

1 AMY J. LONGO (Cal. Bar No. 198304)
Email: longoa@sec.gov
2 ANSU BANERJEE (DC Bar No. 440660)
Email: banerjeea@sec.gov
3 JANET RICH WEISSMAN (Cal. Bar No. 137023)
Email: weissmanj@sec.gov

4 Attorneys for Plaintiff
5 Securities and Exchange Commission
Michele Wein Layne, Regional Director
6 Alka N. Patel, Associate Regional Director
444 S. Flower Street, Suite 900
7 Los Angeles, California 90071
Telephone: (323) 965-3998
8 Facsimile: (213) 443-1904

9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 vs.

17 YUH-YUE CHEN,

18 Defendant.

Case No. 2:19-cv-02734-DSF-E

COMPLAINT

21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **JURISDICTION AND VENUE**

23 1. The Court has jurisdiction over this action pursuant Sections 21(d)(1),
24 21(d)(3)(A), 21(e) and 27(a) of the Securities Exchange Act of 1934 (“Exchange
25 Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

26 2. Defendant has, directly or indirectly, made use of the means or
27 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
28 securities exchange in connection with the transactions, acts, practices and courses of

1 business alleged in this complaint.

2 3. Venue is proper in this district pursuant to Section 27(a) of the Exchange
3 Act, 15 U.S.C. § 78aa(a), because certain of the transactions, acts, practices and
4 courses of conduct constituting violations of the federal securities laws occurred
5 within this district.

6 SUMMARY

7 4. This case involves insider trading in the securities of Skyworks
8 Solutions, Inc. (“Skyworks” or “SWKS”) by its former employee Yuh-Yue Chen
9 (“Defendant” or “Chen”). While working as an engineer at Skyworks, Chen traded
10 multiple times in advance of the company’s earnings announcements. He improperly
11 accessed the company’s accounting and finance area, reviewed non-public financial
12 reports, and used that information to purchase Skyworks securities, including, but not
13 limited to, during the period April to July 2014. After Skyworks announced positive
14 quarterly financial results, on April 22, 2014 and again on July 17, 2014, Chen sold
15 Skyworks securities for a total profit of at least \$739,959. In September 2014, Chen
16 was caught in Skyworks’ restricted office area for the accounting and finance staff
17 and promptly fled the country.

18 THE DEFENDANT

19 5. **Yuh-Yue Chen**, age 52, resides in Taiwan. During the relevant period,
20 he resided in Irvine, California. Chen was a semi-conductor engineer for Skyworks
21 from 2007 until September 30, 2014, when he was terminated. Chen left the United
22 States for Taiwan in 2014; Chen returned to the United States on March 29, 2019 and
23 was interviewed by the FBI at the airport.

24 RELEVANT ENTITY

25 6. **Skyworks Solutions, Inc.** is a Delaware corporation. Its common stock
26 is registered with the Commission pursuant to Section 12(b) of the Securities Act of
27 1933 and trades on NASDAQ Global Select Market under the symbol “SWKS.”
28 Skyworks options trade on the Chicago Board Options Exchange. Skyworks is based

1 in Woburn, Massachusetts and has executive offices and a design center in Irvine,
2 California. Skyworks designs, manufactures and sells wireless analog
3 semiconductors.

4 **THE ALLEGATIONS**

5 **A. Chen Worked For Skyworks As An Engineer And Agreed To Follow Its** 6 **Code Of Business Code, Which Included Its Insider Trading Policy**

7 7. Starting from 2007, Chen worked as a semi-conductor engineer in
8 Skyworks' Orange County office.

9 8. While Chen was employed at Skyworks, the company had a code of
10 business conduct that included its insider trading policy. Skyworks regularly
11 provided employee training on its code of conduct, and required employees annually
12 to acknowledge receiving the company's code of conduct.

13 9. Specifically, Skyworks' "Code of Business Conduct and Ethics"
14 expressly required employees to obey insider trading laws, instructed them to review
15 detailed information about the company's insider trading policy, and provided a link
16 to that policy on the company's intranet site.

