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Attorneys for Defendant
PROPERTY SOLUTIONS INTERNATIONAL, INC.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

YARDI SYSTEMS, INC.,
Plaintiff,

v.

PROPERTY SOLUTIONS
INTERNATIONAL, INC.,
Defendant.

Case No. 2:13-CV-07764-FMO-CW

**DEFENDANT PROPERTY
SOLUTIONS INTERNATIONAL,
INC.'S ANSWER AND
COUNTERCLAIMS TO YARDI
SYSTEMS, INC.'S COMPLAINT
FOR DAMAGES**

PROPERTY SOLUTIONS
INTERNATIONAL, INC.,
Counterclaimant,

v.

YARDI SYSTEMS, INC.,
Counterdefendant.

DEMAND FOR JURY TRIAL

Hon. Fernando M. Olguin

1 Defendant Property Solutions International Inc. (“Property Solutions”)
2 hereby submits this Answer and Affirmative Defenses to the Complaint
3 (“Complaint”) filed by Yardi Systems Inc. (“Yardi”) and Counterclaims. Except as
4 expressly admitted below, Property Solution denies each and every allegation of the
5 Complaint.

6 **INTRODUCTION**

7 1. Denied.

8 2. Denied.

9 3. Denied.

10 4. Denied.

11 5. Property Solutions admits that Yardi has filed an action alleging
12 copyright infringement and misappropriation of trade secrets. The remaining
13 allegations of paragraph 5 are denied.

14 **PARTIES**

15 6. On information and belief, Property Solutions admits that Yardi is a
16 California corporation with its principal place of business at 430 South Fairview
17 Avenue, Santa Barbara, California 93117.

18 7. Admitted.

19 **JURISDICTION AND VENUE**

20 8. Admitted.

21 9. Denied.

22 10. Property Solutions admits that the parties are citizens of different
23 states. Except as expressly admitted, Property Solutions is without sufficient
24 knowledge or information to form a belief as to the truth of the remaining
25 allegations of paragraph 10, and on that basis denies them.

26 11. Denied.

27 a. Denied.

28 b. Denied.

- 1 c. Denied.
- 2 d. Denied.
- 3 e. Denied.
- 4 f. Denied.
- 5 g. Denied.
- 6 12. Denied.

7 **GENERAL ALLEGATIONS**

8 13. Property Solutions admits that Yardi purports to develop, market, and
9 sell database and application software for the property management industry.
10 Property Solutions is without sufficient knowledge or information to form a belief
11 as to the truth of the remaining allegations of paragraph 13, and on that basis denies
12 them.

13 14. Property Solutions is without sufficient knowledge or information to
14 form a belief as to the truth of the allegations of paragraph 14, and on that basis
15 denies them.

16 15. Property Solutions is without sufficient knowledge or information to
17 form a belief as to the truth of the allegations of paragraph 15, and on that basis
18 denies them.

19 16. Property Solutions admits that there are third party companies that
20 develop and market specialized add-on products and service modules for the
21 property management industry, which products and services are intended to
22 interface with the Voyager software database. Property Solutions also admits that
23 Yardi has a long history of working cooperatively with these third party providers
24 to develop and improve interfaces that will best serve the parties' mutual clients.
25 The remaining allegations of paragraph 16 are denied.

26 17. Property Solutions admits that it is a developer of add-on products and
27 service modules that interface with the Voyager software database. Property
28 Solutions also admits that it has developed its own custom interfaces to allow

1 interoperability between the Voyager software and Property Solutions' products.

2 The remaining allegations of paragraph 17 are denied.

3 18. Denied.

4 19. Property Solutions admits that Property Solutions and Yardi had a
5 meeting in Santa Barbara, California on February 7, 2012 and had a subsequent
6 phone call on February 13, 2012. The remaining allegations of paragraph 19 are
7 denied.

8 20. Property Solutions admits that Property Solutions and Yardi had a
9 meeting on February 7, 2012. The remaining allegations of paragraph 20 are
10 denied.

11 21. Property Solutions admits that Yardi followed these meetings with a
12 letter to the Chief Executive Officer and President of Property Solutions, in which
13 Yardi asked Property Solutions to confirm that it did not have a copy of the
14 Voyager software in its possession or otherwise have access to the Voyager
15 software, that its personnel and contractors were not logging into the Voyager
16 software for any purpose, and that it had no Yardi technical manuals or user guides.
17 Property Solutions also admits that Yardi demanded that Property Solutions return
18 any confidential information in its possession to Yardi. The remaining allegations
19 of paragraph 21 are denied.

