

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

REALOGY HOLDINGS CORP., NRT NEW  
YORK LLC, SOTHEBY'S INTERNATIONAL  
REALTY, INC., COLDWELL BANKER  
RESIDENTIAL BROKERAGE COMPANY,  
COLDWELL BANKER RESIDENTIAL REAL  
ESTATE LLC, NRT WEST, INC., MARTHA  
TURNER PROPERTIES, L.P., and BETTER  
HOMES AND GARDENS REAL ESTATE LLC,

Plaintiffs,

v.

URBAN COMPASS, INC., and COMPASS, INC.,

Defendants.

Index No. \_\_\_\_\_

**SUMMONS**

To the above named Defendant:

Urban Compass, Inc.  
Global Headquarters Office  
90 Fifth Avenue, 3rd Floor  
New York, New York 10011

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York). If you fail to submit answering papers, judgment will be taken against you by default for the relief demanded in the complaint.

Venue in the County of New York is proper under N.Y. CPLR § 503 because one or more Defendants are based in this County and routinely transact and do business in this County, and a substantial portion of the actions or wrongs complained of in the complaint—the events giving rise to this action—occurred in this County.

Dated: July 10, 2019  
New York, New York

O'MELVENY & MYERS LLP

By: 

Andrew J. Frackman  
[afrackman@omm.com](mailto:afrackman@omm.com)  
Gary Svirsky  
[gsvirsky@omm.com](mailto:gsvirsky@omm.com)  
Times Square Tower  
7 Times Square  
New York, NY 10036  
Tel: 212-326-2000

*Counsel for Plaintiffs Realogy Holdings Corp., NRT New York LLC, Sotheby's International Realty, Inc., Coldwell Banker Residential Brokerage Company, Coldwell Banker Residential Real Estate LLC, NRT West, Inc., Martha Turner Properties, L.P., and Better Homes and Gardens Real Estate LLC*

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**SUMMONS**

To the above named Defendant:

Compass, Inc.  
90 Fifth Avenue, 3rd Floor  
New York, New York 10011

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York). If you fail to submit answering papers, judgment will be taken against you by default for the relief demanded in the complaint.

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Andrew J. Frackman  
[afrackman@omm.com](mailto:afrackman@omm.com)  
Gary Svirsky  
[gsvirsky@omm.com](mailto:gsvirsky@omm.com)  
Times Square Tower  
7 Times Square  
New York, NY 10036  
Tel: 212-326-2000

*Counsel for Plaintiffs Realogy Holdings Corp., NRT New York LLC, Sotheby's International Realty, Inc., Coldwell Banker Residential Brokerage Company, Coldwell Banker Residential Real Estate LLC, NRT West, Inc., Martha Turner Properties, L.P., and Better Homes and Gardens Real Estate LLC*



**SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK**

**REALOGY HOLDINGS CORP., NRT NEW YORK  
LLC, SOTHEBY'S INTERNATIONAL REALTY,  
INC., COLDWELL BANKER RESIDENTIAL  
BROKERAGE COMPANY, COLDWELL  
BANKER RESIDENTIAL REAL ESTATE LLC,  
NRT WEST, INC., MARTHA TURNER  
PROPERTIES, L.P. and BETTER HOMES AND  
GARDENS REAL ESTATE LLC,**

**Plaintiffs,**

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**URBAN COMPASS, INC., and COMPASS, INC.,**

**Defendants.**

Index No. \_\_\_\_\_

**COMPLAINT**

Plaintiffs Realogy Holdings Corp. ("Realogy"), NRT New York LLC ("NRTNY"), Sotheby's International Realty, Inc. ("SIRI"), Coldwell Banker Residential Brokerage Company ("CBRBC"), Coldwell Banker Residential Real Estate LLC ("CBRRE"), NRT West, Inc. ("NRTWI"), Martha Turner Properties, L.P. ("MTP"), and Better Homes and Gardens Real Estate LLC ("BHGRE") (collectively, "Plaintiffs"), by and through their undersigned counsel, and for their Complaint against Defendants Urban Compass, Inc. ("Urban Compass") and Compass, Inc. (collectively, "Compass"), aver as follows on knowledge as to themselves and their own acts, and on information and belief as to all other matters:

### **NATURE OF THE ACTION**

1. This case is about Compass's unfair business practices and illegal schemes to gain market share at all costs and to damage, or even eliminate, competition.<sup>1</sup> To reach its desired ends, Compass steals from, tortiously interferes with, and disparages its competitors. Compass's very business model is founded on misappropriating, by whatever means necessary, the assets, confidential business information, trade secrets, contracts, talent, and strategies of its competitors. Compass's actions—which are evident in every market where it operates across the country—are as brazen as they are unlawful. Its conduct has damaged—and unless Compass is stopped, will continue to damage—the real estate industry by suffocating competition through improper means, to the detriment of its competitors, agents, and consumers as well.

2. Compass touts itself as an “innovative residential real estate firm” that is “reinventing” the industry through technology and that has grown into “the country’s largest independent real estate brokerage.” But there is nothing innovative about its technology or its growth strategy. There is nothing inventive about plain, old-fashioned theft. Compass has engaged in a deliberate and systematic scheme to take from its competitors, including from Plaintiffs, work product that it cannot create on its own.

3. Compass offers compensation packages to competitors' employees and real estate agents that are so inflated that Compass is sure to operate at a loss, and not just in the short term.

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<sup>1</sup> Patrick Keans, *Compass CEO Reveals How Much His Company Pays to Acquire Brokerages*, Inman (July 19, 2018), [https://www.inman.com/2018/07/19/compass-ceo-reveals-how-much-his-company-pays-to-acquire-brokerages/?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+inmannews+%28Inman+News+-+Headlines%29](https://www.inman.com/2018/07/19/compass-ceo-reveals-how-much-his-company-pays-to-acquire-brokerages/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+inmannews+%28Inman+News+-+Headlines%29) (“‘There will be a single platform in real estate,’ [Robert Reffkin] added. ‘There will be one. There’s not going to be 10 Googles. There’s not going to be 10 Amazons. There’s going to be one real estate platform.’”).

Compass's CEO has stated publicly that profitability is not a concern for Compass: "Short term profitability is something that many of the more modern companies are not focused on."<sup>2</sup>

4. Compass has leveraged more than \$1 billion in funding from outside investors to make up for the losses it has incurred by grossly overpaying—and thus poaching—its competitors' employees and independent real estate agents. Compass eagerly courts these losses as the price it must pay to drive competitors out of the high-end real estate markets in New York, San Francisco, Los Angeles, Seattle, and other cities. On information and belief, once it achieves a sufficiently dominant market share in targeted markets, Compass intends to raise its commission splits and fees and/or otherwise restrain trade including by collusive actions. In fact, just before filing this lawsuit, Compass co-founder and CEO Robert Reffkin personally solicited Realogy to enter into an illegal price-fixing agreement where the two companies would agree to limit agent compensation and "compete on brand," but not on price. Realogy declined.

5. Compass's illicit growth strategy is based on luring competitors' employees to breach their non-competition as well as non-solicitation agreements and to divulge confidential, proprietary information learned at former jobs—even as those employees are still at their "former" jobs—while often promising to indemnify these employees for these breaches if and when they are sued. On information and belief, when competitors' proprietary work product cannot be gained through merely hiring the competitors' employees, Compass simply pilfers the information directly from the competitors' computer systems. It then uses this ill-gotten proprietary information to raid competitors' offices and poach their real estate agents. A key component of its raiding and poaching strategy is making false and misleading statements to

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<sup>2</sup> Robert Reffkin, Compass Co-Founder. *Wall Street Journal*, "Compass's Free-Spending Ways Capsize Real Estate Business," April 23, 2019. <https://www.wsj.com/articles/compasss-free-spending-ways-capsize-real-estate-business-11556024400>.

exaggerate its stature in the industry and to undermine that of its competitors—ammunition for its hyper-aggressive recruiting.

6. Compass seeks to attract Plaintiffs' talented people not simply because of their skills but also to induce them to provide Compass with Plaintiffs' confidential and proprietary information. Indeed, that is one of Compass's main objectives in hiring them.

7. Plaintiffs' managers and employees necessarily have access to highly confidential information about Plaintiffs' business, including but not limited to:

- unannounced products and services,
- sales data,
- customer lists,
- agent splits,
- agent production and commissions,
- confidential client information,
- confidential agent information, and
- other non-public financial and business information (collectively, "Confidential Information").

8. Confidential Information is the product of years of resource-intensive hard work in an industry that is built, and depends, on cultivating valuable and loyal customer and agent relationships. That is why Plaintiffs guard this information; and that is why Compass covets it.

9. Compass then uses that illicitly obtained confidential information to recruit Realogy-affiliated agents. Compass instructs and encourages its recruits to interfere directly with Plaintiffs' existing contracts and with other business relationships by inducing Plaintiffs' employees to breach their non-solicitation and non-compete agreements while promising to indemnify employees if and when they are sued. The misconduct thus snowballs: Compass

tortiously interferes with lawful employment agreements and then uses wrongfully retained people and information to facilitate further raids on Plaintiffs' business.

10. Compass's misdeeds extend to every market in which it operates, including California, Connecticut, Florida, Georgia, Illinois, Maryland, Massachusetts, New York, and Texas. In New York City alone, Compass has flouted the rules of the governing real estate body—the Real Estate Board of New York (or REBNY)—and directed agents it recruits to manipulate and alter data in The Corcoran Group's proprietary listing database to directly interfere with, and induce the breach of, exclusive listing agreements with customers.

11. To combat these unethical attacks, Compass's competitors, including Plaintiffs, have filed lawsuits in New York and around the country. All these cases describe similar conduct: Compass's repeated efforts to compete unfairly by promoting breaches of employment agreements and inciting theft of proprietary information.

12. In *NRT New York LLC d/b/a The Corcoran Group v. Urban Compass, et al.*, Index No. 650912–2015 (N.Y. Sup. Ct. Mar. 24, 2015) (Scarpulla, J.), the court issued a TRO enjoining Compass from using wrongful means to access Corcoran's proprietary systems, and enjoining Corcoran's former employees who joined Compass from enticing employees, agents, or sales associates away from the employ or affiliation with Corcoran in Manhattan and Brooklyn. Similarly, in *NRT New York LLC d/b/a Citi Habitats v. Urban Compass, Inc.*, Index No. 652462–2014 (N.Y. Sup. Ct. Aug. 12, 2014) (Oing, J.), the court issued a TRO enjoining Compass from accessing Citi Habitat's proprietary, confidential LEAR database.

13. Compass faced a similar suit in *Brown Harris Stevens of the Hamptons, LLC v. Urban Compass, Inc., et al.*, Index No. 653693-2015 (N.Y. Sup. Ct. Nov. 6, 2015), where it was accused of inducing the breach of, and breaching, a competitor employee's non-compete

agreement by aggressively recruiting and hiring him. And in *Saunders Ventures, Inc. v. Salem & Urban Compass, Inc., et al.*, Case No. 2:15-cv-06925-LDW-ARL (E.D.N.Y. Dec. 6, 2015), Compass was accused of accessing a competitor's confidential information not only through former employees of the competitor who had copied confidential information before their resignations, but also by hacking into the competitor's database even after those employees had joined Compass. And in *Douglas Elliman LLC, d/b/a Douglas Elliman Real Estate v. Leonard Steinberg, Herve Senequier, and Urban Compass, Inc.*, Index No. 655479-2016 (N.Y. Sup. Ct., filed Oct. 17, 2016), Douglas Elliman sued Compass for breaching its agents' contracts, tortious interference with contract, and unfair competition, the same egregious and calculated wrongdoing that Realogy alleges now.

14. Compass's misconduct spans from coast to coast. In Washington state, Zillow sued Compass for breach of contract and tortious interference with contractual relationships, among other things, for inducing employees to violate their non-competition and non-solicitation agreements. *Zillow, Inc. v. Urban Compass, Inc., et al.*, Index No. 19-2-10797-9 (Wash. Sup. Ct.). In a separate suit, Zillow sued Compass for inducing a former employee to breach his employment agreements and then attempting to use that employee to obtain proprietary trade secrets. *Zillow, Inc. v. Urban Compass, Inc., et al.*, 2:19-cv-00592 (W.D. Wash.).

15. In California, Zephyr Real Estate sued Compass for poaching Zephyr's agents. *DPPM, Inc. d/b/a Zephyr Real Estate v. Urban Compass, Inc. d/b/a Compass*, Case No. CGC-18-568835 (Cal. Super. Ct.). Zephyr began sharing employee and independent contractor lists, as well as financial, operational, and organizational forecasts and strategies, with Compass after the parties had signed a nondisclosure agreement. But, Compass allegedly violated that

agreement, and then used that information to poach four Zephyr agents and two key sales managers.