17 10. Skyworks e-mailed employees each quarter to remind them of the
18 company policy regarding insider trading; before each quarter's earnings release,
19 Skyworks informed its employees about the blackout period and also admonished
20 employees about the "general prohibition against trading based on material, non-
21 public information," specifically listing trading in stocks, puts, or calls.

22 11. Chen acknowledged, in writing, his receipt of Skyworks' code of
23 business conduct which included its insider trading policy when he was hired in 2007,
24 and also annually thereafter, including on July 7, 2014.

25 **B. Chen Learned Of Skyworks' Financial Results, Which Was Material Non-** 26 **Public Information**

27 12. Chen's office was located in a different part of Skyworks' Orange
28 County office than the accounting and finance department.

1 13. Chen did not have any responsibilities concerning accounting or finance.

2 14. Chen has admitted that he routinely used his employee security badge to
3 gain unauthorized access to the Skyworks restricted office area for the accounting and
4 finance staff, where he would go through the desks and work areas to find material
5 non-public earnings reports in order to obtain information to make securities trades.

6 15. Chen has admitted that knew he was entering an area of the company he
7 should not have entered, he knew he was accessing information that he did not have a
8 right to review, and he knew what he was doing was wrong.

9 16. Chen improperly accessed the accounting and finance staff work area
10 and reviewed Skyworks material non-public earnings reports in mid-April 2014.

11 17. Chen again improperly accessed the accounting and finance staff work
12 area and reviewed Skyworks material non-public earnings reports on July 7, July 14,
13 and July 16, 2014.

14 18. Chen gained improper access to the restricted accounting area a total of
15 at least 22 times between June 6 and September 17, 2014.

16 **C. Chen Breached His Fiduciary Duty To Skyworks And Its Shareholders By**
17 **Trading On Material Non-Public Information**

18 19. After his unauthorized office access and report review, Chen made large
19 trades of Skyworks securities. Once Skyworks released its earnings reports, Chen
20 liquidated his Skyworks securities positions for a profit.

21 20. Chen admitted that he was willing to risk increasingly larger amounts of
22 his own money in securities trades because he had access to the company's earnings
23 reports before the information was public. In his view, this practically ensured that
24 he would make money on his securities trades.

25 21. Chen profited from his trading in Skyworks securities, including, but not
26 limited to, trades in April 2014 and July 2014.

27 22. Specifically, Chen purchased Skyworks stock and call options between
28 March 19 and April 22, before the company announced its second quarter financial

1 results.

2 23. On April 22, 2014, after the close of the market, Skyworks reported
3 positive earnings for its second quarter of 2014 (ended March 28, 2014). Skyworks
4 reported revenue for the quarter of \$481 million, up 13% year-over-year and better
5 than the company's previous guidance of \$470 million. Skyworks also provided a
6 positive outlook for its third fiscal quarter of 2014. On April 23, 2014, Skyworks
7 stock closed at \$41.14, which was a price increase of \$3.51 per share, or 9.33%, on an
8 increased volume of 68%.

9 24. Chen sold his Skyworks securities immediately after this announcement
10 in April 2014. Chen made more than \$250,000 in profits from the options trades and
11 a few thousand dollars from the stock trades.

12 25. The next quarter, Chen again purchased stock and call options in several
13 transactions between July 8 and July 22, before the company announced its third
14 quarter financial results.

15 26. On July 17, 2014, after the close of the market, Skyworks reported
16 positive earnings for its third quarter of 2014 (ended June 27, 2014). Skyworks
17 reported revenue for the quarter of \$587 million, up 35% year-over-year and 22%
18 sequentially, and better than the company's guidance of \$570 million provided on
19 June 3. Skyworks also provided a positive outlook for its fourth fiscal quarter of
20 2014. On July 18, 2014, Skyworks stock closed at \$52.26, which was a price
21 increase of \$6.49 per share, or 14.09%, on an increased volume of 186%.

