

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. _____

Date Purchased: Nov. 15, 2010

COMPLAINT

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

NATURE OF THIS ACTION

1. Arianna Huffington and Kenneth Lerer entered into a joint venture with Peter Daou and James Boyce to develop a liberal political website that Peter and James had conceived. Peter and James believed that Huffington's "personal brand" and Lerer's financial resources would perfectly complement their unique formula for a website combining news aggregation, a political celebrity blog collective, and online community-building, which could serve as a liberal counterweight to conservative talk radio and websites like The Drudge Report.

2. Peter and James contributed their ideas and strategic plans for the site, made their own blog contributions, provided promotion for the site before and after it launched, and leveraged their relationships with politicians and public figures to bring high-profile bloggers to the site. Peter and James worked hard to help make the site popular and successful.

3. After weeks of meetings, conversations, and emails among the parties, Huffington and Lerer breached their obligations to Peter and James, excluded them from the venture, and claimed credit for the ideas and contributions to the site that Peter and James had given them.

4. The joint venture conceived by Peter and James became the Huffington Post (www.huffingtonpost.com), one of the most prominent and valuable news, politics and entertainment properties on the Internet. Huffington has styled herself as a “new media” maven and an expert on the effective deployment of news and celebrity on the Internet in the service of political ends. She and Lerer have stated that they hired conservative activist Andrew Breitbart to develop the Huffington Post, but claimed that the underlying ideas were their own. As will be shown at trial, Huffington’s and Lerer’s image with respect to the Huffington Post is founded on false impressions and inaccuracies: They presented the “new media” ideas and plans of Peter Daou and James Boyce as their own in order to raise money for the website and enhance their image, and breached their promises to work with Peter and James to develop the site together.

5. The reality of Peter’s and James’ role in the conception and creation of the site has been erased from history, and Peter and James have never been compensated for their participation in the joint venture. This lawsuit has been filed to right those wrongs.

PARTIES

6. Plaintiff Peter Daou is an individual residing in the County of New York in the State of New York. Peter 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 and in 2006 became a senior online advisor to Hillary Clinton. In 2007, he was named Internet Director for Hillary Clinton for President. Peter has been cited frequently 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."

7. Plaintiff James Boyce is an individual residing in the County of Suffolk in the Commonwealth of Massachusetts. James founded Common Sense New Media Strategies after serving as a Senior Advisor on John Kerry's Campaign in 2004. Currently working as a new media advisor for several prominent clients, James frequently speaks at conferences on how organizations can cost-effectively use new media platforms and tools to help change the world. He is a frequent guest on the cable news network MSNBC.

8. 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.

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

10. 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.

JURISDICTION AND VENUE

11. 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.

12. 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.

13. 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.

14. 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.

15. 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

16. The joint venture between Plaintiffs and Defendants was formed in a series of conversations, emails, meetings and exchanges of memoranda between mid-November 2004 and late December 2004.

17. As veterans of Sen. John Kerry's 2004 presidential campaign, James and Peter had gained unique perspective and insight into the emerging power of the Internet as a force in politics, how the Internet could be used effectively to communicate in politics, and, in particular, how such Internet communications for the Democratic Party were lacking.

18. Peter's role in the campaign was described by the Washington Post in a March 11, 2005 article as "the man behind the Kerry-Edwards campaign's blogging operation." Peter first met Lerer in the context of Peter's work on the campaign. On September 22 and September 23, 2004, during the campaign's closing weeks, Peter and Lerer spoke on the telephone and corresponded by email about the Kerry campaign's Internet strategy. (In a 2007 *USA Today* article, Lerer stated that "the [Huffington Post] was inspired by the role the Internet played in the 2004 elections.")

19. Two weeks after the 2004 presidential campaign ended, Peter launched the liberal news and blog aggregator, "The Daou Report," which was soon integrated into Salon.com, a leading liberal website.

20. At the same time, Peter and James began discussing the formation of a joint business venture and prepared a detailed blueprint describing their ideas and plans for a new kind of Democratic news-reporting website and blogging "ring" or collective (the "Website"), designed to promote and enhance Democratic causes and counter the influence of, among other media, the conservative website the Drudge Report (www.drudgereport.com).

