

Cory A. Talbot (#11477)
HOLLAND & HART LLP
222 S. Main Street, Suite 2200
Salt Lake City, Utah 84101
Telephone: (801) 799-5800
Facsimile: (801) 799-5700
catalbot@hollandhart.com

Danielle L. Kitson (*Pro Hac Vice Admission Pending*)
LITTLER MENDELSON, P.C.
1900 16th Street, Suite 800
Denver, Colorado 80202
Telephone: (303) 629-6200
Facsimile: (303) 629-0200
dkitson@littler.com

*Attorneys for Plaintiff,
CHEGG, INC.*

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION**

CHEGG, INC.,

Plaintiff,

v.

CHRISTOPHER LANCE HYDRICK,
BRAD HAGEN, AND THREE-TWO
MARKETING, LLC,

Defendants.

COMPLAINT AND JURY DEMAND

Case No. 2:17-cv-00127-PMW

Magistrate Judge Paul M. Warner

Plaintiff Chegg, Inc. (“Chegg”) brings this Complaint against Defendant Christopher Lance Hydrick, Defendant Brad Hagen, and Defendant Three-Two Marketing, LLC, and states and alleges as follows:

INTRODUCTION

1. Plaintiff Chegg provides the leading student-first connected learning platform, and is dedicated to making higher education more affordable, more accessible, and more successful for students. Chegg is a publicly-held company based in Santa Clara, California and trades on the NYSE under the symbol CHGG.

2. Defendant Christopher Lance Hydrick is a prior employee of Chegg, and Defendant Brad Hagen is President of Defendant Three-Two Marketing, LLC (“Three-Two”), a direct competitor of Chegg. As relevant to this action, Chegg provides digital marketing services, including targeted display and banner advertising, for third-party companies, including colleges and universities, to target potential customers in the coveted high school- and college-aged student populations.

3. Until recently, through its Enrollment Marketing services, Chegg sold both student leads and digital services to college admission offices. Chegg secured these contracts with colleges through direct sales by its field sales organization. Chegg has recently partnered with the National Research Center for College & University Admissions (“NRCCUA”) where NRCCUA will become the exclusive reseller of the digital marketing services that Chegg will continue to provide to colleges and universities.

4. Through Chegg’s Brand Partnership services, Chegg provides brand advertising services to large brand advertisers and advertising agencies seeking to reach and engage college

and high school students. In general, Chegg's brand advertising services include digital advertising on its websites, one of which is www.chegg.com, white label integrations, discounts, product samples, and other promotions shipped directly to students in its distinctive orange Chegg boxes, and experiential offerings that may include, for example, on-campus events, sponsorships and other brand ambassador work. For the year ended December 31, 2015, Chegg had advertising contracts with approximately 60 consumer brands.

5. Chegg's sales organization was comprised of two teams, one focused on Enrollment Marketing services, the other on Brand Partnership and their corresponding advertising agencies. Until recently, both teams had field sales people and inside client success managers and shared operations and marketing support.

6. Defendant Hydrick was part of the sales organization until February 1, 2017. However, Chegg has now learned that since at least November 4, 2016, Defendant Hydrick began actively conspiring with Defendant Three-Two to steal as many of Chegg's clients, prospects, business plans, and confidential, proprietary, and trade secret documents as possible.

7. Defendant Three-Two was founded in November 2016 by Defendant Hydrick and is now a direct competitor of Chegg offering digital marketing services, location-based mobile advertising, and first-party campaigns. Three-Two's website (available at <https://www.three-twomarketing.com/>) describes its university-related services as based on a mobile marketing network with over 100,000 of the most popular apps, used to get an institution's name in front of its prospects (referred to by Three-Two as "geo-fencing"). Three-Two additionally offers interactive microsites: "With each click, we can generate a custom landing page – a clickable

microsite or a swipe-able microsite.” All of these services are directly competitive to Chegg’s services.

8. In January 2017, while he was still an employee of Chegg, Defendant Hydrick had sent to his personal email address a draft proposal that the Chegg sales team was working on to secure work from a prospective client, as well as an extensive client and prospective client list containing **thousands** of clients and prospective clients with detailed contact information, contact preferences, and complex “scores” ranging from -90 to 1366 to precisely indicate the strength and viability of the contact.

9. On January 31, 2017, Defendant Brad Hagen of Three-Two sent an email to one of Chegg’s clients with a subject line “Chegg Client Discount.” In that email, Defendant Hagen referenced a “special offer” “[i]n light of some recent changes at Chegg.” Defendant Hydrick’s last day with Chegg was just one day later.

10. Significantly, Defendants Hagen and Hydrick have had a long history together, and knew exactly what Chegg confidential, proprietary, and trade secret information to target, steal, and capitalize on. In 2011, Chegg purchased a company called Zinch (originally based in Utah, and then-headquartered in San Francisco, California), for approximately \$27.2 million. Zinch’s main business was targeted at obtaining information from college admissions offices about the students applying and matriculating at a college or university, to allow Zinch’s partner businesses to market to the needs and desires of those students. Defendant Hagen was a VP of Product for Zinch, and is now President of Defendant Three-Two. Defendant Hydrick was a legacy employee of Zinch (where he worked as VP of Global Sales from 2007 – 2011), then

worked for Chegg from 2011 until February 1, 2017, and is now a founder and presumably an employee of Three-Two.

11. In fact, Defendant Hydrick began actively recruiting for Defendant Three-Two well before he ceased being an employee of Chegg. On January 6, 2017, Defendant Hydrick sent from his Chegg email account to his personal email account an “offer letter” on behalf of Three-Two, purportedly offering a contract position of “Sales Development Rep.,” a job that was set to begin on January 9, 2017. The offer letter was signed on behalf of Three-Two by “Lance Hydrick, Founder.”

