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VEEVA SYSTEMS INC.

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF ALAMEDA

VEEVA SYSTEMS INC., Plaintiff, vs. MEDIDATA SOLUTIONS, INC.; QUINTILES IMS INCORPORATED, IMS SOFTWARE SERVICES, LTD., and SPARTA SYSTEMS, INC., Defendants.	Case No. **COMPLAINT** **CAUSES OF ACTION FOR DECLARATORY JUDGMENT AND UNFAIR COMPETITION**

INTRODUCTION

1. Non-compete agreements are bad. These agreements limit employment opportunities. They suppress wages. They keep employees trapped in jobs they do not want, and they keep employees from fairly competing with their former employers. These agreements restrict fair and robust competition for employees. They violate California law.

2. The same goes for overbroad confidentiality and non-disparagement agreements, which also illegally restrain trade in violation of California law.

3. Plaintiff Veeva Systems Inc. – a life sciences technology company – understands

this. It is not afraid to compete for employees on the merits, with great wages and benefits, a great work environment, and innovative services and products.

4. The market understands what Veeva understands, and it has responded accordingly. In 2016, Veeva was one of the fastest growing publicly-traded technology companies in the world.

5. Defendants Medidata, IMS, and Sparta do not understand. These companies require their employees to sign overbroad non-competes, overbroad confidentiality provisions, and/or non-disparagement provisions that restrict them from providing services in California to California-based employers. These companies also threaten to and actively attempt to enforce these unlawful agreements in order to prevent employees from leaving Defendants for a better employment opportunity with a California-based employer.

6. This is unfair competition. It is unfair to Defendants' employees and it is unfair to Veeva and other competitors who play by the rules. Defendants' practice of requiring their employees to sign unlawful agreements must end.

7. Veeva asks this Court to grant it a declaratory judgment and injunctive relief.

PARTIES & JURISDICTION

8. Plaintiff Veeva Systems Inc. is a Delaware corporation headquartered in Pleasanton, California. It is a leader in cloud-based software for the global life sciences industry. It has more than 525 customers, many of which are based in California. Veeva customers range from the world's largest pharmaceutical companies to emerging biotechs.

9. Ten of Veeva's thirteen most senior executives are based in California, including Veeva's CEO. More than 542 of Veeva's 1035 U.S.-based employees work in Veeva's Pleasanton headquarters.

10. Defendant Medidata Solutions, Inc. ("Medidata") is a software-as-a-service technology company that provides applications and analytics as it relates to clinical trials. Its clients include life sciences organizations. Medidata is a Delaware corporation with offices in California.

11. Defendants Quintiles IMS Incorporated and IMS Software Services, Ltd.

(collectively "IMS") provides information services and technology to the healthcare industry. IMS has many California-based customers. Quintiles IMS Incorporated and IMS Software Services, Ltd. are Delaware corporations with offices in California.

12. Defendant Sparta Systems, Inc. ("Sparta") provides quality management solutions to the life sciences industry. On information and belief, it is either a Delaware or New Jersey corporation. Sparta conducts business in California and has employees located in California.

13. Defendants sell certain products and services that are competitive with certain of Veeva's products and services. Defendants and Veeva also compete for employees.

14. Veeva has in the past and will in the future seek to hire employees who either currently work or have worked for Defendants. Those that are hired or are employed by Veeva will be employed "in California" for purposes of California's unfair competition law. They will work for a California-based employer. They will be governed by employment policies that emanate from and are approved in California. They will sign agreements that will be construed in accordance with California law. They will speak regularly with California staff. Even those employees who do not reside in California will travel to California on a regular basis for work-related reasons, will perform work in California, and will work on products and services that will be sold to and/or used by California-based clients.

15. Veeva has suffered injury and lost money in recruiting Defendants' employees for employment in California. Defendants' non-compete and overbroad confidentiality/non-disparagement agreements make recruitment of their employees more difficult and expensive. Moreover, Veeva has incurred injury and lost money in defending itself and its employees in threatened and actual litigation involving Defendants' agreements.