21. In mid-November 2004, James gave the memorandum, which was entitled “1460” to reflect the number of days between presidential elections, to Huffington. Huffington agreed to be substantially involved in the project. In the “1460” memorandum, her designated role was as strategic partner and investor.

22. As set forth in the “1460” memorandum that James gave to Huffington, the core objective in creating the Website was to “use the potential of the Internet to the fullest extent possible to continue the momentum started during the [2004 presidential] campaign and re-organize the Democratic Party from the outside in, not the inside out.”

23. Additionally, Peter and James wrote in the blueprint provided to Huffington 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.”

24. Based on his experience traveling with notable personalities during the Kerry campaign, James believed that hosting political blogs by such luminaries could differentiate the Website and drive traffic and political interest. James suggested that Huffington, who was well known as an accomplished political networker, could provide the necessary connections to such personalities.

25. The “1460” memorandum created by James and Peter, given by James to Huffington, and used as the basis for Peter’s presentation at a December 3, 2004 meeting at Huffington’s home, propounded a specific combination of elements that have always been central and signature elements of the Huffington Post, including a collective of blogs by notable personalities, non-partisan news aggregation, issue-specific web pages, scoops and exclusives

derived from the founders' personal relationships with Democratic Party and media insiders, and online community-building.

26. At the time, the concrete idea for this specific combination of elements was entirely novel, as Arianna Huffington has repeatedly publicly affirmed. In a March 2010 article in *Wired*, Huffington spoke about the originality of the idea for the Huffington Post, saying "Now it's, like, so obvious. But at the time, it had never been done." In November, 2006, Huffington told *Playboy*, "Part of [the site'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."

27. James met with Lerer in New York City, where he told Lerer about the Website idea. On November 19, 2004, James wrote to Peter about the Website project, "Arianna thinks Kenny Lerer will give us the funds we need."

28. Peter planned a meeting with Huffington in New York City on November 30, 2004, in order to meet in person with her to expand on the website ideas and plans they had been discussing over the previous weeks, but the meeting was cancelled. Instead, Huffington, James and Peter agreed that they could meet while Peter and James were in Los Angeles to attend a gathering already planned for December 3, 2004 at Huffington's home. James had already been planning to travel to and attend the December 3, 2004 meeting, and to stay at Huffington's home in connection therewith.

29. Accordingly, on December 3, 2004, Peter and James attended the meeting at Huffington's home, in which approximately thirty prominent political activists and Democratic donors gathered to discuss the future of the Democratic Party in the aftermath of George W. Bush's re-election. Lerer was also present at the meeting.

30. The December 3, 2004 meeting 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* article states that Huffington and Lerer “hatched” the Huffington Post at the December 3, 2004 meeting. On October 7, 2010, *Forbes* stated, “In 2004 [Huffington] held a dinner in her Brentwood home for 30 or so people. . . . The group discussed the idea of creating a 24/7 news platform ‘with an attitude.’ After the meeting Huffington and Lerer kicked around what would become the Huffington Post, agreed to a 50-50 partnership and raised \$2 million each.” A February, 2010 *Inc.* 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.”

31. A contemporaneous transcript of that December 3 meeting, prepared by an associate of Huffington’s, tells a very different story. The transcript shows that neither Huffington nor Lerer said anything even vaguely reminiscent of the Huffington Post at that meeting. In fact, the transcript contains not a single comment from Lerer. The transcript also shows that only Peter, of the roughly thirty attendees, vigorously evangelized for the use of the Internet, and specifically a “network of blogs,” as a way of aggregating and driving news stories to enhance and focus Democratic messaging, drawing from his experience as an online communications advisor to the Kerry presidential campaign and from the memorandum he and James had authored and given to Huffington.