12. To stop this egregiously unlawful conduct and protect its confidential, proprietary, and trade secret information, Chegg seeks an immediate temporary restraining order and preliminary injunction to prevent the further misappropriation and use of its trade secrets and other confidential and proprietary information under the Defend Trade Secrets Act, 18 U.S.C. § 1831, *et seq.*, the Uniform Trade Secrets Act as adopted by Utah (“UTSA”), Utah Code sections 13-24-1, *et seq.*, and the three different contracts Defendant Hydrick signed protecting Chegg’s rights.

PARTIES

13. Plaintiff Chegg, Inc. is a Delaware corporation with a principal place of business in Santa Clara, California. Chegg is authorized to conduct business in Utah.

14. Defendant C. Lance Hydrick is an individual who, upon information and belief, currently resides at 2890 Indian Hills Drive, Provo, Utah 84604.

15. Defendant Brad Hagen is an individual who, upon information and belief, currently resides at 1699 N 1820 W, Provo, Utah 84604.

16. Defendant Three-Two Marketing, LLC is a Utah limited liability company with a principal place of business located at 2890 Indian Hills Drive, Provo, Utah 84604.

JURISDICTION AND VENUE

17. This Court has subject matter jurisdiction under 28 U.S.C. § 1331, because two of Chegg's claims arise under the laws of the United States, including its claim under the Defend Trade Secrets Act, for which this Court has original jurisdiction under 18 U.S.C. § 1836(c).

18. This Court maintains supplemental jurisdiction over the other claims under 28 U.S.C. § 1367, because they are part of the same case or controversy as Chegg's claims under the Defend Trade Secrets Act (18 U.S.C. § 1836) and the Computer Fraud and Abuse Act (18 U.S.C. § 1030).

19. This Court also has subject matter jurisdiction under 28 U.S.C. § 1332 because, upon information and belief, there is complete diversity of citizenship between the parties, and the amount in controversy exceeds the sum or value of \$75,000.00, exclusive of interest and costs.

20. This Court has personal jurisdiction over the Defendants because they reside in Utah.

21. Venue is appropriate in this District under 28 U.S.C. § 1391(b), because a substantial part of the events or omissions giving rise to the claims occurred in Utah.

FACTUAL BACKGROUND

22. Defendant Hydrick was employed with Chegg as a Senior Business Development Manager from approximately September 26, 2011, through February 1, 2017. Prior to beginning his work with Chegg, Defendant Hydrick was an employee of Zinch, a company Chegg acquired

in 2011. As relevant to this action, Chegg utilizes first-party and third-party data to target advertising primarily to high school and college students, as well as targeted display and banner advertising to these coveted student populations, for clients and brand partners like Starbucks.

23. Chegg had previously purchased an entity known as Zinch on September 14, 2011 for \$27.2 million, which was originally based in Utah and headquartered in San Francisco at the time of the acquisition. Zinch's main business was connecting colleges and students by providing a platform where students could create profiles on their website to be viewed by colleges and universities. Defendant Hagen was a VP of Product for Zinch, and Defendant Hydrick was a legacy employee of Zinch (where he worked as VP of Global Sales from 2007 – 2011).

Defendants' Conspiracy to Steal Chegg's Trade Secrets and Target Chegg's Customers.

24. On November 4, 2016, the name "Three-Two Marketing, LLC" was reserved with the Utah Division of Corporations and Commercial Code. On November 5, 2016, "Three-Two Marketing, LLC" was registered as an active limited liability company with the Division, showing headquarters based in Provo, Utah. Three-Two's Registered Agent is Ganger-Hroff LLC, whose registered agent in turn is Defendant Hydrick.

25. Chegg is informed and believes that Defendant Hagen is the President of Three-Two, and Defendant Hydrick is a "founder" of Defendant Three-Two. Defendant Three-Two is a direct competitor of Chegg providing digital marketing services, location-based mobile advertising, and first-party campaigns.

26. Chegg is informed and believes that Defendants Hydrick, Hagen, and Three-Two began actively conspiring to steal Chegg's trade secrets and illegally siphon its clients beginning

on approximately November 4, 2016, when Defendant Hydrick used his Chegg computer to apply with the IRS for an employer identification number (“EIN”) for an entity called “Three-Two Marketing.” Defendant Hydrick forwarded the IRS confirmation of EIN number from his Chegg work account to his personal gmail account.

27. By January 2017, Defendants were actively stealing Chegg’s trade secret information. On January 2, 2017, Defendant Hydrick forwarded from his Chegg email account to his personal email account (hydrick32@gmail.com) a proposal that Chegg was actively drafting to win work from a prospective client. The draft proposal included Chegg’s specifications for services, including specifications that incorporated preferences stated by that key prospective client to Chegg in confidence.

28. Then, on January 4, 2017, Defendant Hydrick sent from his Chegg email account to his personal email address an Excel spreadsheet containing an astonishing **1,229 contacts**, including names, contact emails, telephone numbers, addresses, preferences about contact methods, notes about the origin of the leads, and an internal Chegg “score” related to the strength of the contact ranging from -90 to 1366. These scores were developed over several years with countless hours of employee time and resources, and represent the strength of Chegg’s relationships with those contacts.

