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6 7	PROFILE TECHNOLOGY, LTD., a New Zealand Limited Company and CHRISTOPHER CLAYDON			
8	IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA			
9	IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  IN AND FOR THE COUNTY OF SAN MATEO			
10	IN AND FOR THE COUNTY OF SAN MATEO			
11	PROFILE TECHNOLOGY, LTD., a	Case No.		
12	New Zealand Limited Company and			
13	CHRISTOPHER CLAYDON,	COMPLAINT FOR DAMAGES AND FOR INJUNCTIVE RELIEF:		
14	Plaintiffs,	(1) BREACH OF CONTRACT (2) INTERFERENCE WITH BUSINESS		
15	VS.	RELATIONSHIPS (3) DEFAMATION		
16	FACEBOOK, INC., a California	(4) UNLAWFUL, UNFAIR AND		
17	Corporation, and Does 1 through 10, inclusive,	FRAUDULENT BUSINESS PRACTICES		
18	Defendants.	DEMAND FOR JURY TRIAL		
19	Boronaums.	DEMIAND FOR JUNE TRIAL		
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22	Plaintiffs allege:			
23	<u>Introduction</u>			
24	1. Plaintiff Chris Claydon, Managing Director of Plaintiff Profile Technology, Ltd., is a			
25	leading developer of popular social networking applications, including the IQ Test, Survey,			
26	Petition and Polling applications that were popular for several years on Defendant Facebook's			
27	social networking system. Using data voluntarily provided by millions of people, Plaintiffs developed "Advanced Search," a powerful, flexible search engine for social network data			
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	providing a unique range of features not available on any other product. Late in 2007 Facebook			
	COMPLAINT – Profile Technology, Ltd., et al. v. Facebook, Inc., et al.			
	ll en			

allowed a few general purpose search engines like Google and Yahoo to index public personal information automatically from public Facebook profile pages. In early 2008, Plaintiffs and Facebook entered into an agreement for Profile Technology to acquire Facebook data by automated "crawling" of the public parts of the Facebook website and for Profile Technology to make such data accessible and searchable by the public through Plaintiffs' independent system. For several years, the Profile Technology search engine was highly popular. Over four hundred million profiles were aggregated, along with over 15 billion "friendship" connections between people and 3 billion "likes." and group memberships. Purchase inquiries from third parties showed a market value of several million dollars.

- 2. Shortly after October 13<sup>th</sup> 2010, the situation changed. Plaintiffs infer motives from actions and from results caused by actions and Plaintiffs are thereon informed, believe and allege that at some time shortly after October 13th 2010, Facebook and unknown individuals within Facebook decided to impede and interfere with Profile Technology and to deprive Plaintiffs of the value of its innovations and goodwill. Facebook and the responsible individuals attempted to conceal their true intentions from Plaintiffs.
- 3. Without notice, Facebook closed off access to Plaintiffs' automated crawlers. Facebook failed to respond to Plaintiffs' inquiries about the closure. Then, after months of disruption, Facebook falsely denied that it had ever had an agreement with Plaintiffs and threatened Plaintiffs with a lawsuit based on such falsehoods. Facebook then flip flopped and demanded revisions in the contract terms so drastic that they would have amounted to delivery to Facebook of all rights with respect to Plaintiffs' technology and information. ,When Plaintiffs refused to submit to the demands, Facebook embarked on a campaign of destruction that included unjustified termination of Plaintiffs' Facebook account, which Plaintiffs used to communicate with customers, blocking and censorship of all links on Facebook to Profile Technology products and blocking of Plaintiffs' Facebook applications like IQ Test that had nothing to do with the search engine. Facebook intentionally interfered with Plaintiffs' existing contractual relationships and with prospective customers. As hereinafter alleged, Plaintiffs are informed and believe that Facebook within the past year has promulgated defamatory falsehoods that

Plaintiff's site is "unsafe" and/or that Plaintiffs are sources of spam email. Facebook has engaged in and is engaging in unlawful, unfair and fraudulent business practices that should be enjoined under Business & Professions Code §§ 17200 et. seq.

