments. Our direct discussions with these end customers*
32 *indicate the delays are due primarily . . . to internal process and*
33 *integration challenges at their end. We don’t see evidence that*
34 *macro trends are common themes* other than our difficulty
35 predicting the timing of large rollouts, which we have talked about
36 previously. So we see 2 impacts to our business. First, our endpoint
[IC] business is impacted by scheduled foot slips at a few retail end
customers. And then second, our fixed infrastructure business is

1 impacted by scheduled slips in a few non-retail deployments. And
2 the length of slips really varies by the end customer, and so it's
3 difficult to predict how quickly they're going to overcome this
4 integration challenges. Really, as we've noted before, timing
5 whales is just difficult.

6 24. In responding to a question on the conference call from analyst Mitch Steves,
7 defendant Brodersen reinforced the other defendants' statements that the decline was due to
8 customers' internal issues, stating in pertinent part as follows:

9 [Steves:] So I think the biggest highlight here, and what people are
10 trying to figure out is, you mentioned that you landed already whales
11 and the contracts are signed. So if that's the case, does that mean
12 we're going to see kind of material growth when we start out 2018?
13 Or how does kind of the sequential trend work out given that the
14 timing is very difficult for you guys to figure out?

15 . . . [Brodersen:] [T]here's a couple of pieces here to your question.
16 You're sort of probing on timing and the pace at which some of these
17 programs come back online, correct? *So I think as Chris
18 highlighted it, the length of these schedule slips really is dependent
19 on the customer. But I think, we're comfortable saying that it's
20 generally measured in quarters.* And so that's the way I think I
21 would best describe the way that you think about modeling or the
22 way that you think about when the business comes back online.

23 25. Defendant Diorio also assured analyst Jim Ricchiuti on the conference call that
24 there was no adverse macro trend occurring, claiming it was merely a coincidence of multiple
25 schedule slips at the same time, stating in pertinent part as follows:

26 [Ricchiuti:] [I]t sounds like one or more of these may be existing
customers that was in the process of expanding a deployment? Or
maybe, are these entirely new customers?

[Diorio:] You are correct. Some are customers that were expanding
existing deployment. Some of them, kind of visionary customers
that were having expansions and they've just gone a little slower for
internal reasons. And some may be new customers that had already
planned deployments and they had schedules, and for internal
reasons, again, they had schedule slips. And I think what we're just
seeing here is that – the word I used previously was there's some
coincident schedule slips. *We don't see any macro trend in those
– in the coincident nature of those schedule slips. It just happens*

1 *to be that a couple of them happened at the same time. And as a*
2 *consequence, we reduced our endpoint IC guidance.*

3 26. Defendant Diorio responded to further questioning by Brad Erickson regarding
4 these supposedly coincidental customer schedule slips by assuring him that defendants had good
5 visibility into the demand of the Company's customers, stating in pertinent part as follows:

6 [Erickson:] Just curious on the schedule slips you called out. It
7 sounded like you were having direct discussion with the retailers.
8 Did you get any indications from – or I guess, were these going
9 through any of your direct partners, like the inlay partners that you
typically work with[, with] your retail customers? Or was there
reason you got more directly involved with these particular end
users or end customers?

10 . . . [Diorio:] First, the slips are not all isolated to the retail vertical.
11 And so I noted, probably before you joined the call, that there's
12 impacts on the retail side, as well as fixed infrastructure business in
13 other verticals. So it's not all confined to retail, which is against the
14 point that we don't see a macro trend. And then for us, we really
15 use the best techniques available to us to get information, as well as
16 to drive our business forward. So we engage closely with our
17 partners and we also engage directly with the end customers helping
18 our partners drive business into those end customers. And *our*
19 *engagements with those end customers not only allows us to really*
20 *time the deployments and understand what the market's doing, but*
21 *also gives us information on the nature of these slips and helps us*
22 *drive business.* So we remain confident in our long-term outlook
23 vision as a consequence, and it's just the nature of how we're
24 engaging in the market today that gives us this visibility to these
25 slips, which again, for a customer that's a whale, they can pull in or
26 push out kind of at their whim. And I guess, I don't want to use
quite that word, but they do it based on what their internal schedules
drive. And as I noted in my comments, a pull in or push out could
actually mean several hundred million IC units to us.

