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 11 UNITED STATES DISTRICT COURT
 12 NORTHERN DISTRICT OF CALIFORNIA

13 ADP, LLC, a Delaware limited liability company;
 14 Plaintiff,
 15 v.
 16 YOURPEOPLE, INC., a Delaware corporation
 d/b/a/ Zenefits Insurance Services, and PARKER
 17 CONRAD, an individual,
 18 Defendants.

No.

**COMPLAINT FOR DAMAGES AND
 INJUNCTIVE RELIEF FOR:**

- (1) DEFAMATION;**
- (2) INTENTIONAL INTERFERENCE
 WITH PROSPECTIVE ECONOMIC
 RELATIONS;**
- (3) UNFAIR COMPETITION;**
- (4) FALSE ADVERTISING;**
- (5) LANHAM ACT VIOLATION**

DEMAND FOR JURY TRIAL

1 Plaintiff ADP, LLC (“ADP” or “Plaintiff”) for its Complaint against Defendants
2 YourPeople, Inc., dba Zenefits Insurance Services (“Zenefits”) and Parker Conrad (“Conrad”),
3 an individual (together, “Defendants”), alleges as follows:

4 **I. INTRODUCTION**

5 1. Plaintiff ADP brings this lawsuit to seek redress for Defendants’
6 defamatory and unlawful conduct to publicly and falsely malign ADP.

7 2. For over 60 years, ADP has succeeded in establishing a reputation for
8 client service excellence that places as paramount the client’s interest and that rests on the
9 foundation that “integrity is everything.” Unfairly attacking ADP’s core values of client service
10 and integrity, Zenefits cavalierly launched a campaign to falsely accuse ADP, without basis, of
11 unethical and anticompetitive behavior. Among other false accusations, Zenefits alleged that
12 ADP intentionally sought to cause harm to ADP’s clients solely to gain an unfair competitive
13 advantage against Zenefits.

14 3. As set forth in this Complaint, ADP has sought to protect the interests of
15 its clients, in contrast and in response to the irresponsible actions of Zenefits that potentially
16 jeopardize the continuity of service and security protections that ADP’s clients rightfully expect
17 of ADP.

18 **II. THE PARTIES**

19 4. Plaintiff ADP is a Delaware LLC with its principal place of business in
20 Roseland, New Jersey, duly authorized to do business in the State of California.

21 5. Defendant Zenefits is a Delaware corporation with its headquarters and
22 principal place of business in San Francisco, California.

23 6. Zenefits is subject to personal jurisdiction in California because it is
24 subject to general jurisdiction in this forum. Zenefits is headquartered in San Francisco,
25 California, and its contacts with the state are substantial, continuous and systematic. In addition,
26 Zenefits is subject to specific jurisdiction here because it has committed wrongful intentional

1 acts in this state, expressly aimed at ADP, and caused harm that it knew or should have known
2 was likely to be suffered by ADP.

3 7. Defendant Conrad is the co-founder and CEO of Zenefits. He is a
4 resident of the San Francisco Bay Area and is thereby subject to personal jurisdiction in the state
5 of California.

6 8. At all material times, through his ownership interest in Zenefits and his
7 role as CEO and President, Conrad had both the right and the authority to control, and had a
8 direct financial interest in, the actions of the corporation.

9 **III. JURISDICTION**

10 9. ADP's fifth cause of action arises under the Lanham Act, 15 U.S.C. §§
11 1114 & 1125. Accordingly, this Court has subject matter jurisdiction over this action pursuant to
12 28 U.S.C. § 1331 and 28 U.S.C. § 1338.

13 10. This Court has supplemental subject matter jurisdiction over the pendant
14 state law claims under 28 U.S.C. § 1367, because these claims are so related to ADP's claims
15 under federal law that they form part of the same case or controversy and derive from a common
16 nucleus of operative facts.

17 **IV. VENUE**

18 11. Venue in this District is appropriate because Defendants are based here
19 and committed a substantial amount of the wrongful acts here, and Defendants caused harm to
20 ADP that it knew or should have known was likely to be suffered by ADP in this District. As a
21 result, venue in this District is appropriate under 28 U.S.C. § 1400(a).

