

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

PETER DAOU and JAMES BOYCE,

Plaintiffs,

v.

ARIANNA HUFFINGTON, KENNETH LERER, and
THEHUFFINGTONPOST.COM, INC.,

Defendants.

:
: Index No. 651997/2010
:
: IAS Part 53 (Ramos, J.)
:

AMENDED COMPLAINT

Plaintiffs Peter Daou and James Boyce, through their undersigned counsel, as and for their Amended Complaint against Defendants Arianna Huffington, Kenneth Lerer, and TheHuffingtonPost.com, Inc., allege as follows:

NATURE OF THIS ACTION

1. This lawsuit will prove that Arianna Huffington and Ken Lerer, by way of broken promises and outright fraud, stole the idea for The Huffington Post from James Boyce and Peter Daou. The idea – Plaintiffs’ idea – was to create an Internet website combining a collective of blogs by notable personalities (i.e. a ‘group blog’), non-partisan news aggregation, issue-specific web pages, scoops and exclusives derived from the parties’ existing relationships with political and media insiders, and online community-building (a “gathering place”), with the purpose of establishing a progressive counterweight to conservative talk radio and websites like the “Drudge Report.” These elements, and the combination thereof, as set forth by Boyce and Daou and conveyed to Defendants by means of memoranda, verbal communications and emails in November and December 2004, comprise the essential and signature components of The Huffington Post.

2. By their unequivocal and enthusiastic words and actions, Huffington and Lerer pretended to enter into a business partnership with Plaintiffs in late 2004 for the express purpose of developing Plaintiffs' website idea. However, at the same time as Huffington and Lerer were soliciting Boyce's and Daou's ideas and plans, telling them that they were building together what would become The Huffington Post, and shaking hands with Boyce and Daou in a manifestation of their business relationship, we now know that Huffington and Lerer were secretly sending Plaintiffs' ideas to other individuals and developing their own business venture – The Huffington Post – using Boyce's and Daou's ideas, while excluding them from ownership and control.

3. We also now know that Defendants actively plotted to cover up their theft of Plaintiffs' idea, led Plaintiffs along in reliance on false pretenses, and then launched The Huffington Post as if it were their own invention. They did so by concocting what they labeled a “narrative” of the website's creation, working with two confidantes to write Boyce and Daou out of the story and obscure the true circumstances of the website's creation. In their “narrative,” Defendants fabricated a story that contained the details of how they supposedly joined forces to conceive and create The Huffington Post – while altogether erasing the fact that Boyce and Daou actually came up with the idea for the website.

4. Plaintiffs' fundamental idea underlying the success of The Huffington Post, as affirmed numerous times by Huffington and Lerer themselves, was novel, original, and revolutionary at the time. It was also valuable: Huffington and Lerer each made millions when they sold The Huffington Post to AOL for \$315 million in 2011. To induce Boyce and Daou to share their website idea and to enlist their assistance in the project's early development, Huffington and Lerer expressly agreed to become partners with them and to fund the proposed

website during its formative stages. Boyce and Daou trusted Defendants and relied on their promises and inducements.

5. Huffington and Lerer have never admitted the truth about who really came up with the idea for The Huffington Post. In March 2005, before the website was launched, Defendants were disseminating a “Business Plan” (unbeknownst to Plaintiffs) falsely telling potential investors that the project “is the brainchild of Kenneth Lerer and Arianna Huffington.” Defendants have continued to propagate this falsehood ever since. For example, in 2010 they stated publicly that: “we came up with the idea for the Huffington Post.” The reality is that Huffington and Lerer did not come up with the idea for The Huffington Post. Instead, Huffington, who was then new to the world of blogging, and Lerer, who admitted to friends in the fall of 2004 that he was looking for the next big Internet idea, seized on Plaintiffs’ idea and, through fraudulent pretexts, misappropriated those ideas for their own gain.

6. Their solicitations, promises, agreements and handshakes notwithstanding, Huffington and Lerer never intended to enter into business with Plaintiffs. On the contrary, while Boyce and Daou were sharing their ideas and plans with Defendants in good faith, Defendants were in turn secretly funneling those same ideas and plans to others, for the purpose of funding, developing, and ultimately representing Plaintiffs’ ideas as their own. Boyce’s and Daou’s seminal role in the conception and creation of The Huffington Post has been hidden from history, and Plaintiffs have never been compensated for the losses caused by Defendants’ wrongful conduct. This lawsuit has been filed to right those wrongs.

PARTIES

7. Plaintiff Peter Daou is an individual residing in the County of New York in the State of New York. He is a political and digital media consultant who advises leading

campaigns, companies and organizations. He directed blog outreach and online rapid response for John Kerry's presidential campaign in 2004, and in 2006 became a senior online advisor to Hillary Clinton. In 2007, he was named Internet Director for Hillary Clinton for President. He has been cited frequently for his expertise by news outlets including the *Washington Post*, ABC News, the *New York Times*, Politico and the *Wall Street Journal*. He has been a speaker and panelist at numerous conferences including Harvard Business School's Cyberposium and Forbes MEET. The *New York Times* has described him as "one of the most prominent political bloggers in the nation."

8. Plaintiff James Boyce is an individual residing in the County of Suffolk in the Commonwealth of Massachusetts. He founded Common Sense New Media Strategies after serving as a Senior Advisor to John Kerry's presidential campaign in 2004. He first began working in online marketing and advertising in 1994 with Slingshot, LLC in Dallas, Texas. Currently working as a new media advisor for several prominent clients, Boyce frequently speaks at conferences on how organizations can cost-effectively use new media platforms.

9. Upon information and belief, Defendant Arianna Huffington is an individual with a residence in the County of New York in the State of New York.

10. Upon information and belief, Defendant Kenneth Lerer is an individual residing in the County of New York in the State of New York.

11. Upon information and belief, Defendant TheHuffingtonPost.com, Inc. ("Huffington Post"), is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in the County of New York in the State of New York. Upon information and belief, Defendant TheHuffingtonPost.com, Inc., was caused to be formed by Defendants Huffington and Lerer in order to, among other things, develop the

HuffingtonPost.com website and thereby reap the benefits of the ideas, expertise and services provided by Plaintiffs as alleged herein. On March 4, 2011, after the filing of the original Complaint in this action, TheHuffingtonPost.com, Inc. was acquired in its entirety by AOL Inc.

JURISDICTION AND VENUE

12. This Court has personal jurisdiction over Defendants pursuant to CPLR § 301 and CPLR § 302(a). As set forth in greater detail below, Defendants have all transacted business in the State of New York, many of the services in question took place in New York, and Defendants either reside or have places of business in this State.

13. Personal jurisdiction exists over Defendant Huffington because she resides in the State of New York. In addition, Huffington transacts business within the State and/or contracts to supply services in the State, has committed tortious acts within the State, and has committed tortious acts without the State causing injury to persons within the State, while regularly doing business within the State. Huffington should reasonably expect her acts to have consequences in the State and derives substantial revenue from interstate commerce.

