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9
10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**

		Case No.
KIM BRAMS, Individually and on Behalf of)	
All Others Similarly Situated,)	<u>CLASS ACTION</u>
)	
Plaintiff,)	COMPLAINT FOR VIOLATION OF THE
)	FEDERAL SECURITIES LAWS
vs.)	
)	
ZOOM VIDEO COMMUNICATIONS, INC.,)	<u>DEMAND FOR JURY TRIAL</u>
ERIC S. YUAN, and KELLY)	
STECKELBERG,)	
)	
Defendants.)	
)	

1 **INTRODUCTION**

2 Plaintiff Kim Brams (“Plaintiff”), individually and on behalf of all others similarly
3 situated, alleges the following based on personal knowledge as to Plaintiff and Plaintiff’s own
4 acts, and upon information and belief as to all other matters based upon the investigation
5 conducted by and through Plaintiff’s attorneys, which included, among other things, a review
6 of press releases and other public statements issued by and regarding Zoom Video
7 Communications, Inc. (“Zoom” or the “Company”), Zoom’s filings with the U.S. Securities
8 and Exchange Commission (“SEC”), and media and analyst reports about the Company.
9 Plaintiff believes that substantial additional evidentiary support will exist for the allegations
10 set forth herein after a reasonable opportunity for discovery.

11 **SUMMARY OF THE ACTION**

12 1. This is a securities class action on behalf of all persons other than Defendants
13 (as defined herein) who purchased or otherwise acquired Zoom securities from April 18, 2019
14 through April 6, 2020, both dates inclusive (the “Class Period”), who were damaged thereby
15 (the “Class”), seeking to pursue remedies under Sections 10(b) and 20(a) of the Securities
16 Exchange Act of 1934 (the “Exchange Act”), and SEC Rule 10b-5 promulgated thereunder.

17 2. Zoom designs, develops, and sells a popular cloud-based communications
18 platform that concentrates on video conferencing. Zoom’s flagship product is “Zoom
19 Meetings” which is a service that allows remote users to communicate with one another
20 through video conferencing, collaborative meetings, text based chat and file sharing.

21 3. On March 22, 2019, Zoom filed a registration statement on Form S-1 with the
22 SEC in connection with its initial public offering (“IPO”), which, after several amendments,
23 was declared effective by the SEC on April 17, 2019 (the “Registration Statement”).

24 4. On April 18, 2019, Zoom filed a prospectus on Form 424B4 with the SEC in
25 connection with its IPO, which purported to provide information necessary for investors to
26 consider before partaking in its IPO and purchasing the Company’s newly publicly-issued
27 stock (collectively with the Registration Statement, the “Offering Documents”).

1 5. That same day, Zoom conducted its IPO and began trading publicly on the
2 Nasdaq Global Select Market (“NASDAQ”) under the ticker symbol “ZM.” Pursuant to
3 Zoom’s IPO, the Company sold approximately 9.91 million of the Company’s shares to the
4 public at the offering price of \$36.00 per share.

5 6. Throughout the Class Period, Defendants made materially false and misleading
6 statements regarding the Company’s business, operational and compliance policies.
7 Specifically, Defendants made false and/or misleading statements and/or failed to disclose
8 that: (i) Zoom had inadequate data privacy and security measures; (ii) contrary to Zoom’s
9 assertions, the Company’s video communications service was not end-to-end encrypted; (iii)
10 as a result of all the foregoing, users of Zoom’s communications services were at an increased
11 risk of having their personal information accessed by unauthorized parties, including
12 Facebook; (iv) usage of the Company’s video communications services was foreseeably likely
13 to decline when the foregoing facts came to light; and (v) as a result, the Company’s public
14 statements were materially false and misleading at all relevant times.

15 7. The truth about the deficiencies in Zoom’s software encryption began to come
16 to light as early as July 2019. However, due in large part to the Company’s obfuscation, it
17 was not until the impact of the COVID-19 pandemic in March and April of 2020, with
18 businesses and other organizations increasingly relying on Zoom’s video communication
19 software to facilitate remote work activity as governments increasingly implemented shelter-
20 in-place orders, that the truth was more fully laid bare in a series of corrective disclosures. As
21 it became clear through a series of news reports and admissions by the Company that Zoom
22 had significantly overstated the degree to which its video communication software was
23 encrypted, and organizations consequently prohibited its employees from utilizing Zoom for
24 work activities, the Company’s stock price plummeted, damaging investors.

25 8. As a result of Defendants’ wrongful acts and misleading statements, and the
26 precipitous decline in the market value of the Company’s securities, Plaintiff and other Class
27 members have suffered significant losses and damages.

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JURISDICTION AND VENUE

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2 9. The claims asserted herein arise under Sections 10(b) and 20(a) of the
3 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the
4 SEC, 17 C.F.R. § 240.10b-5.

5 10. This Court has jurisdiction over the subject matter of this action pursuant to 28
6 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

7 11. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15
8 U.S.C. § 78aa and 28 U.S.C. § 1391(b), as Zoom is headquartered in this District and many of
9 the false and misleading statements alleged herein were disseminated from this District.

10 12. In connection with the acts alleged in this complaint, Defendants, directly or
11 indirectly, used the means and instrumentalities of interstate commerce, including, but not
12 limited to, the mails, interstate telephone communications, and the facilities of the national
13 securities markets.

14 **PARTIES**

15 13. Plaintiff purchased Zoom securities during the Class Period, as set forth in the
16 certification attached hereto, and was damaged as the result of Defendants’ wrongdoing as
17 alleged in this complaint.

18 14. Defendant Zoom is a Delaware corporation and is headquartered in San Jose,
19 California. The Company’s stock is listed on the NASDAQ, an efficient market, under the
20 ticker symbol “ZM.” As of March 20, 2020, Zoom reported 127,468,829 outstanding shares
21 of its Class A common stock.

22 15. Defendant Eric S. Yuan (“Yuan”), was at all relevant times, Zoom’s founder,
23 Chief Executive Officer (“CEO”), and President.

24 16. Defendant Kelly Steckelberg (“Steckelberg”), was at all relevant times,
25 Zoom’s Chief Financial Officer (“CFO”).
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27
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1 social impact, retail/consumer products, and software/Internet industries, as well as
2 individuals.

3 21. Zoom Meetings is the cornerstone of the Company's platform, that ties all of
4 Zoom's other products and features together. Zoom Meetings provide HD video, voice, chat
5 and content sharing across mobile devices, desktops, laptops, telephones and conference room
6 systems. The Company touts Zoom Meetings as a flexible tool for on-the-go employees who
7 rely on their mobile device or tablet throughout their business day as we are the only service
8 to have mobile start, join, scheduling and screen sharing.

9 22. Features of Zoom Meetings includes Zoom Chat, which allows users to send
10 texts, images, audio files and content instantly across desktop, laptop, tablet and mobile
11 devices, as well as Zoom Rooms, a software-based conference room system, which enables
12 users to have frictionless Zoom Meetings in their physical meeting spaces.

13 23. Zoom generates revenues through a subscription based business model. While
14 its most basic suite of products is offered free of charge, it offers Pro, Business, and Enterprise
15 subscriptions, which offer enhanced features such as longer meeting times and increased
16 meeting participants.

17 24. On March 22, 2019, Zoom began the process to engage in its IPO. On that
18 date, Zoom filed the Registration Statement with the SEC. Zoom filed amendments to the
19 Registration Statement on April 8, 2019 and April 16, 2019. The Registration Statement was
20 declared effective by the SEC on April 17, 2019. On April 18, 2019 Zoom filed its prospectus
21 on SEC Form 424B4, which together with the Registration Statement, form the Offering
22 Materials.

23 25. Zoom completed its IPO on April 18, 2019. In connection with the IPO, the
24 company sold 9,911,434 shares of its stock for the price of \$36.00 per share. Additionally in
25 the IPO, 10,958,131 shares of stock were also registered for resale by certain selling
26 shareholders, including company insiders, investors, and affiliates. Finally the underwriters of
27 Zoom's IPO were granted the option to purchase an additional 3,130,435 shares.

