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1		THE HONORASBEERIORISCURTUSLERK
•		ORAL ARGUMENT RE <b>QUES</b> TED CASE NUMBER: 14-2-07669-0 SEA
2		Noted for Consideration: April 28, 2015
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	IN THE SUPERIOR COURT O	F THE STATE OF WASHINGTON
8	FOR THE COL	DITTY OF UDIC
9	FOR THE COU	UNTY OF KING
10	MOVE, INC., a Delaware corporation, REALSELECT, INC., a Delaware	Case No. 14-2-07669-0 SEA
11	corporation, TOP PRODUCER SYSTEMS	PLAINTIFFS' MOTION TO UNSEAL
10	COMPANY, a British Columbia unlimited	THE SINGER DECLARATION AND
12	liability company, NATIONAL ASSOCIATION OF REALTORS®, an	ATTACHED WHISTLEBLOWER LETTER
13	Illinois non-profit corporation, and	
$_{14}$	REALTORS® INFORMATION	Contains OCEO Materials
14	NETWORK, INC., an Illinois corporation,	
15	Plaintiffs,	REDACTED
16	vs.	
10	ZILLOW, INC., a Washington corporation,	
17	ERROL SAMUELSON, an individual, and CURTIS BEARDSLEY, an individual, and	
18	DOES 1-20,	
	Defendants.	
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PLAINTIFFS' MOTION TO UNSEAL WHISTLEBLOWER LETTER 2348753.3 CABLE, LANGENBACH, KINERK & BAUER, LLP 1000 SECOND AVENUE, SUITE 3500 SEATTLE, WASHINGTON 98104-1048 (206) 292-8800

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#### I. Introduction

Last week, Zillow raced into court on less than one day's notice with a so-called "emergency" motion to seal that it told Judge O'Donnell was necessary to protect its trade secrets. In reality, the information Zillow persuaded the Court to seal was a whistleblower's description of illegal activities — including stealing data and illegally scraping Plaintiffs' website — that Zillow engaged in to unfairly compete against Move. Zillow's motion had nothing to do with trade secrets and everything to do with its desire to keep its misconduct out of the public eye. Illegal activities are not trade secrets. And it is well-settled that court records cannot be sealed just because they might embarrass a party or subject it to further litigation.

A whistleblower recently came forward with a letter corroborating the allegations in Plaintiffs' complaint and exposing new misconduct by Zillow. *See* Declaration of David Singer ("Singer Decl."), Ex. 1. The letter confirms that Defendants stole multiple documents and databases,

databases of evidence on cloud services such as Google Docs. *Id.* The whistleblower identified specific witnesses and locations of hidden evidence. *Id.* He also revealed that

offshore service to scrape Plaintiffs' data from the Realtor.com website, in violation of the federal Computer Fraud and Abuse Act, 18 U.S.C. § 1030 et seq. ("CFAA") and other laws. *Id.* The whistleblower was later revealed to be former Zillow Vice President Chris Crocker, who sent the letter anonymously because he feared retaliation by Zillow. *See* Declaration of Chris Crocker, filed concurrently herewith.

When it learned about the letter, Zillow unleashed a furious campaign to scare the whistleblower into silence. Zillow demanded a "thorough investigation" and began ranting

<sup>&</sup>lt;sup>1</sup> See, e.g., Alderson v. United States, 718 F. Supp. 2d 1186, 1199-1200 (C.D. Cal. 2010), aff'd, 686 F.3d 791 (9th Cir. 2012).

<sup>&</sup>lt;sup>2</sup> See, e.g., Kamakana v. City & Cnty. of Honolulu, 447 F.3d 1172, 1179 (9th Cir. 2006).

not appreciate that the letter was really describing Zillow stealing Plaintiffs' data and not disclosing trade secrets. And due to the time constraints, Plaintiffs were unable to thoroughly brief the relevant case law (as they have done here). Judge O'Donnell granted the motion in part, sealing seven sentences of the letter

Now, armed with Judge O'Donnell's order, Zillow's behavior has become even more unhinged. It publicly threatened to take "swift and appropriate legal action" against Plaintiffs and/or the whistleblower for disclosing its illegal behavior, and its lawyers have been sending daily emails threatening to sue Plaintiffs' counsel. Zillow is out of control. The Court should put an end to this and unseal the whistleblower letter in its entirety. The letter contains no trade secrets, and wrongdoers like Zillow are not entitled to invoke trade-secret law to conceal their illegal, fraudulent, and tortious conduct from the public and their victims.

