Breaking: Zillow sues Compass over poached employees, intellectual property

Zillow on Friday filed two lawsuits against Compass, alleging the tech-enabled brokerage poached its employees as part of an effort to steal its intellectual property.

The suits were filed in Washington state and in federal court, respectively, and argue that Compass lured away three Zillow employees who had signed contracts with non-disclosure and non-compete clauses. Compass specifically wanted such employees in order to get access to Zillow's trade secrets, the suits state, and it has made a habit of "unlawful poaching" of employees.

Robert Chen

The federal case revolves around Robert Chen, who according to his LinkedIn page worked on machine learning engineering at Zillow from December of 2016 until March of this year. Court documents, reviewed by Inman, describe Chen as a "high-level" employee who was incited by Compass "to breach his employment agreement with Zillow to work for Compass so Compass could then use him to obtain Zillow's proprietary trade secret information."

The documents go on to say that before leaving his job at Zillow, Chen took screenshots of "proprietary wireframes and a proposed regional launch timeline related to certain Zillow services." Zillow ultimately argues in the lawsuit that Chen "misappropriated" these trade secrets "for the benefit of Compass."

On his last day at the company, Chen also allegedly cleared his web browser history but then viewed a job listing for a role at Compass that also required machine learning.

Who has time for conferences? You do!

5 five reasons why you should invest your time in industry events READ MORE

“Mr. Chen knew that his actions would constitute theft,” the lawsuit alleges.

“This calculated theft was designed by Compass to help it better compete with Zillow in the marketplace, at Zillow’s expense, so Compass could avoid the expense of independently developing valuable machine learning and other technologies,” the court documents state.

The suit filed in Washington makes similar allegations. Court documents in that case state that Compass induced two Zillow employees, identified as Michael Hania and Chester Millisock, “to breach their employment agreements with Zillow to work for Compass, in order to obtain confidential and/or proprietary Zillow information from them.”

Chester Millisock

Millisock's LinkedIn profile states that he has been a senior software engineer at Compass since March. Prior to that, he worked as a software engineer at Zillow for just over five years, according to his profile.

According to Zillow's lawsuit, Millisock had access to confidential information while at the company, but prior to leaving transferred that information to a personal Dropbox account. He then allegedly "attempted to delete evidence of use of this Dropbox account."

"Mr. Millisock still has access to the information stored in his Dropbox account and remains able to access the misappropriated software data from other devices," the court documents state.

According to Hania's LinkedIn profile, he has been working as a strategic growth manager at Compass since June 2018. The profile states that he previously worked as an enterprise sales executive at Zillow for one year and seven months.

Zillow's suit describes Hania as "highly successful" in his role at the company. He also allegedly had access to proprietary technology, financial information and customer lists, among other things.

However, before he left Zillow last year, the company learned Hania "copied, removed and misappropriated sensitive, confidential and/or proprietary information from Zillow by sending emails from his Zillow email account to his personal email account in the months, weeks and days before he left employment with Zillow," according to court documents.

In a statement to Inman, a Zillow spokesperson said Compass' practices "are unlawful, and because we have a responsibility to protect our intellectual property, we are taking action."

"We take seriously the agreements Zillow Group makes with its employees, and we work to fairly

and completely enforce those agreements when we believe they are violated," the statement adds.

The court documents also allege that Compass opened an "engineering hub in Seattle to directly compete with Zillow in the highly competitive technology sector focused on simplifying the home buying and selling process."

"It then initiated a campaign to recruit Zillow employees," the documents add.

Zillow ultimately claims in the court documents that these efforts worked, but that employees who decamped for Compass did so "in violation of their employment agreements." The online portal, marketing, and iBuying company goes on to say in its lawsuits that the situation "greatly harms" its business, and that it is in fact a direct competitor of Compass — a key point in a case that hinges on non-compete clauses in employment contracts.

Compass, however, disagrees with Zillow. In a statement to Inman, a company spokesperson said that "you cannot break a non-compete by leaving to go to a company that does not compete with you."

"With hundreds of engineers and hundreds of sales people, it's unfortunate that losing three individual contributors would result in using scare tactics to intimidate current employees from leaving," the Compass spokesperson added. "Compass has never asked and would never accept any trade secrets.

Compass had also previously "abolished non-competes for anyone that we hired as we believe that people should work at Compass because they want to, not because they are forced to," the spokesperson said.

The suit comes as both companies intensify their efforts to dominate the real estate technology space. Zillow has for example aggressively expanded its iBuying program, launched a lending service, and offers a variety of other technologies such as a 3D Home tool.

Compass has also rushed to expand its offerings, and earlier this month proclaimed a desire to be a "one-stop shop" for real estate services. Moreover, the firm recently bought customer relationship management platform Contractually, as well as a number of different brokerages.

Zillow's lawsuits ask for monetary damages, which would be determined in a trial. The company also asks the court to enforce the 12-month noncompete clause in Chen's contract, as well as issue a ruling that would prevent Hania and Millisock from sharing Zillow's proprietary and confidential information.

Email Jim Dalrymple II

Source: click here