1 **Materially False and Misleading Statements in Connection with the IPO**

2 26. The Class Period begins on April 18, 2019, when Zoom conducted its IPO and
3 its shares began publicly trading on the NASDAQ pursuant to the materially false or
4 misleading statements or omissions contained in the Offering Documents. In the Offering
5 Documents, Defendants touted that Zoom’s “unique technology and infrastructure enable
6 [inter alia] best-in-class reliability,” and that Zoom “offer[s] robust security capabilities,
7 including end-to-end encryption, secure login, administrative controls and role-based access
8 controls.”

9 27. Additionally, the Offering Documents touted that “[o]ne of the most important
10 features of [Zoom’s] platform is its broad interoperability with a range of diverse devices,
11 operating systems and third-party applications”; that its “platform is accessible from the web
12 and from devices running Windows, Mac OS, iOS, Android and Linux”; that the Company
13 has “integrations with [inter alia] . . . a variety of other productivity, collaboration, data
14 management and security vendors”; and that the Company “provide[s], develop[s] and
15 create[s] applications for [its] platform partners that integrate[s] [its] platform with [its]
16 partners’ various offerings.”

17 28. The Offering Documents also touted that, as part of Zoom’s growth strategy, the
18 Company “enable[s] developers to embed our platform into their own offerings through [inter
19 alia] . . . [its] cross-platform software development kits (SDKs),” such as those the Company
20 used, or would eventually use, when linking users’ data to Facebook.

21 29. Additionally, the Offering Documents generally touted that Zoom’s “cloud-
22 native platform delivers reliable, high-quality video that is easy to use, manage and deploy,
23 provides an attractive return on investment, is scalable and easily integrates with physical
24 spaces and applications”; that such “rich and reliable communications lead to interactions that
25 build greater empathy and trust”; and that Defendants “strive to live up to the trust our
26 customers place in us by delivering a communications solution that ‘just works.’”

1 30. The Offering Documents also assured investors that Zoom “strive[s] to comply
2 with applicable laws, regulations, policies and other legal obligations relating to privacy, data
3 protection and information security to the extent possible.”

4 31. Finally, the Offering Documents contained generic, boilerplate representations
5 concerning Zoom’s risks related to cybersecurity, data privacy, and hacking, noting that the
6 Company’s “security measures have on occasion, in the past, been, and may in the future be,
7 compromised”; that “[c]onsequently, our products and services may be perceived as not being
8 secure,” which “may result in customers and hosts curtailing or ceasing their use of our
9 products, our incurring significant liabilities and our business being harmed”; and that “actual
10 or perceived failure to comply with privacy, data protection and information security laws,
11 regulations, and obligations could harm our business.” Plainly, the foregoing risk warnings
12 were generic “catchall” provisions that were not tailored to Zoom’s actual known risks
13 concerning weaknesses in its cybersecurity and data protection systems.

14 32. Additionally at the time of the IPO, Zoom had a published privacy policy
15 which had been updated on March 19, 2019.¹ In the privacy policy, Zoom affirmed its
16 commitment to protecting the data of its users, stating in pertinent part:

17 Security of your Personal Data

18 Zoom is committed to protecting the Personal Data you share with
19 us. We utilize a combination of industry-standard security
20 technologies, procedures, and organizational measures to help
21 protect your Personal Data from unauthorized access, use or
disclosure. When we transfer credit card information over the
Internet, we protect it using Transport Layer Security (TLS)
encryption technology.

22 **False and Misleading Statements Following the IPO**

23 33. Zoom updated its privacy policy on December 31, 2019.² The updated privacy
24 policy contained substantively the same statements referenced in ¶ 32, *supra*.

26 ¹ Privacy Policy, ZOOM (Mar. 19, 2019),
27 [http://web.archive.org/web/20200406014841/https://zoom.us/docs/doc/Zoom-Security-White-
28 Paper.pdf](http://web.archive.org/web/20200406014841/https://zoom.us/docs/doc/Zoom-Security-White-Paper.pdf) (archived using Wayback Machine).

1 34. On June 7, 2019, Zoom filed its first Quarterly Report on Form 10-Q with the
2 SEC following its IPO, reporting the Company’s financial and operating results for the quarter
3 ended April 30, 2019 (the “1Q20 10-Q”). The 1Q20 10-Q contained substantively the same
4 statements referenced in ¶¶ 27 and 29-31, *supra*, touting the way Zoom interacts with various
5 operating systems and third-party applications, the trust its platform builds with customers and
6 users, and the Company’s efforts relating to privacy, data protection and information security;
7 and providing generic “catch-all” provisions that were not tailored to Zoom’s actual known
8 risks concerning weaknesses in its cybersecurity and data protection systems.

9 35. Appended as an exhibit to the 1Q20 10-Q were signed certifications pursuant
10 to the Sarbanes-Oxley Act of 2002 (“SOX”), wherein the Individual Defendants certified that
11 the 1Q20 10-Q “fully complies with the requirements of Section 13(a) or 15(d) of the
12 Securities Exchange Act of 1934 and that information contained in [the 1Q20 10-Q] fairly
13 presents, in all material respects, the financial condition and results of operations of Zoom.”

14 36. In or about June 2019, Zoom released a whitepaper detailing its security
15 measures (the “Security Whitepaper”).³ In the Security Whitepaper, Zoom noted that the
16 “*pre-meeting security capabilities are available to the meeting host*” included, *inter alia*, the
17 ability to “[e]nable an end-to-end (E2E) encrypted meeting.” Security Whitepaper, at 2.
18 This was reiterated in the subsequent section entitled “Meeting Security.” *Id.* at 3.

19 37. Additionally, as late as November 2019, Zoom’s website noted that the
20 meeting host could “[s]ecure a meeting with end-to-end encryption.”⁴ This statement
21 remained live on Zoom’s website throughout the Class Period.

22 38. The statements referenced in ¶¶ 26-37 were materially false and misleading
23 because Defendants made false and/or misleading statements, as well as failed to disclose
24

25 ² Privacy Policy, ZOOM (Dec. 31, 2019), [https://web.archive.org/web/20200119034606/
https://zoom.us/privacy](https://web.archive.org/web/20200119034606/https://zoom.us/privacy) (archived using Wayback machine).

26 ³ See SECURITY GUIDE (2019), [http://web.archive.org/web/20200406014841/https://zoom.us/
docs/doc/Zoom-Security-White-Paper.pdf](http://web.archive.org/web/20200406014841/https://zoom.us/docs/doc/Zoom-Security-White-Paper.pdf) (archived using Wayback Machine)

27 ⁴ See *Security at Zoom*, Zoom, [https://web.archive.org/web/20191104094251/https://zoom.us/
security](https://web.archive.org/web/20191104094251/https://zoom.us/security) (archived using Wayback Machine).

1 material adverse facts about the Company’s business, operational and compliance policies.
2 Specifically, Defendants made false and/or misleading statements and/or failed to disclose
3 that: (i) Zoom had inadequate data privacy and security measures; (ii) contrary to Zoom’s
4 assertions, the Company’s video communications service was not end-to-end encrypted; (iii)
5 as a result of all the foregoing, users of Zoom’s communications services were at an increased
6 risk of having their personal information accessed by unauthorized parties, including
7 Facebook; (iv) usage of the Company’s video communications services was foreseeably likely
8 to decline when the foregoing facts came to light; and (v) as a result, the Company’s public
9 statements were materially false and misleading at all relevant times.

10 **The Truth Is Partially Revealed**

11 39. On July 8, 2019, during intraday trading hours, security researcher Jonathan
12 Leitschuh (“Leitschuh”) published an article which allegedly exposed a flaw allowing hackers
13 to take over Zoom webcams.⁵ According to the article, “[a] vulnerability in the Mac Zoom
14 Client allows any malicious website to enable your camera without your permission,” and
15 “[t]he flaw potentially exposes up to 750,000 companies around the world that use Zoom to
16 conduct day-to-day business.”