FACTS

Veeva

16. Except in limited situations, California law declares "**every** contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void." Moreover, California's Cartwright Act defines an unlawful trust as "a combination of capital, skill, or acts by two or more persons . . . to create or carry out restrictions

in trade or commerce." Such agreements, which include post-termination non-compete agreements, overbroad confidentiality agreements, and non-disparagement agreements are unlawful, against public policy, and void.

17. A post-termination non-compete –even limited to a specific employer – restricts employees in some way from practicing their trade. The same for an overbroad confidentiality agreement or non-disparagement agreement. Such agreements restrict trade, competition, and the free flow of information in the same manner as a non-compete agreement. *R.R. Donnelly & Sons Co. v. Fagan* (S.D.N.Y. 1991) 767 F.Supp. 1259, 1269. For example, a confidentiality agreement that prohibits employees from using and disclosing "all business information" of their past employers is, for all intents and purposes, a covenant not to compete, as is a non-disparagement provision which prohibits an employee from ever taking any action "inimical to the interest" of her former employer. *See, Bodemer v. Swanel Beverage, Inc.* (N.D. Ill. 2012) 884 F.Supp.2d 717, 729.

18. California law forbids non-competes in whatever form. *Edwards v. Arthur Anderson LLP* (2008) 44 Cal.4th 937, 949-950.

19. Consistent with California law, and consistent with its belief in fair competition for employees, Veeva will hire persons to provide services in California within the meaning of California law even if a different employer required those persons to sign a non-compete. Veeva explains its philosophy and its intent to comply with California law on its website, stating:

> The practice of non-compete agreements conflicts with our value of employee success. Non-competes are an outdated business practice. We don't ask employees to sign them and we will not let a current or past non-compete agreement prevent us from hiring a qualified candidate.

20. Veeva further understands that one of the primary drivers of California's technology industry is its strong public policy against agreements that restrain trade. Veeva's website notes:

> One of the key contributing factors to Silicon Valley's success and culture of innovation has been California's ban of non-competes as a condition of employment. The mobility of talent made the founding and growth of countless tech companies possible, including Apple, Intel, Google, Salesforce, and Veeva. It

is the fuel for a thriving growth market and has ensured the free flow of people and new ideas.

21. Veeva also accurately explains:

> Non-compete agreements are intended to restrict an employee's ability to move between jobs. Nearly one fifth of U.S. workers are impacted by these agreements as many companies include non-compete clauses in their standard terms of employment, realizing that most employees won't read or understand the fine print. Employees unknowingly sign contracts that could eventually be used against them as they pursue new job opportunities. They can harm a person's future employment prospects if the hiring company isn't willing to stand up for them. It's just wrong.

22. Under California Labor Code § 2802, Veeva generally has an obligation to defend employees if they are sued for work performed in the scope of their employment. Moreover, and again as a general rule, if Veeva fires an employee because of the threat of litigation arising from an unlawful agreement in restraint of trade, it would violate public policy.

23. At the same time, Veeva has no interest in another company's actual and protectable confidential information, such as trade secrets, consumer data, and material non-public information. But overbroad confidentiality agreements target more than just this information. They effectively prohibit employees from using or disclosing all the general skills, knowledge, acquaintances, and their overall experience when working for a new employer. They also hinder recruitment by preventing employers from learning non-confidential information from prospective employees – such as their reasons for leaving, their wages, or their working conditions – that might inform the decision to hire.

24. Non-disparagement agreements also restrain trade. They prevent the free flow of information during the interview process. They similarly prevent employees from ever criticizing their former employer when competing with that employer in the marketplace.

25. Accordingly, Veeva advises prospective employees that they should:

> Break the non-compete cycle. Join a progressive company that does not require you to sign a non-compete and that will defend you against attempts to enforce your existing non-compete. Don't let the threat of a non-compete or lawsuit derail your career. . . . The reality is that most non-competes are abusive, overly broad, and not enforceable, even in the jurisdictions that allow them.