22 **V. INTRADISTRICT ASSIGNMENT**

23 12. Assignment to the San Francisco Division is proper because a substantial
24 part of the events or omissions which give rise to the claims occurred in this county.

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1 **VI. FACTUAL ALLEGATIONS**

2 **A. ADP's Services and Its RUN System**

3 13. ADP since 1949 has provided payroll services to companies of all sizes
4 and in all industries. ADP currently has more than 625,000 human capital management clients in
5 more than 100 countries, including clients who choose ADP to provide their payroll services.

6 14. One of the payroll services offered by ADP is RUN Powered by ADP®
7 (RUN), a proven small business payroll solution developed through ADP's experience and
8 knowledge gained from years of working with nearly 400,000 small businesses. RUN permits a
9 small business to conduct its payroll operations from anywhere via a web browser, mobile app or
10 even via telephone. It permits the employees of the ADP customer business 24-hour, seven-
11 days-a-week access to their pay statements from virtually any leading mobile device. RUN is
12 also fully integrated with other available ADP small business services, including certain
13 retirement plans, time and attendance solutions, health and benefits solutions, workers'
14 compensation premium payment plans and human resource tools.

15 15. ADP maintains the sensitive payroll data of its customers' employees,
16 such as social security numbers and tax information, on secure servers. RUN uses leading,
17 industry-recognized security safeguards to help protect company and employee information from
18 loss, misuse, unauthorized access or tampering.

19 **B. Zenefits' Services and Misrepresentations About Integration**
20 **with ADP**

21 16. Zenefits is a company that sells human resources management services to
22 customers in competition with some of the services offered by ADP. Zenefits does not provide
23 payroll services like those provided by ADP.

24 17. Approximately 850 Zenefits human resources customers are also ADP
25 payroll service customers. On its website, Zenefits' advertising offers its customers the ability to
26 "[m]anage all your HR – online, in one place." For customers that "[a]lready have payroll,

1 benefits, or other HR systems,” Zenefits claims to offer potential customers the ability to
2 “[c]onnect them with Zenefits in seconds.” ADP is listed as one of the payroll services that
3 Zenefits can “connect with in seconds.” Additionally, on its “payroll-services” page, Zenefits
4 uses ADP’s logo and states: “Zenefits works with all top payroll providers, so there’s no need to
5 switch from your favorite system.” On its “payroll outsourcing” page, under the heading
6 “Simplify your payroll,” Zenefits says: “Easy admin. Built-in compliance. Instant updates. All
7 integrated with your favorite platforms.” On its “payroll quotes” page, under the heading “Get
8 quotes from top payroll providers,” Zenefits uses ADP’s logo and says: “When it comes to
9 payroll, Zenefits works with the best –ADP, Updating information in Zenefits keeps it
10 current in your payroll system, too...”

11 18. Zenefits’ statements as to integration with ADP are false and misleading,
12 since Zenefits’ system is not integrated with ADP’s RUN, and ADP has never authorized
13 Zenefits to unilaterally use automated systems, without appropriate operational and security
14 reviews by ADP, to access ADP’s systems.

15 19. Zenefits’ system is not integrated with ADP RUN through any ADP
16 application programming interface (“API”) and does not otherwise interact or sync with ADP
17 RUN in any manner that ADP has reviewed, authorized or approved.

18 20. Demonstrating that Zenefits’ system is not integrated with ADP RUN (and
19 certainly not through any ADP API), commencing as early as March, 2015, Zenefits has sought
20 to gain access to and unilaterally scrape client information from ADP RUN, by convincing ADP
21 clients to grant Zenefits administrative credentials to the client’s ADP RUN account. Zenefits
22 asked ADP clients to set up Zenefits as a payroll admin user for the client’s RUN account.
23 Zenefits also asked the ADP client to take a screenshot of the temporary username/password
24 screen for the account and email it to a Zenefits email. Once Zenefits has gained such admin
25 level access to a client’s ADP RUN account, Zenefits uses a screen crawl application to copy
26

1 information from ADP RUN to upload into the Zenefits system, as well as to make changes
2 directly into ADP RUN, including through an API.