17 40. On this news, Zoom’s stock price fell \$1.12 per share, or 1.22 percent, to close
18 at \$90.76 per share on July 8, 2019.

19 41. Then, on July 11, 2019, public interest research center the Electronic Privacy
20 Information Center (“EPIC”) filed a complaint against Zoom before the U.S. Federal Trade
21 Commission (“FTC”). The EPIC complaint alleged that the Company “placed at risk the
22 privacy and security of the users of its services,” that “Zoom intentionally designed their web
23 conferencing service to bypass browser security settings and remotely enable a user’s web
24 camera without the consent of the user,” and that, “[a]s a result, Zoom exposed users to the
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26 ⁵ See Jonathan Leitschuh, *Zoom Zero Day: 4+ Million Webcams & maybe an RCE? Just get*
27 *them to visit your website!*, MEDIUM (July 8, 2019), <https://medium.com/bugbountywriteup/zoom-zero-day-4-million-webcams-maybe-an-rce-just-get-them-to-visit-your-website-ac75c83f4ef5>.
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1 risk of remote surveillance, unwanted videocalls, and denial-of-service attacks.” The
2 complaint also alleged that “[w]hen informed of the vulnerabilities Zoom did not act until the
3 risks were made public, several months after the matter was brought to the company’s
4 attention,” that “Zoom exposed its users to a wide range of harms, many of which are
5 ongoing,” and that the Company’s “business practices amount to unfair and deceptive
6 practices under Section 5 of the FTC Act, subject to investigation and injunction by the
7 [FTC].”

8 42. On this news, Zoom’s stock fell \$1.32 per share, or 1.42 percent, to close at
9 \$91.40 per share on July 11, 2019.

10 43. Following these disclosures, however, Zoom’s stock price continued to trade at
11 artificially inflated prices throughout the Class Period as a result of Defendants’ continued
12 misrepresentations and omissions concerning Zoom’s data privacy and security mechanisms.

13 44. For example, on September 5, 2019, Zoom hosted an earnings call with
14 investors and analysts to discuss the Company’s second quarter financial results. In
15 responding to a question regarding the Company’s technology and architecture, Defendant
16 Yuan stated, in relevant part:

17 I think the combination of technology, ease-of-use, security will
18 win the customer trust, right. If you look at all other solutions out
19 there today, all of them architecture is very old, right? Not a
20 design for modern video cloud -- video first architecture. That’s
21 why we’re ahead of any of our competitors for several years.
22 Otherwise, I will go back to work all the weekend.

23 45. Then, on September 13, 2019, Zoom filed a Quarterly Report on Form 10-Q
24 with the SEC, reporting the Company’s financial and operating results for the quarter ended
25 July 31, 2019 (the “2Q20 10-Q”). The 2Q20 10-Q contained substantively the same
26 statements referenced in ¶¶ 27, 29-31, and 34, *supra*, touting the way Zoom interacts with
27 various operating systems and third-party applications, the trust its platform builds with
28 customers and users, and the Company’s efforts relating to privacy, data protection and
information security; providing generic “catch-all” provisions that were not tailored to

1 Zoom’s actual known risks concerning weaknesses in its cybersecurity and data protection
2 systems; and containing SOX certifications signed by the Individual Defendants attesting to
3 the accuracy and reliability of the financial report those certifications were appended to as an
4 exhibit.

5 46. Additionally, in the 2Q20 10-Q’s section dedicated to disclosing legal
6 proceedings, Defendants asserted that “[w]e are not presently a party to any litigation the
7 outcome of which, we believe, if determined adversely to us, would individually or taken
8 together have a material adverse effect on our business, operating results, cash flows or
9 financial condition,” even despite the fact that legal proceedings had already been initiated by
10 EPIC before the FTC on July 11, 2019, regarding Zoom’s inadequate privacy and security
11 measures, and at-risk software.

12 47. On December 9, 2019, Zoom filed another Quarterly Report on Form 10-Q
13 with the SEC, reporting the Company’s financial and operating results for the quarter ended
14 October 31, 2019 (the “3Q20 10-Q”). The 3Q20 10-Q contained substantively the same
15 statements referenced in ¶¶ 27, 29-31, 34, and 45, *supra*, touting the way Zoom interacts with
16 various operating systems and third-party applications, the trust its platform builds with
17 customers and users, the Company’s efforts relating to privacy, data protection and
18 information security, the lack of any legal proceedings likely to have a material adverse effect
19 on the Company’s business, operating results, cash flows or financial condition; providing
20 generic “catch-all” provisions that were not tailored to Zoom’s actual known risks concerning
21 weaknesses in its cybersecurity and data protection systems; and containing SOX
22 certifications signed by the Individual Defendants attesting to the accuracy and reliability of
23 the financial report those certifications were appended to as an exhibit.

24 48. Zoom updated its privacy policy on February 23, 2020.⁶ The updated privacy
25 policy contained substantively the same statements referenced in ¶¶ 32 and 33, *supra*.

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27 ⁶ Privacy Policy, ZOOM (Feb. 23, 2020), [https://web.archive.org/web/20200314182734/
28 https://zoom.us/privacy](https://web.archive.org/web/20200314182734/https://zoom.us/privacy) (archived using Wayback machine).

1 49. On March 4, 2020, Zoom hosted an earnings call with investors and analysts to
2 discuss the Company’s fourth quarter financial results. On that call, and while discussing an
3 example of the security and compliance that Zoom’s services ensured for its users, Defendant
4 Yuan stated, in relevant part:

5 I also want to thank VMware for trusting Zoom. VMware has
6 been providing all employees, globally, access to Zoom meetings
7 and digital workspace, and will soon utilize a large deployment of
8 Zoom Phone. The easy, single sign-on access to Zoom from any
9 device is enabled to leverage the VMware Workspace ONE
10 platform, allowing employees to access all the applications they
11 need from their device of choice while ensuring security and
12 compliance.

13 50. Zoom updated its privacy policy yet again on March 18, 2020.⁷ The updated
14 privacy policy contained substantively the same statements referenced in ¶¶ 32, 33, and 48,
15 *supra*.

16 51. On March 20, 2020, Zoom filed its first Annual Report on Form 10-K with the
17 SEC since its IPO, reporting the Company’s financial and operating results for the quarter and
18 year ended January 31, 2020 (the “2020 10-K”). As with the Offering Documents, the 2020
19 10-K touted that Zoom’s “unique technology and infrastructure enable [inter alia] best-in-
20 class reliability.”

21 52. The 2020 10-K also touted that the Company’s Zoom Video Webinars feature
22 “easily integrates with [inter alia] Facebook Live . . . providing access to large bases of
23 viewers,” without disclosing how integration with Facebook could implicate users’ personal
24 data, if at all.

25 53. Additionally, the 2020 10-K contained substantively the same statements
26 referenced in ¶¶ 27-31, 34, and 45, *supra*, touting the way Zoom interacts with various
27 operating systems and third-party applications, how the Company employed SDKs to partner
28 with other digital platforms and app providers, the trust its platform builds with customers and

⁷ Privacy Policy, ZOOM (Mar. 18, 2020), <https://web.archive.org/web/20200325143843/https://zoom.us/privacy> (archived using Wayback machine).

1 users, the Company's efforts relating to privacy, data protection and information security, the
2 lack of any legal proceedings likely to have a material adverse effect on the Company's
3 business, operating results, cash flows or financial condition; providing generic "catch-all"
4 provisions that were not tailored to Zoom's actual known risks concerning weaknesses in its
5 cybersecurity and data protection systems; and containing SOX certifications signed by the
6 Individual Defendants attesting to the accuracy and reliability of the financial report those
7 certifications were appended to as an exhibit.