4. Plaintiffs have been damaged financially by Facebook's wrongful acts and seek compensation for their losses. Because Facebook abused its power in ways that were fraudulent, oppressive and malicious, Plaintiffs ask for an award of punitive damages.

#### Parties, Jurisdiction, Venue

- 5. Defendant Facebook, Inc. ("Facebook") is a California corporation with its principal place of business in San Mateo County. Facebook is the provider of the "Facebook social networking service" by means of which hundreds of millions of account holders communicate with each other.
- 6. Plaintiff Profile Technology, Ltd. is and has been a duly organized and existing New Zealand business organization managed by Plaintiff Christopher Claydon, the majority shareholder. References to "Claydon" refer also to Profile Technology, Ltd. where appropriate. At all such times and continuing until the present day, Christopher Claydon and Profile Technology, Ltd. were and are agents of each other.
- 7. Plaintiffs are informed and believe and thereon allege that individuals and/or organizations whose identities and relationships to events are not presently known to Plaintiffs were in some way responsible for Plaintiffs' damages alleged herein. Plaintiffs therefore sue said individuals and/or organizations pursuant to Code of Civil Procedure § 474 as fictitiously-named Defendants Doe 1 through Doe 10. After the identities and relationships to events of such defendants become known to Plaintiffs, Plaintiffs will amend this complaint pursuant to Code of Civil Procedure § 474 to so allege.

# FIRST CAUSE OF ACTION (Breach of Contract)

8. Prior to April of 2008, Plaintiffs had written the first Survey, Petition, Polling, Quizzes and IQ Test applications to appear on Facebook and ranked as one of the largest Facebook application developers in the world.

Plaintiffs and Facebook entered into and performed a contract that was partially written and partially implied through conduct of the parties. The object of the contract was for Profile Technology to acquire Facebook data by automated "crawling" of the public parts of the Facebook website and for Profile Technology to make such data accessible to and searchable by the public through Plaintiffs' independent system. The parts in writing consisted of an exchange of emails between Claydon and Facebook representative Philip Fung. Fung had posted statements online about the intention of Facebook to allow independent search engines like Google and Yahoo to acquire publically-available information about Facebook members by automated means. Claydon described Profile Technology's existing "Advanced Search" system that was using data voluntarily provided directly to it by Facebook users. Claydon stated his intentions to develop Advanced Search into a powerful and flexible tool that would incorporate a range of new features and would be available to Facebook members. Fung responded by granting Plaintiffs access to the Facebook "sitemap," and white-listing the Plaintiffs' IP addresses allowing Plaintiffs to index all the publically-available data without restriction.

Beginning in early 2008, and continuing thereafter until repudiated by Facebook,

- 10. Plaintiffs performed all obligations of the contract that they were required to perform. In performing their obligations pursuant to the contract, Plaintiffs invested resources and expended efforts in developing a novel search engine product that also incorporated social networking features specific to Facebook, e.g., direct messaging to Facebook account holders whose profiles were listed in response to visitor inquiries. This search engine was later rebranded as "The Profile Engine." Facebook gave Plaintiffs privileged capacities to interface with Facebook's computers by means of operations of the Profile Engine.
- 11. Plaintiffs' Profile Engine was successful. The Engine organized data concerning some 420 million Facebook users and some 50 million Facebook organizations. Visitors to the Profile Engine accessed its search and social networking features. By 2010, on information and belief, the Profile Engine was the world's second most populous social networking related site, after Facebook. Plaintiffs received income from advertisers who were independent of Facebook.

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generating monthly profits to Plaintiffs..

At all times material hereto, Facebook had full knowledge of Plaintiffs' actions.

Plaintiffs employed other persons on the project. By October of 2010, the search engine was

Facebook benefited from having a social networking search engine available to its users and

offering far more powerful search tools than those provided by Facebook itself. Plaintiffs and

Facebook participated in a mutually-advantageous course of conduct that was consistent with

and grounded in industry custom and practice.