27. On this news, Impinj stock dropped more than \$10 per share, or 21%, to close at
\$37.52 per share on August 4, 2017, on unusually high trading volume of more than 4.86 million
shares traded. However, Impinj's stock continued to trade at artificially inflated prices because
defendants continued to conceal and misrepresent material facts regarding Impinj's business
metrics, operations, and financial prospects.

1 28. On November 1, 2017, Impinj issued a press release announcing its 3Q17 financial
2 results. Impinj reported revenue of \$32.6 million, representing 5% year-over-year growth.
3 Defendants issued guidance for Impinj's fourth quarter 2017 ("4Q17") results, with revenue
4 expected to be in the range of \$28.25 million to \$29.75 million.

5 29. The November 1, 2017 press release quoted defendant Diorio as follows:

6 ***Our 2017 endpoint IC unit guidance remains unchanged at***
7 ***between 7.0 and 7.2 billion units.*** We see indicators of growing
8 adoption for RAIN, and the Impinj platform, however, we expect to
9 see a slight decrease in endpoint IC volumes in the second half of
10 the year. We remain confident in our market opportunity and will
continue investing in and delivering solutions and enterprise
partnerships that leverage our platform, accelerate adoption and
drive scale in this gigantic market opportunity.

11 30. Defendants also conducted a conference call with investors and stock analysts on
12 November 1, 2017. In his prepared remarks, defendant Diorio partially revealed the sales
13 difficulties then being experienced by the Company, though he assured investors that demand was
14 still strong, stating in pertinent part as follows:

15 ***We also see strong fourth quarter demand.*** Our market data, sales
16 volumes and, for me personally, deep discussions with partners and
17 end users reinforce my belief that the second RAIN adoption wave
18 is upon us. And even as we see that second wave driving significant
19 reader and gateway volume growth, ***we see a few percentage points***
decline in second half 2017 endpoint IC unit volumes versus first
half. The reasons aren't completely clear to us, but we do not
believe our market share has changed materially.

20 Rather, we believe several factors may be in play, ***the delays at***
21 ***several large retailers, our inlay partners adjusting to our***
22 ***transition from constrained supply and long lead times mid-2016***
23 ***to early 2017 to buffer stock and short lead times now*** Over
24 time, we expect our endpoint IC growth rates to return from this
year's 18% to more historical norms, albeit with continued
volatility.

25 In the meantime, ***we are seeing a few percentage points larger***
26 ***endpoint IC price erosion than we planned in the second half of***
2017 due to stiffened competition in a time of slower growth,
causing a modest decline in second half 2017 endpoint IC gross

1 margins rather than the increases we saw in the past years. *In light*
2 *of these new market dynamics, we are rebalancing inventory,*
3 ramping reader and gateway production and slowing endpoint IC
production.

4 31. Defendant Fein also made the following disclosures about the problems Impinj
5 faced with inventory and production on the November 1, 2017 conference call, stating in pertinent
6 part as follows:

7 [W]e will moderate endpoint IC production consistent with our plan
8 to have 1 billion units of endpoint IC buffer at year-end, at the same
time ramping reader and gateway production.

9 As Chris also noted, *our fourth quarter outlook is impacted by a*
10 *decline in endpoint IC demand* as well as by insufficient reader and
11 gateway inventory, with the latter causing us to push meaningful
revenue into 2018.

12 32. During the conference call, defendant Diorio engaged in the following exchange
13 with Thomas Walkley, a Canaccord Genuity analyst, regarding whether the results indicated
14 Impinj was losing market share:

15 [Walkley:] *[C]an you talk about just the decline year-over-year*
16 *and why you don't think maybe it's a share loss of EBIT on a*
17 *short-term basis?* Just how do you think about your relative share
given the softer second half of the year versus the first half when
your retailers should be a little stronger on a seasonal basis?

18 . . . [Diorio:] As I said, *we believe that there's a couple of factors*
19 *in play. One is, again, the delay, with several large retailers not*
20 *introducing those large step function increases. And number two is*
21 *our inlay partners adjusting from a transition where we had*
constrained supply and long lead times to us having buffer stock
and short lead times now.