> If you join Veeva, your responsibility is to return all data to your former employer and never share confidential information. If you do that, in the event your former employer pursues a claim, Veeva will provide for your full legal representation and help make the process as easy as possible. In the unlikely event a non-compete delays or restricts your work at Veeva, you will retain your position and your compensation will continue unaffected.

26. Consistent with California law, Veeva fully intends to stand by its commitments.

27. Defendants do not share Veeva's commitment to fair competition. Instead, they seek to take advantage of Veeva's commitment to the law by actively recruiting and/or hiring Veeva employees (who are **not** subject to non-competes). At the same time, and as explained in further detail below, Defendants seek to prevent Veeva from doing the same by requiring illegal agreements in restraint of trade that prevent employees from providing services, and effectively competing with their former employers, in California. This is illegal.

Medidata

28. Medidata conducts significant business in California through its employees. Indeed, certain of Medidata's subsidiaries and affiliates are headquartered in California. Medidata leases more than 14,000 feet of office space in San Francisco, California. One of its subsidiaries, Patient Profiles, LLC, is incorporated in California, and in February 2017, Medidata announced its intent to acquire Chita, a company based in San Mateo California. On information and belief, Medidata employees perform work for these subsidiaries and affiliates.

29. In addition, Medidata employees work with numerous clients and partners with significant operations in California. Medidata's California-based clients and partners include prominent companies such as Amgen, Roche Molecular Systems, Genentech, and Vital Connect. Medidata gains significant benefits through its close contacts with California. Many of Medidata's employees – regardless of their place of residence – provide services in California for purposes of California's unfair competition law, Business & Professions Code § 16600 and the Cartwright Act.

30. Nevertheless, Medidata requires its employees to enter into post-termination non-compete agreements that restricts these employees' right to work for other employers in California. Medidata's non-compete agreement for U.S.-based employees states:

> During the term of my employment with Medidata, and for a period of one (1) year thereafter, regardless of the circumstances of termination, I will not directly or indirectly, whether as . . . . consultant, agent, employee, or otherwise, engage, participate, or invest in any business activity **anywhere in the world** which develops or markets products or performs services which are competitive with the products or services of the Company (a competitor), including but not limited to any business entity which develops, manufactures, or provides consulting services with respect to data management applications for pharmaceutical, biotechnology, and genomic companies. I will not directly or indirectly, engage or participate in the development of any product or service which the Company has under development or which are the subject of active planning at any time during the term of my employment.

31. The same agreement defines everything at Medidata as confidential, and prohibits employees from ever using or disclosing so-called "confidential information." Specifically, the agreement states:

> I agree at all times during the term of my employment **and thereafter**, to hold in strictest confidence, and not to use, except for the benefit of Medidata or any of its subsidiaries (together, the "Company"), or to disclose to any person, firm or corporation without written authorization of the Board of Directors of Medidata, any Confidential Information of the Company. I understand that **"Confidential Information"** means **any** Company proprietary information, technical-data, trade secrets or know-how, including, but not limited to, research, product plans, **products**, **services**, customer lists and **customers** (including but not limited to, **customers of the Company on which I called or with whom I became acquainted during the term of my employment**), markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, marketing, finances **or other business information disclosed to me by the Company or to which I have access either directly or indirectly** in writing, orally or by drawings or observation of parts or equipment.

32. Medidata requires all its employees to adhere to its Employee Confidentiality, Invention, Assignment, and Non-Competition Agreement.

33. Medidata's non-compete and confidentiality agreement – which prohibits employees from working for competitors and competing against Medidata in California – is unlawful.

34. Even though Medidata's non-compete and confidentiality agreements are illegal, Medidata nevertheless threatens to enforce these agreements, takes steps to enforce these agreements, and sues Veeva for alleged interference with these illegal agreements. It does so even through Veeva seeks to recruit current and former Medidata employees from California to provide services in California within the meaning of its unfair competition laws. As a result, Veeva incurs attorneys' fees both on behalf of itself and by virtue of its obligations to indemnify its employees under Labor Code § 2802.