#### II. Relief Requested

Judge O'Donnell's order was temporary. He stated that either party can re-raise the issues raised by Zillow's motion or the order itself within thirty days.<sup>5</sup> Zillow abused the court's sealing authority by ambushing Plaintiffs and Judge O'Donnell with virtually no notice to obtain an unsupported trade-secret finding that it is now using to bully the whistleblower into silence and keep the whistleblower allegations from the press. The sealing order does not comply with

<sup>&</sup>lt;sup>3</sup> Zillow's Motion to Seal at 1.

<sup>&</sup>lt;sup>4</sup> Order Granting-in-Part and Denying-in-Part Zillow's Motion to Seal ("Sealing Order") at 2:21-23.

<sup>&</sup>lt;sup>5</sup> Id. at 4:4-6.

GR 15, the trade-secret finding is contrary to the Uniform Trade Secret Act and applicable case law, and the order contravenes Washington's strong public policy protecting whistleblowers. Plaintiffs respectfully request that the Court unseal the whistleblower letter in its entirety.

#### III. Statement of Facts

#### A. Defendants Stole Trade Secrets, And Hid And Destroyed Evidence.

This lawsuit alleges that Mr. Samuelson and Mr. Beardsley violated their fiduciary obligations and disclosed large amounts of confidential and trade secret information to Zillow in exchange for millions of dollars in compensation. When it issued its Preliminary Injunction (the "PI"), the Court made specific findings that Mr. Samuelson stole data from Move by, among other things, copying data from his computer to a USB drive and then refusing to return his Move-issued laptop until he had copied even more trade-secret data from it. PI FOF ¶¶ 20-21, 23. The Court also found that Mr. Samuelson destroyed evidence, including by erasing the data on his Move-issued iPhone, iPad, and Apple computer. *Id.* ¶¶ 16-17, 20-21. The Court drew negative inferences from Mr. Samuelson's destruction of evidence. *Id.* ¶ 17.

Further discovery revealed that all three defendants have been hiding and destroying relevant evidence throughout this litigation. At this point there are literally dozens of examples, each one more embarrassing for Defendants than the last. For months, Defendants insisted that Mr. Samuelson did not use a prepaid "burner phone" during his secret conversations with Zillow, calling the term "silly" and a "misnomer." Then, a forensic analysis of one of Mr. Beardsley's phones uncovered

Singer Decl., Ex. 2. The burner phone has never been produced, and Defendants' attempts to explain it away have only revealed the existence of other relevant, unproduced messages. Additionally, Mr. Samuelson produced about a thousand documents from a private email account that should have been produced earlier but weren't because of (in his counsel's words) a "screw up." *Id.* Ex. 3. There is no doubt Defendants continue to hide evidence in this case on non-Zillow services such as Gmail, Yahoo mail, and

Dropbox. For this reason, over strong objections from Defendants, the Special Master recently ordered the production of all evidence from these services. *See* 3-30-15 Special Master Order Compelling Production of Web-Based Communication Services.

At the same time Zillow was hiding and destroying evidence that would assist Plaintiffs in proving Defendants' misconduct, Zillow was also aggressively litigating this case in the press, telling reporters that Move's allegations were "hogwash" and that Move is a "crappy company." *See* Singer Decl., Ex. 4.

Indeed, just days after it was revealed that Defendants lied about Mr. Samuelson's secret "burner phone," Zillow publicly swore that Zillow "has and will continue to act with the utmost integrity in conducting its business and in defending its litigation." *Id.* Ex. 5.

#### B. A Whistleblower Came Forward.

The whistleblower letter received by Plaintiffs' counsel confirms that Mr. Beardsley and Mr. Samuelson stole trade-secret data from Move, and Zillow is using that data:

Curt has copies of Move's private MLS contact database, listing count database... He uses a google docs account to keep them off of his work computer. He has accessed it from work and Many other employees have witnessed him using this database and he is using it to benefit Zillow's efforts as Zillow's database is inferior... Browser history on Curt's company laptop will show he connects to multiple cloud storage accounts where he utilizes stolen IP from Move to benefit him in his new role.

Singer Decl. Ex. 1, p. 1 (emphasis added).

The letter also directs Plaintiffs' counsel to evidence that Defendants hid:

Will [Hebbard] is the keeper of **Zillow's database which is now supplemented** by the data Curt stole from Move. Will keeps the Zillow database in Google docs and Will has invited Curt [Beardsley] to his google docs to share accounts

Decl., Ex. 9. That same day, Plaintiffs submitted the letter to this Court as further evidence of defendants' ongoing misappropriation and related cover-up, which was relevant to two pending motions regarding the scope of third-party document subpoenas. *Id.*, Ex. 10.