22 27. Again, Chen sold his Skyworks securities immediately after the
23 announcement in July 2014. Chen made more than \$475,000 in profits from the
24 options trades and a few thousand dollars from the stock trades.

25 28. At the time he traded in the securities of Skyworks, Chen knew, or was
26 reckless in not knowing, that the information he possessed concerning Skyworks'
27 second and third quarter 2014 financial results was material nonpublic information.

28 29. Chen also knew, or was reckless in not knowing, that he owed Skyworks

1 a duty of trust or confidence to keep the material, nonpublic information he possessed
2 concerning Skyworks' second and third quarter 2014 financial results confidential,
3 and to not trade on it.

4 30. Alternatively, by trading on material nonpublic information about
5 Skyworks' second and third quarter financial results, Chen misappropriated
6 confidential information, in breach of a duty of trust or confidence to Skyworks
7 and/or its shareholders.

8 31. Chen's profits from trading the securities of Skyworks on the basis of
9 material non-public information concerning the second quarter 2014 and third quarter
10 2014 financial results were approximately \$739,959.

11 **D. Chen Was Fired After He Was Caught In The Act**

12 32. On September 15, 2014, at approximately 9 p.m., Chen used his security
13 badge to gain unauthorized access to the Skyworks restricted office area for the
14 accounting and finance staff. This time, however, two Skyworks employees, who
15 were in the parking lot immediately outside that area, saw Chen through the window
16 rifling through documents.

17 33. When one of these employees entered the building and asked Chen to
18 stop, Chen instead ran out of the office through a side door and continued running out
19 of sight behind the building.

20 34. On Saturday, September 20, 2014, Chen fled to Taiwan without
21 informing anyone at Skyworks.

22 35. Skyworks investigated Chen's conduct and subsequently fired him.

23 36. Chen returned to the United States on March 29, 2019, and was
24 interviewed by the FBI at the airport.

FIRST CLAIM FOR RELIEF

Fraud in the Connection with the Purchase and Sale of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

(Against Defendant Chen)

37. The SEC realleges and incorporates by reference paragraphs 1 through 36 above.

38. By engaging in the conduct described above, Defendant Chen, directly and indirectly, bought Skyworks' securities between on or about April 21, 2014 and July 17, 2014, while in possession of material, non-public information of Skyworks' earnings announcements for 2Q2014 and 3Q2014, which Defendant Chen knew, or was reckless in not knowing, was in breach of Skyworks' Code of Business Conduct and Ethics as well as his duty of trust and confidence to Skyworks, and/or to its shareholders, and for Defendant Chen's personal benefit.

39. By engaging in the conduct described above, Defendant Chen, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

40. By engaging in the conduct described above, Defendant Chen violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a), 240.10b-5(b) & 240.10b-5(c).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendant Chen committed the alleged violations.

II.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Chen, and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

Order Defendant Chen to disgorge all funds received from his illegal conduct, together with prejudgment interest thereon.

IV.

Order Defendant Chen to pay a civil penalty under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: April 10, 2019

/s/ Janet Rich Weissman

JANET RICH WEISSMAN

Attorney for Plaintiff

Securities and Exchange Commission

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Complaints and Other Initiating Documents

[2:19-cv-02734 Securities and Exchange Commission v. Chen](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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Case Name: Securities and Exchange Commission v. Chen

Case Number: [2:19-cv-02734](#)

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Document Number: [1](#)

Docket Text:

COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Amy J Longo added to party Securities and Exchange Commission(pty:pla))(Longo, Amy)

2:19-cv-02734 Notice has been electronically mailed to:

Amy J Longo longoa@sec.gov, berryj@sec.gov, irwinma@sec.gov, kassabguir@sec.gov, LAROFiling@sec.gov

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Document description:Main Document

Original filename:C:\fakepath\Yuh-Yue Chen Complaint.pdf

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