20 22. Property Solutions admits that it responded to Yardi's inquiry in a
21 letter dated February 23, 2012 and stated that it did not have any copies of the
22 Voyager software in its possession and that it is not accessing the Voyager
23 software. Property Solutions admits that it did not assert it had never had such
24 access. The remaining allegations of paragraph 22 are denied.

25 23. Property Solutions admits that Yardi demanded that Property Solutions
26 cease and desist from using Yardi's intellectual property and explain to Yardi how
27 such information has been used, and that Property Solutions denied having any
28 such access. The remaining allegations of paragraph 23 are denied.

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THIRD CLAIM FOR RELIEF
(Intentional Interference with Contractual Relations)

51. Property Solutions incorporates by reference its answer to paragraphs 1 through 51 of this Complaint as if fully set forth herein.

52. Property Solutions is without sufficient knowledge or information to form a belief as to the truth of the allegations of paragraph 52, and on that basis denies them.

53. Denied.

54. Denied.

55. Denied.

56. Denied.

PRAYER FOR RELIEF

Property Solutions denies that Yardi is entitled to any of the relief requested in the Prayer for Relief.

AFFIRMATIVE DEFENSES

Without admitting or implying that Property Solutions bears the burden of proof as to any of them, Property Solutions asserts the following affirmative defenses:

FIRST AFFIRMATIVE DEFENSE
(Failure to State a Claim)

The Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE
(Waiver)

Yardi’s claims are barred due to waiver.

THIRD AFFIRMATIVE DEFENSE
(Laches)

Because Yardi has inexcusably and unreasonably delayed the filing of its complaint, causing substantial prejudice to Property Solutions, Yardi’s claims are barred, in whole or in part, by the doctrine of laches.

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FOURTH AFFIRMATIVE DEFENSE

(Estoppel)

Yardi’s claims are barred, in whole or in part, by the equitable doctrine of estoppel.

FIFTH AFFIRMATIVE DEFENSE

(Comparative Fault)

To the extent that Yardi did sustain any damages, which Property Solutions denies, such damages were caused, in whole or in part, by the comparative fault of Yardi and/or third parties, which thus bars Yardi’s recovery for said damages or diminishes such recovery by the amount of fault attributable to Yardi and/or those third parties.

SIXTH AFFIRMATIVE DEFENSE

(Failure to Mitigate)

To the extent that Yardi did sustain any damages, which Property Solutions denies, such damages were caused, in whole or in part, by Yardi’s failure to mitigate any damages it may have suffered, which failure to mitigate bars and/or diminishes Yardi’s right to any relief against Property Solutions.

SEVENTH AFFIRMATIVE DEFENSE

(No Causation)

To the extent Yardi has suffered any injury or damage, which Property Solutions denies, such injury or damage was not proximately caused by any conduct or inaction of Property Solutions, or was not foreseeable, or both.

EIGHTH AFFIRMATIVE DEFENSE

(Unjust Enrichment)

Yardi’s claims are barred because Yardi was enriched by the Property Solutions products Yardi now alleges incorporated its allegedly copyrightable materials and alleged trade secrets.

NINTH AFFIRMATIVE DEFENSE

(Privilege)

Yardi’s claims are barred due to absolute and conditional privileges enjoyed

1 by Property Solutions and because the alleged actions by Property Solutions were
2 taken in good faith and were at all times reasonable, privileged, and justified.

3 **TENTH AFFIRMATIVE DEFENSE**

4 **(License)**

5 Yardi is estopped from asserting the claims alleged against Property
6 Solutions due to an express and/or implied license. For example, Yardi has been
7 aware of, and benefited from, the conduct it alleges since at least
8 2006. Furthermore, on information and belief, Yardi has signed contract(s) with
9 mutual customer(s) that are intended to benefit Property Solutions by expressly
10 allowing those customers to use Property Solutions interfaces to connect to Yardi
11 software.

12 **ELEVENTH AFFIRMATIVE DEFENSE**

13 **(Fair Use)**

14 Yardi's claims are barred, in whole or in part, by the doctrines of fair use,
15 nominative fair use, and/or descriptive use.