29. By January 6, 2017, Defendant Hydrick was actively recruiting for Defendant Three-Two while still a current employee of Chegg. On this date, Defendant Hydrick sent from his Chegg email account to his personal email account a form “Offer Letter” on behalf of Defendant Three-Two purportedly offering a contract position of “Sales Development Rep.” beginning January 9, 2017. The offer letter was signed on behalf of Defendant Three-Two by

“Lance Hydrick, Founder,” even though Defendant Hydrick continued his employment with Chegg until February 1, 2017. In fact, this offer letter indicates that Defendant Hydrick had already established a business email address with Three-Two: lance@three-twomarketing.com.

30. On January 31, 2017, while Defendant Hydrick was still employed by Chegg, Defendant Hagen solicited a Chegg customer contact at a college. Specifically, Defendant Hagen sent an email to the contact with the subject line “Chegg Client Discount.” In that email, Defendant Hagen referenced a “special offer” “[i]n light of some recent changes at Chegg.” Defendant Hydrick’s last day with Chegg was just one day later.

31. In fact, in this same email, Defendant Hagen referenced more than 200 customers of Defendant Three-Two at a time that Defendant Three-Two had existed for little more than two months. Chegg is informed and believes that each of these customers was a Chegg customer specifically targeted by Defendants Hydrick, Hagen, and Three-Two. Chegg is further informed and believes that Defendant Hagen currently possesses Chegg’s client list (which he had access to on his company-owned laptop, still in his possession today).

32. While working for Chegg, Defendant Hydrick was issued a company-owned laptop for use in his employment with Chegg. Leading up to Defendant Hydrick’s last day of employment with Chegg, Chegg’s HR personnel conducted an exit interview with him, in which he was instructed to return his company-issued laptop upon termination of employment. During that interview process, he was reminded that he was still a Chegg employee until his termination date, and that all of Chegg’s policies (including conduct and IP policies) were still applicable to him. Chegg’s HR personnel further instructed Defendant Hydrick to work with his manager on any communication that he might want to make to his Chegg clients to inform them of his

departure. Additionally, Chegg's HR personnel emphasized to Defendant Hydrick that only his personal information could be removed or downloaded from his work laptop.

33. Defendant Hydrick failed to return that laptop upon his termination of employment, and still has not returned it to this day. Upon information and belief, the laptop is still in Defendant Hydrick's possession, custody, or control. Defendant Hydrick therefore has improperly taken and retained possession of property belonging to Chegg, including but not limited to, all Chegg documents or information Defendant Hydrick forwarded to himself, his Chegg laptop computer, any data or files that Defendant Hydrick saved locally on that laptop, and other property belonging to Chegg, all of which should have been returned to Chegg upon Defendant Hydrick's termination of employment with Chegg.

34. Defendant Hydrick has been active on LinkedIn as recently as Friday, February 17, 2017, but significantly, has not changed his LinkedIn page to reflect that he is the founder of Three-Two or working for Three-Two.

Defendant Hydrick's Agreements with Chegg

35. At the start of his employment with Chegg, and at the time of his termination of employment, Defendant Hydrick signed several agreements protecting Chegg's confidential, proprietary, and trade secret information, as well as its other property.

Confidentiality Agreement

36. For example, Defendant Hydrick signed a Chegg, Inc. Confidentiality Agreement on September 26, 2011 ("Confidentiality Agreement"). Among other things, Defendant Hydrick agreed that:

- 1.1. Chegg considers the confidentiality of its proprietary information to be essential to Chegg's continued success.

- 1.2. To protect this information from unauthorized disclosure and to safeguard other company interests, Chegg requires as a condition to employment that all of its employees enter into this Agreement.

- 2.1. While providing services to Chegg during Employee's employment, as well as after Employee's employment terminates as provided in this Agreement, Employee, without the prior written consent of Chegg, shall not disclose to: (1) any person not working for Chegg; (2) any unauthorized persons employed by Chegg; or (3) any unauthorized persons contracting with Chegg any information that is of a confidential or proprietary nature regarding Chegg ("Chegg Confidential Information") or Chegg's customers ("Customer Confidential Information"), including but not limited to:

- 2.1.1. Matters related to Chegg's prospects, customers, and business contacts, such as:

- 2.1.1.1. customer preferences;
- 2.1.1.2. the names, contact information, and other data about prospects;
- 2.1.1.3. the names, contact information, and other data about customers;
- 2.1.1.4. the names, contact information, and other data about vendors;
- 2.1.1.5. the names, contact information, and other data about independent contractors;
- 2.1.1.6. the names, contact information, and other data about and subcontractors;

- 2.1.2. Matters related to business strategy and operating information of Chegg and Chegg's prospects, vendors, independent contractors, and subcontractors such as:

- 2.1.2.1. trade secrets;

2.1.2.4. marketing information, plans, and strategies;

2.1.2.5 advertising information, plans, and strategies;

2.1.2.11. pending or projected proposals;

2.1.2.22 business strategic plans.

See Ex. 1, Confidentiality Agreement.

37. Defendant Hydrick also specifically acknowledged the he was “aware that the unauthorized disclosure of Confidential Information may be extremely harmful to Chegg and its customers’ business interests, an invasion of privacy, and an improper disclosure of trade secrets,” and agreed that he “shall take all reasonable precautions to prevent any unauthorized disclosure of any Confidential Information.” *Id.* § 2.3.

38. Defendant Hydrick also specifically agreed to “return all Confidential Information materials upon request by Chegg,” and to “return all Confidential Information materials upon termination of employment by either Employee or Chegg.” *Id.* §§ 2.4, 2.5. To date, he has not returned any information or documents to Chegg.

39. Furthermore, Defendant Hydrick’s Confidentiality Agreement specifically provided that:

Employee shall not use any Confidential Information to establish, develop, or maintain a competing business, or to perform related services or supply related products for any person or entity providing similar or equivalent products or services to those provided by Chegg.

