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Susman Team Wins \$706.2M Trade Secret Verdict for Real Estate Valuation Client

Backed by Susman Godfrey, automated appraisal company HouseCanary wins a Texas tussle with Quicken Loans affiliate.

BY SCOTT GRAHAM

They're singing "We're in the Money" at HouseCanary Inc.

The provider of real estate valuation and assessment tools won a \$706.2 million verdict Wednesday in a trade secret and breach-of-contract action in Texas state court.

A Susman Godfrey team led by partners Max Tribble and Kalpana Srinivasan persuaded a San Antonio jury that a Quicken Loans affiliate used a license as subterfuge to reverse-engineer its own competing valuation model. The verdict includes \$403.2 million in punitive damages.

"I don't think the irony should be lost on anyone: They sued us first," Tribble said Thursday. "There probably never would have been a lawsuit but that they sued us first."

HouseCanary was formed after the 2007-09 housing crisis to automate a system of precise residential real estate appraisals. Consumers may be more familiar with the Zillow estimate of home prices, but Tribble says HouseCanary's model is far more accurate and has drawn investors such as former Google chairman Eric Schmidt.

It also drew the interest of Quicken and its appraisal affiliate, Title Source Inc., now known as Amrock. In 2013, Title Source licensed HouseCanary's appraiser software for \$5 million

a year plus access to Title Source's appraisal data. Both sides signed Title Source's standard nondisclosure agreement, which forbade either party from reverse-engineering the other's models, algorithms or confidential information.

"They kept asking us to disclose more and more of the detail—What are the inputs? How does your model work?" Tribble said. His client was assured that Title Source "was not developing its own valuation models, and that turned out to be totally false. That was their intention. That was what they did."

At first, Title Source sued HouseCanary for fraud. That prompted HouseCanary to counterclaim for fraud, breach of contract and for theft of its trade secrets. Title Source was represented by Greenberg Traurig.

The jury found against Title Source on all of its claims. Instead, it found Title Source committed fraud against HouseCanary, breached the license agreement and misappropriated HouseCanary's trade secrets.

Tribble said jurors recognized the value of HouseCanary's model to Quicken, the country's second-largest online loan broker. When receiving a refinance inquiry, Quicken and Title Source can use the HouseCanary



Max Tribble, Susman Godfrey

model to get an immediate and highly accurate valuation. They can decide on the spot whether the lead is worth pursuing, rather than wait several weeks for a human appraiser.

Title Source witnesses insisted they weren't trying to reverse-engineer the HouseCanary model, "but the evidence at trial showed that's exactly what they were doing," Tribble said.

"It was really the most amazing trial I've ever had," he said. "And I've had quite a few."

Scott Graham focuses on intellectual property and the U.S. Court of Appeals for the Federal Circuit. He writes ALM's Skilled in the Art IP briefing. Contact him at sgraham@alm.com.