22 And another one is some seasonality in resale deployment timing,
23 which our previously long lead times may have masked. *And so*
24 *we're actually seeing a bit of slowness in sort of those deployments*
25 *in Q4, which previously we sort of drove right through because we*
26 *had long lead times and significant pending orders. But now our*
inlay customers are ordering mainly at the time that they need [to]
– or closer to the time that they need the product. And so we are
seeing a little bit of seasonality in Q4, especially in terms of new
deployments.

1 . . . [W]e don't believe that our endpoint IC market share has
2 changed materially.

3 . . . [Walkley:] Can you kind of walk us through . . . just kind of
4 how you see the market developing over the course of '18 to think
5 about 20% or greater endpoint growth next year?

6 [Diorio:] Sure. *So we do see some volatility on a quarter-by-*
7 *quarter basis*, both due to timing and due to any particular
8 opportunity ramping up. . . . [I]f you look back to last year, we were,
9 essentially in allocation, we didn't have enough product. And . . .
10 so we have long lead times, and *we see a normalization happening*
11 *now as we accommodate basically a new dynamic* where we have
12 sufficient product to meet the demand. And so what we see at least
13 is sort of an underlying growth rate in the industry that's more along
14 the lines of historical norms. And we expect our volumes to
15 approach and get closer to those historical norms over time.

16 33. On this news, the price of Impinj common stock fell over \$11 per share, or more
17 than 34%, to close at \$21.55 per share on November 2, 2017, on unusually high trading volume of
18 7.5 million shares traded. However, Impinj's stock continued to trade at artificially inflated prices
19 because defendants continued to conceal and misrepresent material facts regarding Impinj's
20 business metrics, operations and financial prospects.

21 34. The statements referenced above in ¶¶ 14–18, 20–26 and 28–32 were each
22 materially false and misleading because they failed to disclose and misrepresented the following
23 adverse facts known by defendants during the Class Period:

24 (a) The addition of large customers in 2016 had driven a contraction in Impinj's
25 ability to fulfill its production obligations, which resulted in lead times between 10 and 12 weeks
26 instead of the normal baseline time range of 4 to 6 weeks;

(b) Increased sales of IC endpoints were not indicative of strong demand being
driven by increased product adoption, but rather, they were the result of customers purchasing
increased inventory to account for extended production lead times;

(c) Impinj lacked adequate accounting and reporting controls; and

1 (d) As a result of the foregoing, defendants' statements about the Company's
2 business metrics, operations, and financial prospects were false and misleading and/or lacked a
3 reasonable basis at the time the statements were made.

4 35. On February 1, 2018, Impinj issued a press release announcing preliminary 4Q17
5 revenues. The release stated that Impinj now expected fourth quarter revenue of only \$29.0 million
6 and \$30.0 million and that it had lowered its first quarter 2018 ("1Q18") revenue guidance to just
7 \$20 million to \$22 million. Defendants also disclosed that defendant Fein, who had been with
8 Impinj for 17 years, was resigning as its CFO, without explanation other than he was pursuing
9 other opportunities.

10 36. The February 1, 2018 press release included the following quote attributed to
11 defendant Diorio:

12 *Turning to first quarter 2018, our shortened endpoint IC lead*
13 *times have contributed to a reduction in our endpoint IC order*
14 *backlog as well as ongoing reductions in inlay-partner inventory.*
15 *Consequently, despite continued growth in endpoint IC*
16 *consumption and in the number of deployments by end users, we*
17 *currently anticipate softness in our endpoint IC volumes and first*
18 *quarter revenue of \$20 to \$22 million*

19 37. On this news, the price of Impinj common stock declined more than \$10 per share,
20 or nearly 47%, to close at \$12.16 per share on February 2, 2018, on unusually high trading volume
21 of 11.7 million shares traded.

22 38. On February 15, 2018, Impinj issued a press release announcing its 4Q17 and fiscal
23 year 2017 ("FY17") financial results for the period ended December 31, 2017. Impinj reported
24 4Q17 revenues of \$26.9 million, representing 20% year-over-year growth. Defendants issued
25 guidance for Impinj's 1Q18 results, with revenue expected to be in the range of \$23.25 million to
26 \$25.25 million.