Id. § 4.1.

40. Defendant Hydrick's Confidentiality Agreement also contained a non-solicitation provision for Chegg customers:

- 5.2. During employment with Chegg and except as set forth in any Non-Competition Agreement between Chegg and Employee, employee shall not induce any customer, vendor, independent contractor, or subcontractor to terminate or modify the terms of the services or products provided to or by Chegg.

Id. § 5.2.

41. Finally, Defendant Hydrick's Confidentiality Agreement required him to provide notice of new employment:

- 9.1. In the event Employee performs services for another person or entity during the one-year period after Employee's employment with Chegg terminated, Employee shall notify Chegg of the name, address, and telephone number of those persons or entities so that Chegg may alert them about the requirements of this Confidentiality Agreement.

Id. § 9.1.

Intellectual Property Rights Agreement

42. Defendant Hydrick also signed a Chegg, Inc. Intellectual Property Rights Agreement that protected Chegg's "copyrights, patents, trademarks, trade secrets, trade dress, and other intellectual property ('Intellectual Property')." *See* Ex. 2, Intellectual Property Rights Agreement.

43. That agreement provided, in pertinent part, that:

- 2.1. All material that is entitled to legal or equitable protection as Intellectual Property, including but not limited to, work products, materials, records, data, correspondence, documents, inventions, formulas, software, graphics, inventions, designs, drawings, engineering, and anything else initiated, planned, developed, or created by Employee (solely, jointly, or collaboratively) during Employee's course of employment with Chegg, whether during or after customary business hours, that relates in any way whatsoever to Chegg's current business or its actual or reasonably

anticipated research and development, shall be considered “work for hire,” and the sole and exclusive property of Chegg (“Chegg Work Product”).

- 2.2. Employee hereby irrevocably assigns to Chegg all of Employee’s right, title, and interest to all Chegg Work Product.

Id. §§ 2.1, 2.2.

Separation Agreement

44. At the time of his termination of employment with Chegg, Defendant Hydrick also signed a Separation Agreement and Release effective February 1, 2017 (“Separation Agreement”). Under the Separation Agreement, Defendant Hydrick was paid \$55,000.00 “in consideration of Employee’s promises in this Agreement.” *See* Ex. 3, Separation Agreement.

45. Defendant Hydrick’s Separation Agreement also clearly stated that:

4. **Proprietary Information.** Employee acknowledges access to and receipt of confidential business and proprietary information regarding the Company and its affiliates while working. Employee agrees not to make any such information known to any member of the public. Employee further agrees to return to the company prior to the Termination Date all confidential and proprietary information and all other Company property, as well as copies or excerpts of any property, files or documents obtained as a result of employment with the Company, except those items that the Company specifically agrees in writing to permit Employee to retain.

10. **Applicable Law and General Provisions.** This Agreement shall be interpreted under the law of the state in which Employee last worked. . . . Any prior agreements between or directly involving Employee and the Company are superseded by this Agreement, except this Agreement shall not in any way affect, modify, or nullify any prior agreement Employee entered into with the Company regarding confidentiality, trade secrets, inventions, or unfair competition.

46. To date, Defendant Hydrick has not returned any of the information, emails, or documents referenced above.

47. Defendant Hydrick was, or should have been, aware that he was illegally sending confidential and trade secret proposals and lists of clients or prospective clients to his personal email address in violation of his Confidentiality Agreement, Intellectual Property Rights Agreement, Separation Agreement, and applicable law. Defendant Three-Two knew, and encouraged, this conduct through the “Chegg Client Discount” offered by Defendant Hagen on behalf of Defendant Three-Two. Indeed, Chegg is informed and believes that Defendants used Chegg’s trade secret and confidential materials to illegally usurp Chegg’s client and prospective client relationships while Defendant Hydrick remained employed at Chegg.

48. Under the applicable agreements and applicable law, Chegg is entitled to immediate injunctive relief, disgorgement of all proceeds from Defendant Hydrick’s disloyalty and his \$55,000.00 severance payment, and disgorgement of all proceeds of Defendants’ improper transactions with Chegg’s customers begun while Defendant Hydrick remained a Chegg employee, as well as damages for the misappropriation of its confidential and trade secret information.

FIRST CLAIM FOR RELIEF
Misappropriation of Trade Secrets
18 U.S.C. § 1836
(As to All Defendants)

49. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

50. Chegg is the owner of certain trade secrets and confidential business information relating to, *inter alia*, its proposals and list of clients and prospective clients. Such information is a trade secret within the meaning of 18 U.S.C. § 1839(3), as it is a form or type of financial, business, economic, or other information, including plans, compilations, methods, techniques,

processes, or procedures for which Chegg has taken reasonable measures to maintain its secrecy and which derives independent economic value from not being generally known.

51. These trade secrets are related to products or services used in, or intended for use in, interstate or foreign commerce in many states in which Chegg operates through nationwide online marketing and sales.

52. Any of these documents in the hands of a competitor would seriously undermine Chegg's ability to compete in the marketplace for digital marketing to college-age individuals, and allow the competitor knowledge of Chegg's clients, prospects, and proposal process.

53. Chegg has gone to great effort and expense to develop and maintain such trade secrets and the information is protected from disclosure by the Defend Trade Secrets Act.

54. Defendant Hydrick understood that certain trade secrets and confidential information belonging to Chegg would be made available to him to enable him to perform his responsibilities. Defendant Hydrick further understood his obligations to maintain the confidentiality of those trade secrets and other confidential information, including through his agreements related to confidentiality and proprietary rights, and understood that Chegg had a legitimate business interest in keeping that information confidential.