14. Personal jurisdiction exists over Defendant Lerer because he resides in the State of New York. In addition, Lerer transacts business within the State and/or contracts to supply services in the State, has committed tortious acts within the State, and has committed tortious acts without the State causing injury to persons within the State, while regularly doing business within the State. Lerer should reasonably expect his acts to have consequences in the State and derives substantial revenue from interstate commerce.

15. Personal jurisdiction exists over Defendant TheHuffingtonPost.com, Inc. because its principal place of business is located in New York State and it regularly conducts business in this State.

16. Venue is properly laid in New York County, pursuant to CPLR § 503 and CPLR § 509, because Plaintiff Peter Daou resides in New York County, the parties transact business in New York County, and the principal place of business of Defendant TheHuffingtonPost.com, Inc. is located in New York County. In addition, a substantial portion of the acts and transactions alleged herein took place, and material witnesses are located within, New York County.

STATEMENT OF FACTS

A. **Plaintiffs Have the Idea for a New Kind of Website: The “1460” Project**

17. Most of the critical events underlying this lawsuit occurred between November 2004 and May 2005 in the wake of the defeat suffered by the Democratic Party in the 2004 presidential election. That painful electoral loss gave party loyalists the motive and opportunity to search for new ways to build a strengthened political base and communicate a more effective political message. It also provided potentially lucrative business opportunities to innovators who were able to come up with those new ideas.

19. Boyce and Daou knew that the Internet – and especially the nascent world of blogs – provided the answer. As veterans of John Kerry’s 2004 presidential campaign, they had gained unique, in-depth perspective and insight into the emerging power of the Internet as a force in politics, how the Internet could be used effectively to communicate, and the nature and extent of the Democratic Party’s desperate need for such Internet communications.

20. Following the November 2004 election, Plaintiffs began discussing between themselves the formation of a business venture and prepared a written document describing their ideas and plans for a new kind of progressive news-reporting and group blogging website designed to promote and enhance Democratic causes. This document, which Plaintiffs called the

“1460” Memorandum (a reference to the number of days between the 2004 and 2008 presidential elections), was created between approximately November 5, 2004 and November 19, 2004 in a series of drafts written by Boyce, with Daou’s review and input.

21. One of Boyce’s and Daou’s objectives was to counter what they perceived as the outsized influence of, among other conservative media, the website known as the “Drudge Report” (www.drudgereport.com). At the time that Boyce and Daou drafted the 1460 Memorandum, the Democrats had no comparable outlet for the purpose of rapidly disseminating news and exclusives. Boyce and Daou, drawing on knowledge and experience acquired during the 2004 presidential campaign, developed the idea for a website that would make use of new tools, functionality, technology and design on the Internet to create a communications hub unlike anything else existing at the time.

22. Plaintiffs’ 1460 Memorandum (as developed and elaborated by Plaintiffs in November and December 2004) contained the core components of their idea. The Memorandum explained that the proposed website would “use the potential of the Internet to the fullest extent possible to continue the momentum started during the [2004 presidential] campaign.” Specifically, the 1460 Memorandum contemplated that the website would “highlight the daily news; be utilized to drive the business cycle by including ‘scoops’ generated by the founders’ contacts within the Democratic Party and Democratic leadership and will become a gathering place for Democrats online.” Indeed, in a November 19, 2004 email summary of the 1460 Memorandum from Boyce to Huffington, Boyce identified the defining element of what would become The Huffington Post when he articulated Plaintiffs’ idea for “an interactive blog where both celebrity guests and the general public can pick a topic and debate in real time versus a member of the opposition.”

B. Huffington and Lerer Learn About Plaintiffs' Idea and Agree to Become Partners With Them

23. Plaintiffs were deeply committed to the ideals of the Democratic Party and the success of its candidates, and the 1460 Memorandum was motivated in part by those political commitments. But it was more than that. Boyce and Daou were also working professionals who earned their livelihood in the world of politics, and the 1460 Memorandum was intended to set out the outline of a business plan for themselves as well as a political strategy for their party. The Memorandum presented their ideas as a “business concept,” and plainly was designed to promote a “financial opportunity” for investors. For example, the Memorandum expressed optimism about the website’s ability to generate advertising and other revenues.

24. Plaintiffs shared the 1460 Memorandum with very few people, and the first person they shared it with was Arianna Huffington. They trusted Huffington, among other reasons, because of her relationship with people they respected and trusted. In 2004, Huffington had no prior expertise or significant experience involving Internet blogging. She was, however, a well-known personality in the realm of politics. Plaintiffs believed that Huffington was a prime candidate to participate in their 1460 project and become the public face of the website.

25. Based on his experience traveling with notable personalities during the Kerry campaign, Boyce believed that the website could differentiate itself by hosting blogs by prominent insiders and luminaries, whose blogs would drive traffic and political interest. He suggested that Huffington, who was well known as an accomplished political networker, could provide the 1460 project with valuable connections to such personalities. Expressing this thought, Boyce emailed Huffington on November 14, 2004 and advised her that “[we] want to talk about your role --- Peter and I want you as our siren.”

26. On or about November 14, 2004, Boyce sent a draft of the 1460 Memorandum to Huffington. Within days, Huffington demonstrated her interest in Plaintiffs' ideas by asking her executive assistant, Colin Sterling, to do things such as "download the Peter Daou site from James Boyce" and to put "Boyce – 1460, - Peter Daou [sic]" on Sterling's "to-do" list.

27. Due to Huffington's immediate expression of interest, Plaintiffs began sharing with her their substantial knowledge about the online world and its rapid evolution. On or about November 15, 2004, Boyce sent Huffington a detailed memorandum prepared by Daou for Stephanie Cutter (then communications director for the Kerry campaign, now a senior White House advisor). Daou's "Cutter" memorandum provided an insider's guide to the state of blogging and online communications during the 2004 presidential campaign, explaining that "many Democrats Still Don't Get It. The Internet has not been fully assimilated into the Democratic echo chamber." Plaintiffs, by contrast, "got it" and trusted Huffington enough to share with her their insights and expertise in the form of the 1460 and "Cutter" memoranda.

28. Huffington responded quickly and enthusiastically. She immediately agreed to participate in the project. The draft 1460 Memorandum sent to Huffington on November 14th, in fact, expressly identified her as a partner and investor in the project, and at no time thereafter did Huffington ever indicate to Plaintiffs that this designation was untrue or inaccurate in any way, nor did Huffington request that it be removed or qualified in any respect. Boyce updated the 1460 Memorandum on November 15, 2004 to reflect that Huffington had "agreed" to participate in the project.

29. Ken Lerer, like Huffington, had no prior experience or expertise in Internet blogging as of late 2004. In September of that year, however, Lerer had expressed to his friends (including David Thorne, a Boston businessman with close ties to John Kerry, and now the

United States Ambassador to Italy) that Lerer was looking for an investment opportunity in “the next big thing” to make use of the Internet. Lerer found it when he learned about Plaintiffs’ 1460 project.

30. In September 2004, Lerer called Daou to discuss the Kerry campaign’s Internet strategy. He did so at the urging of David Thorne, who conveyed to Lerer that Daou would be the right person to speak to if Lerer was looking for new Internet ideas. Lerer learned that Daou had specific ideas about how to use the Internet as an effective tool for connecting to and mobilizing large numbers of politically-engaged Americans.

