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Case No.

1 HELANE L. MORRISON (California State Bar No. 127752)
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2 JINA L. CHOI (New York State Bar No. 2699718)
ELENA RO (California State Bar No. 197308)

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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11
12 SECURITIES AND EXCHANGE COMMISSION,
13 Plaintiff,
14 v.
15 LEONARD P. LECLERC and
16 MARNIE L. SHARPE,
17 Defendants.

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER RELIEF

18
19 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

20 **SUMMARY OF THE ACTION**

21 1. This is an insider trading case in which a biotech executive told a friend confidentially
22 about nonpublic drug trial results, the friend tipped her father, and the father bought shares of the
23 biotech company. When the drug trial results were publicly announced, the father illegally profited
24 by \$42,000.

25 2. On the morning of May 2, 2005, defendant Marnie L. Sharpe was told by a close
26 friend, a senior executive at Renovis, that he had just learned that the company's leading product
27 candidate had received positive clinical drug trial results. The executive warned her that the
28 information was highly confidential and that she could not buy Renovis stock or share the news with

1 anyone. Unbeknownst to the executive, Sharpe shared the confidential information with her father,
2 defendant Leonard P. Leclerc, within minutes of hanging up the phone. Leclerc immediately called
3 his broker and, after liquidating certain mutual fund holdings on May 3, purchased \$60,000 of
4 Renovis stock. When Renovis announced the positive trial results the morning of May 4, the
5 company's share price nearly doubled and Leclerc realized illegal profits of almost \$42,000 from his
6 Renovis stock purchase.

7 3. By misappropriating material nonpublic information from a Renovis executive and
8 tipping her father, defendant Sharpe violated Section 10(b) of the Securities Exchange Act
9 ("Exchange Act") of 1934 [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5] thereunder. By
10 trading on the basis of confidential information he learned from his daughter, defendant Leclerc
11 violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The Commission seeks a
12 court order requiring that defendant Leclerc disgorge his ill-gotten gains plus prejudgment interest;
13 imposing civil money penalties against both defendants; and enjoining defendants from future
14 violations of these provisions of the securities laws.

15 JURISDICTION AND VENUE

16 4. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the
17 Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1(c)].

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

20 6. Defendants, directly or indirectly, made use of the means or instrumentalities of
21 interstate commerce, or of the mails, or of the facilities of a national securities exchange in
22 connection with the transactions, acts, practices and courses of business alleged herein.

23 7. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C.
24 § 78aa] because defendant Marnie L. Sharpe resides within the Northern District of California and
25 acts and transactions constituting the violations alleged in the Complaint occurred within the
26 Northern District of California.

1 8. Intradistrict assignment to the San Francisco Division is proper pursuant to Civil L.R.
2 3-2(c) because a substantial part of the events or omissions which give rise to this claim occurred in
3 the County of San Mateo.

4
5 **DEFENDANTS**

6 9. Defendant Marnie L. Sharpe, age 39, resides in Burlingame, California. Sharpe is an
7 executive at a private biopharmaceutical company in South San Francisco, California.

8 10. Defendant Leonard P. Leclerc, age 68, resides in Truckee, California. Leclerc is a
9 semi-retired, self-employed field investigator and trainer for the federal government in the area of
10 background clearance.

11 **RELEVANT ENTITY**

12 11. Renovis, Inc. is a Delaware biopharmaceutical company with its principal offices in
13 South San Francisco, California. One of its most advanced product candidates is Cerovive, which
14 was developed to treat a type of stroke. Renovis' shares are registered with the Commission pursuant
15 to Section 12(g) of the Exchange Act and quoted on the Nasdaq National Market under the symbol
16 "RNVS."

17 **DEFENDANTS' ILLEGAL INSIDER TRADING**

18 12. From Fall 2004 until October 2005, Marnie Sharpe maintained a close friendship with
19 a senior executive at Renovis. Among other things, Sharpe and the executive, both divorced, met
20 socially and exchanged email, phone calls and text messages.