8 54. The statements referenced in ¶¶ 44-53 were materially false and misleading
9 because Defendants made false and/or misleading statements, as well as failed to disclose
10 material adverse facts about the Company's business, operational and compliance policies.
11 Specifically, Defendants made false and/or misleading statements and/or failed to disclose
12 that: (i) Zoom had inadequate data privacy and security measures; (ii) contrary to Zoom's
13 assertions, the Company's video communications service was not end-to-end encrypted; (iii)
14 as a result of all the foregoing, users of Zoom's communications services were at an increased
15 risk of having their personal information accessed by unauthorized parties, including
16 Facebook; (iv) usage of the Company's video communications services was foreseeably likely
17 to decline when the foregoing facts came to light; and (v) as a result, the Company's public
18 statements were materially false and misleading at all relevant times.

19 **COVID-19 Causes Zoom's Usage Rates and Share Price to Skyrocket**

20 55. Throughout the first quarter of 2020 and moving into April 2020, the COVID-
21 19 pandemic placed millions of people under directives from their state and local governments
22 to "stay at home" or "shelter in place." Accordingly, Zoom video meetings subsequently
23 exploded in popularity because they provided a much needed communication service to the
24 millions of people.

25 56. Because of Zoom's purported security, reliability, and ease of use the
26 Company was seemingly well-positioned to capture this new market and see exponential
27 growth. Therefore, while the majority of the markets were experiencing historic losses due to
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1 the uncertainty surrounding COVID-19's impact on the global economy, Zoom shares soared.
2 Specifically, while Zoom began 2020 with a share price of approximately \$68.00 per share, it
3 enjoyed meteoric gains thereafter, reaching Class Period highs of approximately \$165.00 per
4 share on March 23, 2020.

5 57. Zoom's exponentially increasing user base, however, would come with
6 increased scrutiny into the Company's services. As revealed, *infra*, investors would soon
7 learn that Zoom's long affirmed guarantees regarding privacy, security, and encryption, were
8 anything but, thus revealing a lingering artificial inflation in the price of Zoom shares since
9 the IPO. Further discussed, *infra*, Zoom insiders, including the Individual Defendants, cashed
10 out when Zoom shares were at their apex, and directly on the cusp of these issues being
11 revealed.

12 **The Truth Is Fully Revealed Through Myriad Disclosures**

13 58. On March 26, 2020, *Motherboard*, reported that Zoom's "privacy policy do[es]
14 [not] make clear . . . that the iOS version of the Zoom app is sending some analytics data to
15 Facebook, even if Zoom users don't have a Facebook account," and that "Zoom is not
16 forthcoming with the data collection or the transfer of it to Facebook."⁸ The article also
17 alleged that "[t]he Zoom app notifies Facebook when the user opens the app, [and provides]
18 details on the user's device such as the model, the time zone and city they are connecting
19 from, which phone carrier they are using, and a unique advertiser identifier created by the
20 user's device which companies can use to target a user with advertisements." The article also
21 disclosed that "[s]everal days after Motherboard reached out for comment and a day after the
22 publication of this piece, Zoom confirmed the data collection in a statement to Motherboard."

23 59. Then, on March 27, 2020, Zoom issued a statement by Defendant Yuan,
24 disclosing "a change that [Defendants] have made regarding the use of Facebook's SDK"
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26 ⁸ Joseph Cox, *Zoom iOS App Sends Data to Facebook Even if You Don't Have a Facebook*
27 *Account*, MOTHERBOARD (Mar. 26, 2020), https://www.vice.com/en_us/article/k7e599/zoom-ios-app-sends-data-to-facebook-even-if-you-dont-have-a-facebook-account.
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1 after being “made aware on Wednesday, March 25, 2020, that the Facebook SDK was
2 collecting device information unnecessary for us to provide our services.”⁹ Yuan admitted
3 that “[t]he information collected by the Facebook SDK did not include information and
4 activities related to meetings such as attendees, names, notes, etc., but rather included
5 information about devices such as the mobile OS type and version, the device time zone,
6 device OS, device model and carrier, screen size, processor cores, and disk space,” and that,
7 “therefore [Defendants] decided to remove the Facebook SDK in [the] iOS client and have
8 reconfigured the feature so that users will still be able to log in with Facebook via their
9 browser.” Yuan also promised that Defendants “remain firmly committed to the protection of
10 our users’ privacy,” and that Defendants were “reviewing our process and protocols for
11 implementing these features in the future to ensure this does not happen again.”

12 60. On March 29, 2020 Zoom updated its privacy policy to be more transparent in
13 light of the recent public scrutiny.¹⁰

14 61. The next trading day, on March 30, 2020, the *New York Times* reported that
15 Zoom was under scrutiny by the office of New York State Attorney General (“AG”), Letitia
16 James (“James”), “for its data privacy and security practices.”¹¹ According to the article,
17 James’s “office sent Zoom a letter asking what, if any, new security measures the company
18 has put in place to handle increased traffic on its network and to detect hackers” in light of the
19 recent COVID-19 pandemic. Specifically, the article, quoted James, who is “concerned that
20 Zoom’s existing security practices might not be sufficient to adapt to the recent and sudden
21 surge in both the volume and sensitivity of data being passed through its network,” and that,
22 “[w]hile Zoom has remediated specific reported security vulnerabilities, [the office] would
23 like to understand whether Zoom has undertaken a broader review of its security practices.”

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25 ⁹ Eric S. Yuan, *Zoom’s Use of Facebook’s SDK in iOS Client*, ZOOM (Mar. 27, 2020),
<https://blog.zoom.us/wordpress/2020/03/27/zoom-use-of-facebook-sdk-in-ios-client/>.

26 ¹⁰ See *Privacy Policy*, ZOOM, <https://zoom.us/privacy>.

27 ¹¹ Danny Hakim and Natasha Singer, *New York Attorney General Looks Into Zoom’s Privacy*
Practices, N.Y. TIMES (Mar. 30, 2020), [https://www.nytimes.com/2020/03/30/technology/new-](https://www.nytimes.com/2020/03/30/technology/new-york-attorney-general-zoom-privacy.html)
28 [york-attorney-general-zoom-privacy.html](https://www.nytimes.com/2020/03/30/technology/new-york-attorney-general-zoom-privacy.html).

1 62. According to the *New York Times* article, James’s investigation cited, *inter*
2 *alia*, Leitschuh’s earlier findings regarding webcam security issues with the Zoom app, the
3 complaint that followed from EPIC, the recent revelations from Vice Media’s *Motherboard*
4 article, and the Company’s reactive rather than proactive approach to addressing these issues.
5 The article also noted other concerns cited by James’s office, including how “the [Zoom] app
6 may be circumventing state requirements protecting student data.” According to the article,
7 “some children’s privacy experts and parents said they were particularly concerned about how
8 children’s personal details might be used,” and “[s]ome districts have prohibited educators
9 from using Zoom as a distance-learning platform.” The article also stated that, “[o]ver the last
10 few weeks, internet trolls have exploited a Zoom screen-sharing feature to hijack meetings
11 and do things like interrupt educational sessions or post white supremacist messages to a
12 webinar on anti-Semitism—a phenomenon called ‘Zoombombing.’”

13 63. That same day, *Bloomberg* reported that a user of Zoom’s services had filed a
14 lawsuit against the Company “who claims the popular video-conferencing service is illegally
15 disclosing personal information.”¹² Specifically, the lawsuit alleged that Zoom “collects
16 information when users install or open the Zoom application and shares it, without proper
17 notice, to third parties including Facebook Inc.,” that “Zoom’s privacy policy doesn’t explain
18 to users that its app contains code that discloses information to Facebook and potentially other
19 third parties,” and that the Company’s “wholly inadequate program design and security
20 measures have resulted, and will continue to result, in unauthorized disclosure of its users’
21 personal information.”

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¹² Joel Rosenblatt, *Zoom Sued for Allegedly Illegally Disclosing Private Data*, BLOOMBERG
(Mar. 30, 2020), <https://www.bloomberg.com/news/articles/2020-03-31/zoom-sued-for-allegedly-illegally-disclosing-personal-data>.