16 **TWELFTH AFFIRMATIVE DEFENSE**

17 **(Noninfringement)**

18 Yardi's claim for copyright infringement is barred because Property
19 Solutions has not infringed any applicable copyrights.

20 **THIRTEENTH AFFIRMATIVE DEFENSE**

21 **(Copyright Misuse)**

22 Yardi's claims are barred by the doctrine of copyright misuse.

23 **FOURTEENTH AFFIRMATIVE DEFENSE**

24 **(Merger)**

25 Yardi's claims are barred by the merger doctrine.

26 **FIFTEENTH AFFIRMATIVE DEFENSE**

27 **(No Substantial Similarity)**

28 Yardi's claims are barred because Property Solutions' products are not
substantially similar to any of Yardi's allegedly copyrightable works.

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SIXTEENTH AFFIRMATIVE DEFENSE
(Failure to Identify Trade Secrets)

Yardi’s claim for misappropriation of trade secrets is barred, in whole or in part, because Yardi has failed to sufficiently identify any purported trade secrets as set forth in the Uniform Trade Secrets Act or any other statutory or common law provisions.

SEVENTEENTH AFFIRMATIVE DEFENSE
(Independent Development)

Yardi’s claims are barred because Property Solutions did not rely on any of Yardi’s alleged trade secrets and independently developed its products, which are demonstrably different from Yardi’s products.

EIGHTEENTH AFFIRMATIVE DEFENSE
(Readily Ascertainable)

Yardi’s claims are barred because the alleged trade secrets are readily ascertainable.

NINETEENTH AFFIRMATIVE DEFENSE
(Inadequate Efforts to Maintain Secrecy)

Yardi’s claims are barred because Yardi failed to make adequate efforts to maintain the secrecy of the alleged trade secrets.

TWENTIETH AFFIRMATIVE DEFENSE
(No Misappropriation)

Yardi’s claim for misappropriation of trade secrets is barred because even if any information disclosed to Property Solutions would be considered a trade secret, Property Solutions has not committed any acts that would constitute misappropriation of such information.

TWENTY-FIRST AFFIRMATIVE DEFENSE
(Consent)

Yardi’s claims are barred, in whole or in part, because Yardi, through its knowing conduct, authorized and consented to the disclosure of alleged trade secrets to Property Solutions and to their use.

1 **TWENTY-SECOND AFFIRMATIVE DEFENSE**
2 **(Unclean Hands)**

3 Yardi's claims are barred, in whole or in part, by the doctrine of unclean
4 hands.

5 **TWENTY-THIRD AFFIRMATIVE DEFENSE**
6 **(Statute of Limitations)**

7 Yardi's claims are barred by applicable statutes of limitations.

8 **TWENTY-FOURTH AFFIRMATIVE DEFENSE**
9 **(Reservation of Rights)**

10 Property Solutions' investigation of its defenses is ongoing and Property
11 Solutions reserves the right to supplement or amend these defenses.

12 **COUNTERCLAIMS**

13 Defendant and Counterclaimant Property Solutions International Inc.
14 ("Property Solutions") hereby submits these Counterclaims against Yardi Systems,
15 Inc. ("Yardi"):

16 57. Property Solutions repeats and incorporates by reference each of the
17 foregoing paragraphs of Property Solutions' Answer and Affirmative Defenses to
18 Yardi's Complaint.

19 **PARTIES**

20 58. Property Solutions is a Delaware corporation with its principal place of
21 business at 2912 Executive Parkway, Suite 100, Lehi, Utah 84043.

22 59. Yardi is a California corporation with its principal place of business at
23 430 South Fairview Avenue, Santa Barbara, California 93117.

24 **JURISDICTION AND VENUE**

25 60. This Court has jurisdiction over Property Solutions' counterclaim
26 pursuant to 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1338(a) (arising under
27 the Federal Copyright Act), 28 U.S.C. § 1367(a) (supplemental jurisdiction) and 28
28 U.S.C. §§ 2201(a) and 2202 (declaratory judgment).

1 requests, and view event calendars. Each portal can be customized to add
2 additional features or remove features not desired by an individual customer.

