

Jury Awards \$706M Over Appraisal App Secrets Theft

By **Cara Salvatore**

Law360 (March 15, 2018, 8:12 PM EDT) -- A Texas state jury awarded \$706.2 million on Wednesday to data-analytics startup HouseCanary, agreeing that former collaborator Title Source Inc. brazenly stole proprietary data recipes for home appraisals and comparisons as it allegedly readied to build its own software suite.

The unanimous 12-member Bexar County jury included more than \$400 million in exemplary damages for TitleSource's "willful and malicious" misappropriation of secrets shared during the brief partnership, according to the verdict form.

HouseCanary's app was made for house appraisers to use on location, quickly generating detailed reports about a house's value and local comparable sales based on proprietary formulas. In the November 2015 contract, HouseCanary agreed to provide access to the app, including a highly sensitive backend.

HouseCanary said it discounted its fee to \$5 million a year in return for access to Title Source's database of historical appraisal data. But Title Source never provided that database, never paid a cent and stole five key models and methods, HouseCanary said.

The jury awarded \$201.6 million for the value of the misappropriated trade secrets to HouseCanary at the time they were stolen, \$403.2 million for exemplary damages for the appropriation, \$33.8 million for fraud in connection with the November 2015 contract, and \$67.6 million in exemplary damages for the fraud.

Title Source "repeatedly had assured HouseCanary during their relationship that TSI was not in the business of building competing valuation technology," HouseCanary co-lead counsel Kalpana Srinivasan of Susman Godfrey said Thursday.

"After the lawsuit was filed, a TSI presentation made at a Quicken Loans conference was accidentally posted on the Internet, and it showed just the opposite. That opened the door fully for discovery into the misappropriation," said Srinivasan, who co-led the case with Susman's Max Tribble.

Title Source was recently renamed Amrock. CEO Jeff Eisenshtadt said Thursday the verdict was "a travesty of justice."

"HouseCanary made several unkept promises leading Amrock to file a contract claim. However, when we asked the court to intervene, a local attorney and professional plaintiff law firm spun a distorted and twisted counterclaim narrative leading a San Antonio jury to an unconscionable result," Eisenshtadt said.

The company "never received any working software from HouseCanary, instead receiving wireframes and half-developed apps that were completely unusable by the company ... Amrock will appeal and explore all avenues to ensure justice and sanity are applied to the facts of this case."

Title Source is an affiliate of Quicken Loans; both are owned by Rock Holdings Inc.

The relationship started when the two companies signed a nondisclosure agreement in Dec. 2013 -- which each eventually said the other side breached. The Master Software License Agreement was signed on Jan. 29, 2015, and its "sole purpose," according to HouseCanary, was to allow Title Source to evaluate HouseCanary's Appraiser app for 120 days. The Nov. 11, 2015, amended MSLA was the one that cemented the relationship. Finally, Title Source sent HouseCanary a letter alleging a breach and terminating the agreement on March 31, 2016.

Title Source then brought the suit, asking for a declaratory judgment that it need not pay the \$5 million in annual fees on the grounds that HouseCanary had breached the contract. HouseCanary brought counterclaims.

The jury found that, under the two 2015 contracts, TitleSource helped itself to HouseCanary's Automated Valuation Model, similarity score model, "data dictionary," data compilation, and complexity score model.

It also found in the 45-question verdict that HC was not out of compliance with either the January 2015 MSLA or the November 2015 Amended Master Software License Agreement.

HouseCanary is represented by Max Tribble, Kalpana Srinivasan, Matthew Behncke, Elisha Barron, Rocco Magni and Bryce Barcelo of Susman Godfrey.

Title Source is represented by Peter Wahby, Kendyl Hanks, and Karl Dial of Greenberg Traurig.

The case is Title Source Inc. v. HouseCanary Inc., case number 2016CI06300, in the District Court of Bexar County, Texas, 73rd Judicial District.

--Editing by Joe Phalon.

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