



Employment

Bridgewater Associates Sues Ex-Employees Who Allegedly Seek to Trade Off Its Name and Goodwill

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By Vincent Pitaro, *Hedge Fund Law Report*

Hedge fund giant Bridgewater Associates, LP (Bridgewater), recently filed a [civil complaint](#) against two former junior employees who allegedly misrepresented their former roles at the fund manager in an effort to promote a competing hedge fund business. Bridgewater bills itself as “both a market- and thought-leader in the field of investment management.” The crux of its complaint is that, in their efforts to start and promote their own hedge funds, former employees Wenquan Wu and Howard Wang and their affiliated companies lied to the market about their former roles and responsibilities at Bridgewater and sought to trade unfairly off of Bridgewater’s reputation. This article summarizes Bridgewater’s factual allegations and legal claims.

Litigation often arises when principals or senior employees leave to form a competing fund. See [“Brevan Howard Co-Founder Sues Firm to Invalidate Non-Compete Provisions in Partnership Agreement,”](#) *Hedge Fund Law Report*, Vol. 7, No. 31 (Aug. 21, 2014); and [“Delaware Chancery Court, Criticizing Both Sides in Contentious Litigation, Awards \\$4.662 Million to Camulos Capital Hedge Fund Founder in Payment for His Fund Interest,”](#) *Hedge Fund Law Report*, Vol. 5, No. 38 (Oct. 4, 2012). Such disputes may also involve [ownership of intellectual property](#), [misuse of proprietary or confidential information](#), [sloppy documentation of payments](#) and [sloppy drafting of governing documents](#). Such actions are less common when, as here, junior employees are involved.

Factual Background

Plaintiff Bridgewater Associates, LP (Bridgewater) is a fund management company founded by Ray Dalio in 1975. It offers hedge fund products to institutional investors. Bridgewater says that it has over \$150 billion in assets under management, of which over \$70 billion are held in its flagship “All Weather” global macro fund, which follows a proprietary “risk parity” strategy. The defendants are former Bridgewater employees Wenquan “Robert” Wu and Howard Wang and a number of entities they formed under the “Convoy Funds” moniker: Convoy Fund, LP; Convoy Funds, LP; Convoy Global Fund, LP; Convoy Investments, LLC; Convoy Macro Fund, LP; Convoy Optimal Fund, LP; and Convoy Premium Fund, LP; each of which is organized in Delaware and has its principal place of business in New York City (collectively, Convoy). Bridgewater filed its complaint in the U.S. District Court for the Southern District of New York.

According to the complaint, Wu began working for Bridgewater in February 2007. Initially, his “primary responsibilities involved coding isolated portions of software applications used to

calculate certain Bridgewater fees.” In April 2008, he was moved to Bridgewater’s “Core Technology” department, where he was engaged in “discrete coding projects” for Bridgewater’s information technology systems. Wang joined Bridgewater in September 2008 as an “entry-level, junior analyst” in its Client Services department. Wang “spent his time supporting others on marketing projects and responding to routine client requests.” Bridgewater stresses that neither Wu nor Wang was ever involved with its account management, research or trading departments – those departments alone “devise and implement Bridgewater’s trading and risk management strategies.” Bridgewater characterizes their roles and duties as follows:

Neither Mr. Wu nor Mr. Wang had any responsibility for, or experience with, managing, overseeing or operating Bridgewater’s funds, portfolios or investment strategies. Whereas Mr. Wu was granted limited access to confidential information relating to the specific fee-calculation software and other applications with which he worked during his time at Bridgewater, his responsibilities as a software developer never entailed the actual management or operation of any Bridgewater fund. And although Mr. Wang was likewise exposed to certain proprietary Bridgewater information as a junior analyst in Client Services, he was never asked or permitted to in any way manage or oversee any Bridgewater fund. Nor did he ever make any investment decisions for Bridgewater.

Wu left Bridgewater in April 2010; Wang left in January 2012. Each was subject to a confidentiality and non-competition agreement that (1) prevented him from directly or indirectly engaging in any business in competition with Bridgewater for a period of two years and (2) required him to notify Bridgewater of potential employment opportunities before accepting or engaging in them. See “[Schulte Roth & Zabel Partners Discuss Non-Competition and Non-Solicitation Provisions and Other Restrictive Covenants in Hedge Fund Manager Employment Agreements](#),” Hedge Fund Law Report, Vol. 4, No. 42 (Nov. 23, 2011). Wu allegedly told Bridgewater that he would be “traveling” during the non-compete period; Wang said he was going to pursue competitive ballroom dancing. Bridgewater stresses that their duty not to use its confidential information is unlimited in duration. See “[Recent Developments Affecting the Protection of Trade Secrets by Hedge Fund Managers](#),” Hedge Fund Law Report, Vol. 6, No. 41 (Oct. 25, 2013).