55. Chegg took reasonable and considerable efforts to maintain the confidentiality and secrecy of its trade secrets and confidential business information. For instance, Chegg limits computer access to certain employees or certain classes of employees; only distributes key documents and communications to those on a need-to-know basis; and requires an @chegg.com user ID and password to access all Chegg systems. Additionally, Chegg's Salesforce database requires access credentials.

56. No one outside of Chegg knows, or has access to, Chegg's proposals, lists of clients or prospective clients, or related trade secret materials.

57. Chegg is informed and believes that Defendants are in possession of Chegg's trade secrets, which were only made available to Defendant Hydrick under circumstances requiring that he maintain their secrecy.

58. Chegg is informed and believes that Defendant Three-Two is in possession of Chegg's trade secrets that were acquired from Defendant Hydrick or others through improper means. Defendant Three-Two knew or should have known that Defendant Hydrick's knowledge of the trade secrets was acquired under circumstances giving rise to a duty for them to maintain their secrecy.

59. The trade secret information misappropriated by Defendants has actual or potential independent economic value from not being generally known to the public or other persons who could obtain economic value from their disclosure or use.

60. Defendants have misappropriated or threatened to misappropriate, and will continue to misappropriate or threaten to misappropriate (if not enjoined), Chegg's trade secrets and confidential information for the purpose of using and exploiting them for their own interests, without license or permission from Chegg. This includes, without limitation, all of the conduct alleged above with respect to improper forwarding of Chegg information and documents to Defendant Hydrick's personal email addresses, retention of Chegg's documents and information, and other activities referenced above.

61. Defendants' misappropriation of Chegg's trade secrets is attended by circumstances of fraud, malice, or willful and wanton disregard of Chegg's rights.

62. Defendants' misappropriation of Chegg's confidential and proprietary trade secrets has also caused and will continue to cause Chegg irreparable injury and damages unless they are permanently enjoined by the Court, entitling Chegg to injunctive relief under 28 U.S.C. § 1836(b)(3)(A).

63. Chegg is also entitled to actual and consequential damages, including the reasonable price or royalties realized by Defendants resulting from the misappropriation of trade secrets and damages for unjust enrichment, and all other relief provided by 28 U.S.C. § 1836(b)(3)(B), including exemplary damages equaling two times the amount of damages awarded.

SECOND CLAIM FOR RELIEF
Violation of the Computer Fraud and Abuse Act
18 U.S.C. § 1030
(As to Defendant Hydrick)

64. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

65. Defendant Hydrick's foregoing conduct constitutes computer fraud in violation of the Computer Fraud and Abuse Act, 18 U.S.C. § 1030.

66. Chegg alleges that Defendant Hydrick accessed a Chegg computer and Chegg's confidential information innumerable times between November 4, 2016, and his last day of employment on February 1, 2017, beyond Chegg's authorization, in that Chegg has never authorized Defendant Hydrick to misappropriate or remove proprietary, confidential, or trade secret information for his own personal benefit or for the benefit of Defendant Three-Two, Defendant Hagen, or others, to Chegg's detriment.

67. Defendant Hydrick's access was further beyond the scope of authorization in forwarding confidential and trade secret information outside of Chegg to his personal email address (hydrick32@gmail.com). Among other things, as alleged above, Defendant Hydrick forwarded, or sought to forward, a list of clients and prospective clients, and a draft proposal to his personal email address.

68. Chegg alleges that Defendant Hydrick obtained proprietary, confidential, and trade secret information which includes, but is not limited to, customer lists, prospect lists, and proposals that Defendant Hydrick used or intended to use for his own benefit or for the benefit of Defendant Three-Two.

69. At all relevant times herein, the Chegg computers and devices were used in interstate and foreign commerce, and thus "protected" under the Computer Fraud and Abuse Act. Use of and access to Chegg's computers was protected by password and various policies.

70. As a result of Defendant Hydrick's unauthorized access of Chegg's computers, Chegg has suffered damages in an amount to be proven at trial, but well in excess of the jurisdictional minimum. Defendant Hydrick's conduct will require Chegg to engage outside vendors to image and potentially search his Chegg laptop, and potentially to upload all of the documents located on the laptop onto a third-party review site for inspection. As such, the cost of forensic examination, alone, well exceeds the jurisdictional minimum.

THIRD CLAIM FOR RELIEF
Breach of Fiduciary Duty / Duty of Loyalty
(As to Defendant Hydrick)

71. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

72. Defendants Hydrick owed a duty of loyalty to Chegg during his employment with Chegg that required him to act with utmost good faith and loyalty on Chegg's behalf.

73. Defendant Hydrick breached his duty of loyalty to Chegg by creating and actively working with Chegg's direct competitor, Defendant Three-Two, to grow Defendant Three-Two's business while still working for Chegg. Since at least November 4, 2016, when Defendant Hydrick received on his Chegg email Defendant Three-Two's federal Employer Identification Number, Chegg is informed and believes that Defendant Hydrick was working with Defendant Three-Two in violation of his duty of undivided loyalty to Chegg. Defendant Hydrick's flagrant disloyalty is further evidenced by the offer letter he composed for Defendant Three-Two while still a Chegg employee on or about January 6, 2017.

74. Upon information and belief, Defendants Hydrick also breached his duty of loyalty to Chegg by using confidential and trade secret information learned during his employment with Chegg to cultivate relationships with Chegg's clients and prospects, including offering a "Chegg Client Discount" to Chegg clients.