Through actions that commenced shortly after October 13<sup>th</sup> 2010, Facebook terminated 13.

the contract. Among other actions, Facebook terminated Plaintiffs' privileged access to

Facebook crawling and terminated privileged interface capacities with Facebook previously

available through the Profile Engine. Facebook provided no advance notice of the termination.

Facebook did not announce or explain the termination when it occurred. Plaintiffs diligently

made inquiries about the closure and pleaded to have access restored but Facebook did not

respond to Plaintiffs' inquiries until December 30, 2010. Communications with Facebook in

2011 were contentious and did not lead towards any resolution.

On or about October 31, 2011, through its attorneys, Facebook wrote to Plaintiffs stating

that "your company, Profile Technology, has taken Facebook user data from the Facebook.com

site and services without authorization, and is now leveraging that information to sell

background services about Facebook users without Facebook's or its users' permission."

Facebook attorneys made a series of demands on Plaintiffs, essentially requiring them to go out

of business, and declared that, unless Plaintiffs submitted, "Facebook will escalate its efforts" to

punish them.

When it uttered and/or published such statements, and at all times material hereto, 15.

Facebook knew that such statements were false and that contrary statements were true, namely,

that Plaintiffs had been authorized by Facebook and that Plaintiffs' actions were pursuant to an

authorization to aggregate information obtained from Facebook in a database and search engine

and to make such information accessible to the public. As alleged below, Plaintiffs are

informed and believe that Facebook may have made, uttered and/or published similar false

statements to third parties in contexts that were unprivileged and that such false statements were defamatory.

- 16. As alleged below, Plaintiffs are informed, believe and thereon allege that Facebook has made, uttered and/or published false, defamatory and unprivileged statements that Plaintiffs' Profile Engine is and has been "unsafe".
- 17. As alleged below, Plaintiffs are informed, believe and thereon allege that Facebook has made, uttered and/or published false, defamatory and unprivileged statements that Plaintiffs' Profile Engine is and has been "spammy." Such statements imply that Plaintiffs have maliciously abused the world's shared Internet resources. "Spammy" conduct merits condemnation and shunning in the Internet community to which Plaintiffs belong.
- 18. Plaintiffs are informed, believe and thereon allege that, in terminating the contract and in other actions either alleged herein or yet to be discovered, Facebook acted with the intention of expropriating the Profile Engine and its functionality without the consent of Plaintiffs and without providing compensation to Plaintiffs.
- 19. Plaintiffs are informed, believe and thereon allege that, when it terminated the contract and/or when it made defamatory statements such as those alleged below and/or when it carried out other actions alleged herein or yet to be discovered, Facebook and Doe defendants knew that Plaintiffs were engaged in negotiations for sale of the Profile Engine and related assets and that specific parties were interested in purchasing such assets for an amount in excess of many millions of dollars (US). Plaintiffs are informed, believe and thereon allege that such defamatory statements of Facebook and Doe defendants caused Plaintiffs to lose that opportunity and similar opportunities and other injury according to proof.
- 20. In carrying out the termination of the implied contract in such a fashion, in making defamatory statements and in other ways alleged herein and yet to be discovered, Facebook breached the duty implied in every contract to deal fairly and in good faith with the other contracting party. Facebook breached the duty implied in every contract that obligates the contracting parties to refrain from doing anything which will have the effect of destroying or injuring the right of the other party to receive the fruits of the contract.

- 21. Immediately prior to the termination and subsequent to the termination, but before Plaintiffs understood the fraudulent and coercive nature of the termination, Plaintiffs incurred significant expenses according to proof that was foreseeable to Facebook and that could have been avoided had Facebook not breached the implied covenants. Plaintiffs seek recovery of such avoidable expense herein, along with other damages allowed by law.
- 22. Performance by Facebook of the implied covenants would have enabled Plaintiffs to restructure its business affairs in an orderly fashion even if Plaintiffs' privileged access to crawling and Facebook interfaces could have been terminated by a notice with a period that was reasonable under the circumstances and with due recognition of and compensation for benefit conferred. Unnecessary disruption of Plaintiffs' business caused damages, including lost profits that shall be proved at trial.