16. The overwhelming number of lawsuits that have been filed by competitors across the country, all alleging similar patterns of misconduct, speak to Compass's intentional disregard for open and fair competition. Compass is trying to avoid the cost and risk of competing fairly. It would rather take Plaintiffs' proven work product, confidential information, and established relationships. This harms not only Plaintiffs but the real estate buying and selling public as well. To put a stop finally to Compass's illegal and unfair practices, Realogy now sues globally for compensatory and punitive damages, as well as for injunctive relief. This case is about nothing less than preserving open and honest competition.

#### **JURISDICTION AND VENUE**

17. This Court can assert personal jurisdiction over Defendants because they are each domiciled in the State of New York. Urban Compass, Inc. and Compass, Inc. are headquartered in New York, New York and routinely and systematically transact and solicit business in the State of New York.

18. Under CPLR § 503, venue is proper in this Court because one or more of the Defendants is based in this County and a substantial portion of the actions or wrongs complained of herein, including the Defendants' primary participation in the wrongful acts detailed herein, occurred in this County.

#### **PARTIES**

19. Plaintiff Realogy is a publicly held corporation organized and existing under the laws of the State of Delaware and maintaining its principal place of business at 175 Park Avenue, Madison, New Jersey 07940.

20. Plaintiff NRTNY, doing business as The Corcoran Group ("Corcoran"), is a Limited Liability Company organized under the laws of the State of Delaware and maintaining a principal place of business at 660 Madison Avenue, New York, New York 10065.

21. Plaintiff SIRI, part of the Sotheby's International Realty® brand, is a corporation organized under the laws of the State of Michigan and maintaining a principal place of business at 38 East 61st Street, New York, New York 10065.

22. Plaintiff CBRBC, part of the Coldwell Banker® brand, is a corporation organized under the laws of the State of California and maintaining a principal place of business at 450 Exchange, Irvine, California 92602.

23. Plaintiff CBRRE, part of the Coldwell Banker® brand, is a Limited Liability Company organized under the laws of the State of California and maintaining a principal place of business at 5951 Cattleridge Avenue, Sarasota, Florida 34232.

24. Plaintiff NRTWI, part of the Coldwell Banker® brand, is a corporation organized under the laws of the State of California and maintaining a principal place of business at 1855 Gateway Blvd. #670, Concord, California 94520.

25. Plaintiff MTP, part of the Sotheby's International Realty® brand, is a Texas Limited Partnership maintaining a principal place of business at 50 Briar Hollow Ln, Ste 700W, Houston, Texas 77027.

26. Plaintiff BHGRE is a corporation organized and existing under the laws of the State of Delaware and maintaining its principal place of business at 175 Park Avenue, Madison, New Jersey 07940.



27. Upon information and belief, Defendant Urban Compass, Inc. is a corporation organized and existing under the laws of the State of Delaware and maintaining its principal place of business at 90 Fifth Avenue, 3rd Floor, New York, New York 10011.

28. Upon information and belief, Defendant Compass, Inc. is a corporation organized and existing under the laws of the State of Delaware and maintaining its principal place of business at 90 Fifth Avenue, 3rd Floor, New York, New York 10011.

29. All references herein to any act of Compass shall include the acts of Compass's directors, officers, employees, affiliates, subsidiaries, and agents. In doing the things alleged below, each was acting within the course and scope of his or her agency with the knowledge, acquiescence, or subsequent ratification of Compass.

### **FACTS**

***Realogy provides real estate brokerage services nationally under well-known brand names, including Corcoran, Coldwell Banker, and Sotheby's International Realty.***

30. Realogy is the leading and most integrated provider of residential real estate services in the United States. Realogy is focused on empowering independent sales agents to fully serve customers seeking to buy, sell, or lease residential properties or seeking assistance with their relocation, title, mortgage-servicing, and other real estate needs.

31. Realogy, through its subsidiaries, provides real estate and relocation services, operating through four segments: Real Estate Franchise Services ("RFG"), Company Owned Real Estate Brokerage Services ("NRT"), Relocation Services ("Cartus"), and Title and Settlement Services ("TRG").

32. The RFG segment of Realogy franchises its residential real estate brokerages under a number of well-known brand names, including: Century 21 Real Estate ("Century 21"),

Coldwell Banker, Sotheby's International Realty, BHGRE, and ERA Franchise Systems ("ERA").

33. The NRT segment of Realogy operates real estate brokerages under the Corcoran, Sotheby's International Realty, and Coldwell Banker brands, including through NRTNY, SIRI, CBRBC, CBRRE, NRTWI, and MTP. (Realogy, NRTNY, SIRI, CBRBC, CBRRE, NRTWI and MTP shall sometimes here be referred to collectively herein as "Realogy").

34. Realogy's fully integrated business model includes company-owned brokerages (NRT Brokerages), franchised brokerages (RFG Brokerages), relocation, title and settlement services, and mortgage origination (NRT Brokerages and RFG Brokerages are sometimes referred to together as "Realogy Affiliated Brokerages").

35. Realogy Affiliated Brokerages recruit, educate, retain, and market to independent sales agents at considerable expense, and they are one of Realogy's primary means of generating revenue through the commissions earned on the purchase and sale of real estate.

36. As with most real estate companies, Realogy's business model, and that of its franchisees, relies on its relationship with real estate agents—independent contractors who associate with Realogy Affiliated Brokerages. Realogy provides affiliated agents with access to technology, comprehensive marketing and training programs, and support and operational services to help them build stronger businesses, strengthen customer relationships, and be more productive. In exchange, Realogy's NRT Brokerages share with their affiliated agents the commissions earned on real estate sales procured by that agent. Likewise, Realogy receives a royalty from RFG Brokerages consisting of a percentage of the gross revenue generated by the purchase and sale of real estate procured by the agent.

37. Realogy markets and also makes available many tools to support its RFG and NRT Brokerages in its effort to recruit and retain agents.

38. Exclusive Listing Agreements are a primary source of revenue for Realogy and its affiliated brokerages, whereby property owners retain Realogy Affiliated Brokerages, such as Corcoran, to act as the exclusive broker for individual units or an entire property with multiple units. The exclusive agreements are set for specific terms, during which the Realogy Affiliated Brokerage has the sole right to a commission for the sale of the property during the listing term.

39. Realogy and its affiliated brokerages advertise heavily—at great expense—to attract property owners to list with Realogy Affiliated Brokerages, as well as prospective buyers who work with those brokerages' agents to identify, view, and negotiate for properties to purchase. Many such relationships are formed by Realogy Affiliated Brokerages through Realogy's well-known and established brand names, and through its advertising, goodwill, and reputation around the country, including in the nation's largest cities.

***Compass is a direct competitor to Realogy, with a reputation among competitors for unethical, unfair, and improper business practices since its founding.***

40. Founded in 2012 in New York City by CEO Robert Reffkin, Compass is relatively new to the real estate marketplace. The company acts as a licensed real estate broker with respect to residential real estate sales.

41. Compass assists clients with residential sales, as well as with renting and leasing apartments in New York City, and thereby, directly competes against the largest NRT Brokerages operating in that market: Corcoran and Sotheby's International Realty. Since its inception, Compass has expanded beyond New York City to other markets throughout the country, including California, Florida, Illinois, Georgia, Maryland, Massachusetts, and Texas.

42. Upon information and belief, Compass has adopted—since its inception—a deliberate strategy of fostering rapid expansion and growth by engaging in unfair and unlawful conduct.

***Compass improperly poaches Plaintiffs' agents and employees in its so-called "recruitment" efforts.***

43. Compass has engaged in a series of sharp practices to poach Realogy's employees and affiliated agents and to destroy its franchises. This is not a collateral consequence of Compass's business plan—it *is* Compass's business plan. Compass has been responsible for improperly luring dozens of Realogy employees since it opened its doors seven years ago.

44. To meet its stated goal of 20% market share in the top 20 markets by 2020, Compass has targeted employees with access to Realogy's Confidential Information—information that Compass can (and does) misappropriate in an effort to poach *additional* high-performing employees and agents from Plaintiffs. Compass then uses this confidential information to recruit more Realogy Affiliated Brokerage agents.

45. Compass engages in a concerted strategy to recruit Plaintiffs' talent across the country. As explained by Compass's Director of Recruiting, Nolan Greenberg, in a 2018 article in *The Real Deal*, "When we want someone, we go after them from every angle possible."<sup>3</sup> On information and belief, this includes a barrage of (sometimes daily) telephone calls, digital messages, and in-person meetings—some with CEO Reffkin—and the pitch invariably includes incentives often designed to encourage breaches of duty to existing employers, brokers, or clients.

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<sup>3</sup> E.B. Solomont, *Inside Compass' Recruiting Machine*, *The Real Deal* (Feb. 13, 2018), <https://therealdeal.com/2018/02/13/inside-compass-recruiting-machine/>.

46. On information and belief, just this year alone, Compass has targeted, approached, pursued, and/or given retention offers to hundreds of Realogy-affiliated agents from New York to California. Many of the Realogy-affiliated agents across the country who have disassociated and moved to Compass in response to this targeted recruiting were lured and secured through Compass's use of Realogy's Confidential Information that Compass had improperly obtained.

47. On information and belief, Compass induces many of the agents it successfully recruits to provide information about the brokerages they just left, including employee and agent information Compass uses to solicit other recruits. Compass also financially incentivizes agents to help recruit both agents and employees from their former brokerages without regard to whether Confidential Information is used in that recruiting process.

48. Compass recruits Plaintiffs' employees *knowing* they have valid and existing non-compete and/or non-solicitation agreements and/or restrictive covenants with Plaintiffs, including, without limitation, the following:

- three Branch Managers in Chicago, Illinois;
- one Regional Vice President in Chicago, Illinois;
- one Branch Manager in Atlanta, Georgia;
- seven Branch Managers and Executive level employees in New York, New York;
- one Vice President of Sales in Houston, Texas;
- three Branch Managers in California;
- one Branch Manager in Annapolis, Maryland;
- one Branch Manager in Bridgewater, Connecticut;
- one Realogy Vice President in Madison, New Jersey; and

- one Realogy senior corporate executive in Madison, New Jersey.

49. Each of the above Plaintiffs' employees had non-solicitation and/or restrictive covenant agreements.

50. Compass recruited Plaintiffs' employees who had confidential and/or proprietary information about Realogy's business, including unannounced products or services, sales data, client lists, agent splits, agent production, confidential client information, confidential agent information, as well as nonpublic financial and business information.

51. On information and belief, during the recruitment process, Compass tells the targeted Plaintiffs' employees not to worry about their restrictive covenant agreements with Realogy, as Compass "will take care of them" and/or indemnify them should Plaintiffs enforce their contractual rights.

52. Even those Plaintiffs' employees who left for Compass and were not subject to written restrictive covenants had a duty of loyalty as well as an express obligation not to use or disclose confidential or sensitive business information. Compass has been responsible for improperly luring several such Plaintiffs' employees since its inception, including J.K. and M.M. (Corcoran, New York City).<sup>4</sup>

53. On information and belief, Plaintiffs' employees who leave for Compass (whether or not they had contractual non-compete and/or non-solicitation agreements), are then encouraged to unfairly solicit agents or other employees to join Compass. On information and belief, in many instances, the salaries offered to the employees are as high as two and three times their existing salaries; it is Compass's intent to make them offers that they cannot refuse, and to lure them into providing Realogy's confidential information and talent.

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<sup>4</sup> In this Complaint, Plaintiffs refer to certain employees and agents by initials rather than by their full names.

54. On information and belief, Compass is targeting Plaintiffs' employees to unfairly acquire Realogy's Confidential Information.

55. On information and belief, Compass can and does use Realogy's Confidential Information to advance Compass's business to Plaintiffs' detriment. This includes using the Confidential Information to poach more Realogy managers and employees, as well as agents associated with Realogy Affiliated Brokerages, and to learn business processes and strategies developed by Realogy to build Compass's market share.

***Compass specifically targets  
Plaintiffs' branch managers.***

56. Compass is actively recruiting Plaintiffs' branch managers, who not only possess Confidential Information about Plaintiffs' company and office metrics, but who also know the particular needs and wants of Plaintiffs' specific agents. In the relatively insular and competitive real estate industry, agents often follow their branch managers not only because they have developed relationships over time, but also because the manager is in tune with the particular concerns and business needs of each agent.