75. Chegg has been damaged by Defendants Hydrick's breach of his duty of loyalty.

76. Chegg is entitled to recover monetary damages from Defendant Hydrick in an amount to be proven at trial, which could include all of the pay Chegg paid to Defendant Hydrick during the period of his breaches, which for Defendant Hydrick began by at least November 4, 2016. Chegg is also entitled to recover the \$55,000.00 severance payment made to Defendant Hydrick, and costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

FOURTH CLAIM FOR RELIEF
Breach of Contract
(As to Defendant Hydrick)

77. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

78. Defendant Hydrick entered into a Confidentiality Agreement, Intellectual Property Rights Agreement, and Separation Agreement with Chegg, each of which protected Chegg's confidential, proprietary, and trade secret information and property.

79. Chegg fully performed its obligations under these agreements by employing Defendant Hydrick and paying Defendant Hydrick his severance of \$55,000.00.

80. Defendant Hydrick received valuable consideration for entering into his agreements in the form of hiring and ongoing employment, and, for the Separation Agreement, a payment of \$55,000.00.

81. Defendant Hydrick breached his Confidentiality Agreement by, among things:
- a. Forwarding Chegg's client list, prospects, and proposal to his personal email address under section 2.1 and 2.3;
 - b. Failing to return Chegg's client list, prospects, and proposal to Chegg upon his termination of employment under sections 2.4 and 2.5;
 - c. Using Chegg's confidential, proprietary, or trade secret information to establish, develop, or maintain a competing business with Defendant Three-Two and Defendant Hagen under section 4.1;
 - d. Upon information and belief, soliciting Chegg's clients or prospects, under section 5.2;

- e. Failing to notify Chegg of his work with Defendant Three-Two under section 9.1.

82. Defendant Hydrick also breached his Intellectual Property Rights Agreement by improperly sending to himself and failing to return Chegg's trade secrets and other intellectual property contained within its customer list, prospect list, and draft proposal under section 2.1.

83. Finally, Defendant Hydrick breached his Separation Agreement by, among other things:

- a. Making Chegg's confidential, proprietary, or trade secret information known to the public including, upon information and belief, Defendant Three-Two and Defendant Hagen under section 4; and
- b. Failing to return all confidential, proprietary, or other information or property to Chegg upon his termination of employment, including his company laptop computer, under section 4.

84. As a proximate result of Defendant Hydrick's breaches of contract, Chegg is entitled to injunctive relief as provided by these agreements, and to damages in an amount to be proven at trial.

FIFTH CLAIM FOR RELIEF
Breach of the Duty of Good Faith and Fair Dealing
(As to Defendant Hydrick)

85. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

86. Defendant Hydrick's Separation Agreement contained an implied duty of good faith and fair dealing that required faithfulness to the parties' agreed common purpose and

Chegg's justified expectations under the Separation Agreement. These include Chegg's justified expectation that Defendant Hydrick would inform Chegg of any of Chegg's confidential, proprietary, or trade secret information within his possession at the time of his termination of employment, that he would refrain from usurping Chegg's opportunities with respect to its prospect lists, and that he would refrain from using information and knowledge learned during his tenure with Chegg about its client prospects.

87. The clear purpose of the Separation Agreement was to ensure that Defendant Hydrick did not improperly use Chegg's confidential, proprietary, or trade secret information to usurp Chegg's business opportunities using the knowledge he gained while at Chegg.

88. Chegg justifiably expected that Defendant Hydrick would disclose any confidential, proprietary, or trade secret information of Chegg's that remained in his possession, and would refrain from using such information to usurp Chegg's business opportunities through a "Chegg Client Discount."

89. Chegg is entitled to recover actual and consequential losses in an amount to be proven at trial, as well as costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

SIXTH CLAIM FOR RELIEF

**Intentional Interference with Contracts and Prospective Business Advantage
(As to All Defendants)**

90. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

91. Chegg had existing or prospective contractual relationships with the clients and prospective clients listed in its stolen lists of client and prospective clients, and, upon information

and belief, the nearly 200 clients Defendant Three-Two somehow acquired in its first two months of existence.

92. Defendants had knowledge of these existing or potential contracts through Defendant Hydrick's forwarding of Chegg's client and prospective client lists to himself using his Chegg email address, and through Defendant Hydrick's prior work with these customers at Chegg.

93. Chegg had a legitimate expectation that its current employees, including Defendant Hydrick, would not interfere with its existing contracts or prospective business advantage with the clients and prospects on the lists, including using Chegg information developed for Chegg and offering a "Chegg Client Discount."

94. Defendants have engaged in wrongful acts that tortiously interfered with Chegg's existing contracts and prospective business advantage, as set forth more fully above. Chegg is informed and believes that Defendants used Chegg's trade secrets and confidential information to target the 200 other current clients of Defendant Three-Two. Such actions were wrongful in that Defendants targeted these clients or prospects with the clear aim to cause them to contract with Defendants instead of Chegg.

95. Defendants intentionally and improperly induced (or attempted to induce) nearly 200 clients to breach existing contracts or to refuse to enter into future contracts with Chegg.

96. As a result of Defendants' tortious and willful actions, Chegg has suffered, and continues to suffer, damages.

97. Chegg is entitled to actual and consequential damages in an amount to be determined at trial, such as current and future damages and losses that Chegg has or will have in

the future based on Defendants' improper interference with Chegg's existing contracts and prospective business, including, but not limited to, the value of any of Defendant Three-Two's accounts with any of its other 200 clients who were offered any "Chegg Client Discount." Chegg is also entitled to its costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

SEVENTH CLAIM FOR RELIEF
Misappropriation of Trade Secrets
Utah Code § 13-24-1, *et seq.*
(As to All Defendants)

98. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

99. Chegg is the owner of certain trade secrets and confidential business information relating to, *inter alia*, its proposals and lists of clients and prospective clients. Such information is trade secret within the meaning of Utah Code section 13-24-2(4).