39. Defendants conducted a conference call with investors and stock analysts on
February 15, 2018. In his prepared remarks, defendant Diorio discussed Impinj's continued
decline in sales performance, stating in pertinent part as follows:

1 Rather than provide annual endpoint IC guidance in 2018 as we have
 2 done in the past, we will instead provide quarterly revenue results
 3 for endpoint ICs and for systems, the latter comprising our
 4 platform's connectivity and software layers. *We believe this
 segmentation better aligns with how we view our business and how
 we track the fixed reading adoption wave I have discussed on prior
 calls.*

5 *Starting with endpoint ICs. Our endpoint IC lead times have
 6 contracted from an average of 10 to 12 weeks in 2016 to an average
 7 of 4 to 6 weeks today. As a consequence, we have seen a
 8 significant reduction in our order backlog, and we expect our inlay
 9 partners to further reduce their inventory by between 500 million
 10 and 1 billion units, mostly in the first and second quarters. As a
 result, even though we anticipate 15% to 20% growth in end user
 endpoint IC consumption in 2018, our first half 2018 unit volume
 growth will lag end user consumption.*

11 40. On the call, defendant Fein disclosed the reason the Company's 4Q17 results came
 12 in below the revised guidance defendants had issued just two weeks before, stating in pertinent
 13 part as follows:

14 Fourth quarter revenue was \$26.9 million, compared with \$33.7
 15 million in the fourth quarter of 2016, below the preliminary
 16 estimates we announced in our February 1 pre-release. After that
 17 pre-release, *we agreed to a partner's request for a onetime product
 exchange, requiring us to take an accounting reserve and decrease
 18 our 2017 revenue by \$3.2 million. There is also a decrease to our
 cost of sales and an increase to our inventory.* We expect to reverse
 19 this reserve in the first quarter of 2018 when we complete the
 exchange and recognize \$3.2 million in revenue at that time. We
 20 increased our first quarter guidance by this \$3.2 million reserve.

21 41. Analysts immediately sought answers about defendants' revelations concerning
 22 Impinj's lead times. Troy Jensen, an analyst with Piper Jaffray, began the question-and-answer
 23 period with the following exchange:

24 [Jensen:] First of all, just can you help explain, if we're talking
 25 about a 6-week reduction in lead times, why do you think it's going
 to take 2 quarters to achieve this inventory depletion?

26 * * *

1 [Brodersen:] I think as you think through the inventory correction,
 2 a couple of things. *Really, when you take a look at the history of*
 3 *our business over the last couple of quarters, as we guided and*
 4 *evidenced by our guide middle of last summer, we saw demand*
 5 *beginning to adjust downward and saw our backlog decline*
 6 *through the second half with really no corresponding customer*
 7 *inventory change. But as our lead times have normalized back*
 8 *down around that 4- to 6-week level, down from 10 to 12, inlay*
 9 *customers are adjusting their inventory to our new lead times.* So
 10 to quantify that, if you look at 2017 volumes, we ship about 140
 11 million units a week. So a 4- to 8-week lead time contraction
 equates to roughly 500 million to 1 billion units. And the
 confirmation on that is really linked to our detail bottoms-up work
 that we've been undergoing with our inlay customers over the last
 few weeks as we have been finalizing our annual negotiations,
 which also centers around a corresponding reduction right in that
 same range. So we feel like that, that's a very solid assessment of
 inventory drawdown.

12 42. Craig Hettenbach pressed defendants further on the inventory and lead time issues
 13 in the following exchange:

14 [Hettenbach:] Just a question following up on the lead times. If you
 15 can discuss kind of just some of the background there in terms of as
 16 they are stretched and then just things you might look to do to assess
 that on go-forward basis in terms of being able to perhaps maybe
 manage the lead times differently.

17 . . . [Brodersen:] I think the expansion in the market that we saw in
 18 '16, having inspired growth rates in that time period, really drove as
 19 we've highlighted before, a contraction in our ability to supply. And
 20 in certain cases, we had to extend our lead times, as we said, into
 that 10- to 12-week range. *What we're at today in that 4 to 6 range*
is the normal baseline that we expect to run the business against.