At about 3:30 p.m. that day, hours after the letter was filed, Defendants demanded that Plaintiffs immediately stipulate to seal the last three paragraphs of the letter, i.e., the paragraphs describing Zillow's scraping of Plaintiffs' website and theft of listings data. Singer Decl., Ex. 11. Defendants claimed these paragraphs revealed trade secrets such as "proprietary information about the systems Zillow uses." *Id.* They also claimed the letter contained "many inaccuracies." *Id.* Inaccurate information is by definition not a trade secret. As an example, if Zillow does *not* scrape Plaintiffs' website, then an inaccurate statement that it *does* scrape Plaintiffs' website cannot possibly disclose Zillow's trade secrets, and it would be improper to invoke trade-secret law to seal that statement. Accordingly, Plaintiffs repeatedly asked Defendants to identify the proprietary information in the letter, and asked Defendants to propose redactions. *Id.* Ex. 12. Defendants refused. *Id.* Ex. 13. Because Defendants would not budge from their position that all three paragraphs should be sealed, the parties could not reach an agreement in the 66 minutes Defendants had allotted to request and obtain a stipulation before the court closed.

#### D. Zillow Tried To Bully Plaintiffs And The Whistleblower Into Silence.

Unable or unwilling to specify which parts of the letter were true and which were false, Defendants lashed out with personal attacks. They accused the whistleblower of breaching a confidentiality agreement with Zillow, and accused Plaintiffs' counsel of deliberately disclosing Zillow's trade secrets. Singer Decl., Ex. 14. "This . . . will be dealt with accordingly," Zillow's counsel threatened. *Id.* Samuelson's lawyer also joined in. "You disgust me," he wrote. *Id.* Ex. 15. That Saturday, Samuelson's lawyer sent a menacing email, calling the whistleblower's letter "a tirade of sour grapes your team inspired from a disgruntled present or former employee," and insinuating that filing the letter could somehow be an "abuse of civil process warranting revocation of your firm's pro hac admission." *Id.* Ex. 16.

On Monday morning, Zillow filed a retaliatory "Emergency Application for a Preservation Order" laced with thinly veiled threats to sue the whistleblower, along with Plaintiffs' and Plaintiffs' outside counsel, for "conspiring" to steal Zillow's (still-unidentified) confidential information and "libel" Zillow. Singer Decl., Ex. 17. The motion insinuated Zillow was planning to conduct a manhunt for the whistleblower, and demanded that Plaintiffs "minimize any further contamination of forensic evidence (i.e., fingerprints)." *Id.* The motion also threatened an ethics complaint against Plaintiffs' counsel. *Id.* 

## E. Zillow Obtained A Sealing Order And Used It To Ramp Up Its Threats Against The Whistleblower And Plaintiffs.

That same morning, Zillow filed its "emergency" motion to seal. Zillow still refused to say which allegations in the letter were trade secrets and which (if any) were false. The flimsy supporting declaration did not identify any specific information in the letter that was supposedly a trade secret. See Coningsby Decl. ¶¶ 1-6.6 The declaration also claimed some of the information was "inaccurate," but did not identify the supposedly inaccurate information. *Id.* Zillow applied for and received an order shortening time to less than 24 hours, without Plaintiffs having an opportunity to respond, as required by the local rules. See KCLC Rule 7(b)(10). As a result, Plaintiff had fewer than eight hours to prepare their opposition brief.

Judge O'Donnell declined to seal the entire last three paragraphs of the letter, as Zillow had requested, though he did seal several sentences. In doing so, he preliminarily found that the sentences he sealed, which describe

"reveal Zillow's confidential strategies to ensure quality listing data on its website." Sealing Order at 2. He also found that the description in the last paragraph of

"contains information about Zillow's strategy to compete with Move, Inc." Id.

<sup>&</sup>lt;sup>6</sup> Citations to "Coningsby Decl." refer to the April 13, 205 Declaration of Erin Coningsby submitted in support of Zillow's motion to seal the whistleblower letter.