100. Any of these documents in the hands of a competitor would seriously undermine Chegg's ability to compete in the marketplace for digital marketing to college-age individuals, and allow the competitor knowledge of Chegg's clients, prospective clients, and proposal process.

101. Chegg has gone to great effort and expense to develop and maintain such trade secrets and the information is protected from disclosure by the Utah Trade Secrets Act.

102. Defendant Hydrick understood that certain trade secrets and confidential information belonging to Chegg would be made available to him to enable them to perform their responsibilities. Defendant Hydrick further understood his obligations to maintain the confidentiality of those trade secrets and other confidential information, including through his

agreements related to confidentiality and proprietary rights, and understood that Chegg had a legitimate business interest in keeping that information confidential.

103. Chegg took reasonable and considerable efforts to maintain the confidentiality and secrecy of its trade secrets and confidential business information, including: limiting computer access to certain employees or certain classes of employees; only distributing key documents and communications to those on a need-to-know basis; and requiring an @chegg.com user ID and password to access all Chegg systems. Additionally, Chegg's Salesforce database requires access credentials.

104. No one outside of Chegg knows, or has access to, Chegg's client lists, prospective client lists, proposals, or related trade secret materials.

105. Chegg is informed and believes that Defendants are in possession of Chegg's trade secrets, which were only made available to Defendant Hydrick under circumstances requiring that he maintain their secrecy.

106. Chegg is informed and believes that Defendant Three-Two is in possession of Chegg's trade secrets that were acquired from Defendant Hydrick or others through improper means. Defendant Three-Two knew or should have known that Defendant Hydrick's knowledge of the trade secrets was acquired under circumstances giving rise to a duty for him to maintain their secrecy.

107. The trade secret information misappropriated by Defendants has actual or potential independent economic value from not being generally known to the public or other persons who could obtain economic value from their disclosure or use.

108. Defendants have misappropriated or threatened to misappropriate, and will continue to misappropriate or threaten to misappropriate (if not enjoined), Chegg's trade secrets and confidential information for the purpose of using and exploiting them for their own interests, without license or permission from Chegg. This includes, without limitation, all of the conduct alleged above with respect to improper forwarding of Chegg information and documents to Defendant Hydrick's personal email addresses, retention of Chegg's documents and information, and other activities referenced above.

109. Defendants' misappropriation of Chegg's trade secrets is attended by circumstances of fraud, malice, or willful and wanton disregard of Chegg's rights.

110. Defendants' misappropriation of Chegg's confidential and proprietary trade secrets has also caused and will continue to cause Chegg irreparable injury and damages unless they are enjoined by the Court, and Chegg has no adequate remedy at law.

111. Chegg is also entitled to actual and consequential damages, including the reasonable price or royalties realized by Defendants resulting from the misappropriation of trade secret and damages for unjust enrichment, in an amount in excess of the jurisdictional minimum. Furthermore, Chegg is entitled to costs, including witness fees, attorneys' fees, prejudgment and post-judgment interest, and other appropriate relief.

EIGHTH CLAIM FOR RELIEF

Conversion

(As to Defendant Hydrick)

112. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

113. Defendant Hydrick has improperly taken and retained possession of property belonging to Chegg, including but not limited to, all Chegg documents or information Defendant Hydrick forwarded to himself, his Chegg laptop computer, and other property belonging to Chegg, all of which should have been returned to Chegg upon Defendant Hydrick's termination of employment with Chegg.

114. Defendant Hydrick has used and will continue to use this property for his own personal use and benefit, and for the use and benefit of Defendant Three-Two.

115. By virtue of the foregoing, Chegg is entitled to an order requiring Defendant Hydrick to immediately return any of Chegg's property in his possession, custody, or control.

116. Chegg has also been damaged in an amount to be determined at trial, to include the value of such property at the time it was converted and interest at the legal rate from the time of conversion until trial.

117. Defendant Hydrick's conduct was willful, wanton, and attended by circumstances of fraud and malice.

NINTH CLAIM FOR RELIEF
Vicarious Liability
(As to Defendant Three-Two)

118. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

119. Defendants Hydrick and Hagen were purporting to act as principals, agents, or employees of Defendant Three-Two during at least some of the relevant time periods.

120. Defendant Three-Two is an artificial entity that can only act through its principals, agents, and employees.

121. As such, Defendant Three-Two is vicariously liable for all acts alleged against Defendants Hydrick and Hagen in a manner and amount to be proven at trial.

122. Chegg is entitled to actual and consequential damages in an amount to be determined at trial, such as current and future damages and losses that Chegg has or will have in the future based on Defendant Three-Two's actions through Defendants Hydrick and Hagen. Chegg is also entitled to its costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

TENTH CLAIM FOR RELIEF
Aiding and Abetting
(As to Defendant Three-Two)

123. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

124. Defendant Hydrick breached fiduciary duties he owed to Chegg, misappropriated Chegg's trade secrets, converted Chegg's property, and engaged in other tortious conduct with respect to his activities soliciting Chegg's clients and prospects for Defendant Three-Two while still employed at Chegg.

125. Defendant Three-Two knowingly participated and substantially assisted in the breaches of fiduciary duty and other tortious conduct by Defendant Hydrick. Chegg is informed and believes that Defendant Three-Two was complicit with, an active participant in, and a facilitator of this conduct, thereby aiding and abetting such breaches of fiduciary duties, including the duty of loyalty and the duty of confidentiality, as well as the other tortious conduct committed by Defendant Hydrick.