57. An example took place in 2017 when Compass attempted to poach an NRT Brokerage manager in California. That summer, Compass Regional Senior Vice President Gene Martinez took the NRT Brokerage manager to lunch to entice him to work for Compass. Martinez was one of the first employees poached from Realogy to Compass. Martinez had previously been the Soho branch manager for Corcoran in Manhattan.

58. Compass offered the NRT Brokerage manager twice his salary and a large bonus. He was also later offered the ability to purchase stock options (atypical since options are usually



granted and not sold), and he was told Compass was going to go public.<sup>5</sup> Despite not yet being a publicly traded company, Compass offered the NRT Brokerage manager the ability to purchase \$600,000 to \$1 million in stock options, valuing the shares at \$42 each, though Compass revealed no basis for that purported valuation.

59. Soon after, Reffkin met privately with the NRT Brokerage manager at Compass's office in San Francisco. Reffkin's focus was on finding out whether the agents this NRT Brokerage Manager oversaw "liked" him, were "loyal" to him, and would follow him immediately to Compass. Despite the NRT Brokerage manager stating that he had current fiduciary and post-term non-solicitation obligations, Reffkin wanted to know how much business he would bring to Compass "overnight," and how many agents would leave with him so that Compass could make a big announcement. In other words, on information and belief, Reffkin specifically intended for the NRT Brokerage manager to breach his duty of loyalty and his contractual obligations to Realogy by inducing agents to move to Compass—while the manager still worked for NRT.

60. Reffkin further advised the NRT Brokerage manager to "get a gmail account" and to speak to him only by phone—no texting—because there could be no contact or traceable communications between him and Compass through the manager's work phone or computer.

61. Reffkin told the NRT Brokerage manager that he "had a plan" for his one-year non-solicitation agreement and that there was no need for him to worry. Reffkin explained that Compass would open a branch close to the NRT Brokerage manager's current office, which the

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<sup>5</sup> Samantha Lynch, senior director of corporate development and strategic finance for Compass, when interviewed by *The Real Deal*, noted four "liquidity opportunities" as of November 2018, where original investors and agents who wanted to sell their Compass options did so. What was not clear from her comments is whether those liquidity opportunities were individual private sales or were broader transactions made available to all option holders. "Compass agents put \$20M in commission toward buying company stock options," *The Real Deal*, November 12, 2018.



NRT Brokerage manager would run. According to Reffkin's plan, when Compass would later try to recruit NRT Brokerage agents or employees to join Compass at that new location, the solicitations would go through a dedicated and designated solicitation person, not the NRT Brokerage manager. Reffkin told the NRT Brokerage manager that he would need to bring his "A list" of NRT Brokerage agents with him to Compass, and he asked him to identify any information about those agents that would allow Compass to tailor the right offer to make them more likely to jump to Compass.

62. Another example took place when Compass tried to recruit a senior Coldwell Banker executive in Florida several years ago. Compass flew him to New York City for a tour of its headquarters, arranged for multiple meetings with Reffkin and other executives, and demonstrated its technology. Compass offered more than double his salary. Compass told him his position would be national, while aware that he was subject to restrictive covenants with Coldwell Banker within Florida. But when Compass started discussing the new Florida office he would open and the Coldwell Banker agents he was expected to bring with him, he realized that the national title would be in name only. When he reminded Compass about his non-compete and a non-solicit obligations that he owed to Coldwell Banker, he was told that he should not be concerned and that he would be "indemnified" in case of any litigation. The executive passed on the opportunity.

63. Compass similarly recruited a senior Realogy executive from Texas. This executive—who is also a lawyer—raised his concern early about his employment restrictions. But Compass told him not to worry about the non-compete and that "we can just address this when the time comes."

64. Reffkin personally recruited a Realogy-affiliated regional vice president in Florida around 2016. When she told him about her non-compete agreement, he said, “don’t be concerned about it—we will take care of it.” She declined the position.

65. Elsewhere, not only Reffkin but also Chief Growth Officer, Rob Lehman, heavily recruited a Realogy branch manager in California in 2018. Compass’s then-General Counsel, David Carp, was also part of the recruiting effort. Reffkin, Lehman, and Carp were aware that the manager had contractual obligations to Realogy. As in the other instances, Compass made an exorbitant offer of compensation but the manager did not go.

66. These managers are just some of the many Realogy-affiliated employees whom Compass solicited but who chose to remain with Realogy. All tell a similar story: Compass tried to induce them to breach their duty of loyalty as well as their post-employment contractual restrictions.<sup>6</sup>

67. On information and belief, Compass used the very same wrongful methods on Plaintiffs’ employees who did join Compass.

68. In his year-end letter to the Compass, Reffkin boasted that 132,000 people had applied for jobs at Compass in 2018, but that they had hired only 1,020. “That’s a .8% acceptance rate, which means it is harder to get a job at Compass than it is to get into Harvard.” Unless you work at Realogy. A recent ad in the *Chicago Tribune* featured seven Compass sales managers, five of whom are former Coldwell Banker managers—and all five had post-employment restrictive covenants.

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<sup>6</sup> By contrast, on information and belief, Compass cares very much about its sensitive financial and business terms. Compass often will not make offers of compensation to employees (or even agents) until a nondisclosure agreement is signed, a highly unusual day-to-day employment practice.

***Compass targets other Realogy-affiliated employees as well.***

69. Compass's illicit recruiting efforts extend beyond poaching Realogy-affiliated branch managers. Compass also targets Realogy employees who have direct knowledge of, and access to, Realogy's Confidential Information and trade secrets, budgets, and growth plans. On information and belief, Compass recruits these Realogy-affiliated employees precisely to improperly access, use, and duplicate Realogy's Confidential Information and trade secrets.

70. As recently as May 22, 2019, former Realogy employee Urvin Pandya, who worked as Vice President of Finance for two Realogy business units (NRT and RFG) for more than fifteen years, notified Realogy that he had accepted a finance position with Compass in which he would report directly to Compass's Chief Financial Officer.

71. As a condition of his employment with Realogy, Pandya had post-employment obligations to Realogy, including restrictive covenants that he would not work for a Realogy competitor within 50 miles for six months following his separation.

72. Despite this binding contractual agreement with Realogy, on information and belief, Compass recruited Pandya because—in his job at Realogy—he had virtually unfettered access to Realogy's confidential business information, trade secrets, and forward-looking business decisions, strategies, and projections.

73. Specifically, Pandya had access to Realogy's Confidential Information regarding agent recruiting and retention, compensation arrangements, franchise agreements, market analyses and pricing strategies, agent performance and metrics, business plans, and brand management. Most importantly, Pandya had access to Realogy's nationwide strategic plan for upcoming franchise renewals for the next several years, including expiration dates, revenue forecasts, and renewal budgets for all of these RFG franchisees.

74. To circumvent Mr. Pandya's 50-mile non-compete agreement, Compass stated it had placed Mr. Pandya in an office in Philadelphia, though he would be directly working for Compass employees located in New York City, well within the geographic scope of his non-compete.

75. On June 4, 2019, a court granted a temporary restraining order enjoining Pandya from starting to work at Compass. Realogy was forced to seek this relief to protect its confidential business information and trade secrets from being brazenly misappropriated by Compass.

76. In opposition to Realogy's application for a temporary restraining order, Compass argued to the court that the information Pandya possessed was insignificant to Compass's business because Compass was not engaged in franchising.

77. That was yet another empty façade by Compass to justify its violation of Realogy's employment agreements. Just days before Pandya left for Compass, Compass purchased the operations of Better Homes and Gardens Real Estate The J. Melvin Group ("BHGRE Melvin"), an RFG franchise in Annapolis, Maryland. BHGRE Melvin had a ten-year franchise agreement with BHGRE that did not expire for another eight years. Despite this franchise agreement, Compass knowingly ignored this contractual relationship, and, in violation of BHGRE's contractual rights in relation to BHGRE Melvin, executed a transaction to purchase or convert the BHGRE Melvin franchise to a Compass brokerage. Thus, Pandya's knowledge of upcoming franchise expiration dates, financial conditions, and Plaintiffs' renewal budgets for those franchises will facilitate Compass's effort to poach additional Realogy-affiliated franchises if not restrained.

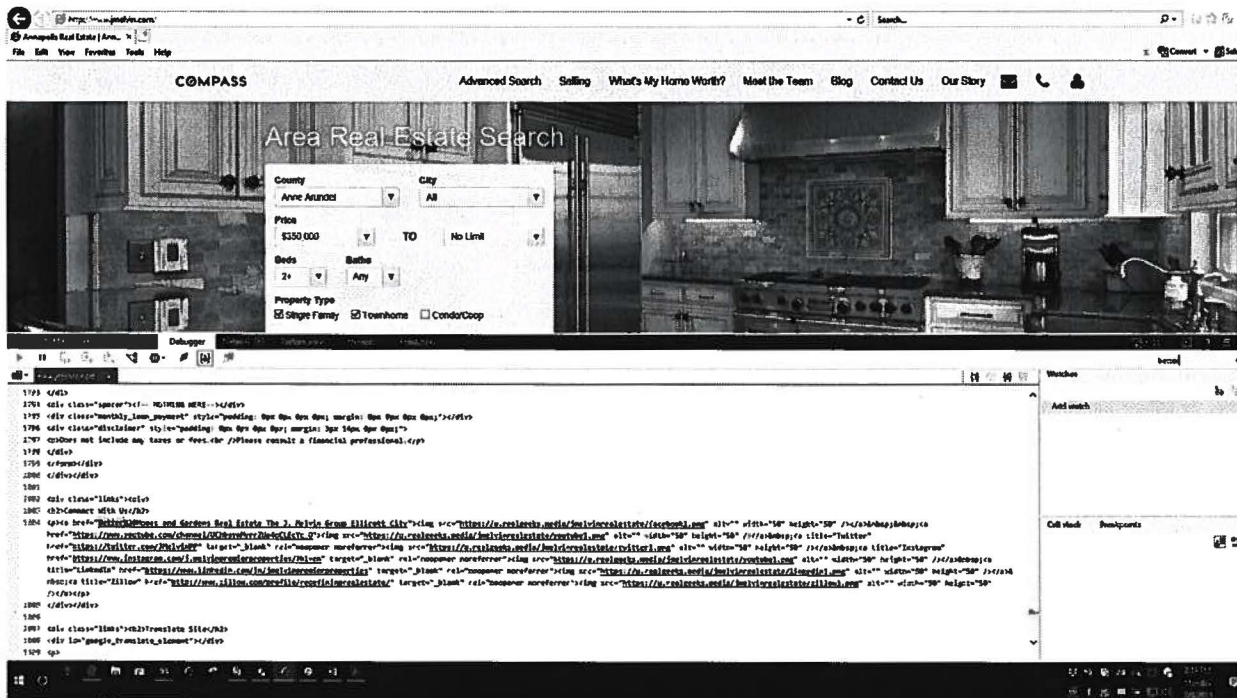
78. Compass's response to BHGRE's cease-and-desist letter was typical—Compass claimed that it had never even looked at BHGRE Melvin's franchise agreement before buying the company, and that BHGRE Melvin would have terminated the agreement in any event (presuming, incorrectly, that it had any legal right to do so). This purported justification ignores the fact that Compass induced BHGRE Melvin's breach of the franchise agreement.

79. As further evidence of its relentless pattern of misconduct, just one week after its purchase of BHGRE Melvin described above, Compass attempted to recruit an NRT Brokerage branch manager in the immediate vicinity, who also is subject to an employment agreement, to manage the exact office that had been subject to the BHGRE franchise agreement.

80. Worse yet, Compass has purposefully left references to Better Homes and Garden's Real Estate within the source code of BHGRE Melvin's website ([www.jmelvin.com](http://www.jmelvin.com)) even though it has been rebranded to Compass.