3 21. At no time did Zenefits reach out to ADP to discuss Zenefits' specific
4 methodology for accessing and then copying information from ADP RUN, or to implement any
5 alternative, reasonable process for Zenefits to integrate with ADP RUN, including through an
6 API, as ADP has done with other third parties.

7 22. In May 2015, ADP's SBS business unit identified potential concerns with
8 Zenefits' unilateral method for scraping information from ADP RUN screens. ADP identified
9 several potential concerns with Zenefits' approach, including clients granting Zenefits admin
10 user credentials to allow Zenefits access to the clients' employee and company data in a manner
11 that may not meet ADP's security standards, and allowing Zenefits to make changes requiring a
12 payroll admin level access. Based on these concerns, ADP's SBS business unit determined that
13 it could not grant admin access to new Zenefits users until an appropriate third party security
14 review was completed.

15 23. For mutual clients who had already provided Zenefits with admin level
16 access to the client's ADP RUN account, ADP prepared a communication to such clients to
17 identify several key concerns. First, ADP explained that Zenefits currently does not actively
18 integrate with ADP RUN and instead utilizes automated technology to update its systems with
19 the client's payroll information. ADP also advised clients that, with changes in ADP's latest
20 release of ADP RUN, updates may be required by Zenefits to ensure that the client's payroll
21 information is copied accurately. ADP further advised that, based on ADP's third-party
22 integration standards, ADP intended to conduct a security review of all Zenefits processes and
23 user requests. Finally, ADP outlined the potential risks with granting any third party admin
24 access to the client's ADP RUN account, and explained that since ADP did not have access to
25 the data Zenefits used, ADP was unable to verify the accuracy of the client's information, which
26 was particularly critical after ADP's May 2015 ADP RUN release. Accordingly, ADP suggested

1 to these clients that they closely review the information updated by Zenefits after their RUN
2 accounts were upgraded. ADP did not make any statement about any consideration to cut off the
3 existing Zenefits admin logins. On Wednesday, June 3, 2015, ADP pre-loaded this
4 communication into ADP's client email communication tool, for automated issuance on Friday,
5 June 5, 2015. On Friday, June 5, 2015, ADP's communication tool issued the client
6 communication regarding Zenefits' use of admin user accounts.

7 **C. Zenefits' Unauthorized Automated Requests on ADP's System**
8 **Requires ADP to Reject Those Requests**

9 24. Starting in or about March 2015, ADP began to experience significant and
10 sudden increases in remote access requests into its ADP RUN. From March through May 2015,
11 when such spikes in remote access requests occurred, ADP was required to take measures to
12 prevent disruption of service. During this time frame, ADP did not identify Zenefits as a source
13 of these spikes or potential service disruptions, although ADP has since determined that Zenefits'
14 automated activity caused these spikes. From June 3 to June 4, ADP again experienced peaks in
15 ADP RUN system demands and, after investigation, ADP identified Zenefits as the source.
16 Based on the nature and timing of the voluminous requests into ADP RUN, Zenefits' database
17 requests overloaded one of ADP's RUN database clusters and created a serious risk of significant
18 disruption of service in the particular RUN database cluster affected by Zenefits' automated
19 scraping of data.

20 25. As a result, on June 4, ADP found it necessary to block Zenefits'
21 unauthorized method of extracting data from ADP RUN. At points during these two days,
22 despite serving less than one quarter of one percent of the clients on the ADP system, Zenefits
23 became responsible for up to 25% of the total user traffic.

24 26. If ADP had not acted to block Zenefits' activity accessing ADP RUN, the
25 server disruption Zenefits was causing could have resulted in a disruption that would have
26 adversely impacted approximately 84,000 ADP clients whose data was housed in that ADP RUN

1 database cluster. Had ADP not acted, the impact to the particular server cluster could also have
2 spilled over to affect the broader RUN system, impacting potentially more than 400,000 ADP
3 RUN clients.