31. Huffington knew that Lerer had access to money to finance the project, and an interest in Democratic causes generally. She also learned, no later than November 2004, that Lerer was looking for investment opportunities in the Internet. In mid-November, 2004, at the suggestion of Huffington, Boyce met with Lerer in New York City. Boyce did not share the 1460 Memorandum with Lerer, but he did discuss with Lerer, in general terms, the idea behind the 1460 project. Boyce was inclined to trust Lerer because they shared a mutual friend in David Thorne and because of Huffington’s recommendation.

32. On November 19, 2004, Boyce emailed to Huffington a revised version of the 1460 Memorandum and wrote: “Frankly, I think it would really work and is the messaging platform of the future.” That same day, Huffington reported to Boyce, who in turn reported to Daou, that Huffington thinks “Kenny [Lerer] will give us the funds we need” for the website.

33. To summarize, by the third week in November, 2004, Huffington had told Boyce in unequivocal terms that (a) she agreed to be a partner in the 1460 project, and (b) she believed that Lerer would fund the project.

34. Plaintiffs reasonably relied on those statements made by Huffington, as well as the words and actions of Huffington and Lerer thereafter (described below), in making decisions about how best to make the 1460 project a reality in the critical months between November 2004 and May 2005, a period when some of the most successful Internet platforms of the digital era were conceived or launched.

C. The Meetings at Huffington’s House on December 3 and 4, 2004, and the Handshake Deal Between Plaintiffs and Defendants on December 4

35. In November 2004, Huffington told Boyce that she was helping to organize a small meeting of influential political insiders and entertainment luminaries to discuss what could be done to improve the Democratic Party’s future prospects after its devastating loss at the polls on November 2, 2004. The meeting, which took place on December 3, 2004 at Huffington’s home in California, had been in the works for several weeks, and was being organized by Huffington and two friends, Victoria Hopper and Callie Khouri. Hopper, in an email regarding the meeting, described Boyce and Daou as “one or two people from the Kerry campaign that Arianna thinks are worthy.”

36. After discussing the 1460 Memorandum with Boyce in mid-November, Huffington abruptly informed Hopper and Khouri that she wanted to move the meeting to New York City and wanted to limit the meeting to a small group including Boyce, Daou, Lerer, and Thorne. The purpose of the New York meeting, planned for November 30, 2004, was to discuss the ideas and plans for the website formulated by Boyce and Daou. Soon, however, the New York meeting was postponed due to holiday and scheduling issues, and, on December 3, 2004, approximately thirty prominent political activists and Democratic donors convened at Huffington’s California home to discuss the future of the Democratic Party in the aftermath of

George W. Bush's re-election. Among the attending guests were Boyce, Daou and Lerer. Boyce was the only invitee to spend the night as Huffington's houseguest.

37. The December 3, 2004 meeting at Huffington's home has been publicly and repeatedly identified by Huffington and Lerer as the genesis of their alleged conception, planning and creation of The Huffington Post. For example, a March 19, 2009 *Time* magazine article states that Huffington and Lerer "hatched" The Huffington Post at the December 3, 2004 meeting. A February, 2010 *Inc.* magazine story, entitled "How I Did It," quotes Huffington as saying, "After the '04 presidential race, I had a meeting to discuss the role media had played in the election. Among those at the meeting was Ken Lerer, who became my co-founder. We discussed creating a platform that would be a combination of 24/7 news and a collective blog. That was the beginning of the Huffington Post."

38. Huffington and Lerer knew that their public account of the creation of The Huffington Post omitted an extremely important detail, a single fact that renders their incomplete account a falsehood: namely, that Boyce and Daou conceived and presented to them the idea for The Huffington Post. A contemporaneous transcript of that December 3 meeting shows that Huffington said nothing even vaguely foreshadowing the development of The Huffington Post, and Lerer did not make a single comment on any subject. The transcript also shows that only Daou, of the thirty attendees, vigorously evangelized for the use of the Internet.

39. Confirming the substance of Daou's unique contribution to the meeting, filmmaker Robert Greenwald, who was one of the thirty attendees, emailed Daou four days after the December 3 meeting to compliment his ideas and plans for a new liberal website that would become "our Drudge," and stated, "[I]et me know when you get close to launch, so I can spread [the] word and connect you to a bunch of folks who will get you leads, etc."

40. Plaintiffs did not provide the 1460 Memorandum itself to the attendees at the December 3 meeting because they wanted to keep its circulation limited due to its commercial value.

41. On the night of December 3, some of the participants from the earlier meeting at Huffington's home had dinner at the residence of Larry and Laurie David. Huffington introduced Lerer to David Thorne as "my new partner in a project we are working on." Lerer expressed his excitement about the website concept that had been proposed by the Plaintiffs and referenced in Daou's presentation that day at Huffington's home.

42. As previously arranged, Boyce, Daou and Lerer joined Huffington for breakfast at her home on December 4, 2004. Only the four of them were present for the meeting. At this meeting, the parties specifically discussed and confirmed Boyce's and Daou's concrete ideas and plans for the proposed website, which they had previously shared with Defendants. They all agreed that the website should highlight Huffington's personality. They also agreed that once the website was launched, Boyce, Daou and Huffington would seek scoops and exclusives from their respective contacts in the media and Democratic Party. The four participants further expanded on the suggestion in the 1460 Memorandum that political leaders and public figures should be invited to blog on the planned website – the distinguishing feature and predominant claim to fame of The Huffington Post – and they discussed specific prospective celebrity bloggers.

43. At the conclusion of the December 4 meeting, Boyce, Daou, Huffington, and Lerer shook hands and agreed to build the website together as partners.

44. Once Defendants and Plaintiffs shook hands on December 4, 2004 and agreed to build the website together, and based upon all of the events leading up to that moment, Boyce

and Daou believed that they were partners with Huffington and Lerer in a business venture to develop the website. Acting on that belief, in the days following the meeting, Boyce emailed Huffington and Lerer to discuss equity stakes in the website, and Plaintiffs emailed David Thorne stating they were developing a website “in partnership” with Huffington and Lerer. Plaintiffs relied on Defendants’ agreement to become partners. Rather than seeking and procuring alternative sources of funding, and developing their ideas for the 1460 project by themselves or with others, Plaintiffs relied on Huffington and Lerer to follow through on their promise to work with them to create the website that Boyce and Daou had conceived.

D. The Novel Nature of Plaintiffs’ Ideas

45. The website idea created and articulated by Boyce and Daou, which was the essential and foundational basis for the agreement between Plaintiffs and Defendants on December 4, 2004, contained a specific combination of elements that have always been central and “signature” elements of The Huffington Post. These elements, stolen by Defendants from Plaintiffs, included a collective of blogs by notable personalities (a ‘group blog’), non-partisan news aggregation, issue-specific web pages, scoops and exclusives derived from the parties’ existing relationships with political and media insiders, and online community-building (a “gathering place”).

