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Case: 1-15-CV-280271

JCAO NGUYEN

SUPERIOR COURT, STATE OF CALIFORNIA

COUNTY OF SANTA CLARA

YAHOO! INC., a Delaware Corporation

Plaintiff,

v.

CECILE LAL, an individual

Defendant.

CASE NO. **115CV280271**

COMPLAINT FOR:

- (1) BREACH OF CONTRACT
- (2) BREACH OF THE FIDUCIARY DUTY OF LOYALTY

FILE BY FAX

1 Plaintiff Yahoo! Inc. ("Yahoo" or "the Company"), by and through its attorneys, hereby
2 submits the following Complaint against Defendant Cecile Lal ("Lal" or "Defendant"), seeking relief
3 for breach of contract and breach of the fiduciary duty of loyalty as set forth below. Yahoo alleges
4 on personal knowledge as to all facts known to it, and on information and belief as to all other facts,
5 as follows:

6 INTRODUCTION

7 1. Yahoo was started in 1994 when its two founders, Jerry Yang and David Filo, then
8 graduate students at Stanford University, created *Jerry and Dave's Guide to the World Wide Web*, a
9 simple directory of websites to help people navigate the Internet. Since then, Yahoo has evolved,
10 along with the Internet, into an iconic, publicly-traded multinational Internet corporation. Today,
11 Yahoo is a guide focused on making users' digital habits inspiring and entertaining. By creating
12 highly personalized experiences for its users, Yahoo keeps people connected to what matters most to
13 them, across devices and around the world. Yahoo has established itself as an innovative industry
14 leader with a global user base across search, communications, and digital content properties that has
15 grown to more than 1 billion monthly active users.

16 2. As a company, Yahoo places a great degree of importance on transparency with its
17 employees. To that end, it frequently shares with its employees in confidential settings company
18 information that they are told is highly confidential. Yahoo does this to solicit employee input, to
19 provide direction and answer questions, to ensure alignment, and to foster a company-wide sense of
20 community, accountability, and ownership. The success of this information sharing depends on
21 mutual trust between the Company and its employees—and this cultural value, and the confidentiality
22 upon which Yahoo's commercial success depends, is routinely and consistently emphasized.

23 3. In 2012, Yahoo's CEO, Marissa Mayer, began holding regular Friday afternoon
24 meetings called "FYI," in which Yahoo's entire senior executive team shares with Yahoo's full-time
25 employee workforce detailed information about current business plans, strategies, products not yet
26 released, and other internal company information. During the Q&A portion of these FYI meetings,
27 Yahoo management also addresses confidential employee questions that are posted to a moderator
28 tool. To remind employees of the highly confidential nature of the information shared, access to the

1 building in which FYI is held live is restricted to full-time employees by both security cards and
2 security guards and video replays and transcripts of the meetings are stored on company servers
3 behind the corporate firewall and subject to access controls. Every FYI opens with Ms. Mayer
4 generally explaining (in the following or substantially similar words) that “[w]e’re going to open the
5 confidential session of FYI. We’ve been able to share a lot of information with you here. The reason
6 we can do that is because you’ve done a great job keeping everything confidential. **So everything we**
7 **say here at FYI - Q&A, the demos - please keep confidential and we can keep doing that.**” A
8 confidentiality reminder slide is shown while these remarks are delivered. Additionally, every FYI
9 closes with a remark that “this ends the confidential portion of FYI,” thereby providing employees
10 with a further understanding—beyond that which is in Yahoo’s written policies and employment
11 agreements—of what is, and what is not, “confidential information” pursuant to those employment
12 agreements and policies. Presentation slides used at FYI and other Yahoo events are explicitly
13 marked confidential with appropriate legends making clear Yahoo’s expectations of non-disclosure
14 outside Yahoo.

15 4. Archives of FYI transcripts are made available to Yahoo employees in an internal
16 employee-only password-protected online environment known as “Backyard.” Yahoo makes clear in
17 the information shown online in Backyard preceding each FYI summary and transcript that “[a]ll
18 content in FYI archives is Yahoo! Confidential and Internal Only.” And it prohibits employees from
19 “shar[ing], summariz[ing], or distribut[ing] *any* of the archive content outside of the company.”
20 Where Yahoo displays transcripts of past FYIs, they are available in video and written form, with
21 prominent disclaimers making clear the confidential expectations the company has for this
22 information as well as the consequences for employees who distribute in an unauthorized manner.
23 For example, transcripts (or summaries) are preceded by the following admonition: “This
24 presentation summary is confidential and must not be shared or distributed outside Yahoo!.
25 Protection of our confidential business information is every employee’s duty and is vital to our
26 success. You must not publish or distribute confidential information (orally, in writing, or in any
27 form of media) outside Yahoo!. Breach of this duty violates the Yahoo! Inc. Employee
28

1 Confidentiality and Assignment of Inventions Agreement you signed with Yahoo! and *may* result in
2 disciplinary action up to and including termination of employment.”