1 64. Finally on March 30, 2020, the Federal Bureau of Investigation (“FBI”)
2 reportedly issued a warning about so-called “Zoom-bombing,” the phenomenon identified by
3 the *New York Times* where hackers can take over video-conferencing on the Company’s app.¹³

4 65. Additionally, that same day *The Intercept* reported that Zoom’s video
5 conferencing software is not, in fact, end-to-end encrypted between meeting participants,
6 contrary to the Company’s assertions, and that Zoom was actually “using its own definition of
7 the term, one that lets Zoom itself access unencrypted video and audio from meetings.”¹⁴
8 Specifically, *The Intercept* article noted that, “despite this misleading marketing, the service
9 actually does not support end-to-end encryption for video and audio content, at least as the
10 term is commonly understood,” and it “[i]nstead it offers what is usually called transport
11 encryption,” which is less secure.

12 66. The article by *The Intercept* also disclosed that after the publication had reached
13 out to Zoom for a comment about whether video meetings are actually end-to-end encrypted, a
14 Zoom spokesperson wrote that, “[c]urrently, it is not possible to enable E2E [end-to-end]
15 encryption for Zoom video meetings,” and that Zoom video meetings use the same encryption
16 methods offered by web servers to secure certain websites. As noted by *The Intercept* article,
17 this is known as transport encryption, “which is different from end-to-end encryption because the
18 Zoom service itself can access the unencrypted video and audio content of Zoom meetings.”

19 67. On March 31, 2020, the second consumer class action was filed against the
20 Company, captioned *Taylor v. Zoom Video Communications, Inc.*, No. 20-cv-0217 (N.D. Cal.).

21 68. On April 1, 2020, *Reuters* reported that Space Exploration Technologies Corp.
22 (“SpaceX”) had banned its employees from using Zoom’s video conferencing software
23

24 ¹³ Kristen Setera, *FBI Warns of Teleconferencing and Online Classroom Hijacking During*
25 *COVID-19 Pandemic*, FBI (Mar. 30, 2020), [https://www.fbi.gov/contact-us/field-](https://www.fbi.gov/contact-us/field-offices/boston/news/press-releases/fbi-warns-of-teleconferencing-and-online-classroom-hijacking-during-covid-19-pandemic)
26 [offices/boston/news/press-releases/fbi-warns-of-teleconferencing-and-online-classroom-](https://www.fbi.gov/contact-us/field-offices/boston/news/press-releases/fbi-warns-of-teleconferencing-and-online-classroom-hijacking-during-covid-19-pandemic)
[hijacking-during-covid-19-pandemic](https://www.fbi.gov/contact-us/field-offices/boston/news/press-releases/fbi-warns-of-teleconferencing-and-online-classroom-hijacking-during-covid-19-pandemic).

27 ¹⁴ Micah Lee and Yael Grauer, *Zoom Meetings Aren’t End-to-End Encrypted, Despite*
28 *Misleading Marketing*, THE INTERCEPT (Mar. 31, 2020), [https://theintercept.com/2020/03/31/](https://theintercept.com/2020/03/31/zoom-meeting-encryption/)
[zoom-meeting-encryption/](https://theintercept.com/2020/03/31/zoom-meeting-encryption/).

1 because of “significant privacy and security concerns,” citing an internal memo reviewed by
2 *Reuters* following the FBI’s warning regarding “Zoombombing.”¹⁵ According to *Reuters*, the
3 National Aeronautics and Space Administration (NASA), one of SpaceX’s largest customers,
4 also decided to ban employee use of Zoom’s app.

5 69. Additionally on April 1, 2020, a blog reported that “Patrick Wardle, a macOS
6 security researcher and former hacker for the National Security Agency, has uncovered two
7 new local security vulnerabilities in the latest version of the Mac Zoom client.”¹⁶ The first
8 noted flaw was related to Zoom’s installation process “which is done without user
9 interaction.” Based on this process, “a user or piece of malware with low-level privileges can
10 gain root access to a computer — the highest level of privilege.” The second, more troubling
11 flaw, according to the expose, “allows a local user or piece of malware to piggyback on
12 Zoom’s camera and microphone permissions.” By virtue of this vulnerability, “[a]n attacker
13 [could] inject malicious code into Zoom’s process space and ‘inherit’ camera and microphone
14 permissions, allowing them to hijack them without a user’s knowledge.”

15 70. In what would be a troubling day for the Company, *Motherboard* published
16 another article detailing that a security flaw in Zoom’s products was leaking users’ email
17 addresses and photos to strangers.¹⁷ The issue, according to the *Motherboard* article, was due
18 to “Zoom’s ‘Company Directory’ setting, which automatically adds other people to a user’s
19 lists of contacts if they signed up with an email address that shares the same domain.” In
20 practice, however, Zoom users who signed up with personal email addresses were “pooled . . .

23 ¹⁵ Munsif Vengattil and Joey Roulette, *Elon Musk’s SpaceX bans Zoom over privacy concerns*
24 *–memo*, REUTERS (Apr. 1, 2020), <https://www.reuters.com/article/us-spacex-zoom-video-commn/elon-musks-spacex-bans-zoom-over-privacy-concerns-memo-idUSKBN21J71H>.

25 ¹⁶ Mike Peterson, *Two more macOS Zoom flaws surface, as lawsuit & government probe*
26 *loom*, APPLE INSIDER (Apr. 1, 2020), <https://appleinsider.com/articles/20/04/01/two-more-macos-zoom-flaws-surface-as-lawsuit-government-probe-loom>.

27 ¹⁷ Joseph Cox, *Zoom is Leaking Peoples’ Email Addresses and Photos to Strangers*,
28 MOTHERBOARD (Apr. 1, 2020), https://www.vice.com/en_us/article/k7e95m/zoom-leaking-email-addresses-photos.

1 together with thousands of other people as if they all worked for the same company, exposing
2 their personal information to one another.”

3 71. That same day, Defendant Yuan published a blog post entitled, “A Message to
4 Our Users.”¹⁸ In the post, which was in response to mounting public outcry, Defendant Yuan
5 admitted that “[the Company] recognize[s] that we have fallen short of the community’s – and
6 our own – privacy and security expectations.”

7 72. On April 2, 2020, security expert Brian Krebs revealed that an automated tool
8 had been created to the purpose of finding Zoom meetings to engage in online vandalism.¹⁹
9 According to the article, because all Zoom meeting IDs consist of nine to eleven digits,
10 hackers “figured out they can simply guess or automate the guessing of random IDs within
11 that space of digits.” To assist in the process, hackers had apparently constructed an
12 automated tool known as “zWarDial” to seek out Zoom meetings to disrupt. Zoom responded
13 to questions by stating that moving forward all meetings would be password protected by
14 default.

15 73. Additionally on April 2, 2020, *The Verge* published an article also discussing
16 zWarDial.²⁰ The article noted that “[i]n addition to being able to find around 100 meetings
17 per hour, one instance of zWarDial can successfully determine a legitimate meeting ID 14
18 percent of the time.”

19 74. Finally on April 2, 2020, *The New York Times* reported that “a data-mining
20 feature on Zoom allowed some participants to surreptitiously have access to LinkedIn profile
21 data about other users — without Zoom asking for their permission during the meeting or
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24 ¹⁸ Eric S. Yuan, *A Message to Our Users*, ZOOM (Apr. 1, 2020) <https://blog.zoom.us/wordpress/2020/04/01/a-message-to-our-users/>.

25 ¹⁹ Brian Krebs, ‘War Dialing’ Tool Exposes Zoom’s Password Problems, KREBS ON
26 SECURITY (Apr. 2, 2020), <https://krebsonsecurity.com/2020/04/war-dialing-tool-exposes-zooms-password-problems/>.