32. According to the transcript, Peter emphasized the importance of an Internet presence for Democrats, stating, “The network of blogs can be an advance force to better control

the media story. We [Democrats] need to develop a dominant position within the internet. . . . The story is being told online.” Among other things, Peter emphasized that Democrats needed to “[m]obilize the online community. It is a system [for] pushing the message, not just for fundraising. It has to be different, better, unique.”

33. Confirming the substance of Peter’s unique contribution to the meeting, filmmaker Robert Greenwald, who was one of the thirty or so attendees, emailed Peter four days after the December 3 meeting, complimenting his ideas and plans for a new liberal website that would become “our Drudge,” and stating, “Let me know when you get close to launch, so I can spread word and connect you to a bunch of folks who will get you leads, etc.”

34. As previously arranged, James, Peter and Lerer joined Huffington for breakfast at her home the next day, December 4, 2004. At the December 4, 2004 meeting, Peter, James, Huffington, and Lerer discussed and confirmed in detail Peter’s and James’ concrete ideas and plans for the proposed Website. They agreed that the Website should highlight Huffington’s personality more effectively than her then-existing website at “ariannaonline.com.” They agreed that once the Website was launched, they would each seek scoops and exclusives from their respective contacts in the media and Democratic Party. They further expanded on the suggestion in the “1460” memorandum that political luminaries and public figures should be invited to blog on the planned liberal website – the distinguishing feature and predominant claim to fame of the Huffington Post.

35. At the conclusion of the December 4 meeting, Peter, James, Huffington, and Lerer all shook hands and Huffington stated, “It will be great to work together.” She provided copies of her books to Peter to give him greater insight into her political thinking and background.

36. After the December 4, 2004 meeting, Peter and James believed they were partners with Huffington and Lerer in a joint venture to develop the Website. In keeping with their understanding of their roles in the joint venture, they drafted memoranda and strategic plans, and engaged in meetings and phone conversations separately and with Huffington and Lerer, to best implement the Website concept they had proposed to Huffington and Lerer.

37. On December 12, 2004, James and Peter emailed a document to David Thorne, then a potential investor (now Ambassador to Italy and San Marino) who was a close personal friend of Senator Kerry's and had helped bring together the Kerry campaign's Internet team, stating that they had entered into a partnership with Huffington and Lerer to develop a liberal news aggregation and blogging website. In that document, Peter and James wrote that the site 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."

38. On or about December 17, 2004, two weeks after the breakfast meeting at Huffington's home, Huffington and Lerer requested that James and Peter 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 site.

39. On or about December 20, 2004, Peter followed up to confirm the status of funding, and Huffington told James that Lerer had agreed to fund the site for six months based on the budget and strategic plan that was to be provided by Peter and James.

40. In response, on December 22, 2004, Peter outlined strategies and action steps necessary to operationalize the Website, including staffing requirements, software and server costs, estimated design fees, and suggested marketing approaches. He also reiterated the need to

distinguish the site 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 “brand” as it exists today.

41. In summary, at the December 4, 2004 meeting and in subsequent emails and phone conversations, Huffington, Lerer, Peter and James agreed on at least the following terms of their joint venture:

(a) The parties to the agreement would be Huffington, Lerer, Peter and James;

(b) the parties would make contributions to the joint venture 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 Peter and James (the budget later prepared by Peter on December 22, 2004 specified a price of \$200,000 - \$270,000 to design, develop and run the Website for six months);

(iii) James 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) Peter 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 Peter and James (a draft of that plan prepared by Peter 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 Peter and James 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.

42. Meanwhile, Huffington and Lerer took what Peter and James had given them, and over the subsequent weeks and months, used those ideas, plans and materials to raise at least \$2

million for the prospective website, without informing or crediting Peter and James, 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 investment in the Website idea.

43. In January 2005, Huffington and Lerer replaced Peter and James with conservative activist Andrew Breitbart, who had helped run the conservative site The Drudge Report. They then caused the Website, based on Peter's and James' ideas, initial business plan, and strategic insights, to be developed without the participation of Peter and James.