3 5. Likewise, where Yahoo makes available written copies of Q&As, they are deemed
4 confidential and contain language such as the following: “YAHOO CONFIDENTIAL &
5 PROPRIETARY - DO NOT FORWARD. As a follow-up to the recent Anonymous Q&A, we
6 wanted to share responses to questions that received more than 200 votes and were not already
7 discussed. Please note this content is for full-time Yahoos only.”

8 6. Yahoo’s openness and transparency has been extremely well received by its
9 employees, and the Company has been lauded for holding these weekly FYI sessions. Regrettably,
10 however, Yahoo has been confronted with information that a former rogue employee breached and
11 abused Yahoo’s trust and confidentiality and that of fellow employees and managers to further her
12 own ends. Specifically, Yahoo has very recently learned that defendant Cecile Lal, a former Chief of
13 Staff to a Senior Vice President, brazenly shared Yahoo confidential information with a reporter
14 whom she knew was writing a book about Yahoo. In particular, from approximately April through
15 September 2014, Lal engaged in a flagrant pattern of misusing Yahoo confidential information and
16 resources by, among other things, providing this reporter with access to confidential information
17 disclosed during FYIs and transcripts of Q&A sessions between Yahoo employees and the
18 Company’s CEO, which were housed in Yahoo’s password-protected intranet “Backyard.” Once
19 published, this information inevitably ended up in the hands of Yahoo’s competitors, thereby
20 irreparably diminishing the value of the information to Yahoo, lessening its competitive advantage,
21 and potentially compromising its goodwill.

22 7. Lal’s conduct violated her employment agreement, which expressly prohibited her
23 from “publish[ing] or distribut[ing], or authoriz[ing] or assist[ing] others to publish or distribute, any
24 books, articles, films or other works ... directly or indirectly about Yahoo!, without the prior written
25 approval of Yahoo!’s legal department.” Lal’s conduct also violated company expectations, as well
26 as company policies concerning the handling and protection of Yahoo intellectual property and
27 confidential proprietary information, the use of Yahoo information resources, and Code of Ethics.
28

8. The reporter who Lal communicated with in fact did write a book about Yahoo, using confidential information obtained from Lal. In turn, that unauthorized book has caused unnecessary distraction within Yahoo's workforce, damaged the integrity of the FYI and Q&A processes, and undermined the conduct of every other Yahoo employee who honors his or her promise to safeguard confidential information that the company shares with its employees. Lal's breach of trust and confidentiality also destabilized the trust on which Yahoo relies in providing its employees with the greatest level of information Yahoo has ever shared with its workforce. Among the most aggrieved by these breaches are Yahoo's employees themselves, a highly motivated and energized workforce which has expressed great appreciation for Yahoo's transparency and has bemoaned the breaches of trust.

9. Yahoo is diligently investigating the scope and impact of Lal's conduct. Yahoo files this Complaint in order to seek compensation for the harm that has resulted from the disclosure of this information and to stop Defendant from using, disclosing, or making use of Yahoo's confidential or proprietary information.

10. Additionally, Yahoo seeks to prevent Lal from retaining, copying,¹ using, disseminating, or otherwise profiting from (a) the confidential proprietary information (“Yahoo Confidential Information”) contained in the files that she accessed or allowed a third party to access and/or copy from Yahoo’s password-protected intranet site; as well as (b) Yahoo Confidential Information to which she had or obtained access through her former employment at Yahoo.

THE PARTIES

11. Plaintiff Yahoo! Inc. is a publicly-traded Delaware corporation with its principal place of business in Sunnyvale, California.

12. On information and belief, Defendant Cecile Lal is a resident of Cupertino, California.

13. Upon information and belief, Lal perpetrated her ongoing improper accessing, copying, disclosure, and/or use of Yahoo Confidential Information from the Sunnyvale headquarters and/or her home, both of which are located in this judicial district.

¹ As used in this Complaint and Prayer, “copying” includes downloading from a website and/or uploading to digital storage media, a cloud-based server, or a website.