81. Figure 1 is a screenshot showing that Compass had left references to BHGRE in the source code of its website:

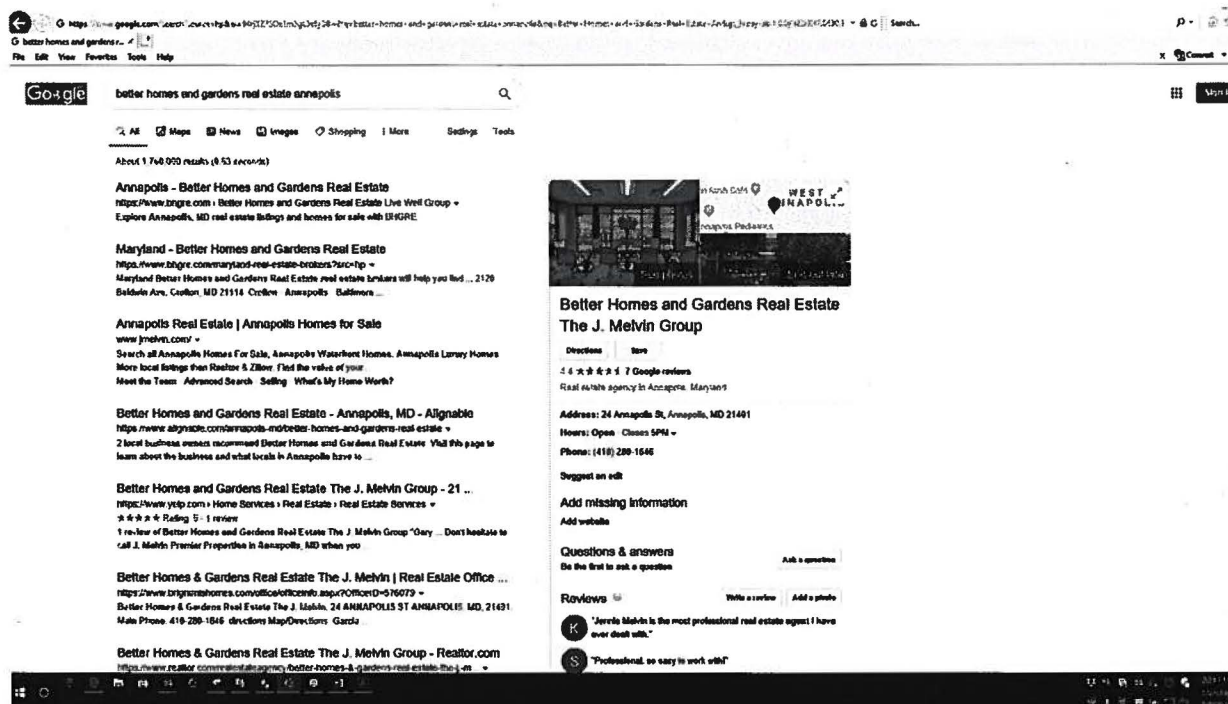
**Figure 1 (July 8, 2019):**





82. As a result, consumers who search Google® for Better Homes and Gardens Real Estate in Annapolis are directed to J. Melvin's Compass website. Compass is improperly using this to divert leads and customers from BHGRE, as Figure 2 shows.

**Figure 2 (July 8, 2019):**



83. The Pandya affair is not the first time that Compass has attempted to obstruct Realegy's efforts to enforce its restrictive covenants. Compass has manufactured false business titles, and asserted that employees would work out of alternate locations to get around geographic requirements. Compass will go to any length to keep Realegy from discovering information under which it could assess employees' breaches of restrictive covenants.

84. In 2015, Reffkin personally attempted to recruit a high-ranking executive at NRT. The executive told Reffkin that he was not interested and had a non-compete agreement in any event. Reffkin advised this executive not to worry because Compass could just place him in

Philadelphia, outside of the geographic limitation of the non-compete, stunningly similar to the non-compete analysis Compass asserts in the Pandya matter.

85. In 2017, Compass recruited Joe Siciliano, the NRT branch manager for NRT's Lincoln Park Plaza office in Chicago. Siciliano was subject to a one-year, 50-mile non-compete agreement with CBRRE. In response to CBRRE's letter advising Compass and Siciliano that they should cease and desist from violating Siciliano's non-compete agreement, Compass stated that Siciliano would be acting as a "National Coach . . . developing products for real estate agent brokers and motivating and coaching agents, and not holding any supervisory responsibilities." Compass claimed, among other things, that Siciliano "has no client contact" in his position at Compass. Yet Siciliano's own LinkedIn page states that he was the "Sales Manager" for Compass in Chicago since joining it in November 2017. Several emails also indicate that, regardless of his professed title, Siciliano was in fact acting as a Compass manager and did, contrary to Compass's assertions, have client contact. On information and belief, at all relevant times, Siciliano's employment with Compass was in direct violation of his non-compete, confidentiality, and non-solicitation obligations to CBRRE, despite the illusory titles Compass made up for him. In so doing, Compass intentionally interfered with an enforceable contract between an NRT Brokerage and a branch manager and tried to conceal it through false and deceptive means.

86. Kathryn Weeks is yet another example. She was a CBRRE office manager in Atlanta. Compass recruited and hired her in September of 2018 despite the fact that Weeks has an enforceable one-year post-employment covenant not to compete in her employment agreement with CBRRE. As with Siciliano, Compass told CBRRE that Weeks would not act in any management capacity and, instead, would merely serve as a "Director of Learning and



Development.” But Realogy has discovered that while recruiting CBRRE agents in the area, Compass told them that Weeks really was the office manager for Compass. Thus, Compass had not only intentionally interfered with CBRRE’s employment contract with Weeks, but it had also done so in a false and deceptive manner.

87. Likewise, in 2018, Compass recruited Ernest (Joe) Fuer, the Corcoran office manager in Brooklyn Heights, New York, who had an enforceable post-employment covenant not to compete in his employment agreement with Corcoran. In response to Corcoran’s concerns that Compass’s employment of Fuer would violate his non-compete, Compass told Corcoran that Fuer would not work in a position where he would manage agents. Rather, according to Compass, Fuer would be the “Director of Communications.” But Fuer’s LinkedIn page states that in 2018 he was working out of Atlanta as Expansion Sales Manager for Compass and that by April 2019, he was employed by Compass as its Regional Sales Manager for the Hamptons. Upon information and belief, Fuer’s employment with Compass was at all relevant times in violation of his restrictive covenants to Corcoran. Once again, Compass had not only intentionally interfered with an enforceable contract between an NRT Brokerage and a branch manager, but it had done so in a false and deceptive manner.

88. And in early 2019, Compass recruited and hired Seita Jongebloed, a Vice President of Sales at MTP, to work in a substantially similar capacity at Compass’s new office in Houston, less than 3.3 miles away from one of the MTP offices that Jongebloed had overseen. Compass hired Jongebloed in direct violation of a covenant not to compete that prohibits her from working in a similar capacity for a competitor within 15 miles of any MTP location where she had previously worked. Realogy recently learned that Compass has claimed that Jongebloed was hired as a “Culture Czar,” even though she has similar responsibilities to those she had with

MTP—developing relationships with customers and sales agents (including recruiting, training, and retaining them) and handling significant listings of luxury homes. Compass has yet again intentionally interfered with an enforceable contract between an NRT Brokerage and a management employee.

***Compass outright steals Realogy's  
Confidential Information.***

89. Compass also steals Realogy's Confidential Information. This information makes it easier for Compass to poach Realogy and NRT Brokerages' clients, negotiate against Realogy and NRT Brokerage professionals, and lure those professionals to Compass.

90. Certain NRT Brokerages (including but not limited to Citi Habitats) develop and maintain an internal and proprietary database of real estate rental listings and associated confidential information, known as the Listing Exchange Apartment Rentals system (LEAR). This proprietary database and Confidential Information was compiled through considerable time, effort, and expense, and it constitutes a key competitive advantage in the New York City real estate market.

91. In addition to storing information typically found in real estate listings such as location, features, size, and pricing—which is organized in a proprietary fashion and, as such, has significant value in itself—the LEAR system also allows authorized users to post and view Confidential Information about individual listings, landlords or sellers, rental history, and neighborhoods. This proprietary information—based on experience-based judgments—assists NRT Brokerages in marketing listings and negotiating deals and provides them with a substantial advantage over competitors.

92. NRT Brokerages make every effort to protect the confidentiality of the LEAR system. Indeed, because that system contains valuable and sensitive proprietary information, it can be accessed only through a password-protected web portal.

93. Yet Compass and its representatives have accessed the LEAR system without authorization. Based on an analysis of automatically maintained records of log-in attempts, Plaintiffs determined that unauthorized incursions into the LEAR system had been made from computers bearing an internet protocol linked to Compass.

94. Compass has stolen or otherwise misappropriated other Realogy and NRT Brokerages' Confidential Information as well.

***Compass makes false statements about its business,  
deceiving both agents and customers about its market share.***

95. To facilitate its predatory recruiting and to improperly induce agents, employees, and even customers of brokerage firms to work with and hire Compass, Compass has made materially false representations about itself and its competitors. Indeed, many of these claims are made explicitly by Reffkin in both public forums and Compass disseminated communications.

96. *First*, Compass repeatedly makes materially false statements about Realogy. For example, it will take facts about Realogy, and twist them to recruit agents, drawing unsupported inferences for its competitive advantage. Most recently, in connection with Realogy's Q1 earnings release and investor call, Realogy announced certain cost cutting that would be rolled out in 2019. Compass turned that into "cutting costs significantly (which translates to less support and services for agents)." Realogy never said "significant" and never said it was providing "less support and services for agents,"—in fact, the measures would make Realogy more efficient and would not impact customer service for agents.

97. Because Compass's recruiters often use the same exact language to disseminate negative and misleading information about Realogy, on information and belief, Compass executives direct its "Strategic Growth Managers" to use scripts in a calculated, top-down "recruiting" strategy. If one recruiter makes a false statement, *all* the recruiters make the same false statement.

98. Compass recruiter Nicole Weitlauf told a recruit in May 2019, that Realogy planned to close the agent's Coldwell Banker branch office—a claim that was completely fabricated. This statement also raises questions about how Compass could have come by that confidential information, had it been true.

99. Many agents who have been solicited by Compass but who remain with Realogy report that Compass recruiters say that Realogy is going bankrupt and/or is going out of business. Realogy's publicly available financial statements contradict these false assertions but Compass gives the impression that it speaks from a place of authority, as if it were some sort of industry or Wall Street insider.

100. Compass also actively circulates negative information about Realogy that it manufactures. Compass commissioned a report by Blueshift, which purports to find that former Sotheby's International Realty agents that move to Compass grow their business by 20 to 40% in their first year at Compass. Compass pitches this report as third-party, objective research to targeted agents.

101. But Compass's use of the "report" is misleading. Upon information and belief, Realogy's metrics and independent analysis from the MLS show that former Realogy-affiliated agents who move to Compass actually experience a significant decrease in their business in their first year at Compass. It is additionally misleading in that only seven former Sotheby's

International Realty agents were (according to Compass) interviewed for the Blueshift report, and the self-serving conclusion is thus based on too small of a sample size

102. Compass also frequently makes false comments about itself to inflate its public profile or to aid in recruiting. For example, Compass routinely touts that its agents are more productive, and that they significantly grow their books of business when they leave competitors, like Realogy, and go to Compass. Compass promotes this falsehood in many forums but most prominently on its website—"the average agent's business grows 22 percent in their first year."

103. Upon information and belief, these statements are untrue and deceptive. Quantifiable data from the relevant multiple-listing services contradicts Compass's representations. Indeed, as competitor MoxiWorks CEO, York Baur, said in a video on the MoxiWorks site, "I was very disappointed to hear Robert Reffkin from Compass, claiming on CNBC in front of the world, that their improvement of agents that go to work there is 24.9 percent, measured in transactions, when in fact the data we've looked at across their entire footprint says there's actually a 16 percent decline in productivity, again measured in transactions during the first six months that an agent goes to Compass."<sup>7</sup>

104. Realogy reached a similar conclusion. Agents who left Realogy Affiliated Brokerages for Compass throughout 2017 and the first quarter of 2018 actually saw their books of business drop by anywhere from 9% to 20%.

105. This is not improving for Compass in 2019 either. A group of agents recruited from Coldwell Banker in the greater San Diego area at the end of last year have had a similar

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<sup>7</sup> Video, A Spinning Compass, MoxiWorks; *see also* Patrick Kearns, MoxiWorks Blasts Compass for Agent Productivity Claims, Inman (Sept. 25, 2018) K " <https://www.inman.com/2018/09/25/moxiworks-blasts-compass-s-or-buys-its-technology-refkin-for-agent-productivity-claims/> <https://www.inman.com/2018/09/25/moxiworks-blasts-compass-for-agent-productivity-claims/>.



result—in their first six months with Compass their business has dropped off substantially.

These agents collectively did 66 transactions in 2018, but in the six months they have been with Compass they have closed only 23. These agents were told that their businesses would grow once they moved to Compass, and upon information and belief, it is one of the reasons they went there.