27 ²⁰ Jay Peters, *Automated tool can find 100 Zoom meeting IDs per hour*, THE VERGE (Apr. 2,
28 2020), <https://www.theverge.com/2020/4/2/21206061/zoom-meeting-id-zwardial-automated-tool>.

1 even notifying them that someone else was snooping on them.”²¹ According to the article,
2 “[t]he undisclosed data mining adds to growing concerns about Zoom’s business practices at a
3 moment when public schools, health providers, employers, fitness trainers, prime ministers
4 and queer dance parties are embracing the platform.”

5 75. In light of the storm of bad publicity concerns about the many vulnerabilities in
6 the Zoom platform, the Company’s share price experience significant declines. Specifically,
7 between March 27, 2020, and April 2, 2020, Zoom’s stock price fell \$29.77 per share, or
8 19.62 percent, to close at \$121.93 per share on April 2, 2020.

9 76. On April 3, 2020, *The Washington Post* reported that “[t]housands of personal
10 Zoom videos have been left viewable on the open Web, highlighting the privacy risks to
11 millions of Americans as they shift many of their personal interactions to video calls in an age
12 of social distancing.”²² According to the article, “[v]ideos viewed by The Washington Post
13 included one-on-one therapy sessions; a training orientation for workers doing telehealth calls
14 that included people’s names and phone numbers; small-business meetings that included
15 private company financial statements; and elementary school classes, in which children’s
16 faces, voices and personal details were exposed.” The article noted that “[m]any of the videos
17 appear[ed] to have been recorded through Zoom’s software and saved onto separate online
18 storage space without a password.” The article attributed the shocking oversight to the fact
19 that “Zoom names every video recording in an identical way, a simple online search can
20 reveal a long stream of videos elsewhere that anyone can download and watch.”

21 77. Also on April 3, 2020, Citizen Lab, an interdisciplinary laboratory based at the
22 Munk School of Global Affairs & Public Policy at the University of Toronto, published a
23 report “examin[ing] the encryption that protects meetings in the popular Zoom teleconference
24

25 ²¹ Aaron Krolik and Natasha Singer, *A Feature on Zoom Secretly Displayed Data From*
26 *People’s LinkedIn Profiles*, N.Y. TIMES (Apr. 2, 2020), <https://www.nytimes.com/2020/04/02/technology/zoom-linkedin-data.html>.

27 ²² Drew Harwell, *Thousands of Zoom video calls left exposed on open Web*, WASH. POST
28 (Apr. 3, 2020), <https://www.washingtonpost.com/technology/2020/04/03/thousands-zoom-video-calls-left-exposed-open-web/>.

1 app.”²³ Citizen Lab found that Zoom has “rolled their own” (*i.e.*, built its own) encryption
2 scheme, “which has significant weaknesses,” and “identif[ied] potential areas of concern in
3 Zoom’s infrastructure, including observing the transmission of meeting encryption keys
4 through China.”

5 78. Later that day, during after-market hours, Zoom reportedly confirmed that,
6 during its efforts to ramp up its server capacity to accommodate the massive influx of users
7 over the past few weeks amid the COVID-19 pandemic, it “mistakenly” allowed two of its
8 Chinese data centers to accept calls as a backup in the event of network congestion.²⁴
9 According to Defendant Yuan, “[d]uring normal operations, Zoom clients attempt to connect
10 to a series of primary datacenters in or near a user’s region, and if those multiple connection
11 attempts fail due to network congestion or other issues, clients will reach out to two secondary
12 datacenters off of a list of several secondary datacenters as a potential backup bridge to the
13 Zoom platform.”

14 79. Additionally on April 3, 2020, Democratic Rep. Jerry McNerney of California
15 and eighteen of his Democratic colleagues from the House Committee on Energy and
16 Commerce sent a letter to Yuan raising concerns and questions regarding the company’s
17 privacy practices. The letter requested a response from Zoom by April 10.²⁵

18 80. On April 3, 2020, a third consumer class action was filed against the Company,
19 captioned *Ohlweiler v. Zoom Video Communications, Inc.*, No. 20-cv-03165 (C.D. Cal.).

20 81. On April 4, 2020, the *Wall Street Journal* reported that, in an interview with
21 Defendant Yuan, Yuan had stated that “[i]f we mess up again, it’s done,” in discussing the
22

23
24 ²³ *Move Fast and Roll Your Own Crypto: A Quick Look at the Confidentiality of Zoom*
Meetings, CITIZEN LAB (Apr. 3, 2020), <https://citizenlab.ca/2020/04/move-fast-roll-your-own-crypto-a-quick-look-at-the-confidentiality-of-zoom-meetings/>.

25 ²⁴ Eric S. Yuan, *Response to Research From University of Toronto’s Citizen Lab*, ZOOM (Apr.
26 3, 2020), <https://blog.zoom.us/wordpress/2020/04/03/response-to-research-from-university-of-torontos-citizen-lab/>.

27 ²⁵ Available at https://mcnerney.house.gov/sites/mcnerney.house.gov/files/Letter%20to%20Zoom_04.03.2020.pdf.
28

1 mounting privacy issues Zoom was facing, and that “I really messed up as CEO” and “[t]his
2 kind of thing shouldn’t have happened.”²⁶

3 82. On April 6, 2020, the following trading day, multiple news sources, including
4 the *New York Post*, reported that New York City’s Department of Education announced
5 (“DOE”) that it had banned the use of Zoom in the city’s classrooms, and the city’s mayor,
6 Bill de Blasio disclosed that “there’s been an effort” by DOE officials to work with Zoom in
7 order to “ensure the privacy of our students to make sure their information could not be
8 accessed wrongly” and officials “do not believe the company has cooperated.”²⁷
9 Consequently, the city’s Department of Education instead recommended Google or Microsoft
10 Teams for classroom communications purposes amid the state’s shelter-in-place order during
11 the COVID-19 pandemic.

12 83. That same day, in a *Yahoo! Finance* article, it was reported that “[o]n April 1st,
13 an actor in a popular dark web forum posted a link to a collection of 352 compromised Zoom
14 accounts,” according to a spokesperson for cybersecurity firm Sixgill; that, “[i]n comments on
15 this post, several actors thanked him for the post, and one revealed intentions to troll the
16 meetings”; that “these links included email addresses, passwords, meeting IDs, host keys and
17 names, and the type of Zoom account”; that, according to Sixgill, “one belonged to a major
18 U.S. healthcare provider, seven more to various educational institutions, and one to a small
19 business”; that “[t]he accounts were listed for anyone to download, with the intent to troll and
20 disrupt rather than profit”; and that, “given that many are using Zoom for business purposes,
21 confidential information could be compromised.”²⁸

22
23 ²⁶ Aaron Tilley and Robert McMillan, *Zoom CEO: ‘I Really Messed Up’ on Security as
24 Coronavirus Drove Video Tool’s Appeal*, W.S.J. (Apr. 4, 2020), [https://www.wsj.com/articles/
zoom-ceo-i-really-messed-up-on-security-as-coronavirus-drove-video-tools-appeal-
11586031129](https://www.wsj.com/articles/zoom-ceo-i-really-messed-up-on-security-as-coronavirus-drove-video-tools-appeal-11586031129).

25 ²⁷ Natalie Musumeci, *DOE bans schools using Zoom for remote learning amid security
26 concerns*, N.Y. POST (Apr. 6, 2020), [https://nypost.com/2020/04/06/doe-pulls-plug-on-schools-
using-zoom-amid-security-concerns/](https://nypost.com/2020/04/06/doe-pulls-plug-on-schools-using-zoom-amid-security-concerns/).

27 ²⁸ Ethan Wolff-Mann, *Hackers are posting verified Zoom accounts on the dark web*, YAHOO!
28 FINANCE (Apr. 6, 2020), [https://nz.finance.yahoo.com/news/hackers-are-posting-verified-zoom-
accounts-on-the-dark-web-161442319.html](https://nz.finance.yahoo.com/news/hackers-are-posting-verified-zoom-accounts-on-the-dark-web-161442319.html).