3 65. Property Solutions' portals serve as the access point between an end
4 user (e.g., a resident or prospective resident) and a property management software
5 database. The portals move information to and from the database through a
6 specialized interface in order to fulfill the end user's request. For example, a
7 prospective resident might use a website generated by Property Solutions to view
8 pricing and availability information (pulled from the property management software
9 database) and then fill out a guest card or application. The information provided by
10 the prospective resident is then transferred back to the third party database through
11 a software interface and stored. When the property manager later searches for that
12 information, the database locates and sends the information back to the Property
13 Solutions portal, where it is displayed. Property Solutions has successfully
14 integrated with several of the largest property management software vendors in the
15 industry, including Yardi.

16 66. In recent years, Property Solutions has become the only single-
17 platform multi-tenant property management software provider with a
18 comprehensive, cloud-based product suite. Property Solutions offers a wide variety
19 of software capabilities for property managers using platform-as-a-service
20 technology, all of which are stored and administered by Property Solutions rather
21 than locally on a client's server. This cloud-based approach allows users to make
22 use of Property Solutions' software while dramatically lowering their information
23 technology costs.

24 67. Property Solutions provides customizable interfaces and add-ons for
25 existing property management software, and has also recently expanded its property
26 management product to include accounting, purchasing, and facilities management.
27 That product, previously called Resident Works, was re-branded as Entrata.
28 Property Solutions has grown to nearly 480 employees, and its products currently

1 serve more than 20,000 apartment communities nationwide, including 31 of the
2 National Multi Housing Council (NMHC) Top 50 largest property managers.

3 **B. Yardi and Property Solutions Collaborated to Develop Interfaces**
4 **and Specialized Modules for Yardi's Software.**

5 68. Yardi's property management software historically has been focused
6 on accounting. When Property Solutions was founded, Yardi's software did not
7 include specialized tools that focused on providing services to residents and
8 prospective residents, such as guest cards (in which, for example, a prospective
9 resident provides contact information and details on the type of unit sought), rental
10 applications, payments, and maintenance request processing. In addition, Yardi's
11 software did not allow much customization for individual customers and property
12 managers. As a result, Yardi encouraged third parties such as Property Solutions to
13 develop specialized modules to interface with its software, and provided the
14 technical support necessary to facilitate those integrations.

15 69. In early 2006, Property Solutions contacted Yardi to propose that
16 Property Solutions become one of Yardi's third party integrators. Property
17 Solutions sent Yardi contact information for its key developers, corporate
18 information, a proposal to create a ResidentPay[®] online payment solution for
19 Yardi's software, and a proposal for Yardi integrations with ProspectPortal[®] and
20 ResidentPortal[™].

21 70. In April 2006, a Yardi executive hosted a call with Property Solutions
22 executives to initiate the parties' formal communications regarding integration.
23 Shortly thereafter, Yardi shipped a copy of its Genesis software to Property
24 Solutions in order to aid Property Solutions in creating its software to be interfaced
25 with the Yardi database. Yardi Genesis is a Windows-based version of Yardi's
26 database software.

27 71. At that time, Yardi encouraged (but did not require) its third party
28 vendors to develop software that communicated with Yardi's database through a

1 Yardi-designed standard interface. Property Solutions felt that the Yardi standard
2 interface was incapable of facilitating the functionality requested by its customers.
3 But Yardi told Property Solutions it could design its own custom interface, and
4 Property Solutions chose to do so. Property Solutions' custom interface provided
5 several advantages over Yardi's standard interface, including the complex
6 integration of payments, balance inquiries, maintenance requests and unit
7 availability requests. The custom interface allowed information to flow through in
8 real time, rather than be updated in a nightly feed. Property Solutions' portals and
9 plug-in modules would lose substantial functionality if forced to communicate with
10 a database through the Yardi standard interface.

11 72. After receiving the Genesis software from Yardi, Property Solutions
12 began work on two kinds of integrations with Yardi's database: (1) self-hosted
13 integrations, in which the Property Solutions-designed interface tool would be
14 located on the customer's server with the customer's Yardi database; and (2) Yardi-
15 hosted integrations, in which the Property Solutions-designed interface tool would
16 be installed on Yardi's servers, which also hosted the customer's database.

17 73. In mid-2006, Property Solutions created its first self-hosted Yardi
18 integration, which provided the customer with the ability to process payments
19 through Property Solutions' websites. Later that year, Property Solutions
20 developed a beta version of this integration for another mutual customer of Yardi
21 and Property Solutions. On information and belief, Yardi was aware of and
22 approved the integrations Property Solutions developed.