106. *Second*, Compass has boasted for years that it builds its own technology and end-to-end real estate services platform. For example, Reffkin has publicly stated numerous times that “we build everything in house, and all the tools and support [*sic*] is in house.”<sup>8</sup> Compass has even relied on these claims of “innovative” and “scalable” “in-house” technology offerings to justify its high valuation.<sup>9</sup>

107. But rather than develop its own proprietary technology, in February 2019, more than a year after declaring its engineers were hard at work building a customer-relationship management (“CRM”) system, Compass purchased CRM software maker Contactually.<sup>10</sup> Compass also uses MailChimp, Mopro, and other third-party technology providers.<sup>11</sup> There is nothing new or novel about what Compass is doing in this space, although many agents who are recruited say that their basis for moving to Compass was, in part, because of what they were told about the technology.

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<sup>8</sup> Video, Compass CEO on Disrupting Homebuying, CNBC (June 18, 2018), <https://www.cnbc.com/video/2018/06/18/compass-ceo-on-disrupting-homebuying.html>.

<sup>9</sup> E.B. Solomont & Katherine Clarke, *For Compass Backers, ROI Remains Far Off*, The Real Deal (July 21, 2016), <https://therealdeal.com/2016/07/21/for-compass-backers-roi-remains-far-off>.

<sup>10</sup> Jim Dalrymple II, *Compass Doesn't Care If It Builds or Buys Its Technology: Reffkin*, Inman (Apr. 10, 2019), [an.c om/2019/04/10/compass-doesnt-care-if-it-builds-or-buys-its-technology-reffkin/](https://www.inman.com/2019/04/10/compass-doesnt-care-if-it-builds-or-buys-its-technology-reffkin/) <https://www.inman.com/2019/04/10/compass-doesnt-care-if-it-build>.

<sup>11</sup> *A Spinning Compass, MoxiWorks, Chicago Tech Companies Facilitate Innovation*, Built in Chicago (July 11, 2018) <https://www.builtinchicago.org/2018/07/11/industry-disruptors-share-secrets-innovation>.

108. Moreover, on July 11, 2018, Eytan Seidman, Compass's then Head of Product, represented that Compass is "the first and only company to bring engineers together with agents under one roof."<sup>12</sup> The Compass website also states: "Compass is building the first modern real estate platform, pairing the industry's top talent with technology to make the search and sell experience intelligent and seamless."<sup>13</sup> But at other major real estate companies, including Realogy, Windermere, Long Foster, Howard Hanna, and others, software engineers and agents have been working side-by-side in brokerages since the mid-1990s.

109. Compass has also promised agents that they will get paid on a multitude of referrals, including for title and mortgage services. This promise is false because such payments constitute a kickback under the Real Estate Settlement Procedures Act. So either Compass is violating that act or it is making false promises to agents.

110. Compass repeatedly misstates its growth and market position. In 2017, Reffkin claimed on CNBC that "Compass is on the path to be the largest owner of real estate data, globally, and the No. 1 real estate technology company in the world."<sup>14</sup> At Inman Connection 2018, Reffkin also said, "Over the next hundred years the most valuable resource in the world will be data." But a little over a year later, at the next InmanConnect conference, Reffkin said, "I don't think I've ever used the word 'data.' If you look back at anything I've ever said, I don't think I've ever used the word 'data.'" He added, "I hope you don't think data analytics is going to help you make more money."

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<sup>12</sup> Alton Zenon III, *Get Creative: How Leaders at 8 Chicago Tech Companies Facilitate Innovation*, Built in Chicago (July 11, 2018) <https://www.builtinchicago.org/2018/07/11/industry-disruptors-share-secrets-innovation>.

<sup>13</sup> York Baur, *An Open Letter to Compass from a CEO*, MoxiWorks, <https://moxiworks.com/blogs/open-letter-compass>.

<sup>14</sup> Berkeley Lovelace Jr., *Softbank Invests \$450 Million in Real Estate Tech Company Compass*, CNBC (Dec. 7, 2017), [17/12/07/softbank-invests-450-million-in-real-estate-tech-company-compass.html](https://www.cnbc.com/2017/12/07/softbank-invests-450-million-in-real-estate-tech-company-compass.html) <https://www.cnbc.com/2017/12/07/softbank-invests-450-million-in-real-estate-tech-company-compass.html>.

111. If Compass really did not care about data, then it would not base its office managers' bonuses on the capture rate of agent contact and listing information being added to Compass's platform.<sup>15</sup>

112. Compass also claimed that its health insurance coverage was expansive through its "exclusive" partnership with IdilusHR and would "provide competitive healthcare plans through Cigna." Compass has recruited Realogy Affiliated Brokerage agents with the promise of providing them health insurance, and agents have left to go to Compass based on the lure of expansive and affordable benefits for all.

113. But what was billed as an "exclusive" and comprehensive healthcare benefits offering through IdilusHR was nothing more than a Cigna-based plan, which, Reffkin conceded, in his 2018 year-end letter, was inadequate to cover all Compass agents.

114. Compass also makes false statements about its reach. In November 2018, Compass co-founder Ori Allon said that Compass would open offices in Canada, London, Moscow, Paris, and Sydney. But two months later, in January 2019, Reffkin said that Compass would stop expanding to any new cities. Upon information and belief, Compass makes false statements about its intent to open additional offices (domestically and internationally) when recruiting agents, and the agents have relied on these false statements in deciding to move to Compass from Realogy.

115. These inconsistencies are more than just changes in business direction. They are misrepresentations to the market—both to customers and to recruiting targets—and they are by design.

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<sup>15</sup> Presumably Compass's fixation on data is the reason, on information and belief, that it provides all independent contractor agents with a Compass-owned laptop. The device policy agents are asked to sign when issued the laptop makes clear that all data from the device is the property of Compass and that Compass has the right to access that laptop at any time, without consent from, and without any advance notice to, the agent.



116. Upon information and belief, these misleading and deceptive statements induced customers to retain Compass as their broker, induced Realogy-affiliated agents to join Compass and induced employees to breach their employment agreements and join Compass based on false pretenses.

***Compass engages in anti-competitive conduct by recruiting with inflated commissions and fees that lead to losses, to be recouped through both direct actions and collusion.***

117. Compass also engages in anti-competitive conduct by recruiting real estate agents with grossly inflated compensation packages, commission payments, and fee allocations that render the company unprofitable. Indeed, on information and belief, Compass's current model is unsustainable unless Compass is ultimately able to drive out competition, raise, and/or fix prices.

118. In the residential real estate industry most agents are compensated by receiving a commission earned upon the completion of a transaction. The agent typically "splits" that commission with the brokerage, and the agent negotiates that "split" with his or her broker for each sale. The traditional levels at which agents are compensated can vary widely. For example, top agents who sell large volumes of high-end residential properties may earn a higher percentage of the commission for each sale, in addition to receiving other contributions towards the agent's business. By contrast, new agents or those with average or below-average sales volumes may receive a smaller split of the commission, with little-to-no other contributions toward the agent's business.

119. On information and belief, Compass has lured agents from competitors, including Realogy, by offering them an uneconomic split of the sales commission—in some instances offering 95% or 100% splits. Compass also offers agents significant signing bonuses and other incentives, often totaling hundreds of thousands of dollars or more per agent. Specifically, after leveraging Realogy's Confidential Information and making innumerable misrepresentations in

the recruiting process as described in greater detail in this Complaint, Compass recruits agents by offering some combination of cash and stock, significant marketing allowances, assistant allowances, recruiting bonuses, office space, and high-percentage split adjustments, all of which are beyond even the most aggressive industry norms. They are economically unviable.

120. These predatory and unfair tactics have caused Compass to lower its margins to the point of unprofitability and to incur substantial short-term losses. On information and belief, Compass sustained hundreds of millions of dollars in losses in 2017 and 2018 due to its incomparably high operating costs per agent.

121. On information and belief, Compass planned to incur short-term losses on sales of high-end real estate in premier, competitive markets like New York and San Francisco until it obtained its target market position. It could then start raising or seeking to fix prices to recoup its losses.

122. In April 2019, Reffkin publicly touted this aspect of Compass's business, stating that "[s]hort term profitability is something that many of the more modern companies are not as focused on."<sup>16</sup> On May 7, 2019 at the T3 Summit hosted by Swanepoel, Reffkin said that "it will take us 10+ years to be profitable."

123. Compass's growth and unsustainable business model have been made possible by over \$1 billion in investments from outside investors in late 2017 and 2018. Most of that money came from SoftBank.

124. Justin Wilson, an operating partner at SoftBank, speaking at an Inman conference in July 2018, said, "Robert's vision was one that we felt strongly about." Reffkin is the face of

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<sup>16</sup> *Wall Street Journal*, "Compass's Free-Spending Ways Capsize Real Estate Business," April 23, 2019.

Compass.<sup>17</sup> He has publicly boasted that he has personally met with and/or recruited every agent or employee at the company. The predatory and unlawful recruiting strategy described in this Complaint is his, complete with his personal direction to set up gmail accounts, not send texts, provide A-lists for recruiting purposes, organize mass walk-outs, and more. Reffkin's philosophy, fueled by SoftBank's millions, is that you "pay a fine" or you "indemnify"—because money will fix whatever rules, contracts, or laws have been broken. That is not visionary—it is illegal.

125. In addition to recruiting agents with unsustainable compensation offers, Compass has been aggressively acquiring competing brokerages. Compass bought more than a dozen brokerages between February 2018 and April 2019 alone, including Pacific Union and Paragon SF in 2018, two large players in the premier San Francisco real estate market. Compass then acquired Alain Pinel in 2019, whose founder essentially acknowledged that he did not really have a choice but to acquiesce and sell after the substantial harm Compass had inflicted on the company. That is consistent with Compass's strategy according to co-founder, Ori Allon: "we buy those who understand it is not worthwhile to compete with us."<sup>18</sup>

126. On information and belief, Compass paid well above industry standards to acquire some or all of these brokerages (and, by extension, the agents who work for them) to rapidly gain market share and market power.<sup>19</sup>

127. On information and belief, Compass intends to continue competing with Realogy through the unfair pricing and predatory recruiting practices alleged herein until it either

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<sup>17</sup> E.B. Solomont, "Can Compass Deliver?" The Real Deal (Sept. 1, 2018), [https://therealdeal.com/issues\\_articles/can-compass-deliver/](https://therealdeal.com/issues_articles/can-compass-deliver/).

<sup>18</sup> CTECH by Catalyst article, "An ambitious interview with Compass Co-Founder Ori Allon, November 23, 2018.

<sup>19</sup> Solomont, "Can Compass Deliver?" The Real Deal (Sept. 1, 2018) [https://therealdeal.com/issues\\_articles/can-compass-deliver/](https://therealdeal.com/issues_articles/can-compass-deliver/).

becomes the dominant player in high-end residential real estate transactions in Los Angeles, New York City, San Francisco, and other cities—or alternatively attains sufficient market share that it can pressure other key competitors into collusive pricing arrangements.

128. On information and belief, once Compass achieves a sufficiently influential market position in targeted geographical markets, it intends to decrease agents' splits and raise consumer fees and/or otherwise restrain trade, including through collusive actions. Those are the only means by which Compass could become profitable and begin to recoup the substantial losses it is currently (and for the foreseeable future) sustaining. Indeed, just before the filing of this complaint, Reffkin personally solicited Realogy to enter into a price-fixing agreement where the two companies would agree to limit agent compensation and "compete on brand," but not on price. Realogy declined. On information and belief, Reffkin has personally solicited other competitors to enter into similar illegal agreements.

***Compass flouts REBNY rules and complaint process by blatantly and intentionally interfering with Plaintiffs' exclusive listings to inflate its market share.***

129. REBNY is a trade association and the governing body of the real estate industry in New York City. It engages in administrative oversight and promulgates its own rules for real estate in New York City. As such, REBNY also has an internal arbitration system for adjudicating complaints and violations of its rules and code of ethics. The rules and regulations are well-publicized, and members (such as Compass) are required to comply.

130. Compass's violations of REBNY's rules to help it grow market share are pervasive and have been going on for several years. They include (i) encouraging home owners/sellers to terminate exclusive listings with Corcoran (and instead enter into exclusive listings with Compass); (ii) advertising and disseminating information about properties on

various media, including Compass's website, even when the properties are exclusive Corcoran listings; and (iii) directing agents to manipulate and alter Corcoran's proprietary listing database.

131. For example, agents E.K. and K.S. left Corcoran for Compass and interfered with Corcoran's exclusive listings for New York City properties, including but not limited to: 85 Livingston Street, Apt. 314; 310 West 122nd Street, Apt. 1W; and 620 East 9th Street, Apt. 4W. Shortly after these agents disassociated from Corcoran, they solicited the owners to cancel their exclusive listings with Corcoran and move them to Compass using a Compass-created "client certification form" printed on Compass letterhead. They then improperly posted the listings on Compass's website.