4 27. ADP did not take these actions to protect the ADP RUN system simply
5 because Zenefits caused the issue. ADP similarly would have blocked the access of any
6 organization or individual who caused the same or similar conditions as Zenefits.

7 28. The data that Zenefits accessed in this manner included sensitive data of
8 customers' employees, such as payroll and withholding amounts, employee bank information,
9 and retirement and health insurance deductions. ADP's investigation also revealed that Zenefits'
10 actions worked to un-mask highly confidential client employee information, such as Social
11 Security Number data. Given that Zenefits is not an ADP RUN integration partner, ADP has not
12 assessed Zenefits' information security, privacy or third-party risk programs that ADP requires
13 for automated access and integration into ADP platforms, and ADP has not tested, validated or
14 approved the access by Zenefits to protected and regulated data.

15 29. On information and belief, Zenefits' actions and storage of information
16 from ADP's RUN system were done without the knowledge of some or all of Zenefits' clients or
17 such clients' employees, and/or based on an incorrect belief by Zenefits' clients or such clients'
18 employees that Zenefits' system was actively integrated with ADP RUN, with ADP's approval
19 or authorization.

20 **D. Zenefits Defames ADP and Interferes With ADP's**
21 **Relationships With Its Customers**

22 30. At approximately 2:15 PDT on June 5, Zenefits commenced a
23 manipulative and malicious public relations campaign, ignoring its own conduct, to defame ADP
24 and drive away ADP's clients. Zenefits' initial wrongful act was to email a letter from its CEO,
25 Parker Conrad, to the mutual clients of ADP and Zenefits. This letter contains numerous false
26 statements intended to harm ADP, including the following.

1 31. The June 5 letter falsely stated to clients that ADP took the protective
2 measures to block Zenefits' automated scraping of data from ADP RUN to protect the continuing
3 service "without your permission." This statement was false, as ADP's agreements with its
4 customers expressly give ADP the right to take such protective measures to protect continuity of
5 service and sensitive employee data.

6 32. The June 5 letter falsely claimed that ADP systematically deactivated
7 Zenefits' admin user access to ADP's RUN payroll system because "ADP believes it can one
8 day build software to compete with Zenefits, and in the meantime they would like to do anything
9 they can to impede Zenefits." No factual basis exists for this claim.

10 33. The June 5 letter also falsely dismissed ADP's security reasons as "clearly
11 not true," implying that ADP lied about the basis for its actions as pretext for, as Conrad
12 characterized, ADP's "unethical" behavior. These statements are false, since ADP's statement
13 about security concerns in the communication that ADP sent to clients who gave Zenefits admin
14 user access was not related to the specific protective measure that ADP took on June 4, 2015.
15 Indeed, nothing in ADP's June 5 client communication indicated that ADP would completely
16 block the Zenefits admin user access. In fact, ADP took the preventive measures to protect all of
17 ADP's RUN clients from Zenefits' careless and unauthorized automated processes by which
18 millions of data requests flooded ADP's systems and potentially put at risk the continuity of the
19 operation of ADP's system.

20 34. The June 5 letter falsely claimed that ADP's security concerns with
21 Zenefits' access must be untrue because ADP allows other third parties, such as a bookkeeper or
22 accounting firm, to access client accounts on RUN to service mutual clients, stating that "[w]hat
23 Zenefits does is no different." This statement is false. It failed to explain to Zenefits' clients that
24 what Zenefits does is materially different, and that when other third parties such as bookkeepers
25 access ADP client accounts, all client data remains within ADP's secure systems. Moreover,
26 unlike a bookkeeper, Zenefits' purported "integration" with ADP's RUN system is an automated

1 script that simply scrapes client data from RUN, that Zenefits then inputs in some fashion into
2 Zenefits' own systems, which raises potential security and operational concerns.

3 35. The June 5 letter falsely claimed that "Zenefits is still completely
4 compatible with ADP payroll."