35. In addition, Veeva intends to continue to recruit Medidata employees from California to work for Veeva in California within the meaning of California's unfair competition law, Business & Professions Code § 16600 and the Cartwright Act. This recruitment is made more difficult and expensive by virtue of the illegal agreements Medidata requires all of its employees to sign as a condition of employment.

36. Consistent with California law, Veeva intends to indemnify and defend its employees when they are faced with threatened or actual litigation arising from Medidata's attempts to restrict these employees from working for Veeva because of a non-compete/confidentiality agreement that potentially violates California law.

IMS

37. Like Medidata, IMS conducts significant business in California through its employees. IMS has offices in San Francisco, Redwood City, Rancho Cordova, Fresno, San Diego, San Jose, and Woodland Hills, among other locations.

38. IMS employees work with numerous clients and partners with significant operations in California. IMS gains significant benefits through its close contacts with California. Many of IMS's employees – regardless of their place of residence – work in California for purposes of California's unfair competition law, Business & Professions Code §16600 and the Cartwright Act.

39. Nevertheless, IMS requires its employees to enter into post-termination non-compete and overbroad confidentiality/non-disparagement agreements that restrict these

employees' right to work for other employers in California within the meaning of applicable California law.

40. For example, in 2013, a predecessor company to IMS (then named Cegedim) threatened to enforce an employment agreement that prohibited an employee from working for any competitor for a period of one year, even if that employee was employed in California.

41. The employee also had to agree, as a condition of working for this company, to a non-disparagement clause that stated he could not, "at any time, make any statement, observation, opinion, or communicate any information (whether oral or written) that is likely to come to the attention of any client or employee of [Company] or any member of the media, which statement is derogatory or casts in a negative light [Company] or its officers, directors, and employees or otherwise engage in any activity which is inimical to the interests of the Company."

42. The confidentiality provision in the employment agreement was also grossly overbroad and contained no temporal or geographic limitation. It defined "Confidential Information" to mean essentially everything, including "salary and compensation information," "knowledge of suppliers," "data," and "other business affairs."

43. IMS threatened to enforce this employment agreement, including specifically the non-compete and non-disparagement clauses, even though the employee worked for Veeva, had signed an employment agreement with Veeva subject to California law, reported to a California-based supervisor, regularly traveled to California for work-related reasons, performed work in California, and serviced California-based clients. Moreover, Veeva recruited this employee to work for Veeva from California. Veeva incurred harm in the form of increased expenses and lost productivity as a result of IMS's threat.

44. Most recently, in January 2016, IMS threatened to enforce yet another non-compete agreement and seek damages against Veeva because it had hired a former IMS employee. This non-compete agreement prohibited the employee, for a twelve month period, from working **anywhere in the United States** – including California – in a business that competes "directly or indirectly" with IMS.

45. The same agreement contained a confidentiality provision with no temporal or geographic limitation. It described "confidential information" as "information not generally known outside the IMS Companies," and prohibited the employee from ever disclosing or using this information.

46. IMS threatened to enforce this illegal agreement even though the employee had signed an employment agreement with Veeva that was subject to California law, reported to a California-based supervisor, regularly traveled to California for work-related reasons, performed work in California, and serviced California-based clients. Moreover, Veeva recruited this employee to work for Veeva from California. Veeva incurred harm in the form of increased expenses and lost productivity as a result of IMS's threat.

47. Veeva intends to continue recruiting IMS employees to work for Veeva in California within the meaning of applicable law. This recruitment is made more difficult and expensive by virtue of IMS's illegal agreements.

48. Moreover, and consistent with California law, Veeva has and intends to continue to indemnify and defend former IMS employees when they are faced with threatened or actual litigation arising from IMS's attempts to restrict these employees from working for Veeva because of an illegal agreement in restraint of trade.

Sparta

49. Sparta also conducts significant business in California through its employees. A number of its employees reside in San Diego, Los Angeles, Santa Barbara, and San Francisco.

50. Sparta employees work with numerous clients and partners with significant operations in California, and has numerous California-based clients and partners. Sparta gains significant benefits through its close contacts with California. Many of Sparta's employees – regardless of their place of residence – work in California for purposes of applicable California law.

