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 12 SECURITIES AND EXCHANGE COMMISSION

13 UNITED STATES DISTRICT COURT
 14 NORTHERN DISTRICT OF CALIFORNIA
 15 SAN JOSE DIVISION

17 SECURITIES AND EXCHANGE COMMISSION,	Case No. C-
18 Plaintiff,	
19 v.	COMPLAINT
20 ANDREAS BECHTOLSHEIM,	
21 Defendant.	

22
 23 Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

24 **SUMMARY**

25 1. This action concerns insider trading by Defendant Andreas “Andy” Bechtolsheim
 26 (“Defendant” or “Bechtolsheim”) in the securities of Acacia Communications, Inc. (“Acacia”), a
 27 maker of high-speed optical interconnect products whose stock was publicly traded. Bechtolsheim,
 28 the founder, Chief Architect and former Chairman of Arista Networks, Inc. (“Arista Networks”),

1 8. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C.
2 § 78aa], because a substantial part of the acts and transactions constituting the violations alleged in
3 this Complaint occurred within the Northern District of California.

4 INTRADISTRICT ASSIGNMENT

5 9. Under Civil Local Rule 3-2(e), this civil action should be assigned to the San Jose
6 Division, because a substantial part of the events which give rise to the claims alleged herein
7 occurred in Santa Clara County.

8 DEFENDANT

9 10. **Bechtolsheim** is 68 years old and resides in Incline Village, Nevada. Bechtolsheim is
10 the founder of Arista Networks, Inc., a publicly-traded company, and currently serves as its Chief
11 Architect. Bechtolsheim served as Chairman and Chief Development Officer of Arista Networks
12 from October 2008 to December 2023, when he resigned from these positions. Bechtolsheim has
13 held high-level positions at other publicly-traded companies throughout his career, dating back to the
14 early 1980s when he helped found a large Silicon Valley based technology company.

15 RELEVANT ENTITIES

16 11. **Acacia**, incorporated in Delaware and now a subsidiary of Cisco, manufactures high-
17 speed optical interconnect products. Before market open on July 9, 2019, Acacia and Cisco
18 announced that Acacia had entered into an agreement to be acquired by Cisco, and the acquisition
19 closed on March 1, 2021. Prior to the closing of the acquisition, Acacia's securities were listed on
20 the NASDAQ Global Select Market and the Chicago Board Options Exchange under the ticker
21 "ACIA." Acacia's principal corporate offices are in Maynard, Massachusetts.

22 12. **Arista Networks**, incorporated in Delaware, provides cloud networking products and
23 makes ethernet switching and routing platforms. Arista Networks's stock is listed on the New York
24 Stock Exchange under the ticker "ANET." Arista Networks's principal corporate offices are in Santa
25 Clara, California.

26 13. **Cisco**, incorporated in Delaware, makes products related to digital networking,
27 security, and cloud applications. Cisco's stock is listed on the NASDAQ Global Select Market under
28 the ticker "CSCO." Cisco's principal corporate offices are in San Jose, California.

FACTUAL ALLEGATIONS

A. Bechtolsheim Learns Material Nonpublic Information Regarding Acacia’s Impending Acquisition

14. Tech Company A and Arista Networks at all relevant times shared a confidential business relationship. Employees of Tech Company A and Arista Networks, including Tech Company A Manager and Bechtolsheim, were bound by a non-disclosure agreement (“NDA”) to maintain the confidentiality of information shared between the two companies and also had a history, pattern, or practice of sharing confidential information with each other. In this context, Tech Company A Manager and Bechtolsheim shared confidential information with each other, and understood that their conversations were subject to an NDA between their companies.

15. Tech Company A and Acacia engaged in confidential discussions concerning Tech Company A’s potential acquisition of Acacia from April 2019 through July 8, 2019. On the morning of July 8, 2019,¹ a representative of Acacia contacted Tech Company A’s Chief Financial Officer (“CFO”) to inform him that another company had made an offer to acquire Acacia and inquired whether Tech Company A would be in a position to submit a competing offer for Acacia. Immediately after this conversation, Tech Company A’s CFO called Tech Company A Manager to discuss the potential impact of an acquisition of Acacia by another company on Tech Company A’s business. Tech Company A Manager suggested to the CFO that Tech Company A Manager contact Bechtolsheim confidentially to help them assess the impact of an acquisition of Acacia.

16. Approximately one hour after Tech Company A’s CFO and Tech Company A Manager spoke on July 8, 2019, Tech Company A Manager texted Bechtolsheim’s cell phone that he “need[ed] to chat . . . rather urgent[ly] regarding a possible transaction in the optics space.” Minutes later, Bechtolsheim and Tech Company A Manager spoke by telephone and discussed the imminent acquisition of Acacia as well as any potential impact on Tech Company A.

17. Bechtolsheim knew or was reckless in not knowing that the information he learned about Acacia’s impending acquisition was material and nonpublic. Bechtolsheim also knew or was

¹ Unless otherwise stated, all times in this Complaint are in Pacific time.

1 reckless in not knowing that he had a duty of trust and confidence to keep such information
2 confidential and not trade in Acacia securities based on this information.

3 18. Arista Networks's insider trading policy, which Bechtolsheim acknowledged receiving
4 and reviewing, stressed that trading on the basis of material nonpublic information is illegal and
5 outlined potential penalties for insider trading. Arista Networks's insider trading policy also
6 specifically prohibited "misuse of any nonpublic information of other companies, such as [Arista
7 Networks's] distributors, vendors, customers, collaborators, suppliers and competitors" and stated
8 that "nonpublic information . . . acquire[d] in the course of [employment] with [Arista Networks]
9 may only be used for legitimate . . . business purposes . . . [and] should be handled in accordance
10 with the terms of any relevant nondisclosure agreements." Bechtolsheim also received trainings at
11 Arista Networks concerning insider trading and the proper handling of nonpublic information.