21 43. Brad Erickson continued the line of questions regarding when defendants learned
 22 about the excess inventory in the following exchange:

23 [Erickson:] First, can you talk through the – just curious to get a
 24 sense of talking through the timing of when you came to understand
 25 the excess inventory at the inlay partners during the quarter. And I
 26 guess, curious if it came up kind of simultaneously or did you sort
 of discover them one at a time as you [were] going through different
 points in the quarter?

1 [Brodersen:] Brad, I think it's best to highlight that as part – *the*
2 *deepest understanding really is driven by the detailed work we're*
3 *doing in our negotiations around annual supply agreements and*
4 *pricing negotiations and continued work in measuring and*
5 *managing and triangulating with our customers around their*
6 *expected demand and their corresponding inventory position. So*
7 *it's really been over the last, as I said, few weeks, quarter or so.*

8 44. On this news, the price of Impinj common stock fell another \$2.36 per share, or
9 17.5%, to close at \$11.07 per share on February 16, 2018, on unusually high trading volume of 5.9
10 million shares traded.

11 45. On August 2, 2018, Impinj announced that it was delaying the release of its second
12 quarter 2018 (“2Q18”) results for the period ended June 30, 2018, its 2Q18 investor conference
13 call, and the filing of its 2Q18 financial report with the SEC. The Company also disclosed that in
14 response to having received a complaint from a former employee, the Audit Committee of Impinj’s
15 Board of Directors had commenced an independent investigation and had retained independent
16 counsel to assist in the investigation. Impinj further disclosed that the SEC had been notified of
17 the former employee’s complaint and the Audit Committee’s investigation into it. Impinj stated
18 that it could not “predict the duration or outcome of the investigation, and [would] not be in a
19 position to file [its] Form 10-Q until the Audit Committee complete[d] its investigation.”

20 46. Impinj also announced preliminary 2Q18 financial results that day, disclosing that
21 it had reduced its bloated inventory balance by \$1.4 million, to approximately \$53.3 million.

22 47. On this news, Impinj’s share price fell \$3.02 per share, or nearly 14%, on August
23 3, 2018, on heavy trading volume of 914,100 shares traded.

24 48. On August 13, 2018, Impinj disclosed that it had been notified by the NASDAQ
25 that its failure to timely file its 2Q18 financial report took it out of compliance with NASDAQ’s
26 listing requirements and that a failure to bring the financial reports current could result in its
common stock being delisted.

NO SAFE HARBOR

1
2 49. Most of the false and misleading statements described herein related to existing
3 facts or conditions and the Safe Harbor provisions have no applicability to such statements. To
4 the extent that known trends should have been included in the Company’s financial reports
5 prepared in accordance with GAAP, they too are excluded from the protection of the statutory Safe
6 Harbor. 15 U.S.C. § 78u-5(b)(2)(A).

7 50. Impinj’s “Safe Harbor” warnings accompanying its reportedly forward-looking
8 statements issued during the Class Period were also ineffective to shield those statements from
9 liability. Defendants are liable for any false or misleading forward-looking statements because, at
10 the time each forward-looking statement was made, the speaker knew the forward-looking
11 statement was false or misleading and the forward-looking statement was authorized and/or
12 approved by an executive officer and/or director of Impinj who knew that the forward-looking
13 statement was false. In addition, the forward-looking statements were contradicted by existing,
14 undisclosed material facts that were required to be disclosed so that the forward-looking statements
15 would not be misleading. Finally, most of the purported “Safe Harbor” warnings were themselves
16 misleading because they warned of “risks” that had already materialized or failed to provide
17 meaningful disclosures of the relevant risks.

18 **ADDITIONAL SCIENTER ALLEGATIONS**

19 51. As alleged herein, defendants acted with scienter in that they knew that the public
20 documents and statements issued or disseminated in the name of the Company were materially
21 false and misleading; knew that such statements or documents would be issued or disseminated to
22 the investing public; and knowingly and substantially participated or acquiesced in the issuance or
23 dissemination of such statements or documents as primary violations of the federal securities laws.
24 As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information
25 reflecting the true facts regarding Impinj, their control over, and/or their associations with the
26

1 Company, which made them privy to confidential proprietary information concerning Impinj,
2 participated in the fraudulent scheme alleged herein.

