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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

_____, Individually and On Behalf)
of All Others Similarly Situated,)
)
)
Plaintiff,)
)
v.)
)
BAIDU, INC., YANHONG LI, and)
CHENG-CHUN YU,)
)
Defendants)
)
_____)

Case Number:

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

1 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons
2 similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against
3 Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s
4 own acts, and information and belief as to all other matters, based upon, *inter alia*, the
5 investigation conducted by and through Plaintiff’s attorneys, which included, among other
6 things, a review of the Defendants’ public documents, conference calls and announcements made
7 by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings,
8 wire and press releases published by and regarding Baidu, Inc. (“Baidu” or the “Company”),
9 analysts’ reports and advisories about the Company, and information readily obtainable on the
10 Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set
11 forth herein after a reasonable opportunity for discovery.

12 **NATURE OF THE ACTION**

13 1. This is a federal securities class action on behalf of a class consisting of all persons
14 other than Defendants who purchased or otherwise acquired Baidu securities between March 16,
15 2019 and April 7, 2020, both dates inclusive (the “Class Period”), seeking to recover damages
16 caused by Defendants’ violations of the federal securities laws and to pursue remedies under
17 Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule
18 10b-5 promulgated thereunder, against the Company and certain of its top officials.

19 2. Baidu is a technology company specializing in Internet-related services and
20 products and artificial intelligence (“AI”). The Baidu search engine is the second largest search
21 engine in the world and the most widely used search engine in the People’s Republic of China
22 (“PRC” or “China”), with a market share of more than 70%. The Company also provides a
23 portfolio of apps that provide mobile device access to the Company’s search and feed services,
24 along with social media services and both user generated and professionally produced media
25 content.

26 3. At all relevant times Baidu has generated a substantial majority of its revenues
27 from online marketing services, whereby Baidu integrates paid advertisements from its
28 customers into its online products and services, taking advantage of the Company’s large user

1 base and traffic. Accordingly, Baidu's revenues depend, in large part, upon offering products
2 and services that are accessible to a large and engaged user base.

3 4. Over the past several years, Baidu has increasingly emphasized its feed services.
4 The Company added a personalized news feed to its search app in 2016, meaning that users can
5 now wait passively for Baidu algorithms to display content based on the user's past habits, rather
6 than actively inputting search terms. Describing Baidu's business model in a May 2019 article,
7 the publication *TechCrunch* stated that "Baidu's new two-legged strategy means feed is now of
8 equal, if not more, weight alongside search as the company better embraces the mobile age."

9 5. Throughout the Class Period, Defendants made materially false and misleading
10 statements regarding the Company's business, operational and compliance policies. Specifically,
11 Defendants made false and/or misleading statements and/or failed to disclose that: (i) Baidu's
12 feed services were not in compliance with applicable Chinese regulatory standards; (ii) the
13 foregoing noncompliance subjected the Company to a heightened risk of regulatory enforcement,
14 including the removal or suspension of certain of Baidu's services and products; (iii) accordingly,
15 the Company's revenues derived from online marketing services were unlikely to be sustainable;
16 and (iv) as a result, the Company's public statements were materially false and misleading at all
17 relevant times.

18 6. On April 7, 2020, post-market, China's internet regulator, the Cyberspace
19 Administration of China ("CAC"), ordered Baidu to clean up improper information and halt the
20 spread of "low-brow content." Specifically, the CAC stated that search engine Baidu's content
21 review on some of its news feed channels is not "strict," "exerted bad influence to the society,"
22 and violated relevant Chinese laws and regulations.

23 7. On this news, Baidu's share price fell \$4.46 per share, or 4.38%, to close at \$97.33
24 per share on April 8, 2020, damaging investors.

25 8. On April 9, 2020, Baidu issued a statement entitled "Baidu Takes Measures to
26 Comply with Government Directives," confirming that it had "suspended updating its content on
27 certain newsfeeds channels within Baidu App and conduct maintenance, beginning from April
28

1 8, 2020” and stating that it “expects that the suspension may have impact on the marketing
2 services revenue related to the suspended channels.”

