

Small Firm Beats Biggest CE Retailer

Written by Marco Attard
12 December 2012

Here is a legal equivalent of the biblical David vs. Goliath-- TechForward, a small California-based software developer, sues Best Buy, the biggest CE retailer in the world, and wins a verdict worth \$27 million.



The case involves the Guaranteed Buyback program, the system allowing customers to pay an upfront fee on purchase in return for a guaranteed payout should a purchase be returned, first seen at CES 2008.

TechForward accused Best Buy of "misappropriating" trade secrets and breach of contract when the retailer told the developer its help was no longer needed-- before launching an own CE buy-back program (with a Super Bowl commercial complete with Justin Bieber and Ozzy Osbourne) on February 2011.

The project's failure forced TechForward out of business, but in an unusual development the developer found help from First Round Capital and New Enterprise Associates, two venture capitalists angered by the retailer's behavior.

The jury describes Best Buy's behaviour as "willful and malicious" as it awards TechForward \$22m in damages plus \$5m in punitive damages.

TechForward says decision "puts large companies on notice that there are real consequences to illegally exploiting start-up businesses."

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On the other hand Best Buy promises it will appeal the verdict-- a decision that should surprise exactly no one, seeing how the case, as Morningstar analyst R. J. Hottovy kindly puts it, is just the latest of a "long string of mishaps" for the retailer. From CEO and chairman resignations to flagging sales and store closures, 2012 has been quite the year for once mighty Best Buy.

And to think the retailer no longer accepts new BuyBack customers, since it dropped the program in favour of far more limited mobile phone trade-in offers...

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