1
2 **FACTUAL ALLEGATIONS**

3 **Lal's Repeated Unauthorized Disclosure Of Yahoo Confidential Information**

4 14. Defendant Lal worked at Yahoo for nearly five years (between 2009 and 2014) and
5 was employed in various management and strategy-related capacities, including as a Senior Director
6 of Business Operations and Strategy, a Senior Director of Product Management for Custom Branded
7 Experiences and Partner Portals, and a former Chief of Staff to a Senior Vice President. In
8 September 2014, Lal left Yahoo to join Talentoday as a consultant.

9 15. On information and belief, beginning in late April 2014, Lal began secretly disclosing
10 confidential and proprietary company information to a writer, Nicholas Carlson, without the consent
11 of Yahoo. Lal's repeated and unapologetic breaches of her confidentiality obligations to Yahoo and
12 Yahoo's trust in her took many forms—leaks by email, lengthy phone calls with Carlson, and
13 apparently, disclosure of confidential Yahoo documents, including by providing Carlson with her
14 credentials to a password-protected site. Lal not only pulled information from Yahoo's password-
15 protected Backyard site, but she also entertained requests from Carlson to search archives within
16 Backyard for confidential information that would support his writings. Indeed, Lal was eager to
17 divulge Yahoo's secrets, even telling Carlson in response to a specific request that "[i]f you know the
18 date of FYI exactly or other topics discussed on that day, it will help [in] finding" the information he
19 sought.

20 16. Lal's betrayal of Yahoo's confidences apparently began on April 25, 2014, when she
21 invited Carlson to ask her about the Company, stating: "BTW, I left my Yahoo signature, since I
22 know you are working on a Yahoo! book (the Marissa piece was also amazing of course)." That
23 same day, she told Carlson "[i]t would be my pleasure to discuss Yahoo with you."

24 17. Two weeks later (on May 8, 2014), she provided Carlson with several pages of email
25 commentary analyzing Yahoo executives, discussing confidential prospective business deals,
26 business operations, and agreement terms she obtained as a Yahoo employee. She also provided
27 information concerning reviews and compensation of others at Yahoo.² Lal explicitly noted in this
28 email exchange with Carlson that her unauthorized disclosures "can't be traced back to me" and that

² All emphasis in paragraphs 17-23 added.

1 she was "way too low for people to think of me." Lal initiated at least three phone calls with Carlson
2 on May 8, 2014, the total of which lasted for 89 minutes.

3 18. Shortly thereafter (on May 12, 2014), Lal sent Carlson confidential "anonymous Q&A
4 follow[-]up responses" which were posted on Yahoo's password-protected Backyard on May 5,
5 2014, and were subject to express the confidentiality legend cited above in paragraph 5. The
6 following day (on May 13, 2014), Carlson responded: "[o]bviously, these are amazing." That same
7 day, Lal admitted to a third party that she had been "working with Nicholas, discussing his book."

8 19. Lal went to great lengths to ensure that she apprised Carlson of all Yahoo confidential
9 information that she could provide, including excerpts and information from special anonymous
10 employee question sessions at FYI. For example, on May 16, 2014, she emailed Carlson a summary
11 detailing the scope and location of some of the materials on Yahoo's password-protected intranet that
12 she ostensibly could share with him. She explained that: "[q]uarterly goals, strategy sessions,
13 anonymous Q&A are all separate than [sic] FYI on the intranet, and receiving additional care: no
14 recorded videos, no transcript, no slides. The 2nd anonymous FYI Q&A has had both questions and
15 answers removed, except the few extra ones discussed. The initial anonymous Q&A still has the
16 questions up, but no answers." She then referred him to a file presumably demonstrating what she
17 has just described: "(see .txt took only 1st 3 pages, 8 more but lower votes and more of the same)."
18 She further explained that "[g]oals have a site with annual goals, corporate quarterly goals and
19 quarterly goals per L2".³ She went on to state that she had found another item Carlson requested
20 regarding "the Henrique question," which presumably related to former Yahoo COO Henrique de
21 Castro, whose employment with Yahoo was terminated in January 2014. Shortly thereafter (also on
22 May 16, 2014), Carlson asked Lal for the "FYI after the WFH"—in other words, he wanted her to
23 send him the confidential transcript of the "FYI" held after Yahoo announced a new policy
24 concerning employees working from home. Lal dutifully responded that she would "look this
25 weekend" for it.

26
27
28 ³ "L2" is a reference to the level of an executive staff member at Yahoo. L2 leaders report directly
to the CEO.