46. The concrete idea for this specific combination of elements was entirely novel at the time it was developed and articulated by Plaintiffs in late 2004. Indeed, the novelty of the idea is repeatedly acknowledged and emphasized by Huffington and her representatives in their descriptions of the website; they use terms such as “unique” and “one-of-a-kind,” “groundbreaking,” and “new, fresh and never before tried” to describe the website in the months leading up to the launch of The Huffington Post in May 2005. This self-described novelty has

been reiterated time and again by Huffington in the years since 2005. For example, in a March 2010 article in *Wired* magazine, Huffington spoke about the originality of The Huffington Post: “Now it’s, like, so obvious. But at the time, it had never been done.” In November, 2006, Huffington told *Playboy* magazine that “[p]art of [the website’s success], as I look back, was timing. There’s a tremendous advantage in being first with something. . . . We were the first hybrid of news and group blog.”

47. A “Business Plan” dated March 2005, used by Defendants to solicit funding, describes the not-yet-launched Huffington Post as “a one-of-a-kind Internet publishing venture that combines breaking news, media commentary, and an innovative group blog featuring fresh takes from some of the most original thinkers in politics, Hollywood, corporate America, and the media.” The same Business Plan refers to the “Group Blog” feature as “groundbreaking,” and predicts that the “Huffington Post’s unique mix of formats and personalities will quickly turn it into one of the must-visit and must-bookmark destinations on the Web.”

48. In an email dated March 10, 2005, Huffington’s assistant, Colin Sterling, stated that the idea for The Huffington Post – in actuality Plaintiffs’ idea – was “new, fresh and never before tried.”

49. A memo from Huffington dated March 31, 2005 stated that the website was, “an innovative group blog . . . fueled and informed by a news section that allows visitors to stay ahead of the news curve. . . . No one else is doing this on the Internet. We’re creating a new format that’s an evolutionary step forward.” All of the foregoing descriptions of The Huffington Post attest to the novelty of Plaintiffs’ ideas which were stolen by Defendants.

E. Part One of the Fraud: Defendants' Theft of Plaintiffs' Website Idea

50. Unbeknownst to the Plaintiffs, Huffington and Lerer from the very outset had no intention to abide by their agreement to become partners with them. It is now clear that Huffington and Lerer intended instead to misappropriate the idea for the website, as well as any additional ideas they could elicit from the unsuspecting pair in the weeks that followed, and use those ideas to build their own website business while cutting Plaintiffs out of any position of ownership or control.

51. The fraud was easy to effectuate because Plaintiffs trusted Huffington and Lerer. Huffington and Lerer violated that trust, and their fraudulent intentions are clear from contemporaneous events that Plaintiffs have only recently discovered. Specifically, Plaintiffs have learned that Huffington and Lerer, while pretending to be their partners in December 2004, were secretly plotting, at that very time, to misappropriate Plaintiffs' ideas and build a website business based on those ideas with other individuals.

52. Huffington's and Lerer's fraudulent intentions are reflected in, among other things, the fact that they were assembling their secret team at the very same time they were pretending to be launching their partnership with Plaintiffs. As early as December 7, 2004 – just three days after the December 4, 2004 meeting where Huffington, Lerer, Boyce and Daou agreed to build the website together – Huffington conveyed Plaintiffs' confidential ideas and plans to Roy Sekoff, a writer who was later described as “founding editor” of The Huffington Post, without Plaintiffs' knowledge or consent. On that date, Boyce sent Defendants a memorandum setting forth the elements of expenses, administrative responsibilities and actions necessary to implement the website Plaintiffs and Defendants had agreed to build together. Within hours, Huffington had sent Sekoff a copy of an email in which Lerer expressed reservations about

Boyce's memorandum. Huffington's email to Sekoff included Boyce's entire business plan with confidential details about the planned website. Neither Huffington nor Lerer told Plaintiffs about any such reservations, nor did they tell Plaintiffs that they were conspiring with Roy Sekoff to misappropriate Plaintiffs' website idea for themselves.

53. Huffington and Lerer likewise were secretly communicating in December 2004 with a political activist named Andrew Breitbart in an effort to persuade Breitbart to participate, without Boyce and Daou, in the website project. Again, as with Sekoff, the timing of these discussions exposes Defendants' fraudulent intentions, because Defendants were already in discussions with Breitbart about Plaintiffs' ideas no later than December 18, 2004, at a time they were still pretending to be working with Plaintiffs. Defendants concealed from Plaintiffs these secret communications with Breitbart because Defendants knew that they were acting wrongfully at the time. Indeed, despite knowing that their collaboration with Breitbart began in mid-December 2004, Defendants falsely represented in this proceeding that the collaboration did not begin until January 2005, a falsehood intended to cover up the fact that they acted deceitfully toward Plaintiffs when they were pretending to establish a partnership with them at the same time.

54. On December 18, 2004, just two weeks after shaking hands on her deal with Boyce and Daou, and at the same time as Defendants were pretending to be developing the website in partnership with them, Huffington received an email from Breitbart describing the website project in terms that are manifestly derived from the website project conceived by Plaintiffs. Breitbart's "quick first email pass at the idea" identifies the very same two primary components of the website that Plaintiffs had previously identified for Huffington and Lerer: "[T]he perfect hybrid of group blog and news posting board," in Breitbart's phrase. Breitbart

described the website as one that would be “fueled 24/7 by registered users posting timely newspaper stories ... and even blog entries and then the burgeoning database of luminaries from all fields will weigh in.” This “quick idea” – which became The Huffington Post – is the very idea that was stolen from Boyce and Daou.

55. On or about December 28, 2004, Breitbart and Sekoff sent Huffington and Lerer a proposal containing language nearly identical to that given to Defendants by Plaintiffs. At that same time, contemporaneous emails show that Boyce and Daou continued to work on the website project with the Defendants. Breitbart and Sekoff described the website as “a must-go-to destination ... for those wanting to take part in a public exchange of ideas with luminaries from the worlds of politics, Hollywood, publishing, and corporate America.... The lower portion of the site will be our “progressive Drudge”, which breaks news ... through exclusive scoops given to us by our friends in the worlds of politics, entertainment, and business.” The direct parallels with the ideas that Huffington and Lerer had received from Plaintiffs more than a month earlier are unmistakable. In the words contained in Plaintiffs’ 1460 Memorandum and emails to Defendants, the website would feature “an interactive blog where both celebrity guests and the general public can pick a topic and debate in real time versus a member of the opposition. . . . The site will highlight the daily news; be utilized to drive the business cycle by including ‘scoops’ generated by the founders’ contacts within the Democratic Party and Democratic leadership.”

56. Perhaps unintentionally, Breitbart admitted that the idea for The Huffington Post did not originate with him when he wrote to Huffington, Lerer and Sekoff in late December 2004, stating that “[w]hat started as an attempt to develop a ‘progressive Drudge Report’ has now turned into something far more creative, innovative, and exciting.” Although Breitbart’s

characterization of Plaintiffs' idea as a "progressive Drudge Report" is simplistic and self-serving, he is exactly right that Plaintiffs' idea was the "start" of The Huffington Post.