23 74. In the early years of their collaboration, Yardi encouraged Property
24 Solutions to develop high quality custom integrations with its software databases,
25 and provided Property Solutions with the technical details that allowed Property
26 Solutions to complete those integrations. As Property Solutions worked to perfect
27 its interfaces with Yardi's databases, Yardi developers provided extensive technical
28 support, information about the design of Yardi's software and database, the

1 configuration of its database tables, and the queries that Yardi's software uses to
2 interact with those tables, which were necessary to allow Property Solutions'
3 software to "talk to" Yardi's databases. In March 2007, Property Solutions
4 developers began working with Yardi developers James Beane and Quan Lee, the
5 director of Yardi's ASP (active server page) division, on testing and
6 troubleshooting Property Solutions' Yardi-hosted integration.

7 75. In October 2007, Property Solutions wrote to its Yardi sales
8 representative noting that Property Solutions developers "have worked with James
9 Beane and a few other developers at your organization to complete integration for
10 self-hosted clients of yours" that were running Yardi Voyager versions 5.0 and 6.0.
11 However, before Property Solutions could implement its Yardi-hosted integrations,
12 Property Solutions needed Yardi's approval, as the Property Solutions interface tool
13 would need to be installed on Yardi's servers. Thus, in its October 2007 email,
14 Property Solutions provided a list of over a dozen mutual Yardi and Property
15 Solutions customers that were interested in using Yardi-hosted Property Solutions
16 software, and asked when Property Solutions could have its integration approved.
17 Yardi responded that "with your number of clients being so high you should be
18 high on our list" and promised to move the process along.

19 76. In December 2007, Property Solutions informed Yardi that James
20 Beane at Yardi had tested Property Solutions' web applications and concluded they
21 were ready for launch. Property Solutions also informed Yardi that Property
22 Solutions had a custom interface with a few points of integration that only Property
23 Solutions' custom built web services could accommodate. In a later email,
24 Property Solutions described this as "the custom integration that we built with
25 James [Beane]."

26 77. In early 2008, Yardi informed Property Solutions that it was now an
27 "approved integration partner" for both self-hosted and Yardi-hosted clients. On
28 information and belief, because Property Solutions' interface utility was actually

1 installed on Yardi's servers at that time, Yardi was aware of Property Solutions'
2 software and the way in which it interacts with Yardi's software databases as early
3 as 2008.

4 **C. Property Solutions Went On to Integrate with Yardi's Largest**
5 **Customers, and Yardi Gained Both Profit and a Competitive**
6 **Advantage.**

7 78. Not only did Yardi aid Property Solutions in developing its custom
8 interface to be used with Yardi's software databases, Yardi actually profited from
9 its customers' adoption of Property Solutions' software. In March 2008, Yardi
10 informed Property Solutions that it had begun charging customers a \$2500 up-front
11 fee and \$250/per property annually to use Property Solutions' software if hosted on
12 Yardi's servers. For the many property management companies with hundreds of
13 properties, a per-property charge of \$250 amounted to a substantial annual payment
14 to Yardi. In addition, Property Solutions often referred customers interested in its
15 portals and plug-in modules to Yardi and recommended that they use Yardi's
16 property management software. Similarly, Yardi representatives referred customers
17 to Property Solutions' portal products. Property Solutions' custom portals and
18 plug-ins provided a great benefit to Yardi, as they allowed Yardi to offer features
19 that were not available in Yardi's software but were offered by other property
20 management vendors.

21 79. In 2008, Property Solutions contracted with an increasing number of
22 customers interested in its portals and plug-in products. In September 2008,
23 Property Solutions entered a license agreement to create custom integrations with
24 Yardi's largest customer. Another mutual client emailed Property Solutions around
25 that time stating that its integration was ready to go but that Yardi had informed
26 him it was "waiting for approval from [Yardi founder and CEO] Anant Yardi." On
27 information and belief, Anant Yardi personally approved the integrations developed
28 by Property Solutions.

1 80. In December 2008, Yardi wrote to vendors, informing them that they
2 needed to be SAS70 compliant to continue interfacing with Yardi products. SAS70
3 is an auditing standard used to verify that service providers have adequate controls
4 and safeguards in place when they host or process data belonging to their
5 customers. Yardi also communicated this information to several clients. To assure
6 Yardi that its Yardi integrations were indeed SAS70 compliant and to avoid any
7 disruptions for their mutual customers, Property Solutions executed a letter
8 agreement dated January 8, 2009. A fully executed copy was received by Property
9 Solutions on February 12, 2009. This letter provided confirmation of SAS70
10 compliance documentation, including a document providing the specifics of how
11 Property Solutions integrates with Yardi's database.