1 20. Lal knew full-well that the confidential Yahoo business information she was providing
2 to Carlson would be published, and that her conduct in sharing—and facilitating the publication of—
3 that information violated of her Proprietary Agreement with the Company. Indeed, on May 29, 2014,
4 Carlson emailed her apologizing for “bug[ging] you so much. I was just wondering when and if you
5 were still thinking of sending *those excerpts. I cannot emphasize enough how much they would*
6 *improve the book* and how forever grateful I would be.” That same day, Lal replied, explaining that
7 she “started this afternoon going through the transcripts [and] just came across one answer where
8 MM [Marissa Mayer] explains how they have chased down leaks, found some, ... *there, I stand*
9 *warned.*”

10 21. Lal conceded that her efforts were “time consuming,” but Carlson assured her that the
11 fruits of her labors “[we]re *so helpful and amazing that they have me greedy for more.*”

12 22. At some point, Lal apparently provided Carlson with her username and password to
13 access a password-protected site where Yahoo information was stored. As he explained on June 23,
14 2014, “*I purposefully didn't write down your user and password, so we'll have to catch up again on*
15 *the phone if you'd rather not email the u/pw to me.*” Two days later (on June 25, 2014), Carlson
16 confirmed that he had apparently accessed the aforementioned password-protected site by telling Lal
17 that it “*looks like I am still logged[in.* So I will check there every once in a while. Just finished
18 going through and taking notes on the material provided so far. Such a huge help.”

19 23. Lal's handiwork continued through July 2014, and finally on August 30, 2014—just
20 days before her resignation from Yahoo—she offered that “[i]f there [wa]s anything specific left” that
21 Carlson still needed, “let me know.”

22 24. Six months later, on December 17, 2014, Carlson published an article in *The New York*
23 *Times* called, “What Happened When Marissa Mayer Tried To Be Steve Jobs.” This article
24 contained various confidential details of the company's inner workings, communications between
25 Yahoo employees, including between Yahoo CEO Marissa Mayer and her staff. For instance, the
26 article discuss Ms. Mayer's participation and substantive feedback during the process of redesigning
27 the Yahoo mobile application, her practices for weekly meetings with employees who reported
28 directly to her, the company's internal employee and manager review process and private interactions

1 between senior executives, and the company's various plans for increasing revenues, among other
2 things. Carlson could only have obtained this highly sensitive and confidentially held information
3 from a Yahoo employee to whom that information had been entrusted as part of her employment at
4 Yahoo.

5 25. One month later, in January 2015, Carlson published a book called "Marissa Mayer
6 and the Fight to Save Yahoo." The book contained numerous anonymous quotes and anecdotes from
7 persons who were not identified. While containing what the Company believes to be many
8 inaccuracies, the book was also replete with proprietary information concerning the Company's
9 confidential business strategies, design of its products, and the like. Carlson could only have obtained
10 this highly sensitive and confidentially held information from a Yahoo employee to whom that
11 information had been entrusted as part of employment at Yahoo.

12 26. Still another month later, on February 12, 2015, Carlson published a third piece in
13 *Business Insider* called "Marissa Mayer is firing people at Yahoo," in which he disclosed additional
14 proprietary and highly sensitive details regarding the company's business strategies and hiring and
15 termination practices, among other things. Carlson could only have obtained this highly sensitive and
16 confidentially held information from a Yahoo employee to whom that information had been entrusted
17 as part of employment at Yahoo.

18 27. On February 2, 2015, Carlson published an article in *Business Insider* called "Why my
19 book about Marissa Mayer uses so much anonymous sourcing." In it, he admitted that his book,
20 described above in paragraph 25, "is heavily reliant on anonymous sourcing." *Id.* He stated that he
21 "visited California several times to meet with sources," and that "[i]n April 2014, [he] spent two
22 weeks living in Palo Alto, California, meeting with people who knew Marissa Mayer from their work
23 and social lives." *Id.* He further stated that:

24 The reason I used anonymous sourcing was that I needed those kinds of
25 people to speak with me to get the unbiased (either way) truth about Yahoo
26 and Marissa Mayer. Mayer is a very powerful person and Yahoo is a very
27 powerful company in Silicon Valley. Many of my sources only agreed to
28 speak with me on the condition that Mayer and Yahoo never find out they
did. Many of the sources who provided me documents and agreed to be
interviewed by me did so *at the risk of their careers* inside Yahoo, Google,
and around the Internet industry.

1 *Id.* (emphasis added).

2 28. Carlson thus admitted that he obtained information to support his book from Yahoo
3 employees, and given the documented evidence of his interaction with Defendant Lal, it is clear that
4 her unauthorized disclosures of the Company's Proprietary Information provided key contributions to
5 his published works regarding Yahoo.