3 52. In addition, during the Class Period defendant Fein sold 47,207 shares of his Impinj
4 stock for proceeds of more than \$1.9 million. Likewise, defendant Broderson unloaded 43,900
5 shares of his Impinj stock during the Class Period for proceeds of more than \$1.75 million. These
6 sales were suspicious in both timing and amount and took advantage of the price of Impinj stock
7 being artificially inflated by the defendants' false and misleading statements.

8 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**
9 **FRAUD-ON-THE-MARKET DOCTRINE**

10 53. At all relevant times, the market for Impinj stock was an efficient market for the
11 following reasons, among others:

12 (a) Impinj's stock met the requirements for listing, and was listed and actively
13 traded on the NASDAQ, a highly efficient and automated market;

14 (b) The Company had more than 21.3 million shares of stock outstanding as of
15 May 8, 2018, and during the Class Period, Impinj stock was traded on a daily basis, demonstrating
16 a very active and broad market for Impinj stock and permitting a very strong presumption of an
17 efficient market;

18 (c) as a regulated issuer, Impinj filed periodic public reports with the SEC;

19 (d) Impinj regularly communicated with public investors via established market
20 communication mechanisms, including the regular dissemination of press releases on national
21 circuits of major newswire services, the Internet, and other wide-ranging public disclosures, such
22 as communications with the financial press and other similar reporting services;

23 (e) Impinj was followed by many securities analysts who wrote reports that
24 were distributed during the Class Period and were publicly available and entered the public
25 marketplace; and

26 (f) unexpected material news about Impinj was rapidly reflected in and
incorporated into the prices of the Company's securities during the Class Period.

1 54. As a result of the foregoing, the market for Impinj securities promptly digested
2 current information regarding Impinj from publicly available sources and reflected such
3 information in the prices for Impinj's securities. Under these circumstances, all purchasers of
4 Impinj securities during the Class Period suffered similar injury through their purchase of Impinj
5 securities at artificially inflated prices, and a presumption of reliance applies.

6 **LOSS CAUSATION**

7 55. During the Class Period, as detailed herein, defendants made false and misleading
8 statements and omitted material information concerning Impinj's business fundamentals and
9 financial prospects and engaged in a scheme to deceive the market.

10 56. By artificially inflating and manipulating the prices for Impinj securities,
11 defendants deceived plaintiff and the Class and caused them losses when the truth was revealed.
12 When defendants' prior misrepresentations and fraudulent conduct became apparent to the market,
13 the price of Impinj stock fell precipitously as the prior artificial inflation came out of the stock's
14 price. As a result of their purchases of Impinj securities during the Class Period, plaintiff and other
15 members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

16 **CLASS ACTION ALLEGATIONS**

17 57. This is a class action on behalf of all purchasers of Impinj publicly traded securities
18 during the Class Period (the "Class"). Excluded from the Class are defendants and their immediate
19 families, the officers and directors of the Company, at all relevant times, members of their
20 immediate families, and defendants' legal representatives, heirs, successors, or assigns, and any
21 entity in which defendants have or had a controlling interest.

22 58. Class members are so numerous that joinder of them is impracticable.

23 59. Common questions of law and fact predominate and include:

- 24 (a) whether defendants violated the Exchange Act;
25 (b) whether defendants omitted and/or misrepresented material facts;
26

1 (c) whether defendants knew or recklessly disregarded that their statements
2 were false;

3 (d) whether the prices of Impinj securities were artificially inflated during the
4 Class Period; and

5 (e) the extent of and appropriate measure of damages.

6 60. Plaintiff's claims are typical of those of the Class. Prosecution of individual actions
7 would create a risk of inconsistent adjudications. Plaintiff will adequately protect the interests of
8 the Class. A class action is superior to other available methods for the fair and efficient
9 adjudication of this controversy.

10 **COUNT I**

11 **For Violation of § 10(b) of the Exchange Act
12 and Rule 10b-5 Against All Defendants**

13 61. Plaintiff repeats and realleges the above paragraphs as though fully set forth herein.