3 9. As a result of Defendants’ wrongful acts and omissions, and the precipitous
4 decline in the market value of the Company’s securities, Plaintiff and other Class members have
5 suffered significant losses and damages.

6 **JURISDICTION AND VENUE**

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

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

12 12. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange
13 Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Defendants conduct business in this Judicial
14 District, and a significant portion of Defendants’ actions took place within this Judicial District.

15 13. In connection with the acts alleged in this complaint, Defendants, directly or
16 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited
17 to, the mails, interstate telephone communications, and the facilities of the national securities
18 markets.

19 **PARTIES**

20 14. Plaintiff, as set forth in the attached Certification, acquired Baidu securities at
21 artificially inflated prices during the Class Period and was damaged upon the revelation of the
22 alleged corrective disclosures.

23 15. Defendant Baidu is a Cayman Islands corporation with its principal executive
24 offices located at Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085,
25 People’s Republic of China. Baidu provides Internet search services in China and internationally.
26 Baidu’s securities trade on the Nasdaq Global Select market (“NASDAQ”) under the ticker
27 symbol “BIDU.”
28

1 16. Defendant Yanhong Li (“Li”) has served as Baidu’s Co-Founder, Chairman, and
2 Chief Executive Officer at all relevant times.

3 17. Defendant Cheng-Chun Yu (“Yu”) has served as Baidu’s Chief Financial Officer
4 at all relevant times.

5 18. Defendants Li and Yu are sometimes referred to herein as the “Individual
6 Defendants.”

7 19. The Individual Defendants possessed the power and authority to control the
8 contents of Baidu’s SEC filings, press releases, and other market communications. The
9 Individual Defendants were provided with copies of Baidu’s SEC filings and press releases
10 alleged herein to be misleading prior to or shortly after their issuance and had the ability and
11 opportunity to prevent their issuance or to cause them to be corrected. Because of their positions
12 with Baidu, and their access to material information available to them but not to the public, the
13 Individual Defendants knew that the adverse facts specified herein had not been disclosed to and
14 were being concealed from the public, and that the positive representations being made were then
15 materially false and misleading. The Individual Defendants are liable for the false statements
16 and omissions pleaded herein.

17 20. Baidu and the Individual Defendants are collectively referred to herein as
18 “Defendants.”

19 **SUBSTANTIVE ALLEGATIONS**

20 **Background**

21 21. Baidu is a technology company specializing in Internet-related services and
22 products and AI. The Baidu search engine is the second largest search engine in the world and
23 the most widely used search engine in the China, with a market share of more than 70%. The
24 Company also provides a portfolio of apps that provide mobile device access to the Company’s
25 search and feed services, along with social media services and both user generated and
26 professionally produced media content.

27 22. At all relevant times Baidu has generated a substantial majority of its revenues
28 from online marketing services, whereby Baidu integrates paid advertisements from its

1 customers into its online products and services, taking advantage of the Company's large user
2 base and traffic. Accordingly, Baidu's revenues depend, in large part, upon offering products
3 and services that are accessible to a large and engaged user base.

4 23. Over the past several years, Baidu has increasingly emphasized its feed services.
5 The Company added a personalized news feed to its search app in 2016, meaning that users can
6 now wait passively for Baidu algorithms to display content based on the user's past habits, rather
7 than actively inputting search terms. Describing Baidu's business model in a May 2019 article,
8 the publication *TechCrunch* stated that "Baidu's new two-legged strategy means feed is now of
9 equal, if not more, weight alongside search as the company better embraces the mobile age."

10 **Materially False and Misleading Statements Issued During the Class Period**

11 24. The Class Period begins on March 16, 2019, the day after Baidu filed its Annual
12 Report on Form 20-F with the SEC, reporting the Company's financial and operating results for
13 the year ended December 31, 2018 (the "2018 20-F"). In the 2018 20-F, Baidu reported
14 approximately \$11.91 billion in revenues from online marketing, constituting roughly 80% of
15 the Company's total revenues.