126. Chegg seeks actual and consequential losses in an amount to be proven at trial, as well as costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

ELEVENTH CLAIM FOR RELIEF
Aiding and Abetting
(As to Defendant Hagen)

127. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

128. Defendant Hydrick breached fiduciary duties he owed to Chegg, misappropriated Chegg's trade secrets, converted Chegg's property, and engaged in other tortious conduct with respect to his activities soliciting Chegg's clients and prospects for Defendant Three-Two while still employed at Chegg.

129. Defendant Hagen knowingly participated and substantially assisted in the breaches of fiduciary duty and other tortious conduct by Defendant Hydrick. Chegg is informed and believes that Defendant Hagen was complicit with, an active participant in, and a facilitator of this conduct, thereby aiding and abetting such breaches of fiduciary duties, including the duty of loyalty and the duty of confidentiality, as well as the other tortious conduct committed by Defendant Hydrick.

130. Chegg seeks actual and consequential losses in an amount to be proven at trial, as well as costs, including witness fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

TWELFTH CLAIM FOR RELIEF

**Civil Conspiracy
(As to All Defendants)**

131. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

132. While Defendant Hydrick was still an employee of Chegg, Defendants agreed, by words and conduct, to accomplish an unlawful goal or accomplish a goal through unlawful means. The unlawful goal includes, without limitation, tortious interference with prospective economic relationships, and unfair competition. The unlawful means include, without limitation, breach of fiduciary duty of loyalty and theft of Chegg's property and trade secrets.

133. Defendants engaged in overt acts to accomplish their unlawful goal or means, as identified and described throughout this complaint, including breaches of Defendant Hydrick's duty of loyalty, and Defendants' theft of Chegg's confidential and trade secret documents.

134. Chegg has suffered damages caused by Defendants acts performed to accomplish their goal.

135. Chegg is entitled to actual and consequential damages as well as costs, including witness fees, attorneys' fees, prejudgment and post-judgment interest, and other appropriate equitable and legal relief.

THIRTEENTH CLAIM FOR RELIEF

**Unjust Enrichment
(As to All Defendants)**

136. Chegg restates and incorporates by reference the allegations contained in all previous paragraphs of its Complaint.

137. Defendants have obtained a benefit from Chegg at Chegg's expense through improper and unlawful means; namely, the proceeds of the ill-gotten contracts or prospective contracts with any Chegg client or prospect to whom Defendants offered a "Chegg Client Discount."

138. Defendants' retention of the benefit under the circumstances without paying for it would be unjust.

139. Chegg is entitled to damages restoring the benefit to Chegg, including disgorgement of all profits from the contracts or prospective contracts by Defendant Three-Two with any Chegg client or prospect to whom Defendants offered a "Chegg Discount."

PRAYER FOR RELIEF

WHEREFORE, Chegg respectfully requests the following relief:

1. Enter a permanent injunction enjoining Defendants from:
 - a. Using, disclosing, or revealing any confidential, proprietary, and/or trade secret information belonging to Chegg, which Defendants must hold in the strictest confidence;
 - b. Destroying, erasing, or otherwise making unavailable for further proceedings in this matter, any confidential, proprietary, and/or trade secret information belonging to Chegg;
 - c. Taking any action of any character or nature having the purpose or effect of disclosing, utilizing, disseminating, misappropriating, or in any manner dealing with Chegg's confidential information and trade secret information or other property belonging to Chegg;

- d. Working for a direct competitor such as Three-Two in a role performing the same or substantially similar duties for an appropriate period of time to be determined by the Court;
 - e. Interfering with Chegg's business relations with any prospective customers; and
 - f. Interfering with Chegg's contractual relations or business relations with any of its customers.
2. Order the complete return of Chegg confidential information, trade secret information, and other Chegg property to Chegg, and order that Defendants must completely destroy any copies of such information in Defendants' possession.
3. Award Chegg damages incurred due to Defendants' use or threatened misappropriation of trade secret information and interference with Chegg's contractual relations or business expectancies, including the recovery of actual and compensatory damages.
4. Award Chegg and order Defendant Hydrick to disgorge the \$55,000.00 severance payment made to Defendant Hydrick.
5. Impose a constructive trust on, and requiring disgorgement of all revenues Defendants have received, or may receive in the future, through Defendants' unlawful conduct directed toward Chegg.
6. Award Chegg allowable costs, disbursements, and penalties in this action as the Court deems proper.

7. Award Chegg all reasonable attorneys' fees to the extent such may be allowable by law.
8. Award Chegg exemplary damages in an amount not more than two times the damages awarded for Defendants' willful and malicious misappropriation of Chegg's trade secrets under 18 U.S.C. 1836(b)(3)(C).
9. Award Chegg all further appropriate relief in law or in equity to which it may show it is justly entitled.

CHEGG, INC. DEMANDS A JURY ON ALL ISSUES SO TRIABLE.

RESPECTFULLY SUBMITTED this 21st day of February, 2017.

HOLLAND & HART LLP

/s/ Cory A. Talbot
Cory A. Talbot

Danielle L. Kitson (*Pro Hac Vice Admission
Pending*)
LITTLER MENDELSON, P.C.
1900 16th Street, Suite 800
Denver, CO 80202

*Attorneys for Plaintiff,
Chegg, Inc.*

Plaintiff's Address:

Chegg, Inc.
3990 Freedom Circle
Santa Clara, California 95054