44. The Huffington Post website launched on May 9, 2005. The site as it launched implemented all of Peter's and James' ideas, even down to the inclusion of specific political celebrity bloggers whom Peter and James had suggested, and including a unique combination of features described in the blueprint provided by James and Peter to Huffington and Lerer, agreed at the December 4, 2004 meeting, and further developed in subsequent communications among the parties.

45. For example, lawyer and political commentator Alan Dershowitz, whom James had met during the Kerry campaign and who was referenced as a prospective blogger in the "1460" memorandum that James and Peter gave to Huffington, became one of the first contributors to the newly-launched Website.

46. Jonah Peretti, whom James and Peter had specifically agreed with Huffington and Lerer should be brought into the project, was in fact hired by Huffington and Lerer, and named a "Founding Partner" of the Huffington Post.

47. 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,

Peter and James were effectively foreclosed from utilizing their own ideas and strategies to build the website contemplated in the “1460” memorandum, which they had conceived before they ever shared those ideas and strategies with Huffington and Lerer.

48. Peter and James were rebuilding their incomes in the aftermath of Senator Kerry’s defeat, and they were consulting to political campaigns, public policy institutions and nonprofit entities. A public dispute with Huffington and the Huffington Post would inevitably damage their clients and thereby destroy their livelihoods. In addition, in the subsequent months and years, Peter’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.

49. Furthermore, Peter and James could not believe that Huffington – whom James 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 make things right, and unable to risk the loss of their livelihoods from a public dispute with Huffington and the Huffington Post, Peter and James continued to fulfill their own responsibilities to the joint venture, working tirelessly to make the Huffington Post a success. They contributed a large volume of their own content, bringing prominent guest bloggers to the Website, and promoting it in various venues. Among the contributors brought by James and Peter to The Huffington Post are Hillary Clinton, John Kerry, Max Cleland, Bill Richardson, Kristen Breitweiser and Bobby Muller. Peter promoted the website in an appearance on cable news network MSNBC a month before the official launch.

50. Peter's site, The Daou Report, was receiving over half a million unique visits per month, and Huffington repeatedly sent Peter blog posts she had written so that Peter could link to those blog posts on the Daou Report and provide support and traffic to the nascent website.

51. James and Peter collectively contributed hundreds of original posts to the website, including some of the most widely viewed and linked posts, and James 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."

52. The Huffington Post is now one of the top ten news sites in the United States, with over 10 million unique visitors per month. According to an October 2010 *Forbes* article, "the site has raised a total [of] \$37 million in equity financing and, thanks to its last round in December 2008, is valued at \$100 million." In October 2008, the *New York Times* estimated the purchase price of The Huffington Post at \$200 million.

53. Once Peter's and James' professional obligations, financial stability, and relationships with clients allowed them to raise these issues with Huffington, they contacted her privately and informally to seek closure on Huffington's and Lerer's excluding them from the development and ownership of the Huffington Post. Despite months of these private attempts to initiate a dialogue and to resolve their concerns amicably, Huffington and Lerer disdainfully rebuffed their efforts.

CAUSES OF ACTION

COUNT I

(Breach of Contract by Huffington and Lerer)

54. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 53 as if fully set forth herein.

55. Defendants Huffington and Lerer materially breached their agreement with Peter and James to jointly develop the Website.

56. Huffington, Lerer, Peter and James agreed on at least the following terms of their joint venture:

(a) The parties to the agreement would be Huffington, Lerer, Peter and James;

(b) the parties would make contributions to the joint venture 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 Peter and James (the budget later prepared by Peter on December 22, 2004 specified a price of \$200,000 to \$270,000 to design, develop and run the Website for six months);

(iii) James 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) Peter 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 Peter and James (a draft of that plan prepared by Peter 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 Peter and James and given to Huffington and Lerer in mid-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.

57. With all the parties having substantial capacities to provide or raise capital funding, with each party having complementary expertise, experience and relationships, and with Peter and James having conceived and provided the ideas and plans for the Website, the parties' agreement to make contributions to the venture gave each party a stake in the outcome, whether positive or negative.

58. Peter and James faithfully performed, and were ready, willing, and able to perform their duties and obligations under the agreement.