16 25. Further, the 2018 20-F also touted the value and utility of the Company's Baidu
17 Feed product, describing it as "a product within Baidu App that provides users with personalized
18 timeline based on their demographics and interests. *Baidu Feed complements our core search
19 product, leverages Baidu AI recommendation algorithms and monetization platform, and
20 contributes to user engagement and retention.*"

21 26. With respect to "Regulations," the 2018 20-F indicated that the Company is under
22 the regulation of the PRC government, including "[t]he State Council, the MIIT [the Ministry of
23 Industry and Information Technology], and other relevant government authorities" and stated, in
24 relevant part, that "[i]n the opinion of Han Kun Law Offices, our PRC legal counsel . . . *the
25 business operations of our consolidated affiliated entities, as described herein, comply with
26 current PRC laws and regulations in all material respects.*"

27 27. Further, in describing the Chinese internet industry, the 2018 20-F stated, in
28 relevant part, that:

1 China's internet industry, online marketing market and e-commerce market are
2 evolving. There are substantial uncertainties regarding the interpretation and
3 application of existing or proposed PRC laws and regulations. We cannot assure
4 you that the PRC regulatory authorities would find that our corporate structure and
5 our business operations comply with PRC laws and regulations. If the PRC
6 government finds us to be in violation of PRC laws and regulations, we may be
7 required to pay fines and penalties, obtain certain licenses or permits and change,
8 suspend or discontinue our business operations until we comply with applicable
9 PRC laws and regulations.

10 This statement was plainly a generic catch-all provision that was not tailored to the known and/or
11 foreseeable risks faced by the Company.

12 28. On May 17, 2019, Baidu hosted an earnings call with investors and analysts to
13 discuss the Company's results in the first quarter of 2019. While providing an overview of the
14 Company's operational and business performance in the quarter, Defendant Li touted the
15 performance of the Company's search plus feed, stating: "[w]e continue to increase the scale and
16 bolster the content and service offering in Baidu App to give our users unmatched native app-
17 like experience for search and feed. Combining feed with search increases user stickiness." On
18 the same call, Defendant Yu expressed his optimism for the Company's future and the value and
19 utility of Baidu's feed offerings, stating, in relevant part, that "[w]e're excited about our current
20 strategy to make the fastest growing areas of content searchable while adding news feed to our
21 distribution channel."

22 29. On March 13, 2020, Baidu filed an Annual Report on Form 20-F with the SEC,
23 reporting the Company's financial and operating results for the year ended December 31, 2019.
24 In the 2019 20-F, Baidu reported approximately \$11.22 billion in revenues from online
25 marketing, constituting roughly 73% of the Company's total revenues.

26 30. The 2019 20-F again touted the value and utility of the Company's Baidu Feed
27 product, describing it as "a product within Baidu App that provides users with personalized
28 timeline based on their demographics and interests. ***Baidu Feed complements our core search
product, leverages Baidu AI recommendation algorithms and monetization platform, and
contributes to user engagement and retention.***"

1 31. With respect to “Regulations,” the 2019 20-F reiterated that the Company is under
2 the regulation of the PRC government, including “[t]he State Council, the MIIT, and other
3 relevant government authorities” and stated, in relevant part, that:

4 In the opinion of Han Kun Law Offices, our PRC legal counsel . . . subject to the
5 disclosure and risks disclosed under “Item 3.D. Key Information—Risk Factors—
6 Risks Related to Our Corporate Structure,” “—Risks Related to Doing Business in
7 China” and “—Regulations,” *the business operations of our consolidated
8 affiliated entities, as described herein, comply with current PRC laws and
9 regulations in all material respects.*

10 32. Further, in describing the Chinese internet industry, the 2019 20-F stated, in
11 relevant part, that:

12 China’s internet industry, online marketing market and e-commerce market are
13 evolving. There are substantial uncertainties regarding the interpretation and
14 application of existing or proposed PRC laws and regulations. We cannot assure
15 you that the PRC regulatory authorities would find that our corporate structure and
16 our business operations comply with PRC laws and regulations. If the PRC
17 government finds us to be in violation of PRC laws and regulations, we may be
18 required to pay fines and penalties, obtain certain licenses or permits and change,
19 suspend or discontinue our business operations until we comply with applicable
20 PRC laws and regulations.