6 29. Further, as Carlson's February 2, 2014 article makes clear (*see supra*, ¶ 27), both Lal
7 and Carlson knew or should have known that Lal's disclosure of Yahoo Confidential Information to
8 Carlson breached her employment agreement with, and duty of loyalty to, the Company.

9 30. Investigation is still ongoing into the scope and precise nature of this flagrant,
10 intentional breach, and Yahoo has forced to assemble a team of forensic experts, lawyers, and subject
11 matter experts to understand and contain damage from the breach.

12 **Yahoo's Efforts To Safeguard the Secrecy And Value of Its Confidential Information**

13 31. Yahoo's Proprietary Information, including its business strategies and research and
14 development plans, is a cornerstone of its ability to bring its innovations to users all over the world,
15 and has been cultivated over two decades of research and development through the ingenuity of
16 honest and hardworking Yahoo employees.

17 32. To this end, Yahoo's password-protected employee-only site (Backyard), contains
18 confidential, proprietary and/or trade secret information concerning business operations, research,
19 technology, marketing, employee compensation, and a variety of other subjects. To gain access to
20 the site, Yahoo employees are required to enter their unique corporate USER ID and unique
21 passphrase.

22 33. Password protection is just one example of Yahoo's ongoing efforts to protect Yahoo
23 Confidential Information. In addition to employing technical measures against improper access of
24 its intranet site, such as password protection, Yahoo employees are expressly told at both the
25 beginning and end of FYIs that the meetings include confidential information and that they must
26 maintain the confidentiality of that information (*see supra*, ¶ 3). Presentation slides used at FYI and
27 other events are explicitly marked confidential with appropriate legends making clear Yahoo's
28

1 expectations of non-disclosure outside Yahoo.

2 **Lal's Proprietary Agreement**

3 34. Yahoo also consistently requires its employees to enter into agreements and abide by
4 other policies that clearly and specifically limit the rights of Yahoo employees to access or use Yahoo
5 Confidential Information. For example, Cecile Lal's October 2, 2009 offer letter provides that "[a]s
6 an employee of Yahoo, it is likely that you will become knowledgeable about confidential and/or
7 proprietary information related to the operations, products and services of Yahoo! and its clients....
8 Therefore, Yahoo! requests that you read, complete, and sign the enclosed Employee Confidentiality
9 and Assignment of Inventions Agreement ("Proprietary Agreement") and the Proprietary Information
10 Obligations Checklist and return it to Yahoo! prior to your Employment Start Date." *Id.* at 2. It also
11 provides that "[a]s an employee of Yahoo!, [Lal] will be expected to abide by the Company's policies
12 and procedures including, but not limited to, Yahoo!'s Guide2Working@Y! (the "Guide") and
13 Yahoo!'s Code of Ethics." *Id.*

14 35. Lal's Proprietary Agreement required her and all other employees to "hold in strict
15 confidence all Confidential Information of Yahoo!" *Id.* at ¶ 4. Pursuant to the Proprietary
16 Agreement, Lal and all other employees "agree[d] that, except with Yahoo!'s prior written permission
17 or in furtherance of [her] duties for Yahoo!," they would "not, directly or indirectly, in whole or in
18 part: (a) *access, use, disclose, reproduce, copy, store, distribute, or misappropriate any Confidential*
19 *Information; (b) reverse engineer, disassemble or decompile, misappropriate or otherwise attempt to*
20 *gain unauthorized access to any Confidential Information (each of the foregoing, a "Prohibited Act");*
21 *or (c) take any action that may cause, or fail to take any action necessary to prevent causing, any*
22 *Confidential Information (as defined above) or any other Development (defined below in Paragraph*
23 *5) to lose its protected character."* *Id.* (emphases added). The Proprietary Agreement also required
24 Lal and all other employees to "prevent the dissemination of any Confidential Information" by "*not*
25 *publish[ing] or distribut[ing], or authoriz[ing] or assist[ing] others to publish or distribute, any*
26 *books, articles, films or other works (whether oral or written, in any form of media) directly or*
27 *indirectly about Yahoo!, without the prior written approval of Yahoo!'s legal department."* *Id.*
28 (emphasis added).

1 36. Additionally, the Proprietary Agreement required Lal, upon termination of her
2 employment with Yahoo, to “promptly return to Yahoo! all original and copies of documents, data or
3 materials that exist in tangible form, of any nature, in [her] possession, custody or control that contain
4 Confidential Information (regardless of the medium in which such information is stored), and work
5 with Yahoo! to assist Yahoo! in recovering any intangible copies of the foregoing stored in magnetic,
6 electronic, or optical form.” *Id.* To give effect to this provision of the Proprietary Agreement, among
7 others, Lal agreed that “Yahoo! shall have the right to enforce this Agreement and any of its
8 provisions by injunction, specific performance or other equitable relief, without bond and without
9 prejudice to any other rights and remedies that Yahoo! may have for a breach of this Agreement.” *Id.*
10 at ¶ 14.

