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**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
SEATTLE DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

No. 2:21-cv-1108

Plaintiff,

v.

COMPLAINT

SUNG MO JUN, JOON MO JUN, JUNWOO
CHON, AYDEN LEE, and JAE HYEON BAE,

Defendants.

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

SUMMARY OF THE ACTION

1. This action concerns a three-year scheme that netted over \$3 million in illicit profits from insider trading in Netflix securities. From July 2016 to July 2019, the defendants misappropriated and traded on confidential Netflix subscriber information in advance of 13 separate Netflix earnings announcements. The SEC brings the instant action to hold these defendants accountable for their violations of the federal securities laws.

2. Defendant Sung Mo “Jay” Jun was at the center of the insider trading ring, both while he was employed as a software engineer at Netflix and after he left the company. During

1 his employment at Netflix, Sung Mo Jun accessed material nonpublic information regarding
2 Netflix’s subscriber growth—a key driver of the subscription-based video streaming company’s
3 revenue and its success—in advance of four consecutive Netflix quarterly earnings
4 announcements. From July 2016 through April 2017, Sung Mo Jun used this information to tip
5 his brother, Joon Mo Jun, and his close friend, Junwoo Chon, to trade Netflix securities in
6 advance of each quarterly earnings announcement. Joon Jun and Chon profitably traded Netflix
7 securities based on that information, and Chon paid Sung Mo Jun \$60,000 in cash from the
8 profits he made by trading in Netflix securities.

9 3. After Sung Mo Jun left Netflix, he continued to obtain confidential Netflix
10 subscriber information from another Netflix insider, defendant Ayden Lee, who worked with
11 Sung Mo Jun at Netflix and became his friend. From June 2017 through July 2019, Lee
12 repeatedly tipped Sung Mo Jun with Netflix subscriber information. Sung Mo Jun traded ahead
13 of, and tipped Joon Jun and Chon to trade ahead of, nine Netflix quarterly earnings
14 announcements from June 2017 through July 2019.

15 4. Sung Mo Jun’s former Netflix colleague, defendant Jae Hyeon Bae, returned to
16 work at Netflix after Sung Mo Jun left the company. From at least February 2018 through July
17 2019, Sung Mo Jun, Joon Jun, Chon, and Bae were participants in a group messaging channel
18 (the “Messaging Channel”) they used to share stock trading tips. In July 2019, while he was
19 employed with Netflix, Bae used the Messaging Channel to tip Joon Jun about Netflix’s
20 subscriber information in advance of Netflix’s July 2019 earnings announcement. Joon Jun
21 traded on Netflix securities based on that material, non-public information.

22 5. In total, Sung Mo Jun, Joon Jun, and Chon netted over \$3.1 million in illicit
23 profits from trading Netflix securities based on material, non-public information provided by
24 Netflix insiders Sung Mo Jun, Lee, and Bae from July 2016 through July 2019.

25 **JURISDICTION AND VENUE**

26 6. The SEC brings this action pursuant to Sections 21(d), 21(e), and 21A of the
27 Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1].
28

1 2015 and again from June 2017 through July 2019. Bae became friends with Sung Mo Jun
2 during his first period working at Netflix and the two worked in the same group.

3 RELEVANT ENTITY

4 15. **Netflix, Inc.** is a Delaware corporation headquartered in Los Gatos, California.
5 Netflix is a subscription-based video streaming service offering online TV shows and movies.
6 Netflix's common stock is registered with the Commission pursuant to Section 12(b) of the
7 Exchange Act and is listed on NASDAQ under the ticker "NFLX."

8 FACTUAL ALLEGATIONS

9 **A. Netflix Subscriber Information Is Material and Confidential Company** 10 **Information.**

11 16. During the entire relevant period for this action, July 2016 through July 2019,
12 Netflix's revenue growth largely depended on increasing the number of customers who
13 purchased subscriptions. As the company and investors recognized, subscriber performance
14 numbers, which Netflix announced in its quarterly earnings releases, was material information.

15 17. Netflix makes its periodic subscriber numbers available to its employees through
16 its intranet on an ongoing basis. Netflix treats the subscriber numbers as confidential information
17 according to its company policies, including its insider trading policy, which all employees must
18 acknowledge. That insider trading policy prohibits Netflix employees from trading Netflix
19 securities based upon material nonpublic information, and further prohibits its employees from
20 making recommendations or expressing opinions about trading in Netflix securities based upon
21 such information.

22 **B. July 2016 to April 2017: Netflix Insider Sung Mo Jun Tips Material Nonpublic** 23 **Netflix Subscriber Information to Joon Jun and Chon.**

24 18. While employed at Netflix, Sung Mo Jun had access from at least July 2016
25 through February 2017 to confidential Netflix subscriber information in advance of Netflix's
26 earnings announcements. Sung Mo Jun knew, or was reckless in not knowing, he owed Netflix a
27 duty to keep that material nonpublic information confidential, and that he was prohibited from
28

1 using that information to trade Netflix securities or from sharing that information with anyone
2 else for purposes of trading Netflix securities.

3 19. From at least July 2016 through February 2017, in violation of his duties to
4 Netflix, Sung Mo Jun tipped Joon Jun and Chon about Netflix's material nonpublic subscriber
5 information in advance of Netflix earnings announcements. Sung Mo Jun did so with the
6 expectation that Joon Jun and Chon would trade in Netflix securities based on that material
7 nonpublic subscriber information. Sung Mo Jun's tips to Joon Jun and Chon were gifts of
8 confidential information to his trading relative and friend, and Sung Mo Jun further benefitted
9 through cash payments out of the trading proceeds.

10 20. Joon Jun and Chon knew, or were reckless it not knowing, that Sung Mo Jun was
11 breaching the duties he owed to his employer by giving them inside information and understood
12 it was improper for them to trade Netflix securities based upon the material non-public
13 subscriber information that Sung Mo Jun provided to them. Nonetheless, acting in coordination
14 with each other and with Sung Mo Jun, Joon Jun and Chon traded Netflix securities in advance
15 of Netflix's quarterly earnings announcements based upon that material nonpublic subscriber
16 information in July 2016, October 2016, January 2017, and April 2017.

17 21. On many occasions during that period, Joon Jun and Chon placed trades minutes
18 apart for identical Netflix options contracts. A stock options contract gives the owner the right to
19 buy or sell a stock at a fixed price, known as the strike price, on or before a specified date,
20 known as the expiration date. A "call" option contract typically gives the owner the right to
21 purchase 100 shares of the underlying stock at a strike price for a specified period of time. A
22 "put" option contract gives the owner the right to sell 100 shares of the underlying stock at a
23 strike price for a specified period of time.

24 22. Although Sung Mo Jun ended his employment with Netflix in February 2017, he
25 accessed material nonpublic Netflix subscriber information relating to the first quarter of 2017
26 before he left Netflix and tipped that information to Joon Jun and Chon for purposes of trading
27 Netflix securities in advance of Netflix's earnings announcement in April 2017. In further
28 violation of his duties to Netflix, Sung Mo Jun also personally traded in Netflix securities in

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