21 This statement was plainly a generic catch-all provision that was not tailored to the known and/or
22 foreseeable risks faced by the Company.

23 33. The statements referenced in ¶¶ 24-32 were materially false and misleading
24 because Defendants made false and/or misleading statements, as well as failed to disclose
25 material adverse facts about the Company’s business, operational and compliance policies.
26 Specifically, Defendants made false and/or misleading statements and/or failed to disclose that:
27 (i) Baidu’s feed services were not in compliance with applicable Chinese regulatory standards;
28 (ii) the foregoing noncompliance subjected the Company to a heightened risk of regulatory
enforcement, including the removal or suspension of certain of Baidu’s services and products;
(iii) accordingly, the Company’s revenues derived from its online marketing services were
unlikely to be sustainable; and (iv) as a result, the Company’s public statements were materially
false and misleading at all relevant times.

1 **The Truth Begins to Emerge**

2 34. On April 7, 2020, post-market, the CAA ordered Baidu to clean up improper
3 information and halt the spread of “low-brow content.” As reported by *CNBC*, in relevant part:

4 China’s all powerful internet regulator, Cyberspace Administration of China, said
5 in a post published on Wednesday on its official WeChat account that Baidu’s
6 content review on some of its news feed channels are not “strict,” therefore “it has
exerted bad influence to the society.”

7 Baidu said on its mobile app that it would suspend operations of some mobile app
8 channels, without elaborating on when it would resume those operations.

9 Baidu declined to further comment.

10 35. On this news, Baidu’s share price fell \$4.46 per share, or 4.38%, to close at \$97.33
11 per share on April 8, 2020, damaging investors.

12 36. Then, on April 9, 2020, Baidu issued a statement entitled “Baidu Takes Measures
13 to Comply with Government Directives,” confirming that it had “suspended updating its content
14 on certain newsfeeds channels within Baidu App and conduct maintenance, beginning from April
15 8, 2020” and stating that it “expects that the suspension may have impact on the marketing
16 services revenue related to the suspended channels.”

17 37. As a result of Defendants’ wrongful acts and omissions, and the precipitous
18 decline in the market value of the Company’s securities, Plaintiff and other Class members have
19 suffered significant losses and damages.

20 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

21 38. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
22 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
23 otherwise acquired Baidu securities during the Class Period (the “Class”); and were damaged
24 upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants
25 herein, the officers and directors of the Company, at all relevant times, members of their
26 immediate families and their legal representatives, heirs, successors or assigns and any entity in
27 which Defendants have or had a controlling interest.
28

1 39. The members of the Class are so numerous that joinder of all members is
2 impracticable. Throughout the Class Period, Baidu securities were actively traded on the
3 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and
4 can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds
5 or thousands of members in the proposed Class. Record owners and other members of the Class
6 may be identified from records maintained by Baidu or its transfer agent and may be notified of
7 the pendency of this action by mail, using the form of notice similar to that customarily used in
8 securities class actions.

9 40. Plaintiff's claims are typical of the claims of the members of the Class as all
10 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
11 federal law that is complained of herein.

12 41. Plaintiff will fairly and adequately protect the interests of the members of the
13 Class and has retained counsel competent and experienced in class and securities litigation.
14 Plaintiff has no interests antagonistic to or in conflict with those of the Class.