11 37. Further, pursuant to her Proprietary Agreement, Lal understood that she would “gain
12 access to certain confidential information, inventions, works of authorship, and other types of
13 proprietary subject matter that comprise valuable, special and unique assets of Yahoo!’s business, and
14 that access to the foregoing [wa]s granted to [her] only for the purpose of enabling [her] to
15 perform [her] duties for Yahoo!.” *Id.* at ¶ 1. Lal has acknowledged that Yahoo’s Confidential
16 Information has value and that it would be damaged by her leaking of it, expressly agreeing “that
17 Yahoo has an identifiable interest in protecting its rights and ownership of the foregoing.” *Id.* She
18 further acknowledged that “Confidential Information that was or will be developed by Yahoo!” was
19 done so “at substantial investment of time, effort and money.” *Id.* at ¶ 12.

20 38. The term “Confidential Information,” as used in the Proprietary Agreement,” is
21 defined as:

22 *“[A]ll information, not generally known, belonging to, or otherwise relating to the business*
23 *of Yahoo! or its advertisers, content providers, subscribers, licensors, licensees, vendors or*
24 *partners, regardless of the media or manner in which it is stored or conveyed to me, that*
25 *Yahoo! has taken reasonable measures under the circumstances to protect from*
26 *unauthorized use or disclosure. Confidential Information includes trade secrets as well as*
27 *other proprietary knowledge, information, know-how, non-public intellectual property rights*
28 *including unpublished or pending patent applications and all related patent rights,*
manufacturing techniques, business plans or strategies, formulae, processes, discoveries,
improvements, ideas, conceptions, compilations of data, and developments, whether or not
patentable and whether or not copyrightable. For example and without limitation, Confidential
Information may include information I learn about or develop in connection with my
employment with Yahoo!, such as: ... (v) business strategies; ... (ix) research and
development plans; ... and (xvi) other know-how. The foregoing are only examples of

1 Confidential Information. If I am uncertain as to whether any particular information or
2 material constitutes Confidential Information, I shall seek written clarification from the higher
3 of either my direct supervisor or the SVP whose organization I report into or, if I am no
4 longer employed by Yahoo!, from Yahoo!'s General Counsel."

5 (*Id.* (emphases added)).

6 **Yahoo's Code of Ethics**

7 39. Further, the Yahoo! Code of Ethics, to which Lal was—and all other employees are—
8 bound, explains that protecting "confidential and/or proprietary information regarding our business,"
9 is "vital to our success," and further defines the same as:

10 product information, plans, specifications, designs, and pricing; **nonpublic financial**
11 **information**, including forecasts, budgets, and data; acquisition or merger prospects or
12 arrangements; marketing or advertising plans or strategies; **business strategies**; contract
13 terms; credit procedures; customer preferences; **research and development plans**; technical
14 information and data; customer lists or files; **employment and personnel information, and**
15 **compensation data**, including information relating to employee stock ownership or
16 entitlement.

17 *Id.* at 15 (emphases added). Indeed, Lal took Yahoo's specific training on the Code of Ethics, as part
18 of the Company's regular compliance practice, and subsequently signed an acknowledgement that
19 she had complied with the Code.

20 40. The Code of Ethics specifically provides that employees must "[s]afeguard
21 confidential information and abide by the terms of the proprietary information agreement you signed
22 when you started working at Yahoo." *Id.* at 16. Employees are further instructed not to "disclose any
23 confidential information outside of Yahoo or to anyone who does not have a need to know, unless
24 you're authorized by appropriate management or the Legal Department to do so." *Id.*

25 41. Lal additionally was subject to and aware of Yahoo's policy concerning use of its
26 resources (which is part of its Code of Ethics). The policy provides, among other things, that
27 "Yahoo's computer and communication resources, including computers, cell phones, voicemail, and
28 email, ... present significant security and liability risks to you and Yahoo. We each have a
responsibility to use and maintain these assets with care and to guard against ... abuse." *Id.* at 18.
Pursuant to this policy, employees are specifically advised to "[u]se computer and communication
resources in accordance with all Yahoo policies, including those that relate to harassment, privacy,
copyrights, trademarks, trade secrets, and data security" and to not "use Yahoo resources in a way