## SECOND CAUSE OF ACTION (Interference with Business Relationships)

- 23. Plaintiffs incorporate prior allegations by reference.
- 24. Plaintiffs are informed and believe and thereon allege that, shortly after October 13th 2010, defendant Facebook and defendants Doe 1 through Doe 10 agreed among themselves and decided to impede, interfere with, and expropriate the benefits of the Profile Engine developed by Plaintiffs without regard to Plaintiffs' legal rights and to exclude Plaintiffs from their use and profit therefrom.
- 25. In carrying out their agreement and decision, Facebook and Doe defendants intentionally interfered with existing and prospective business relationships that Plaintiffs had with third parties.
- 26. Defendants interfered with Plaintiffs' existing and prospective business relationships with users of the Profile Engine. Without notice or explanation, Facebook disabled social networking features of the Profile Engine, e.g., the Facebook login capacity that had previously operated with Facebook approval and/or acquiescence. In other words, users of the Profile Engine could not login using their Facebook account as had previously been possible.

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their actions. Plaintiffs are informed, believe and thereon allege that, in so acting, Facebook intended to embarrass Plaintiffs and to make Plaintiffs appear unreliable to users. Plaintiffs lost goodwill, users and advertising income because of such sudden and disruptive loss of access.

27. Defendants interfered with Plaintiff's existing and prospective business relationships.

Defendants knew that the interference was certain or substantially certain to occur as a result of

27. Defendants interfered with Plaintiff's existing and prospective business relationships with users of Plaintiff's other applications, independent of the Profile Engine, that had been accessed through Facebook. Disruption affected applications IQ Test, Survey, Petition, Polling, Quizzes and Memorable Web Addresses. Some 25 million users had accessed Plaintiffs' applications and a high volume of traffic was maintained up until such interference. Knowing of such relationships and business opportunities, Facebook disrupted and interfered with access to the applications with the intention of damaging Plaintiffs. Defendants knew that interference was certain or substantially certain to occur as a result of their actions. Plaintiffs suffered actual damages in an amount in excess of thousands of dollars per month in lost profits. Plaintiffs also suffered other damages as shall be proved at trial.

28. Defendants interfered with Plaintiffs' existing and prospective business relationships with customers who tried to reached Claydon through his personal Facebook page and profile. Despite full compliance of his account with Facebook rules, Facebook disabled Claydon's Facebook account and prevented Claydon from responding to inquiries directed to the Facebook page. Claydon could no longer access messages or other information stored on Facebook. Knowing of Claydon's use of the Facebook account to communicate with customers and to maintain business and personal relationships, and, indeed, to communicate with Facebook itself, Defendants disrupted such communications. Defendants knew that the interference was certain or substantially certain to occur as a result of their actions.

29. Defendants interfered with prospective sales of Plaintiffs' business to independent developers and venture capitalists. Plaintiffs' business included Facebook applications and also other independent assets. In the 2010-2011 time frame, Plaintiffs engaged brokers to sell their business, which had been actually profitable in an industry where profits are mostly speculation. Plaintiffs are informed, believe and thereon allege that, when contacted by prospective

purchasers of Plaintiffs' business, Defendants made false statements such as the false statement in the letter of October 31, 2011 quoted above. Defendants knew that the interference was certain or substantially certain to occur as a result of their actions. Defendants intended to disrupt potential sales and investments. Defendants actually did disrupt potential sales and investments. The value of a potential sale was in excess of millions of dollars (US)...