59. Defendants Huffington and Lerer have deprived and continue to deprive Peter and James of their rights and benefits under the agreement.

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

61. 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 II

(Breach of Fiduciary Duty by Huffington and Lerer)

62. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 61 as if fully set forth herein.

63. As a result of the joint venture agreement created between Peter, James, Huffington, and Lerer, Huffington and Lerer owed fiduciary duties to Peter and James as their co-venturers. Peter and James reposed trust and confidence in Huffington and Lerer, believing that they were co-venturers and that they would work together with Huffington and Lerer to develop the Website.

64. Huffington and Lerer breached their fiduciary duties by developing and launching the Website without the participation of Peter and James, and by using the information and expertise provided by Peter and James without proper attribution or compensation.

65. In the weeks and months after December 4, 2004, Huffington and Lerer knowingly misrepresented to Peter and James that (1) Huffington and Lerer would include them in the continued development of the Website, and (2) Huffington and Lerer would not utilize Peter's and James' blueprints and plans without notifying them.

66. As a result of this fraudulent conduct, in violation of Huffington and Lerer's fiduciary duties, Huffington and Lerer misappropriated from Peter and James the profits and benefits to which Peter and James would have been entitled, based on Peter's and James' contribution to the joint venture and the development and promotion of the Huffington Post.

67. By reason of the foregoing, Plaintiffs are entitled to an equitable accounting of the profits and other benefits that Defendants Huffington and Lerer derived from their breaches of fiduciary duty.

68. 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 III
(Idea Misappropriation)

69. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 68 as if fully set forth herein.

70. In November 2004, no website with the specific and unique combination of elements conceived by James and Peter existed. Those combined elements included a collective of blogs by notable personalities, non-partisan news aggregation, issue-specific web pages,

scoops and exclusives derived from the founders' personal relationships with Democratic Party and media insiders, and online community-building, with the purpose of driving Internet traffic and "page views" for politically progressive messaging. In November 2004, their idea, as set forth in the "1460" memorandum and other written materials, was novel and concrete.

71. Peter and James disclosed their idea for the Website, as set forth in the "1460" memorandum and other written materials, to Huffington and Lerer.

72. Peter and James provided their novel and original ideas for the Website to Huffington and Lerer pursuant to an agreement that the ideas were being provided as part of a joint venture among the parties. Under that agreement, Peter and James would be compensated with an equity interest in the joint venture in return for their contribution of their ideas.

73. As set forth above, as a result of their agreements and promises, a confidential or fiduciary relationship existed among the parties.

74. Defendants misappropriated Plaintiffs' ideas by using them and continuing to use them without the permission of Plaintiffs.

75. 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
(Breach of Implied Contract)
(In the Alternative)

76. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 75 as if fully set forth herein.

77. Peter and James provided their novel and original plans and their expert strategies to Huffington and Lerer in exchange for an interest in the joint venture that would ultimately execute the ideas created and contributed by Peter and James.

78. The parties mutually assented to this implied agreement, as demonstrated by their conduct at the December 4, 2004 meeting and by their subsequent communications in the weeks and months that followed.

79. Defendants breached this agreement by using and continuing to use Plaintiffs' plans and strategies without Plaintiffs' permission, and without compensation or recognition to Plaintiffs.

80. As a foreseeable result of Defendants' breach of this agreement, Plaintiffs were also prevented from realizing the profits and benefits of their own novel and original plans and expert strategies by Defendants' launch and operation of a website utilizing Plaintiffs' plans and expert strategies.

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

82. 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 V
(Unjust Enrichment)
(In the Alternative)

83. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 82 as if fully set forth herein.

84. As a result of the foregoing conduct, including Peter's and James' conferring significant benefits upon Defendants, such as novel ideas, expert services, relationships to high-profile blog contributors, and cross-promotion of the Huffington Post website before and after its launch, Defendants were unjustly enriched.

85. This enrichment came at the expense of Peter and James.

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

87. 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 and costs.

COUNT VI
(Quantum Meruit)
(*In the Alternative*)

88. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 87 as if fully set forth herein.