1 that's unlawful, disruptive, or offensive to others." *Id.* Further, employees are specifically
2 admonished that "[a]ny improper use of these resources may ... expose you ... to legal liability." *Id.*

3 42. Pursuant to the Code of Ethics, Lal was also expressly made aware that "[a]ll reported
4 *violations of company policy will be promptly investigated,*" and that "[a]ll Yahoos have a duty to
5 cooperate fully with investigations and to promptly, completely, and truthfully comply with all
6 requests for information, interviews, or documents." Thus, Lal was on notice that any breach of her
7 confidentiality obligations to Yahoo would cause Yahoo to incur damages for investigation of the
8 conduct. *Id.* at 45.

9 **Yahoo!'s Guide2Working@Y!**

10 43. Like Lal's Proprietary Agreement, the Guide made it abundantly clear that "[e]xcept at
11 the express direction of Public Relations, Corporate Communications or the Legal department,
12 *Yahoos should not use* blogs, message boards, email discussions lists, instant messaging, SMS, or
13 *electronic mail to discuss company information that has not previously been made public.*" *Id.* at
14 53 (emphasis added). The Guide also unambiguously stated that "*Yahoos should not talk to the*
15 *press, financial analysts, or Yahoo! users regarding the Company unless it is specifically your job to*
16 *do so.*" *Id.* at 55 (emphases added).

17 44. Moreover, the Guide provided that "*Inappropriate Internet, e-mail, voice mail,*
18 *instant message or text message use, including but not limited to ... transmitting confidential,*
19 *proprietary, or trade secret information without prior authorization, is prohibited.*" *Id.* at 63
20 (emphases added).

21 45. The Guide also reiterated the fundamentals upon which Yahoo's business was built—
22 *i.e., that "Yahoo! is an environment built upon mutual trust and respect for one another. In fact,*
23 *our success depends on employees who are committed to the highest standards of business ethics*
24 *and personal performance.*" *Id.* at 72 (emphases added).

25 46. And finally, as with the Proprietary Agreement and Code of Ethics, the Guide also
26 detailed the type of confidential information that employees were prohibited from disclosing to third
27 parties. It stated:
28

1 The Company has a proprietary interest in a wide variety of information, which includes but
2 is not limited to all financial information, all database contents, vendor lists, customer lists,
3 costs/objectives, and descriptive information about business partners. All such information is
the property of Yahoo! and must not be disclosed outside the organization, unless expressly
authorized by the Company in writing.

4 *Id.* at 95. It further explained that “[t]he protection of confidential business information and trade
5 secrets is vital to the interests and the success of Yahoo!.” *Id.* at 96. Such confidential information
6 included, but was not limited to: financial information, marketing strategies, pending projects and
7 proposals, and research and development strategies. *Id.* And employees like Lal were once again
8 advised that they “should not release any sensitive information to any person, firm, or institution
9 without the express written approval of Yahoo!.” *Id.* at 95.

10 **FIRST CAUSE OF ACTION**
11 **(Breach of Contract)**

12 47. Yahoo incorporates by reference each of the allegations in the preceding paragraphs 1-
13 46 of this Complaint as though fully set forth herein.

14 48. As set forth above in paragraphs 34-46, Lal entered into written agreements with
15 Yahoo, including her Proprietary Agreement, that required Lal to refrain from “access[ing], us[ing],
16 disclos[ing]...or misappropriate[ing] any Confidential Information,” or “publish[ing] or
17 distribut[ing], or authoriz[ing] or assist[ing] others to publish or distribute, any books, articles, films
18 or other works (whether oral or written, in any form of media) directly or indirectly about Yahoo!,
19 without the prior written approval of Yahoo!’s legal department.” *Id.* at ¶ 4. The Guide likewise
20 prohibited such conduct. She was also obligated under the Code of Ethics to “[s]afeguard
21 confidential information and abide by the terms of the proprietary information agreement [she] signed
22 when [she] started working at Yahoo” and refrain from “disclos[ing] any confidential information
23 outside of Yahoo or to anyone who does not have a need to know, unless ... authorized by
24 appropriate management or the Legal Department to do so.” *Id.* at 16.

25 49. As detailed above, Lal was neither allowed within the lawful scope of her job, nor at
26 any other time otherwise authorized by Yahoo, to “disclose” the highly confidential and sensitive
27 business information she provided to Nicholas Carlson, which he then published. Accordingly, Lal’s
28 known use and disclosure of this information for non-Yahoo business reasons and for her own

1 personal gain—including the disclosure(s) of this information that she made to Nicholas Carlson—
2 constitutes a breach of her employment agreement with Yahoo, including most notably the
3 Proprietary Agreement, the Guide, and the Code of Ethics, all of which governed her employment.