57. Breitbart's December 18, 2004 email ends with these words: "There is no other site that even tries to do this. So what's holding us back? Nothing. Good. Let's go." What Breitbart may not have known but Defendants most certainly did know, was a fact that should have been "holding back" Huffington and Lerer: all of the essential ideas for the website described by Breitbart had been given to Defendants by Boyce and Daou.

58. Huffington since has admitted, unwittingly, that the idea described by Breitbart on December 18, 2004 came from Plaintiffs. By June 2005, there had been a falling-out between Huffington and Breitbart. Thereafter, Breitbart publicly claimed that he "created the Huffington Post." He told *Wired* magazine in 2010: "I drafted the plan. They followed the plan." Huffington, who sought to counter Breitbart's claim of creative origination, responded by stating that "the idea for the site was cooked up at a meeting in [my] living room after the 2004 elections." Breitbart "wasn't present," said Huffington. Huffington thus rebutted Breitbart's false claim by more accurately describing, and thereby admitting, the true origin of The Huffington Post. The "meeting" Huffington references took place at her home on December 3 and 4, 2004. Plaintiffs were there; Breitbart was not. Plaintiffs were the only people there who presented an idea for a website. It was Boyce and Daou who "cooked up" the idea behind The Huffington Post.

59. Without Plaintiffs' knowledge but based on their ideas, Huffington and Lerer continued to work secretly with Sekoff and Breitbart in December 2004 and early 2005 to launch what became The Huffington Post. In addition, the ideas that Plaintiffs had shared with them were used by Huffington and Lerer to raise money from investors to fund the very website that

was based on those stolen ideas. They raised at least \$2 million for the prospective website, without informing or crediting Plaintiffs, or giving them the opportunity to invest their own resources or raise their own financing for the website. Huffington has stated publicly that it took her only one week to raise an initial \$1 million for the website idea. She has failed to acknowledge the fact that Plaintiffs' ideas made it possible to raise that money so quickly.

60. The fraudulent scheme described above continued in early 2005 as Huffington, Lerer, Sekoff, Breitbart, and Huffington's assistant, Colin Sterling, exchanged various memoranda and business plans relating to the website that became The Huffington Post. These documents were based on Plaintiffs' ideas; and Plaintiffs' words and concepts were threaded throughout.

61. One such document, drafted by Breitbart, was circulated on February 14, 2005 by Sterling to Lerer and Huffington. In it, Breitbart expressed his hope to continue at a pace that allows for the "basic functionality of the site to be ready for an April 1, 2005 launch. Breitbart explained that "[b]y this I mean the group blog, the news forum [and the] entirety of design and placeholders" These were the very elements defining the website idea created by Plaintiffs, and disclosed by them to Huffington and Lerer in 2004.

62. On February 17, 2005, Sekoff sent Huffington, via Sterling, an outline of the website that would become The Huffington Post. Sekoff's outline once more replicated the ideas that Boyce and Daou provided Huffington and Lerer in November and December 2004. Among other things, Sekoff explains – in words that parroted Plaintiffs' words and ideas – the following "unique" blend of attributes that would characterize the Huffington Post:

- "[A] permanent bookmark for those wanting to find out exactly what is happening in the world at any given moment, as well as those wanting to take part in a public

exchange of ideas with luminaries from the worlds of politics, Hollywood, publishing and corporate America.”

- “The Huffington Post will consist of 5 separate sites, each housing a Breaking News-style section and a group blog.”
- The “co-stars” of the group blogs, and thus, the Breaking News sections, will be an ever-evolving cast of characters made up of Arianna’s circle of friends and colleagues.”

63. These same ideas – Plaintiffs’ ideas – were used by Huffington and her agents to solicit participation of high-profile bloggers for The Huffington Post. Huffington’s solicitation letter, drafted in March 2005, announced, “I am on the verge of launching a new Internet publishing venture called The Huffington Report [later changed to The Huffington Post].” Huffington emphasized the uniqueness of the website: “This-one-of-a-kind site will combine a breaking news section, a section on the media called ‘Eat the Press,’ and an innovative blog group where some of this country’s most creative minds will weigh in on topics great and small.” Again, two pillars of the website proposed by Plaintiffs were a news aggregator and celebrity group blog. These elements appeared in all the marketing and promotional materials disseminated by Defendants in the period preceding the launch of The Huffington Post.

64. Despite using their ideas, none of Defendants’ foregoing plans or communications was disclosed to Plaintiffs, and none mention them as having come up with the idea for the “unique” and “one-of-a-kind” website described by Huffington, Breitbart and Sekoff.

F. Part Two of the Fraud: Deceiving Daou and Boyce Until It Was Too Late

65. After shaking hands with Huffington and Lerer on December 4, 2004, Plaintiffs reasonably believed that they were participating in a business venture with them, relied on that belief, and conducted themselves accordingly. For example, on December 7, 2004, Boyce sent a lengthy email to Lerer outlining, among other things, a proposed business plan for the website

that was the subject of the handshake agreement three days earlier. Intended to supplement the 1460 Memorandum, this plan proposed an “Arianna-focused” website “ringed” initially by five additional blog sites designed for “traffic driving and communication purposes.” The blogs would include opinion pieces by “top Democratic thinkers, activists and donors,” as well as “a blog for the top democratic thinkers and friends to start blogging and be exposed to [the] community.” As alleged in paragraph 62 above, Defendants’ later communications reflect their wholesale theft of these ideas, down to the specific wording and details: “The Huffington Post will consist of 5 separate sites, each housing a Breaking News-style section and a group blog” (emphasis added).

66. The December 7 email also identified a “corporate structure” comprised of Lerer and Huffington as “*senior partners*,” with James occupying a CEO/COO position and holding an equity stake, and the need to further clarify Daou’s role. In other words, Boyce and Daou, who were substantially younger than Huffington and Lerer, and less well-known, were to be *junior partners* in the project with administrative roles to be decided and clarified. The email also included a rough budget estimate and staffing considerations. Neither Huffington nor Lerer ever communicated to Plaintiffs any reservations, doubts, problems or concerns about the contents or direction of the ideas set forth in the December 7 email.

67. On or about December 8, 2004, Huffington told friends that the project she was working on with Boyce was going forward and that Lerer was going to fund the project.

68. On December 12, 2004, Plaintiffs emailed a document to David Thorne, then a potential investor, stating that they had entered into a “partnership” with Huffington and Lerer to develop a liberal news aggregation and blogging website. In that document, Boyce and Daou wrote that the website would be “financed in partnership with Kenny Lerer,” and that it would

combine “politics, Hollywood, and more in a fun, informative, progressive site that captures Arianna’s fiery personality.”

69. On or about December 17, 2004, two weeks after the breakfast meeting at Huffington’s home, Boyce conveyed to Daou by email Huffington’s and Lerer’s request that Plaintiffs provide a refined blueprint and strategic plan for The Huffington Post in order to operationalize the ideas discussed at the December 4, 2004 meeting and to begin constructing the website. Unbeknownst to Plaintiffs, this request was part and parcel of Defendants’ fraudulent plan. Huffington and Lerer at that time had no intention of actually developing a website with them, but instead were hard at work secretly developing a website with Sekoff and Breitbart, based on Plaintiffs’ ideas. Huffington and Lerer were deliberately stringing Plaintiffs along with the objective of freezing them out of competition to preserve the “head start” that Huffington and Lerer obtained each passing week as they secretly developed and refined Plaintiffs’ ideas for themselves.