12 **B. Bechtolsheim Immediately Trades Acacia Option Contracts**

13 19. A stock option, commonly referred to as an "option," gives its purchaser-holder the
14 right to buy or sell shares of an underlying stock at a specified price prior to the expiration date.
15 Options are generally sold in "contracts," which give the option holder the right to buy or sell 100
16 shares of an underlying stock. The two types of stock options are calls and puts.

17 20. A "put" option gives the purchaser-holder of the option the right, but not the
18 obligation, to sell a specified amount of an underlying security at a specified price (i.e., the "strike
19 price") within a specific time period before an expiration date. Generally, the buyer of a put option
20 anticipates that the price of the underlying security will decrease during a specified period of time.

21 21. Although the purchase of a put option is a bearish trade, "writing," or selling without
22 owning, a put option is bullish as the seller collects the proceeds (the "premium") from the sale of the
23 put option and would keep those proceeds if the value of the put option does not increase in value.
24 Generally, when the underlying stock decreases in price, the value of related put options would
25 increase in value. Conversely, an increase in the underlying stock price would generally lead to a
26 decrease in the value of the put option. Writing put options is one method of profiting when an
27 investor believes that the underlying stock price will rise in value.

1 22. Immediately after speaking with Tech Company A Manager on July 8, 2019, and
2 minutes before the market closed, Bechtolsheim called a brokerage firm where Relative maintained a
3 brokerage account and arranged to write Acacia put option contracts in Relative's account.

4 23. Between 12:56 PM and 12:58 PM on July 8, 2019, Bechtolsheim accessed Relative's
5 account and wrote 400 Acacia put option contracts with a strike price of \$50 and an expiration date of
6 July 19, 2019 for a premium of \$95,396. At 12:57 PM, Bechtolsheim simultaneously accessed the
7 brokerage account of Associate and wrote 200 Acacia put option contracts with a strike price of \$65
8 and an expiration date of July 19, 2019 for a premium of \$332,130.

9 24. Acacia's stock traded between \$47.51 and \$48.41 on July 8, 2019. Relative and
10 Associate had previously provided Bechtolsheim with authority to trade in these brokerage accounts
11 and were not aware of Bechtolsheim's relevant Acacia trades at the time they were made.

12 25. On July 9, 2019, before market open, Acacia and Cisco announced to the public that
13 Cisco had entered into a definitive agreement to acquire Acacia for \$70 per share. That day, the price
14 of Acacia stock rose sharply and closed at \$64.91 per share, a 35.1% increase from its \$48.06 closing
15 price on the previous trading day.

16 26. A representative of Relative's brokerage firm called Bechtolsheim on July 9, 2019 on
17 a recorded line to discuss Bechtolsheim's profitable Acacia trades and mentioned that Cisco would
18 acquire Acacia for \$70 per share. Bechtolsheim stated on the call, "[T]he rumor I heard was [Tech
19 Company A] was going to buy [Acacia]," despite the fact that a potential acquisition of Acacia by
20 any party was not publicly known prior to the July 9, 2019 announcement.

21 27. The 600 put option contracts written by Bechtolsheim in the brokerage accounts of
22 Relative and Associate expired on July 19, 2019 and those accounts retained the premiums associated
23 with writing the put options. As a result, Bechtolsheim's trading generated combined profits of
24 \$415,726 in Relative's and Associate's accounts.

25 **FIRST CLAIM FOR RELIEF**

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

27 28. Paragraphs 1 through 27 are hereby re-alleged and are incorporated herein by
28 reference.

1 29. At the time of the trading described above, Bechtolsheim knew, or was reckless in not
2 knowing, that the information he learned about an imminent acquisition of Acacia was material and
3 nonpublic. Bechtolsheim also knew or was reckless in not knowing that he was expected to maintain
4 the confidentiality of information that he learned related to the acquisition of Acacia and had a duty
5 of trust and confidence not to trade in Acacia securities on the basis of that information.

6 Bechtolsheim misappropriated the information about Acacia’s impending acquisition and
7 fraudulently breached his duty by writing put option contracts on the basis of that information.

8 30. By engaging in the conduct described above, Bechtolsheim, with scienter, in
9 connection with the purchase or sale of securities as set forth above, directly or indirectly:

- 10 a. employed devices, schemes, or artifices to defraud;
- 11 b. made untrue statements of material facts and omitted to state material facts necessary
12 in order to make the statements made, in light of the circumstances under which they
13 were made, not misleading; and
- 14 c. engaged in acts, practices, and courses of business which operated or would operate as
15 a fraud or deceit upon other persons, including purchasers and sellers of securities;

16 by the use of the means or instrumentalities of interstate commerce, and of the mails, and the
17 facilities of a national securities exchange.

18 31. By reason of the foregoing, Defendant, directly or indirectly, violated, and unless
19 restrained and enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C.
20 § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

21 **PRAYER FOR RELIEF**

22 WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

23 **I.**

24 Finding that Defendant violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
25 Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

26 **II.**

27 Permanently restraining and enjoining Defendant from directly or indirectly violating Section
28 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

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III.

Ordering, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], that Defendant be prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

IV.

Ordering Defendant to pay a civil monetary penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1].

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.

Granting such other and further relief as this Court may deem just, equitable, and necessary.

Dated: March 26, 2024

Respectfully submitted,

/s/ John P. Mogg
John P. Mogg
Attorney for Plaintiff
SECURITIES AND EXCHANGE
COMMISSION