5 36. The June 5 letter also attempted to interfere with ADP's relationships with
6 its customers. The June 5 letter contained an offer from Zenefits to pay its customers to switch
7 to another payroll provider. The June 5 letter stated, "In addition, if you're interested in
8 switching from ADP payroll to Intuit Payroll, we're paying customers \$1,000 and helping them
9 to make the switch. We'll include instructions for this in our follow up communication."

10 37. Zenefits' subsequent wrongful act was to start a sham online "petition" to
11 further damage ADP's reputation and continue to hide the truth about Zenefits' actions. The
12 June 5 letter referenced and included a link to a "petition" on the website change.org. The
13 "petition" is a marketing ploy designed to shift blame away from Zenefits, defame ADP and turn
14 ADP's customers against it. This "petition" contains numerous false statements intended to
15 harm ADP, including the following.

16 38. The "petition" asserts that ADP "has cut thousands of their small business
17 customers off from using Zenefits to automate their time-consuming payroll administration
18 work. ADP did so without permission from these small businesses, and also without notifying
19 Zenefits, who has partnered with ADP amicably since we were founded." This statement is false
20 because ADP's agreements with its customers expressly give ADP the right to take such
21 protective measures to protect continuity of service and sensitive employee data. It is also
22 misleading because ADP has never "partnered" with Zenefits in connection with Zenefits'
23 purported integration with ADP RUN.

24 39. The "petition" asserts that ADP wants "to do anything they can to slow us
25 down" and that "ADP is using its size and power to block small businesses from using Zenefits
26 today so that they can get a leg up on the competition tomorrow." This statement is false

1 because ADP took the preventive measures to protect all of ADP’s RUN clients from Zenefits’
2 careless and unauthorized automated processes by which significant data requests flooded ADP’s
3 systems and put employee data potentially at risk. Moreover, ADP’s protective measures did not
4 “block” any business from using Zenefits in any manner.

5 40. The “petition” asserts that because of ADP’s measures, “an ADP client
6 can set up anyone in the world to administer their payroll – except those with a Zenefits email
7 account.” This statement is false because ADP’s protective measures did not prevent any ADP
8 payroll customer from administering its payroll in any manner.

9 41. The “petition” claims that ADP’s protective measures were “unethical”
10 and “anti-competitive.” But ADP’s measures, undertaken consistent with its contracts with its
11 customers, were neither “unethical” nor “anti-competitive” but were taken solely to protect
12 ADP’s RUN clients from Zenefits’ careless and unauthorized automated processes that put
13 ADP’s systems and employee data at risk.

14 42. Zenefits’ sham online “petition” gathered 571 “signatures” of current or
15 potential ADP customers and individuals, and Zenefits’ false statements engendered at least 60
16 comments supportive of Zenefits and/or disparaging towards ADP from individuals and current
17 or potential ADP customers, including, upon information and belief, comments from individuals
18 employed by Zenefits.

19 43. The “petition” and some of the negative comments have also been more
20 broadly distributed through other social media channels, including via Twitter and Facebook.
21 This has, in turn, generated an increasing volume of discussion on blogs and digital media
22 forums that have perpetuated Zenefits’ false accusations against ADP and generated further
23 negative attacks on ADP’s reputation, all premised on the false and misleading statements made
24 by Defendants. For example, one blog posted an article entitled “ADP intentionally broke its
25 Zenefits integration,” which generated further commentary on the blog. The petition has also

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1 generated attention from mainstream news outlets, potentially significantly exacerbating the
2 harm Zenefits has caused ADP.

3 44. The defamatory email Conrad sent to mutual ADP and Zenefits clients,
4 linking to Zenefits' defamatory "petition," has also created negative reaction from some of
5 ADP's clients. For example, in response to Conrad's email, one client advised ADP that it was
6 considering switching from ADP to Intuit, citing to Mr. Conrad's email.

7 45. As a result of Zenefits' false and defamatory statements, ADP has been
8 forced to incur costs to attempt to correct the false statements with its customers and the
9 marketplace, has suffered injury to its reputation and has been informed by customers that they
10 are switching payroll providers on the basis of Zenefits' statements.