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Now possessing a temporary order it could use to argue that the whistleblower and Plaintiffs had disclosed Zillow's trade secrets, Defendants' threats intensified. Zillow announced in the press that the Court had ruled in its favor, and publicly vowed to take "swift and appropriate legal action." Singer Decl., Ex. 5. Defendants angrily accused Plaintiffs of "a flagrant breach of the Protective Order" and demanded that the letter be marked OCEO — even though Defendants argued to Judge O'Donnell that the Protective Order applied and he rejected that argument. *Id.* Ex. 18. They demanded that Plaintiffs destroy copies of the letter, which would violate the preservation order *they themselves obtained*. *Id.* And although Judge O'Donnell explicitly authorized Plaintiffs to file a redacted version of the letter, Sealing Order ¶ 3, Defendants exploded when they learned Plaintiffs intended to comply. Within the span of *sixty-eight minutes* on April 15, Zillow's counsel sent Plaintiffs' counsel *two* vituperative emails threatening to sue them if they filed the redacted letter. Singer Decl., Exs. 19, 20.

#### IV. Argument

#### A. Illegal Activities Are Not Entitled To Trade-Secret Protection.

Plaintiffs respectfully request that the Court unseal the whistleblower letter in its entirety. The fact that Zillow used an offshore service to evade IP blocking and scrape Realtor.com is not a trade secret. This conduct violates the CFAA and California law. *See Craigslist Inc. v. 3Taps, Inc.*, 964 F. Supp. 2d 1178, 1181-84 (N.D. Cal. 2013) (scraping data from website after access has been revoked violates the CFAA); *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058, 1069-71 (N.D. Cal. 2000) (unauthorized website scraping is a tort under California law). Likewise,

. Nor is it a secret,

since it has been reported publicly before. Singer Decl., Ex. 8. Moreover,

. PI Order ¶¶ 1-6.

Details about illegal activity are never trade secrets. See, e.g., Alderson, 718 F. Supp. 2d at 1200 ("[T]he Court disagrees with Plaintiffs' legal premise that a person can receive trade

secret protection for information about ongoing illegal activities."); Goodman v. Genworth Fin. Wealth Mgmt., 881 F. Supp. 2d 347, 355 (E.D.N.Y. 2012) ("Deceptive, illegal or fraudulent activity simply cannot qualify for protection as a trade secret."). Likewise, whistleblowing employees and others who expose illegal or fraudulent activities cannot be liable for disclosing or misappropriating "trade secrets." See Lachman v. Sperry-Sun Well Surveying Co., 457 F.2d 850, 853-54 (10th Cir. 1972) (refusing to enforce oil company's confidentiality agreement because it would have the effect of concealing evidence of tortious and/or criminal slant-drilling into competitor's oilfield); McGrane v. Reader's Digest Ass'n, 822 F. Supp. 1044, 1052 (S.D.N.Y. 1993) ("Disclosures of wrongdoing do not constitute revelations of trade secrets which can be prohibited by agreements binding on former employees."). Because the whistleblower's disclosures did not reveal trade secrets, Plaintiffs were not obligated to keep them confidential, and the Court is not obligated to shield them from the public eye.

# B. Even If Zillow's Illegal Conduct Could Theoretically Qualify As A Trade Secret, Zillow Failed To Establish That It Is One.

The illegal activities disclosed by the whistleblower cannot be trade secrets as a matter of law. But it bears note that even if the activities described were not illegal, Zillow did not come close to establishing that they qualify for trade-secret protection. The scant declaration it filed contained no facts showing that these activities were information that "[d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use," and "[i]s the subject of efforts that are reasonable under the circumstances to maintain its secrecy." RCW 19.108.010(4).

The party claiming the trade secret has the burden of proving that the standard is met. Spokane Research & Def. Fund v. City of Spokane, 96 Wash. App. 568, 577 (1999). Zillow failed to prove that the portions of the letter sealed by Judge O'Donnell (or any other parts of the letter) contain protectable trade secrets. The bare-bones declaration of Erin Coningsby on which

Zillow relied merely asserts, without any support or details, that the information in the last three paragraphs of the whistleblower letter is a trade secret. See Coningsby Decl. ¶ 2. She failed to identify any particular trade secret, any value allegedly derived from keeping Zillow's activities secret, or any efforts to keep those activities secret. See generally id. Much of her declaration is not even based on personal knowledge, but simply her "inform[ation] and belie[f]." Id. ¶ 4. And she claims that the whistleblower's description of Zillow's activities is "erroneous" and "contains many inaccuracies" — but she does not identify which portions of the letter contain the alleged trade secrets and which are erroneous. Id.  $\P$  2.