21 13. During their friendship, Sharpe and the Renovis executive had a history, pattern or
22 practice of sharing confidential work and personal information. They each expected the other to keep
23 such exchanges confidential and, until May 2005, did so. Because of their close personal relationship
24 and history of sharing confidences, the Renovis executive trusted Sharpe and expected her to keep
25 information about his work confidential.

26 14. During the last week of April 2005, Sharpe and the Renovis executive had dinner
27 together. Sharpe learned that results of clinical trials for Renovis' drug Cerovive, which was being
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1 developed to treat stroke victims, were to be shared with Renovis executives on May 2. Cerovive
2 was Renovis' most advanced commercial product candidate, and thus the results were crucial to the
3 company.

4 15. On the morning of May 2, 2005, the Renovis executive was informed through email
5 and a conference call that the Cerovive trial results were positive, showing a significant reduction in
6 disability when used in the treatment of stroke victims.

7 16. That same morning, Sharpe called the Renovis executive to see how his meetings
8 regarding the trial results had gone. During their phone call, the Renovis executive first told Sharpe
9 he could not discuss the results, but, after Sharpe pressed, he shared the positive news with her. In a
10 separate call with Sharpe moments later, the Renovis executive emphasized that the information was
11 extremely sensitive and that she could not repeat it to anybody. Sharpe confirmed that she knew the
12 information was confidential. Sharpe then asked if she or her parents could buy Renovis stock and he
13 answered "of course not."

14 17. Immediately after these conversations, Sharpe spoke to her father, Leclerc, and shared
15 the information she had just learned about the Renovis trial results. Right after his phone call with
16 his daughter, Leclerc called his broker to discuss raising \$50,000 in one day for an investment.
17 Leclerc asked his broker whether a company could identify him as a purchaser of its stock, and was
18 told that the company could not.

19 18. Later that day, Sharpe wired \$10,000 into Leclerc's brokerage account.

20 19. On May 3, the day after learning about the Renovis trial results from his daughter,
21 Leclerc sold approximately \$36,000 worth of mutual funds he owned to help fund his \$60,000
22 purchase of Renovis shares. Leclerc purchased 7,750 shares of Renovis stock at an average price of
23 \$7.65 per share. In a phone call that evening, Leclerc told his broker that he felt the Renovis stock he
24 had just bought "will move quick, that there may be an announcement soon."

25 20. On the morning of May 4, Renovis publicly announced the positive drug trial results.
26 That day, based on news of the trial results, Renovis' common stock closed at \$13.17 per share,
27 almost double the closing price of \$6.79 the prior day. Trading volume on May 4 was 45 times
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1 higher than the day before. By purchasing Renovis stock based on Sharpe's tip before the news
2 became public, Leclerc realized potential profits of \$41,852.55.

3 21. Sharpe breached a duty of trust or confidence she owed to the Renovis executive when
4 she misappropriated material, nonpublic information regarding the Cerovive trial results from him
5 and tipped Leclerc about the positive results. Based on her close personal relationship and history of
6 sharing confidences with the Renovis executive as well as her acknowledgement that the information
7 was to remain confidential, Sharpe knew or was reckless in not knowing that she had a duty to refrain
8 from sharing material, nonpublic information regarding the Cerovive trial results with Leclerc. As
9 Leclerc's daughter, Sharpe also benefited from her father's trading.

10 22. Leclerc purchased Renovis stock based on material, nonpublic information concerning
11 the Cerovive trial results. Leclerc knew, or was reckless in not knowing, that the information he
12 received on May 2, 2005 from Sharpe about Renovis' drug trial results was material and nonpublic.
13 Leclerc knew, or was reckless in not knowing, that Sharpe breached a duty to the Renovis executive
14 by sharing such material nonpublic information with Leclerc.

15 CLAIM FOR RELIEF

16 Violations of Section 10(b) of the Exchange Act
17 [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5]
18 Promulgated Thereunder

18 23. Paragraphs 1 through 22 are re-alleged and incorporated herein by reference.

19 24. Defendants, with scienter, directly or indirectly:

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

27 in connection with the purchase or sale of securities, by the use of means or instrumentalities of
28 interstate commerce, of the mails, or the facilities of a national securities exchange.