51. Nevertheless, Sparta requires its employees to enter in employment agreements that contain a post-termination non-compete provisions that restricts these employees' right to work for other employers in California within the meaning of applicable California law.

52. In the same employment agreement, Sparta prohibits employees from – either during or after their employment with the company – disparaging "the reputation of the Company, its customers, and its or their respective affiliates or any of its or their respective officers, directors, employees, or agents."

53. Sparta has previously sought to enforce its employment agreement to prohibit an employee from working in California within the meaning of California's unfair competition law, Business & Professions Code § 16600, and the Cartwright Act. This non-compete agreement prohibited this employee from working for any competitor for nine months following his employment with Sparta. The agreement has an unlimited geographic scope. Moreover, while the agreement states that "any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability," Sparta nevertheless sought and obtained a temporary restraining in New Jersey state court that prohibited this employee from providing certain services in California.

54. Prior to entry of the temporary restraining order, the employee subject to this agreement performed work in California. He was recruited to work for Veeva primarily from California, and he is subject to an employment agreement with Veeva that is governed by California law. Moreover, Veeva sought to have this employee work in California within the meaning of applicable California law. His ultimate superior was based in California, and he was charged with working on products that are sold to California clients. Veeva incurred costs as a result of defending this employee in litigation brought by Sparta arising from the post-termination non-compete agreement.

55. Veeva intends to continue recruiting Sparta employees from California to work for Veeva in California within the meaning of applicable California law. This recruitment is made more difficult and expensive by virtue of the illegal agreement.

56. Also, and consistent with California law, Veeva has and intends to continue to indemnify and defend former Sparta employees when they are faced with threatened or actual litigation arising from Sparta's attempts to restrict these employees from working for Veeva because of an illegal agreement in restraint of trade.

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57. In light of the above facts, Veeva brings the following causes of action.

FIRST CAUSE OF ACTION

DECLARATORY RELIEF CONCERNING RECRUITMENT OF DEFENDANTS' EMPLOYEES

58. An actual case or controversy exists over Veeva's right to recruit Defendants' current and former employees, notwithstanding the fact that these employees have signed illegal agreements in restraint of trade. Veeva desires a declaration of its rights with respect to Defendants as it relates to recruitment of Defendants' current and former employees. Veeva, as a competitor of Defendants with respect to certain services and products, has an interest in these agreements because they inhibit Veeva's ability to fairly compete for employees.

59. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

60. California has a strong interest in protecting the freedom of movement of persons whom California-based employers wish to employ to provide services in California, regardless of the person's state of residence or precise degree of involvement in California projects.

61. California employers have a strong and legitimate interest in having broad freedom to choose from a national applicant pool in order to maximize the quality of the product or services they provide. The State of California has a strong interest in protecting California-based employers and their employees from anti-competitive conduct from out-of-state employers, like Defendants, who would interfere with the freedom of Veeva and its employees.

62. Veeva – a California-based employer – is protected in the solicitation of Defendants' employees to provide services in California – notwithstanding the employees' place of residence or the existence of an illegal agreement in restraint of trade. Defendants disagree.

63. Accordingly, Veeva seeks a declaratory judgment finding that it is absolutely privileged to solicit Defendants' employees in accordance with the above facts and law.

Ancillary to this declaratory judgment, Veeva also seeks an order enjoining Defendants from taking any action that infringes in any way on this privilege. Such action that must be enjoined includes the threatened or actual enforcement of illegal agreements in restraint of trade or the seeking of contract or tort damages arising from Veeva's solicitation of Defendants' employees notwithstanding the existence of these non-competes.

SECOND CAUSE OF ACTION

DECLARATORY RELIEF CONCERNING INDEMNITY OF EMPLOYEES

64. An actual case or controversy exists over Veeva's right and obligation to indemnify and/or defend its employees when they are faced with threatened or actual litigation arising from Defendants' efforts to enforce illegal agreements in restraint of trade. Among other things, Defendants contend that Veeva – by stating that it will defend and indemnify employees in the face of litigation arising from illegal agreements in restraint of trade – is interfering with these contracts.