15 42. Common questions of law and fact exist as to all members of the Class and
16 predominate over any questions solely affecting individual members of the Class. Among the
17 questions of law and fact common to the Class are:

- 18 • whether the federal securities laws were violated by Defendants' acts as alleged
19 herein;
- 20 • whether statements made by Defendants to the investing public during the Class
21 Period misrepresented material facts about the business, operations and
22 management of Baidu;
- 23 • whether the Individual Defendants caused Baidu to issue false and misleading
24 financial statements during the Class Period;
- 25 • whether Defendants acted knowingly or recklessly in issuing false and
26 misleading financial statements;
- 27 • whether the prices of Baidu securities during the Class Period were artificially
28 inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is
 the proper measure of damages.

1 43. A class action is superior to all other available methods for the fair and efficient
2 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
3 the damages suffered by individual Class members may be relatively small, the expense and
4 burden of individual litigation make it impossible for members of the Class to individually
5 redress the wrongs done to them. There will be no difficulty in the management of this action as
6 a class action.

7 44. Plaintiff will rely, in part, upon the presumption of reliance established by the
8 fraud-on-the-market doctrine in that:

- 9 • Defendants made public misrepresentations or failed to disclose material facts
10 during the Class Period;
- 11 • the omissions and misrepresentations were material;
- 12 • Baidu securities are traded in an efficient market;
- 13 • the Company's shares were liquid and traded with moderate to heavy volume
14 during the Class Period;
- 15 • the Company traded on the NASDAQ and was covered by multiple analysts;
- 16 • the misrepresentations and omissions alleged would tend to induce a reasonable
17 investor to misjudge the value of the Company's securities; and
- 18 • Plaintiff and members of the Class purchased, acquired and/or sold Baidu
19 securities between the time the Defendants failed to disclose or misrepresented
20 material facts and the time the true facts were disclosed, without knowledge of
21 the omitted or misrepresented facts.

22 45. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a
23 presumption of reliance upon the integrity of the market.

24 46. Alternatively, Plaintiff and the members of the Class are entitled to the
25 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State*
26 *of Utah v. United States* , 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material
27 information in their Class Period statements in violation of a duty to disclose such information,
28 as detailed above.

1 COUNT I

2 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder**
3 **Against All Defendants)**

4 47. Plaintiff repeats and re-alleges each and every allegation contained above as if
5 fully set forth herein.

6 48. This Count is asserted against Defendants and is based upon Section 10(b) of the
7 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

8 49. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
9 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
10 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the
11 other members of the Class; made various untrue statements of material facts and omitted to state
12 material facts necessary in order to make the statements made, in light of the circumstances under
13 which they were made, not misleading; and employed devices, schemes and artifices to defraud
14 in connection with the purchase and sale of securities. Such scheme was intended to, and,
15 throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other
16 Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Baidu
17 securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise
18 acquire Baidu securities and options at artificially inflated prices. In furtherance of this unlawful
19 scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth
20 herein.

21 50. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
22 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly
23 and annual reports, SEC filings, press releases and other statements and documents described
24 above, including statements made to securities analysts and the media that were designed to
25 influence the market for Baidu securities. Such reports, filings, releases and statements were
26 materially false and misleading in that they failed to disclose material adverse information and
27 misrepresented the truth about Baidu's finances and business prospects.

1 51. By virtue of their positions at Baidu, Defendants had actual knowledge of the
2 materially false and misleading statements and material omissions alleged herein and intended
3 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants
4 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose
5 such facts as would reveal the materially false and misleading nature of the statements made,
6 although such facts were readily available to Defendants. Said acts and omissions of Defendants
7 were committed willfully or with reckless disregard for the truth. In addition, each Defendant
8 knew or recklessly disregarded that material facts were being misrepresented or omitted as
9 described above.

10 52. Information showing that Defendants acted knowingly or with reckless disregard
11 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
12 and/or directors of Baidu, the Individual Defendants had knowledge of the details of Baidu's
13 internal affairs.