Bridgewater states that, in January 2013, it modified Wang’s non-compete to permit him to “look after the savings” of certain friends and family members as a “side business.” Wang allegedly agreed that, for the remaining year of his non-compete term, he would not “provide any asset management services or investment advice, either directly or indirectly, to anyone other than family members or personal friends” or “use, develop, or market any investment or trading strategy (or any substantially similar investment strategy or strategies) that was used, developed, or investigated by Bridgewater during his employment, including, but not limited to, the global macro fundamental approach or the All Weather approach.” Bridgewater alleges that, despite this agreement, Wu and Wang took “steps to launch their own competing hedge fund” in July 2012, when they formed one of the Convoy entities and registered a domain name for Convoy. In March 2014, after termination of his non-compete period, Wang allegedly told Bridgewater that he planned to launch a hedge fund that would pursue a strategy similar to Bridgewater’s “All-Weather growth/inflation framework” and that the new fund would be marketed to institutional investors.

Alleged False Claims

According to the complaint, Wu and Wang embellished their firm biographies and misrepresented their duties and responsibilities at Bridgewater to “trump up [their] investment

credentials” and attract investors. Those biographies read:

Howard [Wang] is a co-founder of Convoy Investments and is responsible for research and portfolio management. Prior to founding Convoy in 2013, **Howard spent his career managing portfolios for institutional investors, most recently at Bridgewater Associates** where he and Robert [Wu] first met. **Howard was part of a 3-member investment team responsible for overseeing and marketing the \$70 billion All Weather Strategy** on behalf of some of the largest and most sophisticated investors in the world, including sovereign wealth funds, pensions, endowments and foundations.

As the co-founder of Convoy Investments, Robert [Wu] is responsible for strategic business planning and trading operations. Prior to founding Convoy, **Robert spent his career working in technology and operations, most recently at Bridgewater Associates, where he was part of the team that built and oversaw critical components of operations systems.**

(Emphasis supplied by Bridgewater.) Bridgewater also cites articles and other publications in which Wang allegedly claimed that he was an analyst on “the investment team” for Bridgewater’s All Weather fund and that he helped to “market and oversee” that fund.

Bridgewater charges that all of those statements are “both literally false and materially misleading.” Wang was, in fact, only a “junior analyst,” one of about 200 analysts at Bridgewater. He never managed or had any investment authority over Bridgewater portfolios or assets. Similarly, Wu was merely “a junior-level software developer and technician, who worked on only one sliver of Bridgewater software related to the calculation of client fees.” He had nothing to do with its trading or overall operations. According to Bridgewater: “Embedded within each of [Wu’s and Wang’s] statements is the false and damaging suggestion that Mr. Wu and Mr. Wang are former high-profile Bridgewater employees, who were each responsible, in a primary role, for the development, management, or implementation of Bridgewater’s world-renowned investment strategies.” This allegedly created confusion in the marketplace.

Finally, Bridgewater alleges that its extensive management experience has allowed it to “identify and master a set of fundamental ‘timeless and universal’ economic truths that hold true ‘across time’ and ‘across countries.’” Bridgewater appears to be laying claim to those concepts: It charges that Convoy’s website described its investment philosophy using terminology that improperly “mimics” Bridgewater’s expressions:

To create a portfolio that truly protects an investor’s financial future requires a deep, **timeless, and universal understanding of how markets work** and how asset prices move. . . . [A]t their most fundamental level, the economy and the markets can be understood through basic yet **timeless and universal logic**. . . . A portfolio designed to perform consistently over long periods of time must be based **on an ageless logic**

(Emphasis supplied by Bridgewater.) When Bridgewater confronted Wu and Wang about their marketing efforts, they allegedly pledged to stop using the alleged false claims. Instead, Bridgewater claims that they password-protected Convoy’s website (allegedly to make the offending claims harder to find) and continued to suggest, both on that website and in a federal trademark application, that they had managed portfolios for institutional investors at Bridgewater.

Lanham Act Claim

Although much of the complaint is couched in the language of unauthorized competition, and Bridgewater expresses its concerns that the defendants may be using its proprietary information, Bridgewater is actually asserting a single claim under federal trademark law, commonly known as the Lanham Act (15 U.S.C. §1051 et seq.). Bridgewater claims that the defendants violated Section 1125(a)(1)(B) of that Act, which establishes a private right of action for certain false or misleading advertising:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Bridgewater charges that the defendants' statements are "literally false, and expressly and/or impliedly misrepresent the nature, characteristics, and qualities of Convoy's products and services in a material way," such that consumers may be confused and choose Convoy over Bridgewater. It claims that the defendants made those statements "knowingly and intentionally." By positioning Convoy as a "direct competitor of Bridgewater," the defendants have "irreparably and unfairly" damaged Bridgewater, including its reputation and goodwill.

Bridgewater seeks an injunction (1) requiring the defendants to remove any false claims from the public domain and (2) prohibiting the defendants from claiming that any of the alleged false statements are true or that they or any of their products, services or activities "are associated or connected in any way with Bridgewater." It also seeks triple compensatory damages and attorneys' fees.

To view the complaint, click [here](#).

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