132. The Compass form is itself a violation of REBNY's rules as it is a communication between Compass and the seller, and includes this self-serving (and false) statement: "I have made my decision to terminate my listing agreement with [Corcoran] and list my property with Compass independently and of my own free will, with no interference or persuasion from either the listing agent or Compass." The form also misleads owners into thinking that they can unilaterally terminate their existing listing agreements.<sup>20</sup> A REBNY panel recently determined that Compass's practice of using this client certification form violated REBNY's Co-Brokerage Rules, and it fined Compass.

133. Compass not only improperly communicates with owners and solicits them to cancel their exclusive listings with Corcoran, but it also improperly advertises Corcoran's exclusive listings on Compass's website and various other channels. Compass should not be advertising properties that are subject to a Corcoran exclusive listing, without permission, as it violates the prohibition on advertising another broker's listing. For example, agents V.B. and

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<sup>20</sup> Compass provides a similar template to sellers in markets where MLS rules govern the process by which listings or pending listings can be transferred to another broker to induce the seller to break his or her contractual agreement with the original broker.

L.R. left Corcoran in the fall of 2018, and, despite Corcoran having exclusive listing agreements, Compass listed the properties on its website and various other channels. Compass knew that the subject properties remained subject to Corcoran's exclusive right to rent or sell, but nevertheless deliberately interfered with those contracts. Compass did not even bother to respond to REBNY when REBNY investigated these actions, and REBNY determined that Compass violated the REBNY Co-Brokerage Rules by default.

134. At some point, Compass added one additional page to its playbook—to direct agents to manipulate and alter Corcoran's proprietary listings database to obfuscate which exclusives were under contract with Corcoran when an agent moved to Compass. For example, Corcoran had an exclusive listing agreement that ran through November 30, 2018 on a property at 224 Highland Blvd. #710, Brooklyn NY 11207. Just before leaving Corcoran, agent A.M. changed the listing status for this property in Corcoran's proprietary listing system to "sold." This change, which is a violation of Article I, Section 6 of the REBNY Co-Brokerage Rules, was made to conceal the fact that the listing was still active (and properly belonged to Corcoran) at the time the agent left. After associating with Compass, A.M. and Compass manually placed the listing back as "active" on the Compass website.

135. Furthermore, on the same day that A.M. left Corcoran, the property owner wrote to Corcoran attempting to cancel the listing. On information and belief, A.M., at the direction of Compass, had contacted the owner while still at Corcoran and encouraged the owner to cancel the exclusive listing. On information and belief, Compass advised A.M. that, if she wanted to keep the listing, she had to follow this process. On June 21, 2019, REBNY determined that Compass and A.M. had violated the RLS Co-Brokerage Agreement Rules and Regulations,



Compass's fourth such violation in twelve months. REBNY assessed a penalty of suspension from the RLS for a period of 10 days.<sup>21</sup>

136. Compass's recruiting of Corcoran agent D.L. is another example. Corcoran had an exclusive agreement on a property at 139 East 33rd Street, Apt. 120, New York, NY 10016 from February 1, 2019 through August 1, 2019. In May 2019, agent D.L. left Corcoran and became an Assistant Sales Manager at Compass. While still affiliated with Corcoran, D.L. emailed Compass agent K.W. to discuss the listing. The very next day, D.L. changed the status of the property to "Temporarily Off the Market" in Corcoran's proprietary listing database—on information and belief, with the support and direction of Compass—to conceal the fact that the listing was still active. D.L. then emailed K.W. (at Compass) financial information about the building and its owner. As of May 11, 2019, Corcoran's exclusive was listed on K.W.'s page on the Compass website though the listing still belonged to Corcoran.

137. In another example of tampering with Corcoran's database, an exclusive listing for 710 Riverside Drive, Apt. 6D, the term of which runs from December 1, 2018 through August 31, 2019, was marked "temporarily off market" by agent B.R., a Compass recruit. On information and belief, B.R. changed the listing so that the Corcoran office manager would not know to follow up to see if the listing improperly appeared on Compass's website. Compass is now advertising the listing as a Compass listing even though Corcoran still has an exclusive listing agreement on the property.

138. On March 22, 2019, days before B.R. left Corcoran for Compass, a recruiter from Compass emailed B.R. and told him that "BTW—the listing not yet in contract will be presented by both Corcoran and and [sic] us. *We will pay a fine on it.*" This statement was made after

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<sup>21</sup> REBNY is holding the suspension in abeyance until Corcoran's additional pending complaints are adjudicated because "the penalty could be increased to additional days or expulsion."

Corcoran had initiated several complaints before REBNY, which resulted in fines against Compass, and it is evidence that Compass encouraged and actively instructed the tortious interference with zero regard for REBNY's efforts to enforce its rules.

139. Compass boasts on its website that "99 percent of homeowners opt to shift their listings to [the Compass] platform." Even if that statistic were true, and upon information and belief it is not, it was Compass that "opted" to shift the listings to its platform, not the homeowners.

140. On information and belief, Compass's agent training and on-boarding process for new recruits is intended to grow its market share by interfering with Corcoran's exclusive listings through the means described above, including directing people to manipulate and alter Corcoran's proprietary listing database.

141. On information and belief, Compass has induced other agents to interfere with Corcoran's exclusive listings similar to the fact pattern described above.

142. Compass's unabashed interference with Corcoran's exclusive listing agreements and violation of REBNY's co-brokerage rules has caused Corcoran harm.

### **CLAIMS FOR RELIEF**<sup>22</sup>

#### **FIRST CLAIM FOR RELIEF (Misappropriation of Trade Secrets)**

143. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

144. Plaintiffs' confidential, proprietary information constitutes trade secrets. Specifically, these trade secrets include, but are not limited to Confidential Information.

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<sup>22</sup> All claims are against both defendants.

145. Plaintiffs made substantial and reasonable efforts to keep the Confidential Information secret by, *inter alia*, restricting access to employees and agents on a need-to-know basis, instructing them on confidentiality obligations, requiring signed non-disclosure agreements for certain individuals, and/or maintaining the information on secure internal databases and systems.

146. The Confidential Information was the subject of reasonable efforts by Plaintiffs to maintain its secrecy and confidentiality, and it derives independent economic value from not being generally known.

147. Upon information and belief, Defendants willfully and maliciously misappropriated Plaintiffs' confidential information through improper means by, among other things, compelling or financially inducing Plaintiffs' employees and agents to disclose that information for Compass's use and directing or financially inducing former Plaintiffs' employees and agents to utilize Plaintiffs' confidential information in connection with their work on behalf of Compass.

148. Plaintiffs are entitled to an injunction restraining Defendants, their officers, agents, employees, and all persons acting in concert with them, from using, copying, publishing, disclosing, transferring, or selling Plaintiffs' confidential information and/or trade secrets, or any products or services based on or incorporating all or part of Plaintiffs' confidential information and/or trade secrets, and restraining Defendants from obtaining any commercial advantage or unjust enrichment from the misappropriation of Plaintiffs' Confidential Information and trade secrets.

149. Plaintiffs are further entitled to an order requiring Defendants, their officers, agents, employees, and all persons acting in concert with them, to return to Plaintiffs any and all

of its trade secrets and confidential, proprietary materials, including but not limited to any and all materials created by, incorporating, referencing, or derived from Plaintiffs' trade secrets and Confidential Information.

150. As a result of Defendants' misappropriation of Plaintiffs' Confidential Information and trade secrets, Plaintiffs have been damaged in an amount to be determined at trial.

151. The willful and malicious nature of Defendants' conduct additionally entitles Plaintiffs' to punitive damages in an amount to be determined at trial.

**SECOND CLAIM FOR RELIEF**  
**(Tortious Interference with Contract –**  
**Interference with Plaintiffs' Exclusive Listings)**

152. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

153. Defendants have systematically and tortiously interfered with Corcoran's exclusive listing agreements with customers.

154. Compass has intentionally interfered with Corcoran's exclusive listings as indicated by their willingness to "pay a fine."

155. None of Corcoran's efforts to avail itself of REBNY's administrative process have deterred Compass from intentionally interfering with the exclusive listings, even with penalties and a suspension having been assessed.

156. Compass knows, or reasonably should know, that exclusive listings contractually belong to the brokerage.

157. Despite this, when poaching Plaintiffs' agents, Compass goes after the agent *and* Plaintiffs' exclusive listings, even though Compass knows and is aware, or reasonably should know and be aware, that exclusive listings belong to the brokerage, not the individual agent.

158. Prior to an agent's departure from Plaintiffs, Compass has directed agents to specifically instruct his or her customers with exclusive listings to send a template email to Plaintiffs' management seeking to be released from the exclusive listing.

159. This is deceptive, misleading, and unethical (and in direct contravention to REBNY Rules) because a seller cannot unilaterally terminate an exclusive listing contract with the brokerage.

160. Compass recruiters have specifically told would-be Compass agents that Compass would simply list the exclusive listing once the agent moved over to Compass, and that it would just pay a fine for improperly doing so. This is a knowing, admitted, and intentional tortious interference with Plaintiffs' exclusive listings, which are valid and existing contracts with clients.

161. Compass's explicit goal in directing agents to send the template termination email to sellers is for the exclusive listing to be "canceled" with Plaintiffs and subsequently transferred to, and listed by, Compass on its website once the agent becomes affiliated with Compass.

162. Compass further induced agents to manipulate Plaintiffs' proprietary listing system in an attempt to make it appear that listings were sold or taken off market, which would facilitate the theft of that listing by Compass.

163. Compass's specific instructions to agents to encourage and direct their clients to send purported termination emails to Plaintiffs to terminate exclusive listings are strategic, bad-faith tactics, specifically intended to induce the clients' breach of their exclusive listing agreements with Plaintiffs.

164. As a direct result of Plaintiffs' willful and malicious tortious interference with Corcoran's exclusive listings, Corcoran has suffered damages, in an amount to be proven at trial.

165. Plaintiffs are entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest based on lost sales, among other things.

166. On information and belief, Compass has interfered with the exclusive listings of other RFG Affiliated Brokerages, thereby causing Plaintiffs damages for which they are entitled to compensation, including general and consequential damages with interest based on lost sales, among other things.

167. In performing the acts described here, upon information and belief, Plaintiffs allege that Compass has acted despicably and with oppression, fraud, or malice intending to injure Plaintiffs and to wrongfully advantage itself at Plaintiffs' expense. Plaintiffs are thus entitled to an award of punitive and exemplary damages against Compass sufficient to punish and deter it from engaging in such conduct in the future, in an amount to be ascertained at trial.

**THIRD CLAIM FOR RELIEF**  
**(Tortious Interference with Contract – Interference**  
**With Non-Compete and Non-Solicit Agreements)**

168. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

169. Defendants have systematically and tortiously interfered with Plaintiffs' employees' non-compete and/or non-solicit agreements.

170. Plaintiffs' employment agreements contain valid, explicit, and binding non-solicitation, confidentiality, and non-compete clauses (the "Restrictive Covenants").



171. The Restrictive Covenants generally state that, once an employee no longer works for a Plaintiff, he/she is restricted from working with a competitor company in the real estate brokerage services industry, within a certain physical radius for a delineated amount of time (as is consistent with relevant state law).

172. The Restrictive Covenants also generally prohibit Plaintiffs' employees from soliciting other employees after leaving employment with a Plaintiff.

173. Compass knows and is aware that the Plaintiffs' employees have employment agreements that contain these specific Restrictive Covenants.

174. Compass—without any regard for these employment agreements—systematically targets and poaches Plaintiffs' employees, inducing them to break their employment contracts with the Plaintiffs and work for Compass, in direct contravention to the Restrictive Covenants therein.

175. In poaching the employees, Compass solicits the employees directly, personally, and aggressively, sending them targeted emails and making phone calls offering compensation, incentives, and (alleged) proprietary technology designed to get them to breach their obligations to Plaintiffs.

176. Upon hiring one of Plaintiffs' employees subject to a Restrictive Covenant Agreement, Compass induces the employee to breach its non-solicitation agreement by providing information to Compass so that it may, through other employees, solicit current Plaintiff employees.

177. Compass is not deterred by an employee's reluctance or hesitance to breach his or her duties to Plaintiffs. Instead, Compass applies even more aggressive tactics.

178. Compass goes further and induces and/or financially incentivizes employees to breach their duty of loyalty to Plaintiffs while still employed with them and after leaving Plaintiffs' employ.

179. Compass's repeated offers to indemnify employees when Plaintiffs sue to enforce their rights, and the false business titles and geographic locations Compass assigns to these employees in an effort to conceal violations of the Restrictive Covenants, are evidence of Compass's knowing intent to cause these employees to breach their obligations to Plaintiffs.