65. California Labor Code § 2802 generally states that "an employer shall indemnify his or her employee for all necessary expenditures or losses incurred by the employee in direct consequence of the discharge of his or her duties . . . ." It is well-settled that this provision includes the obligation to indemnify employees for reasonable attorney's fees and costs in the event of litigation arising from conduct in the course and scope of the employee's employment.

66. Defendants' former employees – by working for Veeva notwithstanding the existence of the illegal agreements – act in the course and scope of their employment with Veeva.

67. Veeva – a California-based employer whose employees enter into employment contracts governed by California law – has an obligation and desire to defend and indemnify its employees when faced with threatened or actual litigation from Defendants arising from illegal agreements in restraint of trade. Defendants think this is a bad thing.

68. Accordingly, Veeva seeks a declaratory judgment finding that it is absolutely privileged to defend and indemnify its employees in accordance with the above facts and law. Ancillary to this declaratory judgment, Veeva further seeks an order enjoining Defendants from taking any action that infringes in any way on this privilege. Such action that must be enjoined

includes the seeking of contract or tort damages arising in any way from Veeva's decision to defend and indemnify its employees when sued by Defendants for allegedly violating an illegal agreement in restraint of trade.

THIRD CAUSE OF ACTION

DECLARATORY RELIEF CONCERNING

DEFENDANTS' ILLEGAL AGREEMENTS IN RESTRAINT OF TRADE

69. An actual case or controversy exists over Defendants' right to require employees to sign illegal agreements in restraint of trade that include in their scope the provision of services in California within the meaning California law. Veeva, as a competitor of Defendants with respect to certain services and products, has an interest in these agreements. Among other things, these agreements inhibit Veeva's efforts to recruit and hire Defendants' employees.

70. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

71. The interests of employees in their own mobility and betterment in providing services in California to a California-based employer are deemed paramount to the competitive business interests of out-of-state employers who seek to prevent competition. Defendants disagree, and require their employees to sign illegal agreements that include in their scope California. This is turn restricts Veeva's ability to recruit and employ the best employees.

72. Accordingly, Veeva seeks a declaratory judgment ruling that Defendants violate California law when they enter into illegal agreements in restraint of trade with employees that include within their scope the provision of services in California to a California-based employer. Ancillary to this declaratory judgment, Veeva further seeks an order enjoining Defendants from entering into such contracts and requiring Defendants to modify any existing illegal agreements in restraint of trade with employees so that these employees are free to provide services in California to a California-based employer.

FOURTH CAUSE OF ACTION

DECLARATORY RELIEF CONCERNING

ENFORCEABILITY OF ILLEGAL AGREEMENTS IN RESTRAINT OF TRADE

73. An actual case or controversy exists over Defendants' right to seek enforcement of illegal agreements in restraint of trade that include in their scope the provision of services in California to a California-based employer. Such efforts at enforcement include threatened and actual litigation against Veeva for interference with these agreements. Moreover, as explained above, Veeva also indemnifies its employees when faced with threatened or actual litigation concerning these agreements. Veeva, as a competitor of Defendants with respect to certain services and products, has an interest in these agreements. Veeva also seeks a declaration of its rights with respect to Defendants as it relates to the threatened or actual enforcement of these illegal agreements.

74. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

75. California has a strong interest in protecting the freedom of movement of persons whom California-based employers wish to employ to provide services in California, regardless of the person's state of residence or precise degree of involvement in California projects.

76. California employers have a strong and legitimate interest in having broad freedom to choose from a national applicant pool in order to maximize the quality of the product or services they provide. The State of California has a strong interest in protecting California-based employers and their employees from anti-competitive conduct from out-of-state employers, like Defendants, who would interfere with the freedom of Veeva and its employees.

77. The interests of employees in their own mobility and betterment in providing services in California to a California-based employer are deemed paramount to the competitive business interests of out-of-state employers who seek to prevent competition.

78. Defendants threaten to and actually seek to enforce illegal agreements in restraint of trade that prohibit Veeva from employing employees to provide services in California. This violates California law.