70. On or about December 20, 2004, Daou followed up with Boyce to confirm the status of funding for the website. At that time, Huffington told Boyce that Lerer had agreed to fund their website for six months based on the budget and strategic plan that was to be provided by Plaintiffs. Huffington knew that her representation to Boyce about funding their website was not true when she made it. In fact, within a week, Breitbart, unbeknownst to Plaintiffs, was also sending Huffington a six month budget for the website. Again, Huffington’s purpose was to string along Plaintiffs until it was too late for them to pursue their project independently and be the all-important first to market.

71. On December 22, 2004, in response to the request for additional plans, Daou generated a written outline of the basic strategies and action steps necessary to operationalize the

website. This outline included staffing requirements, software and server costs, estimated design fees, and suggested marketing approaches. He also reiterated the need to distinguish the website by emphasizing group blogging and wrote, “Content should constantly be fresh, and subject matter can include entertainment, business, etc. Not just politics.” The blend of politics and entertainment was a signature feature of The Huffington Post at launch and remains a substantial aspect of The Huffington Post as it exists today.

72. Neither Huffington nor Lerer ever stated or suggested to Boyce or Daou that they were consulting with others – Sekoff, Breitbart et al. – to build a website based upon Plaintiffs’ ideas.

73. To the contrary, Huffington and Lerer deliberately led Plaintiffs to believe that they intended to develop the website with them, in accordance with their handshake agreement and all of the other indications in November and December 2004 that they were business partners. Huffington and Lerer, and their agents, continued to remain in contact with Plaintiffs and continued to solicit ideas and business plans for the website from them. In addition, in order to convey the false impression that she was ready, willing and able to participate with Plaintiffs in the proposed website, Huffington began emailing to Daou articles written by her. She sent blog posts to Daou on December 8, December 15, December 22, 2004 and January 26 and February 2, 2005. She did so for the purpose of lulling Plaintiffs into the false belief that they were working together.

74. Huffington and Lerer continued to elicit ideas and plans from Plaintiffs through the end of December, 2004, and, without their knowledge or permission, continued to implement those ideas and plans with Sekoff and Breitbart.

G. Part III of the Fraud: The Cover-Up

75. Because Defendants knew that they had stolen the idea for The Huffington Post, they also knew that they needed to develop a false account of the website's origins that cut Boyce and Daou out of the picture. Huffington and Lerer discussed this problem during a meeting with Sekoff and Breitbart on March 29, 2005, where the four of them discussed possible responses to press inquiries on the subject of how and when the idea for the website originated. The minutes of that meeting reflect the deliberate creation of a false and fraudulent "narrative" to explain the origin of the idea for The Huffington Post. As reflected in the minutes, the participants at this meeting asked: "How did the project get started? What's the narrative? ... How did the idea for the Huffington Report originate?" In response, Breitbart proposed this answer: "I knew what was missing in the blogosphere, I just needed the rolodex to be able to put it all together, and Arianna provided that. ... Arianna called Andrew to talk about an alternative to the Drudge Report. Andrew called Arianna about the group blog - there's nobody he knows besides Arianna who could make this work."

76. The minutes reflect a follow-up question: "So how did Kenny come into the picture? How did he and Arianna come together to work on this project?" This time, the answer was proffered by Sekoff and Breitbart: "It doesn't matter." Breitbart then added: "He met you and is retired and excited to leave retirement to join you in this project." After briefly discussing the function of the website, the minutes record a return to a discussion of the "narrative." Breitbart states, "It's all about coming up with the group blog."

77. Defendants' "narrative" then, tells the story of how they supposedly conceived a website centered around a group blog, intended the website to be an alternative to the Drudge Report, and identified Huffington as an ideal person to be the face of the website. These were

the ideas of Boyce and Daou in November 2004. Deceitfully, however, the “narrative” wrote Boyce and Daou out of the picture entirely. In so doing, Defendants’ “narrative” rewrote history, and perpetrated a fraud in the process.

H. The Huffington Post Is Launched and Plaintiffs Are Excluded from Ownership and Control of the Website

78. The Huffington Post website launched on May 9, 2005. The website as launched implemented all of Plaintiffs’ ideas, even down to the inclusion of specific political celebrity bloggers whom Plaintiffs had suggested, and including the unique combination of features conceived and proposed by Plaintiffs to Huffington and Lerer in memoranda, verbal communications and emails in November and December 2004. These were the same ideas agreed upon by Plaintiffs and Defendants at the December 4, 2004 meeting.

79. For example, on the day it launched, The Huffington Post featured a celebrity blog collective or “group blog;” an exclusive report obtained through existing relationships with political and media insiders; and non-partisan news aggregation. Each of these signature elements was proposed by Plaintiffs to Defendants verbally and in written communications in November and December 2004. Strikingly, despite the claim by Defendants that The Huffington Post was created and planned with Breitbart and Sekoff in January 2005, several of Breitbart’s and Sekoff’s ideas, such as podcasting, “Regular Joe” columns, and an online salon with Bill Maher did not appear on the website when it launched, while all of Plaintiffs’ ideas did appear on the website.

80. On the Internet, the first website to embody an idea or capture a market often derives an insurmountable “first-mover” advantage. Once The Huffington Post had launched, Plaintiffs were effectively foreclosed from utilizing their own ideas and strategies to build the

website contemplated in the “1460” Memorandum and the other documents shared with Defendants.

81. Plaintiffs were rebuilding their incomes in the aftermath of Senator Kerry’s 2004 defeat, and they were consultants to political campaigns, public policy institutions and nonprofit entities. The Plaintiffs believed that a public dispute with Huffington and The Huffington Post would inevitably damage their clients and thereby severely damage their livelihoods. In addition, in the subsequent months and years, Daou’s professional obligations and position as an advisor to then-Senator Hillary Clinton, the Clinton Foundation and the Clinton Global Initiative prevented him from any potential public dispute with Huffington, which would have had an adverse impact upon Clinton and her campaigns for the United States Senate and the Presidency.

82. Furthermore, Plaintiffs could not believe that Huffington – whom Boyce had considered a friend – and Lerer would so brazenly exclude them and take their ideas and plans. Expecting and believing that Huffington and Lerer would ultimately honor the parties’ agreement to build The Huffington Post together based on Plaintiffs’ ideas, and unable to risk the loss of their livelihoods from a public dispute with Huffington and The Huffington Post, Plaintiffs continued to fulfill their own responsibilities to the partnership, working tirelessly to make The Huffington Post a success.