14 62. Throughout the Class Period, defendants, in pursuit of their scheme and continuous
15 course of conduct to inflate the market prices of Impinj securities, had the ultimate authority for
16 making, and knowingly or recklessly made, materially false or misleading statements or failed to
17 disclose material facts necessary to make the statements made, in light of the circumstances under
18 which they were made, not misleading.

19 63. During the Class Period, defendants carried out a plan, scheme, and course of
20 conduct using the instrumentalities of interstate commerce and the mails, which was intended to
21 and, throughout the Class Period, did: (a) artificially inflate and maintain the market prices of
22 Impinj securities; (b) deceive the investing public, including plaintiff and other Class members, as
23 alleged herein; (c) cause plaintiff and other members of the Class to purchase Impinj securities at
24 inflated prices; and (d) cause plaintiff and other members of the Class losses when the truth was
25 revealed. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and
26 each of them, took the actions set forth herein, in violation of § 10(b) of the Exchange Act and
Rule 10b-5, 17 C.F.R. § 240.10b-5.

1 64. In addition to the duties of full disclosure imposed on defendants as a result of their
2 affirmative false and misleading statements to the investing public, defendants had a duty to
3 promptly disseminate truthful information with respect to Impinj's operations and performance
4 that would be material to investors in compliance with the integrated disclosure provisions of the
5 SEC, including with respect to the Company's revenue and earnings trends, so that the market
6 prices of the Company's securities would be based on truthful, complete and accurate information.
7 SEC Regulations S-X (17 C.F.R. § 210.01, *et seq.*) and S-K (17 C.F.R. § 229.10, *et seq.*).

8 65. Defendants had actual knowledge of the misrepresentations and omissions of
9 material fact set forth herein or acted with reckless disregard for the truth in that they failed to
10 ascertain and disclose such facts, even though such facts were either known or readily available to
11 them.

12 66. As a result of the dissemination of the materially false and misleading information
13 and failure to disclose material facts as set forth above, the market prices of Impinj securities were
14 artificially inflated during the Class Period. In ignorance of the fact that the market prices of
15 Impinj securities were artificially inflated, and relying directly or indirectly on the false and
16 misleading statements made knowingly or with deliberate recklessness by defendants, or upon the
17 integrity of the market in which the shares traded, plaintiff and other members of the Class
18 purchased Impinj securities during the Class Period at artificially high prices and, when the truth
19 was revealed, were damaged thereby.

20 67. Had plaintiff and the other members of the Class and the marketplace known of the
21 true facts, which were knowingly or recklessly concealed by defendants, plaintiff and the other
22 members of the Class would not have purchased Impinj shares during the Class Period, or if they
23 had acquired such shares during the Class Period, they would not have done so at the artificially
24 inflated prices they paid.

25 68. By virtue of the foregoing, defendants have violated § 10(b) of the Exchange Act
26 and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10-5.

COUNT II

**For Violation of § 20(a) of the Exchange Act
Against the Individual Defendants**

69. Plaintiff repeats and realleges the above paragraphs as though fully set forth herein.

70. The Individual Defendants had control over Impinj and made the material false and misleading statements and omissions on behalf of Impinj within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their executive positions and stock ownership, as alleged above, the Individual Defendants had the power to influence and control and did, directly or indirectly, influence and control the decision making of the Company, including the content and dissemination of the various statements plaintiff contends were false and misleading. The Individual Defendants were provided with or had unlimited access to the Company's internal reports, press releases, public filings, and other statements alleged by plaintiff to be misleading prior to or shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause them to be corrected.

71. In particular, the Individual Defendants had direct involvement in and responsibility over the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein.

72. By reason of such wrongful conduct, each of the Individual Defendants is liable pursuant to § 20(a) of the Exchange Act. As a direct and proximate result of the Individual Defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

1 B. Awarding compensatory damages in favor of plaintiff and the other Class members
2 against all defendants, jointly and severally, for all damages sustained as a result of defendants'
3 wrongdoing, in an amount to be proven at trial, including interest thereon;

4 C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in
5 this action, including counsel fees and expert fees; and

6 D. Awarding such other and further relief as the Court may deem just and proper.

7 **JURY DEMAND**

8 Plaintiff demands a trial by jury.

9 DATED: August 27, 2018

HAGENS BERMAN SOBOL SHAPIRO LLP

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