12 81. By January 2009, Property Solutions had contracted with Yardi's first
13 and second largest clients to develop custom integrations. On information and
14 belief, although Yardi aggressively marketed its own portal products (introduced in
15 or around 2007) and standard interfaces to its clients, Yardi nonetheless continued
16 to lose a substantial number of its largest clients to Property Solutions' portal
17 products. At that point, on information and belief, Yardi began to take note of the
18 increasing success of Property Solutions' software products, which further
19 illuminated the deficiencies in Yardi's products.

20 82. In February 2009, Property Solutions President Ben Zimmer emailed
21 Yardi founder and CEO Anant Yardi to introduce himself and suggest a meeting to
22 discuss a further strategic alliance between the two companies. The parties
23 arranged a meeting in Santa Barbara with Mr. Yardi, Mr. Bateman, and Mr.
24 Zimmer. At the meeting, Mr. Yardi asked how Property Solutions had created such
25 successful interfaces with Yardi's software. Mr. Bateman responded that Property
26 Solutions spent two years collaborating with Yardi developers, who provided
27 technical support to Property Solutions' developers as they completed the project.
28 Thus, at least by early 2009, Yardi's founder and CEO was aware that Property

1 Solutions worked directly with Yardi developers, and that those developers
2 provided Property Solutions the details of the Voyager software necessary to
3 complete its interface.

4 83. At the conclusion of the meeting, Mr. Yardi gave Mr. Bateman and
5 Mr. Zimmer a demonstration of the newest Voyager features. Shortly after the
6 meeting, Mr. Yardi emailed Property Solutions to discuss outstanding action items
7 for the parties' further collaboration, and Property Solutions continued its work of
8 developing integrations for an ever-increasing number of mutual Yardi/Property
9 Solutions clients.

10 84. As early as 2009 through the present, Yardi employees regularly have
11 assisted Property Solutions and their mutual customers with troubleshooting. It is
12 to the benefit of Yardi to ensure that its largest clients, which are also employing
13 Property Solutions' portals, plug-in products, and interfaces, do not have problems
14 accessing Yardi's software or databases. Yardi has provided technical support to
15 Property Solutions, which includes sending screen shots, detailed instructions, and
16 database table field names from Yardi's Voyager software, on multiple occasions.
17 Yardi also gave Property Solutions administrator rights to access Yardi-hosted
18 interfaces for 120 large clients. Far from surreptitiously accessing Yardi's
19 software, as Yardi alleges, Property Solutions' access was well known to Yardi
20 personnel.

21 **D. Yardi and Property Solutions' Collaborative Relationship**
22 **Eventually Soured as Yardi Made it More and More Difficult for**
23 **Third Party Developers to Integrate.**

24 85. On January 24, 2011, Yardi filed a copyright infringement lawsuit
25 against RealPage, Inc., another provider of property management software and
26 associated plug-ins. After the lawsuit was filed, Yardi held a conference call with
27 its third party integrators, including Property Solutions, to assure them that, in spite
28 of the lawsuit, Yardi remained supportive of collaboration and integration.

1 86. Contrary to those assurances, however, Yardi began ramping up its
2 efforts to discourage its customers from using Property Solutions’ software,
3 erroneously informing customers that Property Solutions’ interfaces with Yardi’s
4 software presented security problems, and that they did not meet Yardi standards.
5 In fact, on information and belief, Yardi began implementing tactics designed to
6 prevent its customers from freely integrating with all third party vendors, not just
7 Property Solutions.

8 87. In August 2012, Yardi wrote to customers indicating that it would no
9 longer support Property Solutions’ custom interfaces, which it used to connect its
10 portals and plug-in modules to Yardi’s database. Yardi erroneously claimed
11 Property Solutions’ custom interfaces created security issues for customers’ data,
12 and encouraged customers to consider Yardi’s standard interfaces. This
13 announcement was not well-received by mutual customers of Property Solutions
14 and Yardi, as they wanted the additional capabilities afforded them by Property
15 Solutions’ custom integration with Yardi’s software, which the Yardi standard
16 interfaces could not provide. On information and belief, many of these customers
17 reached out to Yardi with concerns about the potential transition away from
18 Property Solutions’ custom integration.