The Coningsby declaration falls far short of what Washington law requires to establish the existence of a trade secret. See Robbins, Geller, Rudman & Dowd, LLP v. State, 179 Wash. App. 711, 722 (2014) ("The alleged unique, innovative, or novel information must be described with specificity and, therefore, 'conclusory' declarations that fail to 'provide concrete examples' are insufficient to support the existence of a trade secret.") (citation omitted); McCallum v. Allstate Prop. & Cas. Co., 149 Wash App. 412, 426 (2009) (declarations were not sufficient to establish the existence of a trade secret where the declarants "failed to provide concrete examples to illustrate how [their] strategies or procedures . . . were materially different from those of its competitors," and made only "conclusory statements that should its competitors gain access to its national policies, the competitors will gain an unfair advantage").

is publicly available on the Internet, including the information about how Zillow uses a system called Tableau to generate listing quality reports. Singer Decl., Ex. 21. There is an entire two-page article on Tableau's website in which two Zillow employees describe, specifically, how they use Tableau to analyze listings data. *Id.* 

#### C. Defendants Cannot Meet The Standard For Sealing Court Records.

The Washington Supreme Court applies a five-factor test for sealing records. Seattle Times Co. v. Ishikawa, 97 Wash. 2d 30, 37-39 (1982); Rufer v. Abbott Labs., 154 Wash. 2d 530,

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549-50 (2005). "The burden of persuading the court that access must be restricted to prevent a serious and imminent threat to an important interest shall be on the proponent . . . ." Seattle Times, 97 Wash. 2d at 37; see also GR 15(c)(2) (sealing of records is appropriate "if the court makes and enters written findings that the specific sealing or redaction is justified by compelling privacy or safety concerns that outweigh the public interest in access to the court record"). With no cognizable trade secrets to rely on, Zillow cannot satisfy this heavy burden.

First, the moving party "must make some showing of the need therefor" and must "state the interests or rights which give rise to that need as specifically as possible without endangering those interests." Rufer, 154 Wash. 2d at 543 n.7. Here, Zillow established no compelling privacy or safety concern to justify hiding the whistleblower letter from the public, other than the vague assertion that the statements in the letter — which are not trade secrets because the conduct described is illegal — are confidential for some reason. "[T]he mere fact that the production of records may lead to a litigant's embarrassment, incrimination, or exposure to further litigation will not, without more, compel the court to seal its records." Kamakana, 447 F.3d at 1179; see also Kronenberg v. Katz, 872 A.2d 568, 609 (Del. Ch. 2004) ("The mere fact that a defendant in a business case is accused of wrongdoing and that he would prefer for the public not to know about those accusations does not justify the sealing of the complaint; otherwise, most of this court's docket would be under seal.").

Second, the moving party must state "the grounds for the motion with reasonable specificity" to provide "potential objectors" with "sufficient information to be able to appreciate the damages which would result from free access to the proceeding and/or records." Rufer, 154 Wash. 2d at 543 n.7. Again, Zillow did none of this.

*Third*, the requested sealing should be "the least restrictive means available." *Rufer*, 154 Wash. 2d at 543 n.7. Here, Judge O'Donnell's sealing order is not "the least restrictive means available" because

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. See RCW 19.108.010(4).

Fourth, "the court must weigh the competing interests of the parties and the public and consider the alternative methods suggested" and its findings "should be as specific as possible rather than conclusory." Rufer, 154 Wash. 2d at 543 n.7 (brackets omitted). There is a strong public interest in favor of unsealing the whistleblower letter. The letter reveals that Zillow has been

scraping Plaintiffs' websites to illegally compete with Plaintiffs. Revealing this information will notify Zillow's victims of its misconduct and allow them to take steps to protect their interests.

Moreover, Washington has a strong public policy of protecting whistleblowers who expose corporate wrongdoing from harassment and retaliation. See Shaw v. Hous. Auth. of City of Walla Walla, 75 Wash. App. 755, 761-62 (1994) (retaliating against whistleblowers "contravenes a clear mandate of public policy"). By sealing the whistleblower letter and holding that it improperly disclosed trade secrets, the order risks scaring whistleblowers in this case and others into silence. Corroborating statements of whistleblowers are a vital part of the search for truth in these proceedings, and those statements are absolutely privileged and immune from threats of prosecution. See Deatherage v. State Examining Bd. of Psychology, 134 Wash. 2d 131, 135 (1997); Demopolis v. Peoples Nat'l Bank of Wash., 59 Wash. App. 105, 109-10 (1990).

Fifth, a sealing order "must be no broader in its application or duration than necessary to serve its purpose." Seattle Times, 97 Wash.2d at 39. Here, the sealing order has no valid purpose and, as noted above, is overbroad even by its own terms because

#### VI. Conclusion

For the foregoing reasons, Plaintiffs request that the Court grant this motion and unseal the whistleblower letter in its entirety.

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2	DATED April 20, 2015, at Seattle, Washington.	
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