180. Compass's aggressive and unethical "recruitment" efforts, in the face of the employees' existing employment agreements with Plaintiffs, are strategic, bad-faith tactics, specifically intended to induce the employees' breach of their employment agreements.

181. Compass's aggressive, under-handed, and bad-faith recruitment efforts directly cause employees to breach their obligations and duties to Plaintiffs.

182. As a direct result of Compass's willful and malicious tortious interference with these employment agreements, Plaintiffs have suffered damages, in an amount to be proven at trial.

183. Plaintiffs are entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest based on lost revenue from the poached employees and agents, among other things.

184. In performing the acts described here, upon information and belief, Plaintiffs allege that Compass has acted despicably and with oppression, fraud, or malice intending to injure Plaintiffs and to wrongfully advantage itself at Plaintiffs' expense. Plaintiffs are thus entitled to an award of punitive and exemplary damages against Compass sufficient to punish and deter it from engaging in such conduct in the future, in an amount to be ascertained at trial.

**FOURTH CLAIM FOR RELIEF**  
**(Tortious Interference with Contract – Interference**  
**with Realogy’s and BHGRE’s Franchise Agreements)**

185. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

186. Compass knows, or should have known, that BHGRE’s brokerage business model is predicated on franchising its well-known brand, across the country.

187. BHGRE, as a franchisor, enters into franchise agreements with its franchisees, which are valid and binding contracts governing, among other things, the length and terms of the franchise agreement. The franchise agreements also typically include a right of first refusal to the franchisor before the franchisee can sell.

188. Compass knows and is aware that BHGRE operates on the basis of these valid and existing franchise agreements, which also typically have liquidated damages provisions.

189. On information and belief, Compass—without any regard for these franchise agreements—systematically targets franchisees and attempts to entice them to break their franchise agreement to become a Compass brokerage, in direct contravention of the binding covenants of the franchise agreements.

190. For instance, this recently occurred in Annapolis, Maryland, where a BHGRE franchise—the J. Melvin Group—broke its franchise agreement, only two years into a ten-year agreement, to become a Compass brokerage.

191. In Compass’s response to BHGRE’s cease and desist letter, Compass’s legal team attempted to justify its actions with the Melvin Group by stating that “they [the owners] would have left anyways.” But Compass does not dispute that it provided the incentive, and in fact, induced, the franchise owners to break their existing franchise agreement.

192. Compass has solicited Realogy's franchisees in at least California, Colorado, Florida, Maryland, Texas, Washington, D.C., and Wisconsin.

193. On information and belief, Compass treats the liquidated damages provisions as the cost of doing business, having a "we'll pay it" mentality, similar to the fines it is willing to pay to interfere with Corcoran's exclusive listings in violation of the REBNY co-brokerage agreement rules, or the indemnity costs when Realogy moves to enforce its restrictive covenants.

194. Compass's efforts to increase the number and size of its office locations by raiding and poaching existing Realogy franchisees, in the face of the franchise agreements, are bad-faith, intentional tactics designed precisely to induce franchisees to break their contracts with Realogy and Realogy-affiliated brokerages.

195. Compass's aggressive, under-handed, and bad-faith franchise-directed efforts directly cause franchisees to prematurely breach their obligations and duties under the Realogy franchise agreements.

196. As a direct result of Compass's willful and malicious tortious interference with these franchise agreements, Realogy has suffered damages, in an amount to be proven at trial.

197. Realogy is entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest based on lost franchise revenue, among other things.

198. On information and belief, Compass has induced other Realogy Affiliated Brokerages to breach their franchise agreements, thus causing Realogy damages. Plaintiffs are entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest based on lost franchise revenue, among other things.

199. In performing the acts described here, upon information and belief, Plaintiffs allege that Compass has acted despicably and with oppression, fraud, or malice intending to injure Plaintiffs and to wrongfully advantage itself at Plaintiffs' expense. Plaintiffs are thus entitled to an award of punitive and exemplary damages against Compass sufficient to punish and deter it from engaging in such conduct in the future, in an amount to be ascertained at trial.

**FIFTH CLAIM FOR RELIEF**  
**(Intentional and Tortious Interference**  
**with Prospective Economic Advantage)**

200. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

201. Compass knew, or should have known, that Plaintiffs' business is based, in part, on its ability to protect, close on, and receive corresponding commissions from its "exclusive listings."

202. Nevertheless, Compass has intentionally and aggressively targeted Plaintiffs' exclusive listings, in a blatant, improper, and unfair manner (as set forth above), by directing Plaintiffs' agents whom Compass poaches to induce the agents' clients to send boilerplate termination emails to Plaintiffs' management to (attempt to) terminate the exclusive listing between Plaintiffs and the clients. Compass also induces agents leaving Plaintiffs to manipulate the listings data base so that listings will appear as sold or temporarily off market to facilitate an easier transfer of Plaintiffs' listings to Compass.

203. When the Plaintiffs' agents who have been successfully poached begin their affiliation with Compass, Compass then improperly publishes and promotes Plaintiffs' exclusive listings on Compass's own website and portal—making the exclusive listings appear as

Compass's own—even though Compass knows that clients cannot unilaterally terminate exclusive listing contracts with brokerage firms.

204. Upon information and belief, Compass at all times knows, or should know, that exclusive listings poached from Plaintiffs are not Compass's exclusive listings.

205. As a result of this independently wrongful conduct alleged above, Compass has interfered with Corcoran's existing contractual relationships with clients who have exclusive listings with Plaintiffs, since an exclusive listing belongs to the brokerage, and not the independent agent.

206. As a direct and proximate result of Compass's interference with Plaintiffs' economic interests and relationships in the form of Plaintiffs' exclusive listings, Plaintiffs have suffered damages in an amount to be proven at trial.

207. Plaintiffs are entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest.

208. On information and belief, Compass also has interfered with the exclusive listings of Plaintiffs, thereby causing them damage. Plaintiffs are entitled to compensation for all detriment and harm proximately caused by Compass's interference, including general and consequential damages with interest.

209. Compass has also interfered with Plaintiffs' prospective economic advantage by poaching agents under false pretenses.

210. In performing the acts described here, upon information and belief, Plaintiffs allege that Compass has acted despicably and with oppression, fraud, or malice intending to injure Plaintiffs and to wrongfully advantage itself at Plaintiffs' expense. Plaintiffs are thus



entitled to an award of punitive and exemplary damages against Compass sufficient to punish and deter it from engaging in such conduct in the future, in an amount to be ascertained at trial.

**SIXTH CLAIM FOR RELIEF**  
**(Unfair Competition under New York common law)**

211. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

212. Corcoran, SIRI and Compass are all real estate brokerage companies, and competitors in the industry.

213. New York common law prohibits unfair competition, which includes any unlawful, unfair, or fraudulent business practices.

214. Compass has acted in bad faith and has engaged in, and is continuing to engage in, unfair competition against Plaintiffs by, among other things: (i) aggressively and systematically poaching Plaintiffs' employees with blatant disregard for those employees' employment agreements (and the restrictive covenants therein), and tortiously and injuriously interfering with those contracts; (ii) falsifying business titles and geographic locations of poached employees to disguise the tortious interference with employment contracts; (iii) inducing employees to violate their duty of loyalty to Plaintiffs while still employed with them; (iv) willfully violating REBNY Rules on exclusive listings and abusing the REBNY complaint process with respect to Corcoran; (v) misappropriating Plaintiffs' trade secrets and confidential business information; (vi) making false statements about Compass's business, goals, and market share; (vii) making false statements about Plaintiffs and their financial health and stability; and (viii) causing BHGRE's franchisee to breach its franchise agreement and attempting to induce other franchisees to do the same.

215. Compass took these acts in a manner that it knew, or should have known, would inflict competitive injury upon Plaintiffs.

216. All acts complained of herein were directed and implemented by Compass out of and originated from its headquarters in New York.

217. Compass's unethical, improper, fraudulent, and unfair business practices have impaired, and will continue to impair, Plaintiffs' goodwill. These acts have also adversely affected, and will continue to affect, Plaintiffs' business and reputation. Compass's conduct also violates state statutory law, as set forth herein.

218. As a direct result of Compass's wrongdoing, Plaintiffs have been damaged in an amount to be determined at trial.

219. Absent injunctive relief, Plaintiffs have no means by which to stop or impede Compass from targeting Plaintiffs' employees, agents, or clients. Plaintiffs are thus entitled to injunctive relief prohibiting Compass from continuing such acts of unfair competition. Plaintiffs are also entitled to disgorgement of Compass's profits and to recover all other damages suffered as a result of Compass's actions.

220. Further, Compass's actions were committed knowingly, willfully, and in conscious disregard of Plaintiffs' rights, obligations, and existing and prospective business relationships. Accordingly, Plaintiffs are entitled to recover punitive damages in an amount to be determined at trial.

**SEVENTH CLAIM FOR RELIEF**  
**(Violations of Cal. Bus. & Prof. Code**  
**§ 17200 – Unfair competition)**

221. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

222. Compass's business acts and practices complained of were centered in, carried out, effectuated and perfected within or had their effect in the State of California.

223. Compass's acts, omissions, misrepresentations, practices, and non-disclosures, as alleged in this complaint, constitute unlawful, fraudulent, and unfair business practices, in violation of California's Unfair Competition Law, Bus. & Prof. Code § 17200 *et seq.*

224. These unlawful, fraudulent, and unfair business acts or practices were committed pursuant to business activity related to providing residential real-estate services to consumers looking to buy or sell high-end residential real estate in San Francisco and other California markets.

225. Compass has engaged in "unfair" business acts or practices in California by, among other things:

- improperly and intentionally soliciting Plaintiffs' franchisees in California, and tortiously encouraging breaches of otherwise valid franchise agreements;
- predatory recruiting and poaching of Realogy, SIRI, CBRBC and NRTWI affiliated agents based in California to associate with Compass, by using improper means and making false statements to induce agents to move to Compass;
- predatory recruiting and poaching Realogy, SIRI, CBRBC and NRTWI employees based in California and tortiously encouraging breaches of those individuals' restrictive covenants;
- inducing or financially incentivizing Realogy, SIRI, CBRBC and NRTWI employees and affiliated agents to disclose and/or use against them their own confidential information;
- conspiring with and/or attempting to induce Realogy, SIRI, CBRBC and NRTWI employees to breach their duty of loyalty to them while still employed by Realogy or its affiliates;
- through Compass's direct encouragement, attempting to induce and financially incentivize Realogy franchisees to breach their franchise agreements with Realogy to become Compass-affiliated brokerages with Compass's full knowledge of these agreements;

- incurring short-term losses through overcompensation of agents to maximize growth and become a dominant force in high-end residential real estate in San Francisco and other cities in California, all in an effort to gain unfair competitive advantage over Realogy, SIRI, CBRBC, NRTWI and BHGRE at which point Compass has and will attempt to restrain trade, as alleged above;
- making false and misleading statements about Compass to Realogy, SIRI, CBRBC and NRTWI employees and affiliated agents as part of its predatory recruiting practices in California; and
- making false and misleading statements about Realogy, SIRI, CBRBC and NRTWI to their employees and affiliated agents as part of its predatory recruiting practices in California.

226. This conduct is “unfair” under Business & Professions Code section 17200 *et seq.*

because:

- it threatens an incipient violation of an antitrust law, or violates the policy or spirit of one of those laws because its effects are comparable to or the same as a violation of the law, or otherwise significantly threatens or harms competition; and/or
- it is immoral, unethical, oppressive, unscrupulous, or substantially injurious to Realogy, SIRI, CBRBC and NRTWI and California consumers; and/or
- it causes substantial injury to consumers, which injury is not outweighed by any countervailing benefits to consumers or competition, and which consumers could not reasonably have avoided.

227. Compass’s business acts and practices are “unlawful” in that they (a) tortiously interfered with Realogy’s, SIRI’s, CBRBC’s, and NRTWI’s contracts in violation of California law, and (b) tortiously interfered with Realogy’s, SIRI’s, CBRBC’s, and NRTWI’s prospective economic opportunity under California law.

228. The acts and practices described above also constitute “fraudulent” or “deceptive” business practices in that they are likely to deceive a reasonable consumer. As described above, Compass knowingly makes false and misleading statements relating to its market position and

growth (including in relation to Realogy, SIRI, CBRBC, and NRTWI), its benefits to agents and employees, and its technological advantages.