4 50. As a direct and proximate result of the aforementioned breaches of her agreements
5 with Yahoo, Yahoo has been damaged. Lal has caused Yahoo to incur general and/or special
6 damages, including but not limited to the diminished value of Yahoo's confidential information by
7 virtue of its disclosure to competitors, the concomitant losses of competitive advantage and goodwill,
8 the erosion of a culture of trust, lost employee time due to interference caused by such leaks, and the
9 costs of uncovering, investigating, and documenting Lal's illicit downloading and disclosure of
10 confidential and proprietary information belonging to Yahoo and potentially third parties, all in an
11 amount to be proven at trial.

12 **SECOND CAUSE OF ACTION**
13 **(Breach of the Fiduciary Duty of Loyalty)**

14 51. Yahoo incorporates by reference each of the allegations in the preceding paragraphs 1-
15 50 of this Complaint as though fully set forth herein.

16 52. California law defines a fiduciary relationship as "any relation existing between
17 parties to a transaction wherein one of the parties is in duty bound to act with the utmost good faith
18 for the benefit of the other party. Such a relation ordinarily arises where a confidence is reposed by
19 one person in the integrity of another, and in such a relation the party in whom the confidence is
20 reposed, if he voluntarily accepts or assumes to accept the confidence, can take no advantage from
21 his acts relating to the interest of the other party without the latter's knowledge or consent." *Wolf v.*
22 *Superior Court*, 107 Cal.App.4th 25, 29 (2003).

23 53. Defendant Lal, was a former Senior Director of Product Management at Yahoo who
24 by her own words "[m]anage[d] a team of product managers in US, Europe and Asia," coordinated
25 business development efforts between Yahoo Engineering, Design, and Sales, worked closely with
26 "senior executives including SVP – Products and VP - Media Product Management," and launched
27 Yahoo's annual operating plan, among other things. Accordingly, Defendant actively participated in
28 management-level activities and thus owed a fiduciary duty to Yahoo which she intentionally and

1 flagrantly breached by disclosing confidential company information to an unauthorized third party to
2 Yahoo's detriment. While she operated within different positions during her employment at Yahoo,
3 she served in senior positions – including at one point as a Chief of Staff to a Senior Vice President –
4 that enabled her to gain access to a high level of Yahoo's strategic information that other employees
5 did not have.

6 54. Defendant's conduct described above constitutes a breach of the fiduciary duty of
7 undivided loyalty because: (1) there existed a fiduciary relationship between Yahoo and Defendant;
8 (2) Defendant willfully and intentionally acted against Yahoo's interests in connection with her
9 deliberate improper use and disclosure of Yahoo's Proprietary Information to an unauthorized third
10 party; (3) Yahoo did not give informed consent to Defendant's conduct; (4) Yahoo has been injured
11 in its business or property, including but not limited to by incurring damages for the diminished value
12 of Yahoo's confidential information by virtue of its disclosure to competitors, the concomitant losses
13 of competitive advantage and goodwill, the erosion of a culture of trust, lost employee time due to
14 interference caused by such leaks, and the costs of uncovering, investigating, and documenting Lal's
15 illicit downloading and disclosure of confidential and proprietary information belonging to Yahoo
16 and potentially third parties, all in an amount to be proven at trial; and (5) Defendant's conduct was a
17 substantial factor in causing this harm.

18 PRAYER FOR RELIEF

19 WHEREFORE, Yahoo respectfully prays for the following:

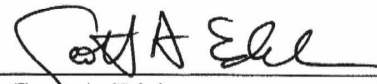
- 20 A. For preliminary and permanent injunctive relief, pursuant to the Proprietary
21 Agreement, ordering Defendant to:
- 22 1. return all Yahoo Confidential Information in her possession, custody, or control;
 - 23 2. cease further access to, disclosure, copying, or use or otherwise profiting from Yahoo
24 Confidential Information; and
 - 25 3. preserve all documents that are relevant to the parties' claims or defenses or that are
26 likely to lead to the discovery of admissible evidence.
- 27 B. For damages, including general and special damages to Yahoo;
- 28 C. For prejudgment interest; and

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D. For an Order awarding Yahoo such other and further relief as the Court deems just and proper.

DATED: May 6, 2015

GIBSON, DUNN & CRUTCHER LLP

By: 
Scott A. Edelman
Attorneys for Plaintiff Yahoo! Inc.

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