89. A professional relationship existed between Plaintiffs and Defendants whereby Plaintiffs were to perform expert consulting services in developing the Website.

90. Plaintiffs performed such services for Defendants, providing specific plans and blueprints for the Website, expert advice regarding the appropriate political, social and marketing positioning of the Website, and promotional services.

91. Defendants have benefited and been enriched from the services provided by Plaintiffs, and the circumstances make it unjust, in equity and in good conscience, for Defendants to profit from the use of Plaintiffs' services without just compensation.

92. Plaintiffs fully performed any and all of their obligations to Defendants.

93. Defendants have failed to compensate Plaintiffs for the reasonable value of their services.

94. By reason of the foregoing, Plaintiffs have been damaged and are entitled to the reasonable value of their services they performed for Defendants, in an amount to be determined at trial, as well as for attorneys' fees and costs.

COUNT VII
(Fraud Against Defendants Huffington and Lerer)
(In the Alternative)

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

96. On December 4, 2004 and on other occasions, Defendant Huffington affirmatively represented to Plaintiffs that she intended to work with them to develop the Website. On or about November 19, 2004 and on or about December 20, 2004, she stated to James Boyce that Kenneth Lerer would provide funding for the development of the Website. These representations were made as statements of material existing or preexisting fact.

97. On December 4, 2004, Defendant Lerer stated to Plaintiffs that he intended to work with Plaintiffs to develop the Website. This representation was made as a statement of material existing or preexisting fact.

98. The foregoing statements were untrue and were known to be untrue by Defendants at the time they made them.

99. Defendants Huffington and Lerer made these statements with the intent to deceive Plaintiffs, for the purpose of inducing Plaintiffs to act upon them by providing their ideas, expertise and services to Defendants.

100. Plaintiffs' reliance on the foregoing statements was reasonable and justifiable, and Plaintiffs did in fact rely on those statements.

101. As a result of their reasonable and justifiable reliance on Defendants' misrepresentations, Plaintiffs refrained from developing their own Website implementing their ideas and plans, and instead provided their ideas, expertise and services to Defendants without being compensated for such ideas, expertise and services, and were damaged thereby.

102. 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 VIII

(Negligent Misrepresentation Against Defendants Huffington and Lerer)
(*In the Alternative*)

103. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 102 as if fully set forth herein.

104. On December 4, 2004 and on other occasions, Defendant Huffington affirmatively represented to Plaintiffs that she intended to work with them to develop the Website. On or about November 19, 2004 and on or about December 20, 2004, she stated to James Boyce that Kenneth Lerer would provide funding for the development of the Website. These representations were made as statements of material existing or preexisting fact.

105. On December 4, 2004, Defendant Lerer stated to Plaintiffs that he intended to work with Plaintiffs to develop the Website. This representation was made as a statement of material existing or preexisting fact.

106. The foregoing statements were untrue.

107. Defendants Huffington and Lerer acted negligently in making the foregoing misrepresentations, without due care as to their truth or falsity.

108. As set forth above, as a result of their agreements and promises, a contractual, confidential or fiduciary relationship existed among the parties, such that Defendants Huffington and Lerer were aware that the information about their intentions that they provided to James and Peter would be used by James and Peter for a particular purpose: to provide Defendants with Plaintiffs' ideas, expertise and services in the expectation of developing the Website together.

109. Plaintiffs' reliance on the foregoing statements was justifiable and reasonable, and Plaintiffs did in fact rely on those statements.

110. As a result of their reasonable and justifiable reliance on Defendants' misrepresentations, Plaintiffs refrained from developing their own Website implementing their ideas and plans, and instead provided their ideas, expertise and services to Defendants without being compensated for such ideas, expertise and services, and were damaged thereby.

111. 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.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

112. Ordering an equitable accounting of the profits and other benefits that Defendants Huffington and Lerer derived from their breaches of fiduciary duty to Plaintiffs.

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

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

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

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

117. 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: November 15, 2010
New York, New York

Respectfully submitted,

Partha P. Chattoraj

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