229. As described above, Realogy, SIRI, CBRBC, and NRTWI have lost money and property and suffered injury in fact as a result of Compass's unfair, unlawful, and fraudulent business acts and practices.

230. Compass's unfair, unlawful, and fraudulent business practices have unjustly minimized Realogy's, SIRI's, CBRBC's and NRTWI's competitive advantages and have caused and are causing them harm.

231. As a result of such unfair competition under Bus. & Prof. Code § 17200, Realogy, SIRI, CBRBC, and NRTWI also have suffered irreparable injury and, unless Compass is enjoined from such unfair, unlawful, and fraudulent business practices, will continue to suffer irreparable injury, whereby Realogy, SIRI, CBRBC, and NRTWI will have no adequate remedy at law.

232. Compass should be compelled to disgorge and/or restore any and all revenues, earnings, profits, compensation, and benefits it may have obtained in violation of California Business & Professions Code § 17200 *et seq.*, including, but not limited to, returning any revenue earned from the unfair competitive acts alleged above, and should be enjoined from further unfair business practices.

**EIGHTH CLAIM FOR RELIEF**  
**(Violations of N.Y. Gen. Bus. Law**  
**§ 349 – Deceptive Acts or Practices)**

233. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

234. Realogy, Corcoran, and SIRI have been injured and suffered damages by Compass's violations of New York General Business Law ("GBL") § 349, which makes unlawful "[d]eceptive acts or practices in the conduct of any business, trade, or commerce or in the furnishing of any service in [New York]."

235. In its sale of goods and services throughout the State of New York, Compass conducts business and trade within the meaning and intendment of GBL § 349.

236. Compass has engaged in consumer-oriented acts and practices in the State of New York that are deceptive or misleading in a material way. Such acts and practices are likely to mislead a reasonable consumer acting reasonably under the circumstances.

237. Compass's consumer-oriented deceptive acts and practices—on which consumers relied—include, but are not limited to:

- misleading consumers—buyers and sellers of real estate—into thinking that a template email to Corcoran is sufficient to unilaterally terminate exclusive listings with Corcoran;
- encouraging and directing consumers to (attempt to) breach their exclusive listings with Corcoran;
- misrepresenting the purportedly advanced state of Compass's proprietary real estate technology and one-of-a-kind mobile application for its agents' use; and
- misleading consumers into thinking that agents who move to Compass from other brokerages experience a growth in their business portfolio.

238. The foregoing deceptive acts and practices are misleading in a material way because they fundamentally misrepresent (i) the nature, characteristics, and quality of Compass's business to induce consumers to hire Compass and Compass agents for their real estate needs, and (ii) consumers' contractual rights with respect to those consumers' existing listings with Corcoran and other brokerages.



239. By reason of this conduct, Compass engaged in deceptive, unfair, and improper business practices and acts in violation of GBL § 349.

240. Compass's actions are the direct, foreseeable, and proximate cause of the harm to consumers.

241. Compass's deceptive acts and practices have a broad impact on consumers and the public at large, as they are conducted and disseminated to the public via Compass's website, state-wide advertising and promotions, and other public statements in the public domain and press aimed at consumers throughout the State of New York.

242. Realogy, Corcoran, and SIRI are direct competitors of Compass, and they have been damaged by Compass's violations of GBL § 349.

243. As a direct result of Compass's violations, Realogy, Corcoran, SIRI, and consumers have suffered damages because New York consumers would not have chosen Compass but for its conduct. Pursuant to GBL § 349(h), Realogy, Corcoran, and SIRI are entitled to an injunction enjoining Compass's wrongful deceptive acts and practices that violate GBL § 349; actual damages or fifty dollars, whichever is greater, for each violation of GBL § 349 by Compass; three times actual damages as a result of Compass's willful and wrongful violations of GBL § 349; and an award of reasonable attorneys' fees and costs.

**NINTH CLAIM FOR RELIEF**  
**(Violations of N.Y. Gen. Bus. Law**  
**§§ 350, 350-a – False Advertising)**

244. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

245. Realogy, Corcoran, and SIRI have been injured and suffered damages by Compass's violations of GBL § 350, which prohibits "[f]alse advertising in the conduct of any

business, trade, or commerce or in the furnishing of any service in [New York],” and GBL § 350-a, which provides that false advertising “means advertising, including labeling, of a commodity . . . if such advertising is misleading in a material respect. In determining whether any advertising is misleading, there shall be taken into account (among other things) not only representations made by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertising fails to reveal facts material in the light of such representations with respect to the commodity . . . to which the advertising relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.”

246. In its sale of goods and services throughout the State of New York, Compass conducts business and trade within the meaning and intendment of GBL §§ 350 and 350-a.

247. Compass has engaged in consumer-oriented acts or practices in the State of New York, including false advertising, that are deceptive or misleading in a material way. Such acts and practices are likely to mislead a reasonable consumer acting reasonably under the circumstances.

248. Compass’s consumer-oriented deceptive acts and practices—upon which consumers relied—include, but are not limited to:

- misleading consumers—buyers and sellers of real estate—into thinking that a template email to Corcoran agents is sufficient to unilaterally terminate exclusive listings with Corcoran;
- encouraging and directing consumers to (attempt to) breach their exclusive listings with Corcoran;
- misrepresenting the purportedly advanced state of Compass’s proprietary real estate technology and one-of-a-kind mobile application for its agents’ use; and
- misleading consumers into thinking that agents who move to Compass from other brokerages experience a growth in their business portfolio.

249. The foregoing deceptive acts and practices, as well as false advertising, are misleading in a material way because they fundamentally (i) misrepresent the nature, characteristics, and quality of Compass's business to induce consumers to hire Compass and Compass agents for their real estate needs, and (ii) misrepresent consumers' contractual rights with respect to those consumers' existing listings with Corcoran and other brokerages.

250. By reason of this conduct, Compass engaged in deceptive, unfair, and improper business practices and acts and false advertising in violation of GBL §§ 350 and 350-a.

251. Compass's actions are the direct, foreseeable, and proximate cause of the harm to consumers.

252. Compass's deceptive acts and practices, including false advertising, have a broad impact on consumers and the public at large, as Compass's false ads and statements are conducted and disseminated to the public via Compass's website, state-wide advertising and promotions, and other public statements in the public domain and press aimed at consumers throughout the State of New York.

253. Realogy, Corcoran, and SIRI are direct competitors of Compass, and they have been damaged by Compass's violations of GBL §§ 350 and 350-a.

254. As a direct result of Compass's violations, Realogy, Corcoran, SIRI and consumers have suffered damages because consumers would not have chosen Compass but for the wrongful conduct.

255. Pursuant to GBL § 350-e, Realogy, Corcoran, and SIRI are entitled to an injunction enjoining Compass's wrongful acts and practices and false advertising that violate GBL §§ 350 and 350-a; actual damages or five hundred dollars, whichever is greater, for each violation of GBL §§ 350 and 350-a by Compass; three times actual damages as a result of

Compass's willful and wrongful violations of GBL §§ 350 and 350-a; and reasonable attorneys' fees and costs.

**TENTH CLAIM FOR RELIEF**  
**(Conversion)**

256. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

257. At all relevant times, Corcoran had an immediate possessory right of interest in its exclusive listings.

258. Compass has acquired and exercised unauthorized dominion and control over certain of Corcoran's exclusive listings by intentionally targeting and poaching Realogy and Corcoran managers and agents to induce them to work for Compass. In doing so, Compass directly aids and induces the breach of those agents' exclusive listings by specifically instructing the agents to tell their customers to notify Corcoran that the customers (i) want to terminate their exclusive listings, and (ii) want those listings to follow the agents leaving Corcoran to affiliate with Compass. In turn, on information and belief, Corcoran's exclusive listings have been improperly and unlawfully promoted and advertised on Compass's website, despite being owned by Corcoran as the party to the exclusive listing agreement (which the customer cannot unilaterally terminate).

259. Compass's online posts of, and attempts to sell and promote, Corcoran's exclusive listings on Compass's own website directly shows Compass's conversion of Corcoran's property and its unauthorized and impermissible dominion and control over Corcoran's exclusive listings.

260. Compass also has acquired and exercised unauthorized dominion and control over Confidential Information by specifically targeting and poaching Realogy employees *precisely* for

their access to Realogy's Confidential Information. On information and belief, those employees are instructed by Compass to download, duplicate, or otherwise take by unauthorized means Plaintiffs' confidential information—prior to those individuals departing from Realogy—and to bring over or send to Compass the wrongfully acquired confidential information.

261. On information and belief, once those individuals leave Realogy with the Confidential Information and arrive to work for Compass, Compass exercises unauthorized and impermissible dominion and control over the confidential information for its own misappropriation and to directly advantage itself in the real estate market, unequivocally showing Compass's unlawful conversion of Plaintiffs' property.

262. As a direct and proximate result of Compass's wrongful and unauthorized dominion and control over Realogy's and Corcoran's property, including its exclusive listings and Confidential Information, Plaintiffs have suffered and will continue to suffer financial loss; reputational harm; loss of the confidentiality and protection of its confidential information, proprietary information, and trade secrets; loss of goodwill; and other damages in an amount to be determined at trial.

263. In addition, because Compass's conduct was malicious, willful, wanton, and egregious, Realogy and Corcoran are also entitled to punitive damages in an amount to be determined at trial.

**ELEVENTH CLAIM FOR RELIEF**  
**(Aiding and Abetting Breach of Contract)**

264. Plaintiffs repeat and reincorporate by reference each and every allegation above, as if set forth fully herein.

265. At all relevant times herein, Plaintiffs have been parties to various valid existing contracts, including but not limited to its:

- exclusive listings with customers;
- franchise agreements with franchisees;
- employment agreements with employees, which include valid and binding non-solicit and non-compete provisions.

266. Plaintiffs' employees and franchisees who have been intentionally targeted and poached by Compass through Compass's so-called "recruitment" efforts have breached their respective valid and existing contracts with Plaintiffs, by, among other things:

- knowingly breaching their non-solicit and non-compete agreements with Compass's full knowledge of these individuals' restrictive employment covenants; and
- knowingly and intentionally breaching their valid and existing franchise agreements with Realogy to become Compass-affiliated brokerages through Compass's direct encouragement and inducement with Compass's full knowledge of these agreements;
- taking by unauthorized means, including duplicating and improperly accessing—on information and belief, at the specific instruction of Compass—Plaintiffs' Confidential Information, trade secrets, and other proprietary information, all while still employed by Plaintiffs, and then taking Plaintiffs' property to Compass when they start working at Compass, in direct violation of provisions in their employment or independent contractor agreements regarding the protection of Plaintiffs' confidential information with Compass's full knowledge of these obligations; and
- facilitating the breach of Corcoran's exclusive listings by inducing its customers, at the specific instruction and direction of Compass, to notify Corcoran that the customers (i) want to terminate their exclusive listings with Corcoran, and (ii) want those listings to "follow" the departing agents going to affiliate with Compass.

267. As described above, Compass knowingly induced or participated in these breaches of contracts to which Plaintiffs are a party.



268. As a direct and proximate result of the breach of such contracts with Plaintiffs—at all times, and on information and belief, knowingly and intentionally induced by Compass—Plaintiffs have suffered and will continue to suffer actual harm in an amount to be proven at trial.

269. Because Compass's aiding and abetting of these breaches of contracts with Plaintiffs has been malicious, willful, wanton, and egregious, Plaintiffs are also entitled to punitive damages in an amount to be determined at trial.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for judgment against Defendants as follows:

- A. actual and compensatory damages in an amount to be determined at trial;
- B. consequential damages in an amount to be determined at trial;
- C. punitive damages in an amount to be determined at trial;
- D. injunctive relief as the Court deems necessary to enjoin Compass from (i) continuing to act unfairly, illicitly, and/or fraudulently in the real estate services industry, (ii) making false statements, (iii) intentionally interfering with Realogy's employment agreements; (iv) intentionally interfering with Realogy's franchise agreements; and (v) misappropriating Confidential Information;
- E. disgorgement of profits received by Defendants through acts of unfair competition;
- F. pre-judgment interest at the applicable statutory rate;
- G. all reasonable costs and attorneys' fees; and
- H. such other and further relief that this Court may deem just and equitable under the facts and circumstances here.



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O'MELVENY & MYERS, LLP

By: 

Andrew J. Frackman  
[afrackman@omm.com](mailto:afrackman@omm.com)  
Gary Svirsky  
[gsvirsky@omm.com](mailto:gsvirsky@omm.com)  
Times Square Tower  
7 Times Square  
New York, NY 10036  
Tel: 212-326-2000  
Fax: 212-326-2061

*Counsel for Plaintiffs*