11 **First Claim for Relief**

12 **Defamation (against Zenefits and Conrad)**

13 46. ADP incorporates by reference each of the allegations in the preceding
14 paragraphs of this Complaint as though fully set forth herein.

15 47. Defendants made false public statements on both the internet and in
16 communications to customers of ADP, Zenefits and the general public.

17 48. Defendants' false statements were defamatory because they harm ADP's
18 reputation in the marketplace.

19 49. Defendants' false statements about ADP were not privileged.

20 50. Defendants' false and defamatory statements have a natural tendency to
21 injure ADP and caused damages to ADP by harming its reputation in the marketplace and by
22 causing potential customers and other businesses to terminate and/or avoid business relationships
23 with ADP.

24 51. In making the false statements, Defendants acted with fraud, malice and
25 oppression, entitling ADP to an award of punitive damages.

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1 **Second Claim for Relief**

2 **Intentional Interference with Prospective Economic Relations (against Zenefits)**

3 52. ADP incorporates by reference each of the allegations in the preceding
4 paragraphs of this Complaint as though fully set forth herein.

5 53. ADP has an expectancy in continuing advantageous economic
6 relationships with current and prospective purchasers of ADP's services.

7 54. These relationships contained the probability of future economic benefit to
8 ADP.

9 55. Zenefits was aware of these economic relationships.

10 56. Zenefits intended to interfere with these relationships, and Zenefits knew
11 disruption was substantially certain to result from its conduct.

12 57. Zenefits' conduct was wrongful by a measure beyond the fact of the
13 interference itself.

14 58. As a result of Zenefits' wrongful acts, the above-described relationships
15 have been actually disrupted.

16 59. As a direct and proximate result of Zenefits' actions, ADP has suffered
17 economic harm.

18 60. Zenefits' actions are likely to recur and will cause ADP irreparable injury
19 for which there is no adequate remedy at law.

20 61. Zenefits' interference was willful and in conscious disregard of ADP's
21 rights. Zenefits acted with fraud, malice and oppression, entitling ADP to an award of punitive
22 damages.

23 **Third Claim for Relief**

24 **Unfair Competition (Cal. Bus. & Prof. Code § 17200) (against Zenefits)**

25 62. ADP incorporates by reference each of the allegations in the above
26 paragraphs of this Complaint as though fully set forth herein.

1 63. Defendants have engaged and continue to engage in unlawful, unfair, and
2 fraudulent business acts or practices, as described above.

3 64. Defendants’ unlawful, unfair, and fraudulent acts were committed in the
4 course of Defendants’ business activities, many of those activities in competition with ADP.

5 65. As a result of Defendants’ ongoing unlawful, unfair, and fraudulent acts,
6 Defendants caused ADP to suffer harm in the marketplace and caused Defendants to unfairly
7 gain customers and goodwill in the marketplace.

8 66. ADP seeks an injunction and restitution.

9 **Fourth Claim for Relief**

10 **False Advertising (Cal. Bus. & Prof. Code § 17500) (against Zenefits)**

11 67. ADP incorporates by reference each of the allegations in the above
12 paragraphs of this Complaint as though fully set forth herein.

13 68. Defendants have engaged in and continue to promulgate statements in
14 marketing and advertising publications to its customers that are untrue and misleading.

15 69. Defendants knew, or by the exercise of reasonable care should have
16 known, that the statements were untrue and misleading.

17 70. As a result of Defendants’ ongoing false advertising, Defendants caused
18 ADP to suffer harm in the marketplace and caused Defendants to unfairly gain customers and
19 goodwill in the marketplace.

20 71. ADP seeks an injunction and restitution.

21 **Fifth Claim for Relief**

22 **Violation of Lanham Act (15 U.S.C. § 1051 et seq.) (against Zenefits)**

23 72. ADP incorporates by reference each of the allegations in the preceding
24 paragraphs of this Complaint as though fully set forth herein.

25 73. Defendants made false statements of fact in commercial advertisements
26 about its own products and about ADP’s products.

