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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

ANUP MADAN,

Defendant.

Case No. 2:18-cv-01121

**COMPLAINT**

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

**SUMMARY OF THE ACTION**

1. In July 2016, Defendant Dr. Anup Madan (“Madan”) engaged in insider trading in the securities of Sequenom, Inc. (“Sequenom”), a San Diego life sciences company that provides molecular diagnostic testing services, with an emphasis on noninvasive prenatal testing. Madan, a scientist at Laboratory Corporation of American Holding (“LabCorp”), misappropriated material nonpublic information from his employer relating to LabCorp’s bid to acquire Sequenom through a tender offer. Madan knowingly used this material nonpublic information to place illegal trades in Sequenom stock before the public announcement of the acquisition.

2. On July 21, 2016, Madan learned about the potential LabCorp-Sequenom acquisition

1 after a supervisor asked him to conduct a confidential, due diligence related site visit at Sequenom's  
2 San Diego laboratory. Madan, whose visit took place on July 23, 2016, knew that the visit to  
3 Sequenom, as well as the contemplated acquisition, was nonpublic, confidential information.

4 3. On July 25 and 26, 2016, the first trading days following his site visit to Sequenom,  
5 Madan bought a total of 9,300 shares of Sequenom stock, which at the time of his purchase were  
6 trading between \$0.84 and \$0.88 per share.

7 4. On July 27, 2016, LabCorp and Sequenom issued a joint press release announcing  
8 the companies' execution of merger agreement under which LabCorp would acquire all of the  
9 outstanding shares of Sequenom in a cash tender offer of \$2.40 per share, or \$371 million. That day,  
10 the price of Sequenom stock increased 176%. After the announcement, Madan sold all of his  
11 Sequenom shares, reaping ill-gotten gains of \$14,023.

12 5. By engaging in the conduct described in this Complaint, Madan violated Sections  
13 10(b) and 14(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b),  
14 78n(e)] and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.14e-3].

15 **JURISDICTION, VENUE AND INTRADISTRICT ASSIGNMENT**

16 6. The SEC brings this action pursuant to Sections 21(d), 21(e), and 21A of the  
17 Exchange Act to enjoin the acts, practices, and courses of business alleged in this Complaint, and to  
18 obtain disgorgement, prejudgment interest civil money penalties, and such other and further relief  
19 as the Court may deem just and appropriate [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1].

20 7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A,  
21 and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1, and 78aa].

22 8. Defendant, directly or indirectly, made use of the means or instrumentalities of  
23 interstate commerce, or of the mails, or of the facilities of a national securities exchange, in  
24 connection with the transactions, acts, practices, and courses of business alleged herein.

1 9. Venue is proper in this District pursuant to Section 27 of the Exchange Act [15  
2 U.S.C. § 78aa]. Certain of the acts, practices, courses of business, and transactions constituting the  
3 violations alleged herein occurred within the Western District of Washington. Pursuant to Local  
4 Civil Rule 3(e)(1), assignment to the Seattle Division is appropriate because a substantial part of the  
5 relevant conduct occurred in King County.

6 **DEFENDANT**

7 10. **Dr. Anup Madan**, age 52, is a resident of Bellevue, Washington, and is an employee  
8 of LabCorp's Covance Genomics Laboratory.

9 **RELEVANT ENTITIES**

10 11. **Sequenom, Inc.** is a Delaware corporation headquartered in San Diego, California.  
11 Sequenom is a life sciences company that provides molecular diagnostic testing services, with an  
12 emphasis on noninvasive prenatal testing. Sequenom was acquired in a 2016 tender offer by  
13 LabCorp, and is now a wholly-owned subsidiary of LabCorp. Sequenom's common stock was  
14 formerly registered with the SEC pursuant to Section 12(b) of the Exchange Act, and was traded on  
15 the NASDAQ (ticker: SQNM).

16 12. **Laboratory Corporation of America Holdings**, is a Delaware corporation  
17 headquartered in Burlington, North Carolina. The common stock of LabCorp is registered with the  
18 SEC pursuant to Section 12(b) of the Exchange Act and is traded on the New York Stock Exchange  
19 (ticker: LH).

20 **FACTUAL ALLEGATIONS**

21 13. Sequenom is a life sciences company that provides molecular diagnostic testing  
22 services, with an emphasis on noninvasive prenatal testing. On June 8, 2016, Sequenom's board of  
23 directors instructed a large investment bank to contact LabCorp and a few other companies to assess  
24 their interest in acquiring Sequenom, which was subject to a large amount of outstanding debt.

1 Sequenom engaged in due diligence and negotiations with LabCorp, and on July 20, 2016,  
2 representatives of Sequenom and LabCorp agreed upon an acquisition price of \$2.40 per share.

3 14. Madan is a principal scientist and senior director in LabCorp's Seattle, Washington  
4 Covance Genomics Laboratory, where he has worked since 2010. On July 21, 2016, a Thursday,  
5 Madan responded to a LabCorp supervisor's email to a small group of LabCorp employees  
6 requesting that someone visit Sequenom's San Diego facilities to perform a confidential due  
7 diligence check. The visit was to take place on a nonworking day – that Saturday, July 23 – so that  
8 Sequenom staff would not become aware of the evaluation due to the secretive nature of the  
9 pending acquisition.

