

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

REGIONAL MULTIPLE LISTING
SERVICE OF MINNESOTA, INC.,
d/b/a NORTHSTARMLS,

Court File No. 12-CV-0965 JRT/FLN

Plaintiff-Counterclaim
Defendant,

v.

AMERICAN HOME REALTY
NETWORK, INC.,

**AMERICAN HOME REALTY
NETWORK, INC.'S MEMORANDUM
OF LAW IN SUPPORT OF MOTION
TO COMPEL**

Defendant-Counterclaim
Plaintiff,

v.

EDINA REALTY, INC., and
HOMESERVICES OF AMERICA,
INC.,

Counterclaim
Defendants.

INTRODUCTION

Though it involves several discovery requests, this motion poses a single question: In a case in which a) the plaintiff seeks a permanent injunction barring the defendant from displaying any of the thousands of photographs over which it claims a copyright; and b) the defendant alleges the plaintiff does not actually own many of those copyrights, and that the

plaintiff has violated antitrust laws by threatening to enforce copyrights it doesn't own, are discovery requests seeking information on whether and how the plaintiff came to own the copyrights “reasonably calculated to lead to the discovery of evidence admissible at trial?”

Because the answer is “Yes,” Regional Multiple Listing Service should be ordered to answer and produce documents responsive to American Home Realty Network’s discovery requests seeking that information.

NATURE OF DISPUTE

RMLS operates the NorthstarMLS database, a multiple listing service that contains listing data and photographs of homes for sale throughout Minnesota and western Wisconsin. RMLS sued AHRN over what it has labeled the “Copyrighted Works.” (See Complaint, ¶¶ 11-13). The Copyrighted Works consist of one database compilation and 50 photographs that appear in the NorthstarMLS database. RMLS claims to own each of the Copyrighted Works in their entirety, and has registered the copyrights for them. It alleges AHRN violated those copyrights by displaying the photographs and some of the text from the compilation on AHRN's neighborcity.com website. However, the remedy RMLS seeks for those alleged violations is not limited to the 51 Copyrighted Works; it seeks a permanent injunction barring AHRN’s use of any photograph or listing information over which RMLS claims to own a

copyright. (See Plaintiff's Motion for Preliminary Injunction *and* Plaintiff's Memorandum in Support of Motion for Preliminary Injunction, Dkt #14, 16).

AHRN responded to the suit by challenging RMLS's ownership of the copyrights in either the Copyrighted Works or the listing data for and photographs of thousands of homes that RMLS has neither registered with the Copyright Office nor included in this suit. (See Answer, Dkt #95, ¶¶ 2 and 14, Second Affirmative Defense). AHRN also alleges in its Second Amended Counterclaim that RMLS and its member-brokers have violated the Sherman Act by coordinating a scheme in which they "intimidate potential competitors with threats of copyright enforcement litigation – despite knowing that much of the information over which they claim copyright privilege is not copyrightable, not properly registered in compliance with the Copyright Act, or not owned by them." (Second Amended Counterclaim, Dkt #95, ¶ 45).

In a July 5 Memorandum Opinion and Order, the Court denied RMLS's motion to dismiss those counterclaims. Observing that AHRN alleges RMLS is engaged in a "broad pattern of asserting sham copyrights beyond the copyrighted material specifically identified in this action," the Court stated that it "will not dismiss the counterclaim...because it is unclear if RMLS in fact owns copyrights to the majority of the material that it claims." (Dkt # 121 at 29, 32).

THE DISCOVERY AT ISSUE

On May 13, 2013, AHRN served its First Set of Interrogatories and First Set of Requests for the Production of Documents and Things, and RMLS served its responses and objections on June 19. Following meet-and-confer telephone conferences on June 28 and July 1, the parties are left with a dispute over whether RMLS must provide answers and documents responsive to Interrogatories 3-5 and Requests for Production 7-10.¹ These discovery requests all seek information related to RMLS's alleged ownership of copyrights in works other than the Copyrighted Works.