83. Specifically, Plaintiffs collectively contributed hundreds of original posts to the website, including some of the most widely viewed and linked posts, and opened dozens of accounts for new contributors. In December 2008, the *Wall Street Journal* wrote, “What helps drive traffic to the Huffington Post, which launched in 2005, is its unusual mix of straight news stories and blog postings, such as Peter Daou’s musings on the role that the Internet played in the national elections.” Among the contributors brought to The Huffington Post by Plaintiffs were

Hillary Clinton, John Kerry, Max Cleland, Bill Richardson, Kristen Breitweiser and Bobby Muller.

84. Huffington continued to make Plaintiffs feel as if they were in business together by seeking their opinions and advice on website-related business. In December of 2005, in an email from Michael Owen (a Huffington Post employee) to Sekoff, Sterling and Huffington, Owen writes “This is a concept James Boyce drew that Arianna wants to make happen.”

85. Plaintiffs’ role in the creation of The Huffington Post was no secret among individuals in the political and media world and among people who knew Boyce and Daou. In a 2007 email from blogger Chris Bowers to political activist and consultant Ali Savino, in which Boyce was copied, Bowers wrote, “Ali, James is quite familiar wtiht [sic] the online sales world, and helped put together the business plan for hte [sic] Huff Post along with Peter Daou.”

86. Furthermore, contrary to assertions by Defendants that Plaintiffs never breathed a word about their role in the founding of The Huffington Post, both Boyce and Daou told several people about their pivotal role in the website’s creation. For example, in response to an email from author Erica Jong (Daou’s aunt) in June of 2005, in which she asked if Daou was involved in the creation of The Huffington Post, Daou responded by writing, “Not sure if you know this, but the genesis of the Huffington Post was a conversation I had with Arianna and Ken Lerer at her house in Brentwood. We talked about the need for a liberal Drudge.” Jong’s response was, “I should have known it was your idea!”

87. Likewise, on January 6, 2008, Boyce emailed senior advisor to then-presidential candidate Barack Obama (and later White House press secretary) Robert Gibbs, saying, “Hey Robert good to see you briefly, I’ll be up and around Manchester doing MSNBC, and then Arianna comes in so I am sure I will see you again. ... I had a great learning experience in 2004

being friend of candidate etc, but it was very frustrating, and I certainly had my fair share of friction with some of the folks JK surrounded himself with, but I did learn a lot, especially when Peter Daou and I worked in the fightback on the Swiftboat stuff with some others -- then with being involved with Huffington Post from the beginning, I certainly have continued to learn about the interaction of the two worlds, offline and on, or legacy and real.” That email to Gibbs was then forwarded by Boyce to Huffington, who never disputed Boyce’s characterization of his and Daou’s role in the creation of The Huffington Post.

88. In an email exchange between Boyce and Colin Sterling on November 8, 2006, in which Boyce brings three new high profile bloggers to the website, Boyce writes “All of you, please meet Colin. Colin is one of the great editors of Huffington Post and like yours truly was there when the concept for the site was launched – *two years ago this December* [i.e. December, 2004] when we were licking our wounds.”

89. Huffington herself acknowledged to Boyce in 2008 that he was present at the conception of The Huffington Post. In response to an email from Boyce stating that “I was in the room for the conception,” Huffington replied, “Thanks baby! That was indeed the beginning! xx [sic].”

90. In August of 2010, once Plaintiffs’ professional obligations, financial stability, and relationships with clients allowed them to raise their concerns with Huffington, they contacted her privately and informally to seek accountability for Huffington’s and Lerer’s decision to exclude them from the ownership of The Huffington Post. Defendants denied Plaintiffs’ claims and refused to acknowledge Plaintiffs’ role in and contribution to the creation of the website.

CAUSES OF ACTION

COUNT I

(Idea Misappropriation Against All Defendants)

(The legal sufficiency of this cause of action in Plaintiffs' original Complaint was upheld by the Court in its Decision and Order entered on October 25, 2011.)

91. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 90 of this Amended Complaint as if fully set forth herein.

92. Plaintiffs repeat, reallege and incorporate by reference herein paragraphs 70-75 from the original Complaint filed in this action on November 15, 2010 (Count III, for Idea Misappropriation).

COUNT II

(Fraud Against Defendants Huffington and Lerer)

93. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 90 and paragraph 92 as if fully set forth herein.

94. In November and December 2004, Plaintiffs created and developed the idea for an Internet website that would combine the following basic elements in one place: (a) a collective of blogs by notable personalities; (b) non-partisan news aggregation; (c) issue-specific web pages; (d) scoops and exclusives from political and media insiders; and (e) online community-building, hereinafter "Plaintiffs' Website Idea," with the purpose of establishing a progressive counterweight to conservative websites and talk radio.

95. As alleged in paragraphs 1-6, 26-34, 42-43, and 65-74 above, Defendants Lerer and Huffington, by words and conduct between November 14 and December 31, 2004, expressed and manifested their agreement to enter into a partnership with Plaintiffs pursuant to which Plaintiffs would receive compensation for their Website Idea. Defendants led Plaintiffs to

believe that the parties were partners in a business to develop and implement Plaintiffs' Website Idea.

96. The statements and other manifestations by which Defendants expressed their agreement to be partners with Plaintiffs were false, and were known to be false when made by Defendants. As described in paragraphs 50-74 above, Defendants in fact never intended to become partners with Plaintiffs. Defendants nonetheless expressed and manifested the intention to become Plaintiffs' partners for the purpose of inducing Plaintiffs to trust them and share Plaintiffs' Website idea with them so that Defendants could misappropriate Plaintiffs' Website Idea for themselves. Defendants continued to represent to Plaintiffs that they intended to pursue and develop the Website Idea with them, for the purpose of stringing them along until Defendants had obtained a "head start" that effectively precluded Plaintiffs from developing the Website Idea themselves or with others.

97. As described in paragraphs 1-6 and 50-74 above, unbeknownst to Plaintiffs, at the time that Defendants were pretending to be partners with them, the Defendants, in fact, were working secretly with Sekoff, Breitbart and others to misappropriate Plaintiffs' Website Idea for themselves. The fraudulent scheme devised and implemented by Defendants resulted in the website known as The Huffington Post.

98. As described in paragraphs 1-6 and 75-76, as part of their fraud, Defendants devised and implemented a cover-up of their misappropriation. The cover-up, among other things, included the development and public dissemination of a false "narrative" regarding the origin of the idea for The Huffington Post. The narrative concocted by Defendants falsely gave principal credit for the idea to Defendant Huffington, and concealed the central and formative

role of Plaintiffs. Defendants have propagated their false “narrative,” in one form or another, from 2005 until the present time.

99. As described in paragraphs 1-6, 44, 65-74, and 79-83 above, Plaintiffs reasonably relied to their detriment on the fraudulent acts and conduct of the Defendants. To begin with, Plaintiffs never would have disclosed their Website Idea to Huffington and Lerer if Plaintiffs had suspected that Huffington and Lerer might take it for themselves, exclude Plaintiffs, and develop a website with others based on their idea. Moreover, if Plaintiffs had known that Huffington and Lerer were secretly sharing Plaintiffs’ Website Idea with others beginning in December 2004 for the purpose of misappropriating that idea for themselves, then Plaintiffs would have acted at that time to procure funding from alternative sources and would have developed their Website Idea without Defendants.