30. Such acts of interference, and each of them, was and were wrongful in and of

30. Such acts of interference, and each of them, was and were wrongful in and of themselves. Each such act was wrongful by some legal measure other than and in addition to the fact of interference itself. No such act of interference had any lawful excuse, justification or privilege. Each such act was, on the contrary, undertaken, for purposes that were malicious and oppressive and that were maintained by fraudulent means. Plaintiffs are informed, believe and thereon alleged that Facebook and the Doe Defendants, and each of them, carried out said acts of interference for the purpose of coercing Plaintiffs into abandoning their rights to the Profile Engine and to deprive Plaintiffs of profits to which Plaintiffs were entitled in law and as professionals engaged in Internet development. Such acts of interference on the part of Facebook and the Doe Defendants, and each of them, merit punishment through an award of exemplary damages.

### THIRD CAUSE OF ACTION (Defamation)

- 31. Plaintiffs incorporate prior allegations by reference.
- 32. Plaintiffs are informed, believe and thereon allege that Defendants Facebook and Does 1 through Doe 10, and each of them, defamed Plaintiffs through false and unprivileged publications, by writing, printing, picture, or other fixed representation to the eye or by oral utterance or by communication by radio or by mechanical or other means. Plaintiffs allege specific defamations infra and reserve the right to amend this Complaint to state further specific defamations when discovered. Defendants have prevented Plaintiffs from learning the full extent of such defamations through disabling Plaintiffs access to material stored on Facebook or to communications accessed through Facebook. Plaintiffs are informed, believe and thereon allege that said publications exposed Plaintiffs to hatred, contempt, ridicule and/or obloquy,

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tended to cause Plaintiffs to be shunned or avoided in Internet communities, and had a tendency directly to injure Plaintiffs in their occupations, trades and businesses. Plaintiffs are informed, believe and thereon allege that Defendants Facebook and Does 1 through Doe 10, and each of them, made such publications for malicious purposes, as hereinabove alleged and/or as shall be proved at trial.

- 33. Plaintiffs discovered in June of 2012 that Defendant Facebook was electronically publishing to its members statements that "links" (HTML hyperlinks) to Plaintiffs' site at "profileengine.com" have "been blocked for being spammy or unsafe." Said publications were false and unprivileged. Plaintiffs' Profile Engine is safe and has nothing to do with spam and Facebook knows it. Said publications exposed Plaintiffs to hatred, contempt, ridicule and/or obloquy, tended to cause them to be shunned or avoided in Internet communities, and had a tendency directly to injure them in their occupations, trades and businesses. Plaintiffs are informed, believe and thereon allege that Defendants Facebook and Does 1 through Doe 10, and each of them, made such publications for malicious purposes, as hereinabove alleged and/or as shall be proved at trial.
- 34. Plaintiffs are informed, believe and thereon allege that Defendant Facebook stated to Plaintiffs' providers, including Wibiya (a provider of toolbar functionality) and to customers of Plaintiffs that Plaintiffs had breached Facebook's Terms of Service. Said publications were false and unprivileged. Plaintiffs fulfilled their obligations under applicable contracts and Facebook knows it, notwithstanding falsehoods stated by Facebook's attorneys, as alleged hereinabove. Said publications exposed Plaintiffs to hatred, contempt, ridicule and/or obloquy, tended to cause them to be shunned or avoided in Internet communities, and had a tendency directly to injure them in their occupations, trades and businesses. Plaintiffs are informed, believe and thereon allege that Defendants Facebook and Does 1 through Doe 10, and each of them, made such publications for malicious purposes, as hereinabove alleged and/or as shall be proved at trial.
- 35. Plaintiffs are informed, believe and thereon allege that Defendant Facebook made false and unprivileged publications to potential purchasers of and/or investors in Plaintiffs''

businesses. Plaintiffs are informed, believe and thereon allege that said publications adversely influenced such potential purchaser and/or investors. Said publications exposed Plaintiffs to hatred, contempt, ridicule and/or obloquy, tended to cause them to be shunned or avoided in Internet communities, and had a tendency directly to injure them in their occupations, trades and businesses. Plaintiffs are informed, believe and thereon allege that Defendants Facebook and Does 1 through Doe 10, and each of them, made such publications for malicious purposes, as hereinabove alleged and/or as shall be proved at trial.