RMLS makes a recurring objection to each of those requests. That objection, which the parties' attorneys took to calling the "at issue" objection, is the subject of this motion. Though the exact wording of each "at issue" objection varies slightly, they all are similar to the language in the objection to Interrogatory No. 3:

RMLS further objects to this interrogatory as overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence as it seeks information regarding thousands of property listings which are not at issue in this case. It is unreasonable for RMLS to identify, on a listing-by-listing basis, each "constituent element" of each of these thousands of listings that is itself a copyrightable work, much less to identify the original author of that constituent element, to state whether the constituent element has been

¹ The full text of these discovery requests and the objections are set forth in Attachment 1 to this memorandum, pursuant to Local Rule 37.1(a)(2).

registered with the Copyright Office, or to explain whether RMLS or someone else owns the constituent element, especially when such listings are not at issue in this case.

Subject to and without waiving its general and specific objections, RMLS alleges that AHRN has infringed certain Photographic Works as well as RMLS 's Compilation Content, as defined in RMLS' s Complaint in this case and as reflected in Copyright Registration Nos. VA 1-432-912, VA 1-432-913, VA 1-432-914, VA 1-432-917 and TX 7-499-577.

To resolve the “undue burden” aspect of these objections, AHRN proposed limiting the scope of the discovery requests to a sampling of property listings:

Rather than requiring RMLS to provide the requested information for all of the property listings in the database, we would propose that RMLS provide the responsive information for 500 listings, which we will choose. These 500 listings would be in addition to the listings already identified in your complaint or the supplemental motion papers. Depending on what those results yield, we would reserve the right to request additional information.

(Gislason Aff. ¶ 5, Ex. D). RMLS declined that proposal, resting on its assertion that it need only produce information on the Copyrighted Works it identified in its complaint. (*Id.*, ¶ 6-7). During the meet and confer telephone conference on July 1, the parties’ attorneys acknowledged that this dispute would need to be resolved by motion. (Gislason Aff., ¶ 7).

ARGUMENT

Relevance is defined broadly in discovery. Fed. R. Civ. P. 26(b)(1). “Relevant information has been described as ‘any matter that bears on, or that reasonably could lead to other matter that could bear on, any issue that is or may be in the case.’” *Chesemore v. Alliance Holdings, Inc.*, 270 F.R.D. 633, 634 (D. Minn. 2010) (quoting *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978)). RMLS’s “at issue” objections seek to prevent AHRN from obtaining information that falls well within those bounds of relevance.

The way RMLS obtains the copyrights goes to the heart of AHRN's defenses and counterclaims, and is the issue underlying this motion. RMLS does not take pictures of homes for sale, and it does not draft the content of the listings that appear in the NorthstarMLS database. To the extent it owns copyrights in the photographs or listings, RMLS claims it obtains them from its member Participants – real estate brokers from across Minnesota and western Wisconsin. (See Plaintiff's Memorandum in Support of Motion for Preliminary Injunction, Dkt# 16, p. 3-4). According to RMLS, those brokers all enter a Participant Agreement with RMLS, and in that Agreement they either extend to RMLS a 25 percent undivided ownership interest in their copyrights, or they retain 100 percent ownership of those copyrights and license to RMLS the right to include their listing data and photographs in the

NorthstarMLS database. *Id.* RMLS alleges most of the brokers elect the first option, sharing an undivided interest in their copyrights with RMLS. *Id.*

AHRN wants to know if those brokers actually own the copyrights they assign. Like RMLS, the brokers are generally not the authors of the photographs or listings. Rather, the brokers obtain whatever copyrights they own from their agents – the men and women who actually work with the sellers and who visit the properties for sale. Before they are granted access to the NorthstarMLS database, agents must execute a Subscriber Agreement with RMLS. *Id.* Part of that agreement requires the agents to assign their copyrights to their brokers. *Id.* But if those agents do not own the copyrights – because, for example, they did not take the photographs – they would have nothing to assign to their brokers. The brokers, in turn, would have nothing to assign to RMLS.

Given this background, RMLS's “at issue” objections to Interrogatory Nos. 3-5 and Request for Production Nos. 7-10 should be overruled for four reasons:

First, information about the extent to which RMLS actually owns copyrights to photographs and other information in the NorthstarMLS database is directly relevant to RMLS's own causes of action – and particularly the remedy it seeks. Remedies available for the Copyrighted

Works are not necessarily also available for all of the other works in the NorthstarMLS database.