10 15. On July 23, 2016, Madan visited Sequenom's site. He knew that his visit to  
11 Sequenom was confidential, and that it was related to a potential acquisition of Sequenom by his  
12 employer, LabCorp. Having signed an insider trading policy as part of his employment, Madan  
13 knew that he had a duty to LabCorp not to engage in trading based upon confidential information  
14 that he acquired in the course of performing his job duties. Nevertheless, on July 25 and 26, 2016,  
15 the first two trading days after his site visit, Madan purchased 9,300 shares of Sequenom stock,  
16 which at the time were trading between \$0.84 to \$0.88 per share.

17 16. On July 27, 2016, the companies announced that LabCorp, through its wholly owned  
18 subsidiary Savoy Acquisition Corp., would acquire all of the outstanding shares of Sequenom in a  
19 cash tender offer for \$2.40 per share, or \$371 million including Sequenom's net indebtedness.  
20 After the announcement of the merger, Sequenom's stock price increased 176% to \$2.35 per share.  
21 The total daily trading volume increased from 363,087 on the day before the announcement to  
22 40,718,435 on the day of the announcement – an increase of 11,214.5% in one trading day.

23 17. Immediately following the announcement of the LabCorp-Sequenom merger on July  
24 27, 2016, Madan sold all of his shares later that day for a realized profit of \$14,023.

1 18. At the time of the relevant conduct described above, Madan acted with scienter.  
2 Madan traded Sequenom stock on the basis of material nonpublic information that he knew, or was  
3 reckless in not knowing, was material and nonpublic.

4 19. Madan knew, or was reckless in not knowing, that he owed a duty to his employer,  
5 LabCorp, to maintain the confidentiality of the information that he learned as part of his job. By  
6 trading on the material nonpublic information that he misappropriated from his employer, Madan  
7 breached the duty he owed to LabCorp.

8 20. At the time Madan purchased Sequenom shares, LabCorp had taken a substantial  
9 step or steps to commence its tender offer for Sequenom.

10 **FIRST CLAIM FOR RELIEF**

11 **Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

12 21. The SEC realleges and incorporates by reference paragraphs 1 through 20 as though  
13 fully set forth herein.

14 22. By engaging in the conduct described above, Madan, in connection with the  
15 purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of  
16 interstate commerce, or of the mails, or of the facilities of a national securities exchange, with  
17 scienter:

- 18 (a) employed devices, schemes, or artifices to defraud;
- 19 (b) made untrue statements of material fact or omitted to state material facts  
20 necessary in order to make the statements made, in the light of the  
21 circumstances under which they were made, not misleading; and/or
- 22 (c) engaged in acts, practices, or courses of business which operated or would  
23 operate as a fraud or deceit upon other persons, including purchasers and  
24 sellers of securities.

1 23. By engaging in the foregoing conduct, Madan violated Section 10(b) of the  
2 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

3 **SECOND CLAIM FOR RELIEF**

4 **Violation of Section 14(e) of the Exchange Act and Rule 14e-3 Thereunder**

5 24. The SEC re-alleges and incorporates by reference Paragraphs 1 through  
6 20 above as if they were fully set forth herein.

7 25. By engaging in the conduct described above, Madan, prior to the public  
8 announcement of the tender offer, and after a substantial step or steps to commence the tender  
9 offer had been taken, while in possession of material information relating to the tender offer,  
10 which information he knew or had reason to know was nonpublic and had been acquired directly  
11 or indirectly from the offering company, LabCorp, or any officer, director, partner, employee, or  
12 other person acting on behalf of the offering company or LabCorp, purchased or caused to be  
13 purchased or sold or caused to be sold the securities sought or to be sought by such tender offer.

14 26. By reason of the actions alleged herein, Madan violated and, unless restrained and  
15 enjoined, will continue to violate Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and  
16 Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3].

17 **PRAYER FOR RELIEF**

18 WHEREFORE, the SEC respectfully requests that this Court:

19 **I.**

20 Permanently restrains and enjoins Defendant from, directly or indirectly, violating Sections  
21 10(b) and 14(e) of the Exchange Act [15 U.S.C. §§ 78j(b), 78n(e)] and Rules 10b-5 and 14e-3  
22 thereunder [17 C.F.R. §§ 240.10b-5, 240.14e-3];

23 **II.**

24 Orders Defendant to disgorge all ill-gotten gains or unjust enrichment derived from the

1 activities set forth in this Complaint, together with prejudgment interest thereon;

2 **III.**

3 Orders Defendant to pay a civil monetary penalty under Section 21A of the Exchange Act  
4 [15 U.S.C. § 78u-1]; and

5 **IV.**

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

10 **V.**

11 Grants such other and further relief as this Court may deem just and appropriate.

12 Dated: July 31, 2018

13 Respectfully submitted,

14  
15 /s/ Adrienne D. Gurley -

16 Adrienne Dawn Gurley  
17 (conditionally admitted pursuant to LCR 83.1(c)(2))  
18 Securities and Exchange Commission  
19 444 S. Flower Street, Suite 900  
20 Los Angeles, California 90305  
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24 *Attorney for Plaintiff Securities and Exchange Commission*