1 84. Following these additional disclosures and news, Zoom’s stock price fell \$5.26
2 per share, or 4.10%, to close at \$122.94 per share on April 6, 2020.

3 85. As a result of Defendants’ wrongful acts and omissions, and the precipitous
4 decline in the market value of the Company’s securities, Plaintiff and other Class members
5 have suffered significant losses and damages.

6 **Zoom Executives Engage in Substantial and Suspicious Insider Trading**

7 86. Directly prior to the precipitous declines in the value of Zoom stock, Company
8 executives, including Defendant Yuan, sold off substantial portions of their personally held
9 Zoom shares. These sales were made while Company shares were trading at historic highs,
10 bolstered even further by the artificial inflation which had lingered hidden in the price of
11 Zoom shares since its inception as a publicly traded company. These suspiciously timed and
12 unusual sales represented a windfall for Zoom insiders, including Pelosi Janine, Zoom’s
13 Chief Marketing Officer (“CMO”), who sold off over \$30 million worth of Company shares
14 on March 30, 2020 alone, and are therefore indicative of Defendants’ fraud discussed herein.
15 These trades are as follows:

Filer Name	Transaction Date	Average Sale Price	Shares Sold	Total Proceeds
Defendant Yuan	03.16.2020	\$112.18	70,143	\$7,949,838.34
	03.17.2020	\$108.20	70,143	\$7,583,527.32
<u>TOTAL:</u>			<u>140,286</u>	<u>\$15,533,365.66</u>
Defendant Steckelberg	03.23.2020	\$126.17	11,067	\$1,400,901.32
Pelosi Janine (Chief Marketing Officer)	03.09.2020	\$109.08	31,850	\$3,437,254.28
	03.16.2020	\$108.33	15,623	\$1,689,128.78
	03.30.2020	\$157.76	190,930	\$30,180,944.44
<u>TOTAL:</u>			<u>238,403</u>	<u>\$35,307,327.50</u>
Subotovsky Santiago (Director)	03.10.2020	\$108.97	73,168	\$7,948,598.53
	03.19.2020	\$121.13	73,168	\$8,851,521.37
<u>TOTAL:</u>			<u>146,336</u>	<u>\$16,800,119.90</u>

UNDISCLOSED ADVERSE FACTS

1
2 87. At all relevant times, the market for Zoom securities was open, well-developed
3 and efficient. As a result of Defendants' false statements and manipulative conduct, Zoom
4 securities traded at artificially inflated prices during the Class Period. Plaintiff and other
5 members of the Class purchased or otherwise acquired the Company's securities relying upon
6 the integrity of the market price of the Company's securities and market information relating
7 to Zoom, and have been damaged thereby.

8 88. During the Class Period, Defendants materially misled the investing public,
9 thereby purposely inflating the price of Zoom's securities, by publicly issuing false and/or
10 misleading statements and/or omitting to disclose material facts necessary to make
11 Defendants' statements, as set forth herein, not false and/or misleading. These statements and
12 omissions were materially false and/or misleading in that they failed to disclose material
13 adverse information and/or misrepresented the truth about Zoom's business, operations, and
14 prospects as alleged herein.

15 89. At all relevant times, the material misrepresentations and omissions
16 particularized in this Complaint directly or proximately caused, or were a substantial
17 contributing cause, of the damages sustained by Plaintiff and other members of the Class. As
18 described herein, during the Class Period, Defendants made, or caused to be made, a series of
19 materially false and/or misleading statements about Zoom's financial well-being and
20 prospects. These material misstatements and/or omissions had the cause and effect of creating
21 in the market an unrealistically positive assessment of the Company and its financial well-
22 being and prospects, thus causing the Company's securities to be overvalued and artificially
23 inflated at all relevant times. Defendants' materially false and/or misleading statements
24 during the Class Period resulted in Plaintiff and other members of the Class transacting in the
25 Company's securities at artificially inflated prices, thus causing the damages complained of
26 herein.

ADDITIONAL SCIENTER ALLEGATIONS

1
2 90. During the Class Period, as alleged herein, the Defendants acted with scienter
3 in that the Defendants knew or were reckless as to whether the public documents and
4 statements issued or disseminated in the name of the Company during the Class Period were
5 materially false and misleading; knew or were reckless as to whether such statements or
6 documents would be issued or disseminated to the investing public; and knowingly and
7 substantially participated or acquiesced in the issuance or dissemination of such statements or
8 documents as primary violations of the federal securities laws.

9 91. The Defendants permitted Zoom to release these false and misleading
10 statements and failed to file the necessary corrective disclosures, which artificially inflated the
11 value of the Company’s securities.

12 92. As set forth herein, the Defendants, by virtue of their receipt of information
13 reflecting the true facts regarding Zoom, their control over, receipt, and/or modification of
14 Zoom’s allegedly materially misleading statements and omissions, and/or their positions with
15 the Company that made them privy to confidential information concerning Zoom, participated
16 in the fraudulent scheme alleged herein.

17 93. The Defendants are liable as participants in a fraudulent scheme and course of
18 conduct that operated as a fraud or deceit on those who purchased or otherwise acquired
19 Zoom securities by disseminating materially false and misleading statements and/or
20 concealing material adverse facts. The scheme deceived the investing public regarding
21 Zoom’s business, operations, and management and the intrinsic value of Zoom common stock
22 and caused Plaintiff and members of the Class to transact in Zoom securities at artificially
23 inflated prices.

LOSS CAUSATION/ECONOMIC LOSS

24
25 94. During the Class Period, as detailed herein, Defendants made false and
26 misleading statements and engaged in a scheme to deceive the market and a course of conduct
27 that artificially inflated the prices of Zoom securities, and operated as a fraud or deceit on
28

1 Class Period purchasers of Zoom securities by misrepresenting the Company's business and
2 prospects. Later, when Defendants' prior misrepresentations and fraudulent conduct became
3 known to the market, the price of Zoom securities declined as the prior artificial inflation
4 came out of the price over time. As a result of their purchases of Zoom securities during the
5 Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages,
6 under the federal securities laws.

7 **APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET**

8 95. Plaintiff will rely upon the presumption of reliance established by the fraud-on-
9 the-market doctrine in that, among other things:

10 (a) Defendants made public misrepresentations or failed to disclose
11 material facts during the Class Period;

12 (b) the omissions and misrepresentations were material;

13 (c) the Company's securities traded in an efficient market;

14 (d) the misrepresentations alleged would tend to induce a reasonable
15 investor to misjudge the value of the Company's securities; and

16 (e) Plaintiff and other members of the Class purchased or otherwise
17 acquired Zoom securities between the time Defendants misrepresented or failed to disclose
18 material facts and the time the true facts were disclosed, without knowledge of the
19 misrepresented or omitted facts.

20 96. At all relevant times, the markets for Zoom securities were efficient for the
21 following reasons, among others:

22 (a) as a regulated issuer, Zoom filed periodic public reports with the SEC;

23 (b) Zoom regularly communicated with public investors via established
24 market communication mechanisms, including through regular disseminations of press
25 releases on the major news wire services and through other wide-ranging public disclosures,
26 such as communications with the financial press, securities analysts, and other similar
27 reporting services;

1 (c) Zoom was followed by several securities analysts employed by major
2 brokerage firm(s) who wrote reports that were distributed to the sales force and certain
3 customers of their respective brokerage firm(s) and that were publicly available and entered
4 the public marketplace; and

5 (d) Zoom securities were actively traded in an efficient market, namely the
6 NASDAQ, under the ticker symbol “ZM.”

7 97. As a result of the foregoing, the market for Zoom securities promptly digested
8 current information regarding Zoom from publicly available sources and reflected such
9 information in Zoom’s stock price. Under these circumstances, all those who purchased or
10 otherwise acquired Zoom securities during the Class Period suffered similar injury through
11 their purchase of Zoom securities at artificially inflated prices and the presumption of reliance
12 applies.