RMLS would like to limit the scope of this case to the Copyrighted Works it selected as the building blocks for its lawsuit. It took time to obtain assignments of 100 percent ownership of those Works, and to register the copyrights. Those copyright registrations offer two important benefits that distinguish those works from the other works in the NorthstarMLS database: The give RMLS the legal right to file this suit, and provide RMLS a statutory presumption that it actually owns the copyrights. 17 U.S.C. § 410(c). That presumption of ownership does not apply to the unregistered works. *Id.*

The differences between the 50 registered works and the thousands of other works in the NorthstarMLS database bear directly on whether RMLS is entitled to the broad permanent injunction it seeks in this suit. Even if RMLS ultimately prevails in its claims over the Copyrighted Works listed in the complaint, that victory will not necessarily entitle it to an injunction covering all of the other material in the NorthstarMLS database – material that has not been registered with the Copyright Office, and that RMLS has not carefully selected to be able to prove ownership. As the Supreme Court has observed, “standing is not dispensed in gross.” *Lewis v. Casey*, 518 U.S. 343, 358, n. 6 (1996). Rather, “a plaintiff must demonstrate standing separately

for each form of relief sought.” *Friends of the Earth, Inc. v. Laidlaw Env'tl. Servs. (TOC), Inc.*, 528 U.S. 167, 185 (2000).

With its copyright registrations, and the written assignments of 100-percent ownership that it collected for the Copyrighted Works, RMLS may prove it owns the Copyrighted Works. But it will not have proven anything about its alleged ownership of the thousands of other works in the NorthstarMLS database. If a time comes when the Court considers RMLS's request for a broad permanent injunction covering all of those other works, AHRN must be in a position to address the evidence – or the absence of evidence – that RMLS owns those other works.

Second, that question of ownership is relevant because permanent injunctive relief is equitable in nature. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006); *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772 (5th Cir. 1999). AHRN's Fifth Affirmative Defense asserts that RMLS is not entitled to the relief it seeks because it comes to the court with unclean hands. If, as AHRN alleges, RMLS has misrepresented or overstated its ownership of the copyrights in the works it didn't select for its complaint, the Court may deny or limit any injunctive relief.

Third, the information requested is relevant to AHRN's counterclaims, which assert that RMLS's claims of copyright ownership are a sham – that,

for example, the authors of the works never transferred their rights in the works to an agent, and so the agents had nothing to transfer to their brokers, leaving their brokers with no copyright to share with RMLS – and that this sham was perpetrated to intimidate AHRN into backing out of its competing business venture. (Second Amended Counterclaim, Dkt #95 at 45, 54-58) The Court's order denying RMLS's motion to dismiss makes clear that this question of ownership is an issue in this case: “AHRN also alleges that RMLS did not take the photographs over which it claims copyrights, and that it did not obtain the written assignments of these copyrights from the photographers that are required under the Copyright Act. These allegations, if true, could show that RMLS’s threats and pursuit of litigation against AHRN were in fact a sham.” (Dk # 121 at 28). Evidence of whether RMLS owns those copyrights is relevant to AHRN’s claim that RMLS does not own the copyrights.

Finally, though the information it seeks is relevant, AHRN recognizes the logistical concerns behind RMLS’s undue burden objections to the “at issue” discovery requests. That is why AHRN proposed its sampling compromise, and why it does not now seek an order that RMLS respond in full to the requests as originally served. But RMLS does need to respond. To make that response manageable, AHRN’s motion requests an order adopting

the sampling proposal set out in Mr. Gislason's June 30 e-mail, requiring RMLS to provide responsive information and documents for 500 listings to be selected by AHRN.

CONCLUSION

RMLS cannot unilaterally define the scope of discovery – and of this case – to suit its litigation strategy. If RMLS wants this case to ultimately yield an injunction covering all of the listing information in its database, AHRN is entitled to pursue discovery to test whether RMLS owns those copyrights. And regardless of what RMLS wants, AHRN's affirmative defenses and counterclaims make this a case about the validity of RMLS's ownership of the copyrights in all of the material in its NorthstarMLS database. The Court has denied RMLS's motion to dismiss those counterclaims, and AHRN has a right to seek evidence to prove its defenses and claims.

Dated: July 8, 2013

SNYDER GISLASON FRASIER LLC

s/Chad A. Snyder _____

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