100. By reason of the foregoing, Defendants are liable to Plaintiffs for damages in an amount to be determined at trial, as well as for punitive, exemplary and consequential damages, attorneys’ fees and costs.

COUNT III
(Breach of Implied Contract Against Defendants Huffington and Lerer)

101. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 90 and paragraph 94 as if fully set forth herein.

102. Plaintiffs provided their Website Idea to Huffington and Lerer in exchange for Defendants’ assurances and promises that they would enter into a business venture with Plaintiffs pursuant to which Plaintiffs would receive compensation for their Website Idea.

103. As described in paragraphs 1-6, 23-44 and 65-74 above, Plaintiffs disclosed their Website Idea to defendants Huffington and Lerer on diverse occasions between November 14, 2004 and December 31, 2004. That disclosure took place in a series of oral and written

communications which included telephone communications, email correspondence, memoranda and in-person meetings.

104. At the December 4, 2004 meeting and in subsequent emails and phone conversations, the parties agreed on at least the following terms:

(a) The parties to the agreement would be Huffington, Lerer, Daou and Boyce;

(b) The parties would make contributions as follows:

(i) Huffington would provide her contacts and name recognition and become the public face of the Website, leveraging her existing website “ariannaonline.com”;

(ii) Lerer would provide six months of funding at a budget to be specified by Plaintiffs (the budget later prepared by Daou on December 22, 2004 specified a price of \$200,000 - \$270,000 to design, develop and run the Website for six months);

(iii) Boyce would provide his contacts within the Democratic Party, his unique perspective on Internet politics acquired at the Kerry campaign, and his extensive marketing experience, and would serve as a marketing strategist;

(iv) Daou would provide his expertise on blogs and blogging acquired at the Kerry campaign, his unique perspective on Internet politics acquired at the Kerry campaign and his contacts within the Democratic Party and blogging community, and would serve as a blogging and “new media” strategist;

- (c) Expenses would be allocated according to a budget and marketing plan created by Plaintiffs (a draft of that plan prepared by Daou on December 22, 2004 at Lerer's and Huffington's request specified: "The staff should consist of a tech person, designer, researcher, 2 moderators, and a website manager = \$25-30K/month. Software, server and maintenance costs = \$5-10K/month. Initial design and development = \$20-30K");
- (d) The Website would adopt and customize the ideas and plans detailed in the memorandum created by Plaintiffs and given to Huffington and Lerer in November 2004;
- (e) "Viral" marketing specialist Jonah Peretti would be hired to manage technological development for the site;
- (f) The parties would convene a subsequent naming session to choose a name for the Website, such as the names "The Stassinopoulos Report," "Arianna's on Fire" and "Arianna Says," which were discussed at the December 4, 2004 meeting; and
- (g) The parties would negotiate in good faith and confirm the further details of funding, budget, staffing, technical requirements and marketing for the Website, beyond those already agreed upon, over the course of their venture. The parties understood that an entity, such as TheHuffingtonPost.com, Inc., would be created to carry out their agreement.

105. As described in paragraphs 1-6, 26-34, 42-43, 65-74 and 94 above, Defendants, by their express words and explicit conduct, manifested their intention to be bound by their agreement to be partners with Plaintiffs and compensate them for their Website Idea and the services to be rendered by Plaintiffs in connection with the development and implementation of

that idea. Defendants manifested that intention, among other reasons, so that Plaintiffs would rely on it rather than attempt to procure alternative sources of funding or develop the Plaintiffs' Website Idea with anyone other than Defendants. Plaintiffs relied to their detriment on Defendants' representations.

106. Defendants breached their agreement with Plaintiffs by using and continuing to use Plaintiffs' Website Idea without compensating them.

107. As a foreseeable result of Defendants' breach of this agreement, Plaintiffs were also prevented from realizing the profits and benefits of their Website Idea.

108. Defendant TheHuffingtonPost.com, Inc. is an intended third-party beneficiary of the implied agreement.

109. By reason of the foregoing, Plaintiffs have sustained damages in an amount to be determined at trial, plus applicable interest, costs, and such other relief as the Court may deem just and proper.

COUNT IV
(Unjust Enrichment Against All Defendants)

110. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 90, 92, 94-100, and 102-109 as if fully set forth herein.

111. By disclosing the Plaintiffs' Website Idea to Defendants under the foregoing circumstances, Plaintiffs conferred significant benefits upon Defendants by sharing with them, in confidence, a novel, original, concrete and valuable idea.

112. Plaintiffs disclosed their Website Idea to Defendants at Defendants' behest. In particular, and without limitation, Plaintiffs provided the 1460 Memorandum to Huffington, and met with her and Lerer on December 4, 2004 to provide them with additional specifics regarding the 1460 project, and thereafter, throughout the month of December 2004, provided to

Defendants, at Defendants' behest, the additional information regarding Plaintiffs' Website Idea described in paragraphs 65-74 above.

113. Defendants, by using Plaintiffs' Website Idea, were unjustly enriched. This enrichment came at Plaintiffs' expense because Plaintiffs were excluded from the financial benefits reaped by Defendants as a result of their use of Plaintiffs' Website Idea to create The Huffington Post.

114. The circumstances are such that equity and good conscience would make it unjust for Defendants to retain such benefits without just compensation to Plaintiffs.

115. By reason of the foregoing, Defendants are liable to Plaintiffs for compensatory damages in an amount to be determined at trial, as well as for punitive, exemplary and consequential damages, attorneys' fees, costs, and such other relief as the Court may deem just and proper.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

116. Awarding Plaintiffs damages against Defendants, jointly and severally, in an amount to be determined by the Court or at trial;

117. Awarding Plaintiffs such nominal, exemplary or punitive damages as the Court may deem just and proper;

118. Awarding Plaintiffs attorneys' fees and costs incurred in connection with this action;

119. Awarding Plaintiffs interest in an amount to be determined by the Court; and

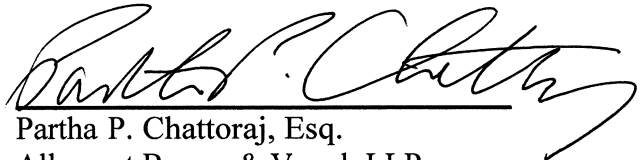
120. Awarding Plaintiffs such other and further relief as this Court seems just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury on all issues so triable.

Dated: May 21, 2012
New York, New York

Respectfully submitted,



Partha P. Chattoraj, Esq.
Allegaert Berger & Vogel, LLP
111 Broadway, 20th Floor
New York, New York 10006
(212) 616-7076

Rodney S. Margol, Esq.
C. Rufus Pennington, III, Esq.
David H. Margol, Esq.
Margol & Pennington, P.A.
320 N. 1st Street, Suite 609
Jacksonville Beach, Florida 32250
(904) 355-7508

Steven D. Ecker, Esq.
Cowdery, Ecker & Murphy, LLC
280 Trumbull Street, 22nd Floor
Hartford, Connecticut 06103
(860) 278-5555

Attorneys for Plaintiffs Peter Daou and
James Boyce