79. Accordingly, Veeva seeks a declaratory judgment finding that Defendants violate California law when they threaten or seek to enforce illegal agreements in restraint of trade that prohibit employees from providing services in California to Veeva. Ancillary to this declaratory judgment, Veeva further seeks an order enjoining Defendants from taking any action to enforce, whether through litigation threats, court proceedings, or otherwise, an illegal agreement in restraint of trade that prevents employees from providing services to Veeva in California within the meaning of applicable California law.

FIFTH CAUSE OF ACTION

DECLARATORY RELIEF CONCERNING THE REFUSAL TO FIRE EMPLOYEES ON THE BASIS OF LITIGATION ARISING FROM ILLEGAL AGREEMENTS IN RESTRAINT OF TRADE

80. An actual case or controversy exists over Veeva's obligation to terminate employees in the face of threatened or actual litigation arising from an illegal agreement in restraint of trade. Veeva has an interest in the agreements because they form the basis for Defendants' argument that Veeva cannot employ Defendants' current or former employees. However, California courts have concluded that it violates California public policy to terminate an employee due to the threat of litigation arising from an illegal agreement in restraint of trade. Accordingly, Veeva seeks a declaration with respect to its right to refuse to terminate its employees when faced with threatened or actual litigation from Defendants arising from an illegal agreement in restraint of trade.

81. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices. The California Court of Appeal has ruled that it violates public policy to terminate an employee for his or her

refusal to sign an illegal agreement in restraint of trade. The California Court of Appeal has also ruled that it violates public policy for a subsequent employer to terminate an employee in the face of litigation threats concerning a potentially unlawful agreement in restraint of trade.

82. Veeva refuses to fire employees when it is threatened with litigation over an agreement in restraint of trade that potentially violates California law. Defendants insist that Veeva must instead hang these employees out to dry or face expensive litigation requiring that their employees be terminated. Defendants are wrong.

83. Accordingly, Veeva seeks a declaratory judgment finding that it is absolutely privileged to continue to employ employees who are faced with threatened or actual litigation concerning agreements in restraint of trade that potentially violate California law. Ancillary to this declaratory judgment, Veeva further seeks an order enjoining Defendants from taking any action to compel Veeva, whether through litigation threats, court proceedings, or otherwise, to terminate an employee because that employee signed an agreement in restraint of trade that is potentially illegal under California law.

SIXTH CAUSE OF ACTION

UNFAIR COMPETITION CONCERNING

RECRUITMENT OF DEFENDANTS' EMPLOYEES

84. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

85. California has a strong interest in protecting the freedom of movement of persons whom California-based employers wish to employ to provide services in California, regardless of the person's state of residence or precise degree of involvement in California projects.

86. California employers have a strong and legitimate interest in having broad freedom to choose from a national applicant pool in order to maximize the quality of the product or services they provide. The State of California has a strong interest in protecting California-based

employers and their employees from anti-competitive conduct from out-of-state employers, like Defendants, who would interfere with the freedom of Veeva and its employees.

87. Defendants engage in unfair competition when they threaten or engage in litigation arising from Veeva's recruitment of employees in accordance with the above facts and law. Veeva has lost money and suffered injury in fact as a result of Defendants' unfair and unlawful competition. Defendants' conduct must be enjoined.

SEVENTH CAUSE OF ACTION

UNFAIR COMPETITION CONCERNING

INDEMNITY OF DEFENDANTS' FORMER EMPLOYEES

88. California Labor Code § 2802 generally states that "an employer shall indemnify his or her employee for all necessary expenditures or losses incurred by the employee in direct consequence of the discharge of his or her duties . . . ." It is well-settled that this provision includes the obligation to indemnify employees for reasonable attorney's fees and costs in the event of litigation arising from conduct in the course and scope of the employee's employment. The right to indemnity under Labor Code § 2802 cannot be waived by contract.

89. Defendants' former employees – by working for Veeva notwithstanding the existence of an illegal agreement in restraint of trade – act in the course and scope of their employment with Veeva.