- 36. Plaintiffs are entitled to recover nominal damages to protect their reputations. Plaintiffs will amend the Complaint to state compensable damages when such damages are discovered.
- 37. Defendants' actions were undertaken with such malice, fraud and oppression as to warrant the imposition of punitive damages.

#### FOURTH CAUSE OF ACTION (Unlawful, Unfair and Fraudulent Business Practices)

- 38. Plaintiffs incorporate prior allegations by reference.
- 39. Plaintiffs are informed, believe and thereon allege that Facebook has committed and is committing unlawful, unfair and fraudulent business practices that are prohibited by Business & Profession Code §§ 17200 et. seq., Such improper business practices include, without limitation, systematic breach of the implied contract hereinabove alleged, interference with Plaintiffs' contracts and prospective business relationships with third parties, making false statements about the Profile Engine being "unsafe" or "spammy," making false statements about Plaintiffs having breached Facebook's Terms of Service and making false statements that such purported "unsafe" operations, spam or breaches were the cause of the interdiction of communications between Plaintiffs and Facebook members. In carrying out such unlawful, unfair and fraudulent business practices, Facebook was trying to coerce Plaintiffs into surrendering their assets and inventions and to improperly control the social network search engine market. Members of the public were likely to be deceived by such false statements and other wrongful business practices. Plaintiffs have suffered injury in fact through such unlawful acts, unfair tactics and false statements by way of loss of clientele, money, goodwill and market value of their assets.

- 40. Plaintiffs have suffered and are suffering injury in fact and irreparable injury as a result of said unlawful, unfair and fraudulent business practices committed by Facebook. Plaintiffs have no adequate remedy at law.
- 41. Plaintiffs request preliminary and/or permanent injunctive relief as to said unlawful, unfair and fraudulent business practices, including without limitation, an injunction prohibiting Facebook from making or publishing statement(s) that Plaintiffs or their system are "unsafe" or a source of spam.
- WHEREFORE, Plaintiffs pray for damages and other relief against defendants and each of them as follows:
- 1. Compensation for damages and expense suffered by Plaintiffs in dealing with termination without notice that was foreseeable to Facebook and that could have been avoided had Facebook not breached covenants implied in every contract.
- 2. Compensation for profits that would have been earned by Plaintiffs through operations of the Profile Engine during the period provided by a notice of termination that was reasonable under the circumstances and that included recognition of and compensation for benefits conferred.
- 3. Compensation for profits that would have been earned through a sale of the business according to proof.
- 4. Compensation for destruction of the business of IQ Test and other profitable applications (other than Profile Engine), in an amount according to proof.
- 5. Compensation for lost business opportunities with third parties whose communications with Plaintiffs were disrupted by Defendants' interference.
  - 6. Nominal damages for defamations.
  - 7. Compensation for defamations.
- 8. A preliminary and/or permanent injunction as to unlawful, unfair and fraudulent business practices, including without limitation, an injunction prohibiting Facebook from making or publishing statement(s) that Plaintiffs or their system are "unsafe" or a source of

1	spam.			
2	9.	Punitive or exemplar	ry damages against Defendants and each of them.	
3	10.	Plaintiffs' costs and disbursements herein.		
4	11.	Such other and further relief as the court shall deem just including but not limited		
5	to attorneys fees to the fullest extent provided by law.			
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7	DEMAND FOR JURY TRIAL			
8	Plaintiffs demand a jury trial as to all issues triable by jury.			
9	Dated: Octo	ber 10, 2012	ROTHKEN LAW FIRM	
10			L Va	
11			Ira P. Rothken, CA SBN 160029	
12			Attorneys for Plaintiffs	
13			PROFILE TECHNOLOGY, LTD., a New Zealand Limited Company and CHRISTOPHER CLAYDON	
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