14 53. The Individual Defendants are liable both directly and indirectly for the wrongs
15 complained of herein. Because of their positions of control and authority, the Individual
16 Defendants were able to and did, directly or indirectly, control the content of the statements of
17 Baidu. As officers and/or directors of a publicly-held company, the Individual Defendants had
18 a duty to disseminate timely, accurate, and truthful information with respect to Baidu's
19 businesses, operations, future financial condition and future prospects. As a result of the
20 dissemination of the aforementioned false and misleading reports, releases and public statements,
21 the market price of Baidu securities was artificially inflated throughout the Class Period. In
22 ignorance of the adverse facts concerning Baidu's business and financial condition which were
23 concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise
24 acquired Baidu securities at artificially inflated prices and relied upon the price of the securities,
25 the integrity of the market for the securities and/or upon statements disseminated by Defendants,
26 and were damaged thereby.

27 54. During the Class Period, Baidu securities were traded on an active and efficient
28 market. Plaintiff and the other members of the Class, relying on the materially false and

1 misleading statements described herein, which the Defendants made, issued or caused to be
2 disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares
3 of Baidu securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff
4 and the other members of the Class known the truth, they would not have purchased or otherwise
5 acquired said securities, or would not have purchased or otherwise acquired them at the inflated
6 prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class,
7 the true value of Baidu securities was substantially lower than the prices paid by Plaintiff and the
8 other members of the Class. The market price of Baidu securities declined sharply upon public
9 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

10 55. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
11 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
12 promulgated thereunder.

13 56. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
14 the other members of the Class suffered damages in connection with their respective purchases,
15 acquisitions and sales of the Company's securities during the Class Period, upon the disclosure
16 that the Company had been disseminating misrepresented financial statements to the investing
17 public.

18 COUNT II

19 **(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)**

20 57. Plaintiff repeats and re-alleges each and every allegation contained in the
21 foregoing paragraphs as if fully set forth herein.

22 58. During the Class Period, the Individual Defendants participated in the operation
23 and management of Baidu, and conducted and participated, directly and indirectly, in the conduct
24 of Baidu's business affairs. Because of their senior positions, they knew the adverse non-public
25 information about Baidu's misstatement of income and expenses and false financial statements.

26 59. As officers and/or directors of a publicly owned company, the Individual
27 Defendants had a duty to disseminate accurate and truthful information with respect to Baidu's
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1 financial condition and results of operations, and to correct promptly any public statements issued
2 by Baidu which had become materially false or misleading.

3 60. Because of their positions of control and authority as senior officers, the
4 Individual Defendants were able to, and did, control the contents of the various reports, press
5 releases and public filings which Baidu disseminated in the marketplace during the Class Period
6 concerning Baidu's results of operations. Throughout the Class Period, the Individual
7 Defendants exercised their power and authority to cause Baidu to engage in the wrongful acts
8 complained of herein. The Individual Defendants therefore, were "controlling persons" of Baidu
9 within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in
10 the unlawful conduct alleged which artificially inflated the market price of Baidu securities.

11 61. Each of the Individual Defendants, therefore, acted as a controlling person of
12 Baidu. By reason of their senior management positions and/or being directors of Baidu, each of
13 the Individual Defendants had the power to direct the actions of, and exercised the same to cause,
14 Baidu to engage in the unlawful acts and conduct complained of herein. Each of the Individual
15 Defendants exercised control over the general operations of Baidu and possessed the power to
16 control the specific activities which comprise the primary violations about which Plaintiff and
17 the other members of the Class complain.

18 62. By reason of the above conduct, the Individual Defendants are liable pursuant to
19 Section 20(a) of the Exchange Act for the violations committed by Baidu.

20 **PRAYER FOR RELIEF**

21 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

22 A. Determining that the instant action may be maintained as a class action under Rule
23 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

24 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason
25 of the acts and transactions alleged herein;

26 C. Awarding Plaintiff and the other members of the Class prejudgment and post-
27 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
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1 D. Awarding such other and further relief as this Court may deem just and proper.

2 **DEMAND FOR TRIAL BY JURY**

3 Plaintiff hereby demands a trial by jury.

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