90. Defendants seek to interfere with Veeva's right and obligation to indemnify its employees in the face of threatened or actual litigation arising from their employment with Veeva. Indeed, Defendants claim that Veeva's announced intention to comply with California law and stand by its work force is nefarious and gives rise to tort liability. This is unfair competition under Business & Professions Code § 17200 *et seq.*

91. Defendants engage in unfair competition when they seek to discourage or prevent Veeva from indemnifying its employees in accordance with the above facts and law. Defendants engage in unfair competition when they signal to employees that it is somehow unlawful or wrong for Veeva to indemnify them. Veeva has lost money and suffered injury in fact as a result of Defendants' unfair and unlawful competition. Defendants' conduct must be enjoined.

EIGHTH CAUSE OF ACTION

UNFAIR COMPETITION ARISING FROM

DEFENDANTS' ILLEGAL AGREEMENTS IN RESTRAINT OF TRADE

92. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

93. The interests of employees in their own mobility and betterment in providing services in California to a California-based employer are deemed paramount to the competitive business interests of out-of-state employers who seek to prevent competition.

94. Defendants engage in unfair competition when they enter into illegal agreements in restraint of trade that include in their scope the provision of services in California for a California-based employer. Veeva has lost money and suffered injury in fact as a result of this unfair and unlawful competition. Defendants' conduct must be enjoined.

NINTH CAUSE OF ACTION

UNFAIR COMPETITION ARISING FROM THREATENED OR ACTUAL ENFORCEMENT OF ILLEGAL AGREEMENTS IN RESTRAINT OF TRADE

95. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices.

96. California has a strong interest in protecting the freedom of movement of persons whom California-based employers wish to employ to provide services in California, regardless of the person's state of residence or precise degree of involvement in California projects.

97. California employers have a strong and legitimate interest in having broad freedom to choose from a national applicant pool in order to maximize the quality of the product or services they provide. The State of California has a strong interest in protecting California-based

employers and their employees from anti-competitive conduct from out-of-state employers, like Defendants, who would interfere with the freedom of Veeva and its employees.

98. The interests of employees in their own mobility and betterment in providing services in California to a California-based employer are deemed paramount to the competitive business interests of out-of-state employers who seek to prevent competition.

99. Defendants engage in unfair competition when they threaten to or actively seek to enforce illegal agreements in restraint of trade against Veeva employees that include in their scope the provision of services in California. Veeva has lost money and suffered injury in fact as a result of this unfair and unlawful competition. Defendants' conduct must be enjoined.

TENTH CAUSE OF ACTION

UNFAIR COMPETITION ARISING FROM DEFENDANTS' ACTIONS INTENDED TO CAUSE THE TERMINATION OF VEEVA EMPLOYEES

100. Business and Professions Code § 16600 renders every contract in restraint of trade void. The Cartwright Act renders any combination in restraint of trade unlawful and void. Business and Professions Code §§ 17200 *et seq.* renders violations of Business & Professions Code § 16600 and the Cartwright Act unfair and unlawful business practices. The California Court of Appeal has ruled that it violates public policy to terminate an employee for his or her refusal to sign an illegal agreement in restraint of trade. The California Court of Appeal has also ruled that it violates public policy for an employer to terminate an employee in the face of litigation concerning a potentially unlawful agreement in restraint of trade.

101. Defendants, through threatened or actual litigation, seek to force Veeva to terminate employees because these employees have signed agreement in restraint of trade that potentially violate California law. Veeva has lost money and suffered injury in fact as a result of this unfair and unlawful competition. This conduct must also be enjoined.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff pray for judgment against Defendants as follows:

1. Declaratory judgment as set forth above.

2. Appropriate injunctive relief ancillary to the declaratory judgment, as set forth

above.

3. Appropriate injunctive relief under California's unfair competition law, as set forth above.

4. An award of reasonable attorneys' fees and costs;

5. All such other and further relief that the Court may deem just and proper.

Dated: July 17, 2017

BAKER CURTIS & SCHWARTZ, P.C.

By: ds for Chris Baker

Chris Baker
Attorneys for Plaintiff
VEEVA SYSTEMS INC.