19 88. Because of its customers’ concern, Yardi asked Property Solutions to
20 perform a “gap analysis” to determine what features of Property Solutions’ custom
21 interfaces would be lost with the Yardi standard interface. Property Solutions
22 performed that analysis, which detailed the advances Yardi would need to make in
23 order to close the substantial gaps in functionality, and provided the analysis to
24 Yardi. On information and belief, Yardi requested the gap analysis in order to use
25 it to incorporate Property Solutions features into its own products.

26 89. In early 2012, Yardi began communicating that it would start charging
27 vendors including Property Solutions \$25,000 to use each of seven Yardi standard
28

1 interfaces (for a total of \$175,000 per year, per vendor, for access to all of Yardi's
2 standard interfaces).

3 90. To date, however, Yardi still has not forced a single customer to move
4 to Yardi's standard interfaces. In fact, there are over 200 mutual Property
5 Solutions/Yardi customers still using Property Solutions' custom interfaces. In
6 January 2013, Yardi agreed in writing to allow at least one mutual Yardi/Property
7 Solutions customer to continue using Property Solutions' custom interfaces.
8 Despite its allegations in this lawsuit, Yardi continues to provide technical support
9 to Property Solutions and its clients to ensure the continued functioning of their
10 custom integrations, which Yardi now claims are the result of copyright
11 infringement and/or misappropriation of trade secrets. At least as recently as mid-
12 November 2013, after Yardi filed this lawsuit, Yardi sent screenshots and other
13 Voyager information to Property Solutions and a mutual client to aid in
14 troubleshooting. Yardi also continues to publicly communicate its intention to
15 continue supporting the Property Solutions custom interface. Yardi's actions make
16 clear that without Property Solutions' custom interfaces, which facilitate the use of
17 Property Solutions' portals and plug-in modules, Yardi believes it likely would lose
18 customers to other property management software providers.

19 91. Having realized that Property Solutions' custom interfaces, the
20 development of which Yardi encouraged and facilitated, are far superior to its own,
21 and that none of its measures to encourage clients to use Yardi interfaces have
22 succeeded, Yardi has filed this lawsuit in an attempt to stifle competition.

23 **E. Property Solutions Independently Developed its Entrata Property**
24 **Management Software.**

25 92. Since its founding, Property Solutions has continued to develop its
26 own comprehensive property management software, including providing support
27 since 2003 for dozens of clients already using Resident Works as their primary
28 solution for leasing and rents. Property Solutions has simultaneously continued

1 designing add-ons for existing property management software, such as Yardi's
2 Voyager, including a wide variety of plug-in modules, such as check scanning,
3 mobile applications, the ability to aggregate data to internet listing services, renter's
4 insurance applications, call center services, credit screening and online lease
5 execution. After spending many years working closely with other property
6 management software options and seeing the drawbacks of clumsy interfaces,
7 cumbersome workflow, and limited browser selection common in such products,
8 Property Solutions believed that it could do better.

9 93. In 2012, Property Solutions re-branded its property management
10 software from Resident Works to Entrata and announced its plans to enhance its
11 property management software functionality. The goal of the development of
12 Entrata was to create a product unlike any on the market. The user interface would
13 be highly user friendly, and the software would incorporate the core (and largely
14 standardized) accounting functions common to all property management software,
15 but also provide the same selection of tools and ease of use that made Property
16 Solutions' portals and plug-in products for third party software so popular.

17 94. During that process, like any company attempting to develop a new
18 product, Property Solutions looked at each of its competitors to determine how their
19 software could be improved upon. Property Solutions did not, however, attempt to
20 access any of those companies' confidential information, such as source code,
21 database tables, schema, or any other aspects of their software, nor did Property
22 Solutions copy or otherwise incorporate any such information, during the
23 development of Entrata.

24 95. Entrata is the only property management software on the market that
25 provides comprehensive accounting services and built-in applications on a single
26 platform using a multi-tenant architecture. Unlike Yardi's Voyager, for example,
27 Entrata requires only one log-in, and uses only one database. Also unlike Voyager,
28 Entrata is device agnostic, meaning it can be used on any browser, operating

1 system, or device, and it has an open platform that allows third parties to easily
2 integrate with it. Entrata is written in a different programming language than
3 Voyager. Entrata is written in PHP while, on information and belief, Voyager is
4 written in .NET.