13 98. Further, to the extent that the Defendants concealed or improperly failed to
14 disclose material facts with regard to the Company, Plaintiff is entitled to a presumption of
15 reliance in accordance with *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 153
16 (1972).

17 **NO SAFE HARBOR**

18 99. The statutory safe harbor provided for forward-looking statements under
19 certain circumstances does not apply to any of the allegedly false statements pleaded in this
20 Complaint. The statements alleged to be false and misleading herein all relate to then-existing
21 facts and conditions. In addition, to the extent certain of the statements alleged to be false
22 may be characterized as forward looking, they were not identified as “forward-looking
23 statements” when made and there were no meaningful cautionary statements identifying
24 important factors that could cause actual results to differ materially from those in the
25 purportedly forward-looking statements. In the alternative, to the extent that the statutory safe
26 harbor is determined to apply to any forward-looking statements pleaded herein, Defendants
27 are liable for those false forward-looking statements because at the time each of those
28

1 forward-looking statements were made, the speaker had actual knowledge that the forward-
2 looking statement was materially false or misleading, and/or the forward-looking statement
3 was authorized or approved by an executive officer of Zoom who knew that the statement was
4 false when made.

5 CLASS ACTION ALLEGATIONS

6 100. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal
7 Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Zoom
8 securities from April 18, 2019 through April 6, 2020, both dates inclusive. Excluded from the
9 Class are: Defendants; the officers and directors of the Company during the Class Period (the
10 “Excluded D&Os”); members of Defendants’ and the Excluded D&Os’ immediate families;
11 the subsidiaries and affiliates of the Company, including the Company’s employee retirement
12 and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases
13 through such plan(s); and any entity in which Defendants or the Excluded D&Os have or had
14 a controlling interest; and the legal representatives, heirs, successors or assigns of any
15 excluded person or entity.

16 101. The members of the Class are so numerous that joinder of all members is
17 impracticable. The disposition of their claims in a class action will provide substantial
18 benefits to the parties and the Court. As of March 20, 2020, Zoom reported 127,468,829
19 outstanding shares of its Class A common stock.

20 102. There is a well-defined community of interest in the questions of law and fact
21 involved in this case. Questions of law and fact common to the members of the Class which
22 predominate over questions which may affect individual Class members include:

- 23 (a) Whether the Exchange Act was violated by Defendants;
24 (b) Whether Defendants omitted and/or misrepresented material facts;
25 (c) Whether Defendants’ statements omitted material facts necessary in order
26 to make the statements made, in light of the circumstances under which they were made, not
27 misleading;

1 (d) Whether Defendants knew or recklessly disregarded that their
2 statements were false and misleading;

3 (e) Whether the price of Zoom securities was artificially inflated; and

4 (f) The extent of damage sustained by Class members and the appropriate
5 measure of damages.

6 103. Plaintiff's claims are typical of those of the Class because Plaintiff and the
7 Class sustained damages from Defendants' wrongful conduct.

8 104. Plaintiff will adequately protect the interests of the Class and has retained
9 counsel experienced in securities class action litigation. Plaintiff has no interests that conflict
10 with those of the Class.

11 105. A class action is superior to other available methods for the fair and efficient
12 adjudication of this controversy.

13 **CLAIMS FOR RELIEF**

14 **COUNT I**

15 **For Violation of Section 10(b) of the Exchange Act
and Rule 10b-5 Against All Defendants**

16 106. Plaintiff repeats and realleges each and every allegation contained in the
17 foregoing paragraphs as if fully set forth herein.

18 107. During the Class Period, Defendants disseminated or approved the false
19 statements specified above, which they knew or recklessly disregarded were misleading in
20 that they contained misrepresentations and failed to disclose material facts necessary in order
21 to make the statements made, in light of the circumstances under which they were made, not
22 misleading.

23 108. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that
24 they:

25 (a) Employed devices, schemes, and artifices to defraud;

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1 (b) Made untrue statements of material facts or omitted to state material facts
2 necessary in order to make the statements made, in light of the circumstances under which they
3 were made, not misleading; or

4 (c) Engaged in acts, practices, and a course of business that operated as a
5 fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of
6 Zoom securities during the Class Period.

7 109. Plaintiff and the Class have suffered damages in that, in reliance on the
8 integrity of the market, they paid artificially inflated prices for Zoom securities. Plaintiff and
9 the Class would not have purchased Zoom securities at the prices they paid, or at all, if they
10 had been aware that the market prices had been artificially and falsely inflated by Defendants'
11 misleading statements.

12 110. As a direct and proximate result of these Defendants' wrongful conduct,
13 Plaintiff and the other members of the Class suffered damages in connection with their
14 purchases of Zoom securities during the Class Period.

15 **COUNT II**
16 **For Violation of Section 20(a) of the Exchange Act**
Against the Individual Defendants

17 111. Plaintiff repeats and realleges each and every allegation contained in the
18 foregoing paragraphs as if fully set forth herein.

19 112. The Individual Defendants acted as controlling persons of Zoom within the
20 meaning of Section 20(a) of the Exchange Act. By virtue of their positions and their power to
21 control public statements about Zoom, the Individual Defendants had the power and ability to
22 control the actions of Zoom and its employees. By reason of such conduct, Defendants are
23 liable pursuant to Section 20(a) of the Exchange Act.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, Plaintiff prays for judgment as follows:
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1 A. Determining that this action is a proper class action, designating Plaintiff as Lead
2 Plaintiff and certifying Plaintiff as a Class representative under Rule 23 of the Federal Rules of
3 Civil Procedure and Plaintiff's counsel as Lead Counsel;

4 B. Awarding compensatory damages in favor of Plaintiff and the other Class
5 members against all Defendants, jointly and severally, for all damages sustained as a result of
6 Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

7 C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in
8 this action, including counsel fees and expert fees; and

9 D. Awarding such equitable/injunctive or other relief as deemed appropriate by the
10 Court.

11 **JURY DEMAND**

12 Plaintiff demands a trial by jury.

13 DATED: April 8, 2020

14 */s/ James M. Wagstaffe*
15 **WAGSTAFFE, VON LOEWENFELDT,**
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CERTIFICATION

I, Kim Brams, hereby certify as follows:

1. I have reviewed a complaint prepared against Zoom Video Communications, Inc. (“Zoom”) alleging violations of the federal securities laws, generally adopt its allegations without waiving the right to alter the allegations in a consolidated and/or amended complaint, and authorize the filing of this pleading;

2. I did not transact in the securities of Zoom at the direction of counsel or in order to participate in any private action under the federal securities laws;

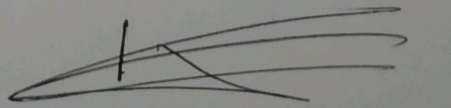
3. I am willing to serve as a lead plaintiff and representative party in this matter, including providing testimony at deposition and trial, if necessary. I fully understand the duties and responsibilities of the lead plaintiff under the Private Securities Litigation Reform Act, including the selection and retention of counsel and overseeing the prosecution of the action for the Class;

4. My transactions in Zoom securities are reflected in Exhibit A attached hereto;

5. I have not sought to serve as a lead plaintiff in any class action filed under the federal securities laws during the last three years;

6. Beyond my pro rata share of any recovery, I will not accept payment for serving as a lead plaintiff and representative party on behalf of the Class, except the reimbursement of such reasonable costs and expenses (including lost wages) as ordered or approved by the Court.

I declare under penalty of perjury, under the laws of the United States, that the foregoing is true and correct this 7th day of April, 2020.



Kim Brams

EXHIBIT ATRANSACTIONS IN ZOOM VIDEO COMMUNICATIONS, INC.

Account	Transaction Type	Trade Date	Shares	Price Per Share	Cost / Proceeds
Account 1	Purchase	03/30/20	1,200	\$160.77	(\$192,924.00)
Account 1	Sell	04/06/20	1,200	\$110.83	\$132,996.00