

Razorsight Pays \$4.5M To Settle Software Theft Suit

5/21/2008 --- Conceding the charges against it, Razorsight Corp. shelled out \$4.5 million to rival technology company Teoco Corp. to settle a lawsuit accusing Razorsight's founder, a former Teoco employee, of stealing and using Teoco's computer software.

Judge Claude M. Hilton of the U.S. District Court for the Eastern District of Virginia entered judgment in favor of Teoco on all the claims it brought against Razorsight, including willful infringement of copyrighted software, breach of contract and violation of the Federal Computer Fraud and Abuse Act.

Fairfax, Va.-based Teoco filed its complaint in September 2007, alleging Razorsight's founder, Sundeep Sanghavi, stole source code when he left the company to start up his own business in 2002.

The complaint also accused Shital Sanghavi of stealing its telecommunications software and using it at Razorsight.

The Sanghavis stole source code for software related to invoice programs that took Teoco approximately nine years and over \$50 million to develop, the complaint says.

Under the settlement, Razorsight agreed to pay Teoco \$4.5 million, cease infringing any of Teoco's intellectual property and provide an audit by Sept. 1 proving that it extricated and destroyed the stolen property from all existing systems being used by its clients.

By Sept. 1, Razorsight must also prove that third parties who obtained the infringing products through the company, also based in Fairfax, have destroyed the products in question or received notice of the infringement.

Razorsight will not be licensing any of the contested software or paying royalties for the use of Teoco programs.

Teoco welcomed the settlement and noted that the discovery process showed Razorsight's theft to be more extensive than originally alleged.

"We have built our business and reputation on ethics and integrity in the marketplace. We felt this action was necessary to protect the intellectual property we develop to serve our valued customers, and we believe that justice has been served," Atul Jain, the chairman and chief executive officer of Teoco, said in a statement Tuesday.

Razorsight said the decision to settle was driven by pragmatism rather than liability, emphasizing that the settlement will not restrict its services and products and will not affect any of its clients.

“For us, it was purely a business decision to settle this litigation. It would’ve cost us another \$2.5 million to go all the way to trial, and although we were confident of our prospects at a trial, we really wanted to put this behind us. The \$4.5 million amounts to a single customer contract for Razorsight,” said Charlie Thomas, chief executive officer of Razorsight.

On Monday, Razorsight announced it had received an additional \$9 million from one of its primary investors, Sierra Ventures.

Teoco is represented by Venable LLP.

Razorsight is represented by LeClair Ryan PC; Shital and Sundeep Sanghavi are represented by Williams Mullen PC.

The case is Teoco Corp. v. Razorsight Inc. et al., case number 1:07-cv-00887, in the US District Court for the Eastern District of Virginia.