5 96. In June 2012, Property Solutions announced the launch of its Entrata
6 Property Management Software at the National Apartment Association Educational
7 Conference (NAA). By March of 2013, Property Solutions had successfully piloted
8 the beta version of Entrata across more than 40 companies.

9 97. A year after its release, Entrata has become the fastest-growing
10 property management software in the industry. Entrata's success is due in large
11 part to the fact that it is not based on legacy programs. Property Solutions' goal
12 was to create a product unlike any other—not to replicate an existing product such
13 as Voyager. Instead, Entrata was designed from the ground up to provide the
14 modern tools and functionality necessary to meet the changing needs of today's
15 property management industry.

16 **F. Communications Prior to the Filing of Yardi's Lawsuit.**

17 98. In early 2012, Yardi emailed Property Solutions and invited its
18 executives to travel to Santa Barbara for a meeting. The email stated that Yardi
19 was looking for information relevant to its recently initiated litigation against
20 RealPage, and said that Yardi also wanted to discuss potential "positive business
21 opportunities." Upon arrival, Mr. Zimmer was surprised to learn that Yardi had its
22 lawyer present. In addition, the same day of the meeting, the venue of the meeting
23 was changed from Yardi's corporate headquarters to the offices of Brownstein
24 Hyatt Farber Shreck, LLP, the firm representing Yardi in this lawsuit.

25 99. At the meeting, Yardi again asked how Property Solutions had been
26 able to develop its interfaces with Yardi Voyager, and Mr. Zimmer responded—just
27 as he had three years earlier—that Property Solutions developed its interfaces
28 through collaboration with Yardi developers since 2007.

1 100. Yardi then asked Mr. Zimmer whether Property Solutions was
2 developing its own property management software. Because Property Solutions
3 had no duty to inform Yardi about its confidential development initiatives, Mr.
4 Zimmer answered that the development of property management software was part
5 of Property Solutions' 2003 business plan and that it pursued property management
6 software for a period of years, but had been focusing its efforts in recent years on
7 other solutions. Mr. Zimmer felt he had been ambushed, that the questioning was
8 improper, and that he was being implicitly threatened by Yardi at this meeting.

9 101. One week later, on February 13, 2012, the parties held a conference
10 call. Yardi again asked Property Solutions how it was able to develop and test its
11 products, and Property Solutions again explained that Yardi developers facilitated
12 Property Solutions' integration and had been extremely helpful both in the early
13 stages of development and in troubleshooting. Contrary to Yardi's assertions,
14 Property Solutions also informed Yardi that it once had a copy of Yardi's software,
15 but could not confirm whether it was Genesis or Voyager. Property Solutions
16 informed Yardi, however, that it had not accessed or used Yardi software's source
17 code in the process of designing and building its interfaces. Yardi nonetheless
18 began sending threatening letters to Property Solutions, and eventually filed this
19 lawsuit.

20 102. Even as it alleged Property Solutions' interfaces infringed its Voyager
21 software copyrights, Yardi was proposing an API agreement with Property
22 Solutions that would allow Yardi to continue offering Property Solutions portals
23 and plug-in modules to its clients. Despite the filing of this lawsuit, Yardi is still
24 trying to conclude that agreement. Yardi thus has acknowledged the value of
25 Property Solutions' products to its customers, many of whom, on information and
26 belief, Yardi fears it might lose in the event it can no longer offer Property
27 Solutions' custom interfaces. Yardi has filed this lawsuit in an attempt to stifle
28 legitimate competition, while at the same time trying to retain and further profit

1 from the Property Solutions software it alleges is the result of copyright
2 infringement and trade secret misappropriation.

3 **FIRST COUNTERCLAIM**
4 **(Declaratory Judgment of No Copyright Infringement)**

5 103. Property Solutions incorporates by reference its allegations in
6 paragraphs 1 to 102, above.

7 104. Yardi alleges that Property Solutions has infringed Yardi's copyrights
8 during development of its interfaces for Yardi's property management software and
9 during development of its Entrata software.

10 105. Property Solutions denies that Yardi has any valid and protectable
11 copyrights. Property Solutions also denies that it has infringed any protectable
12 expression under the Copyright Act, 17 U.S.C. § 101 et seq.

13 106. There exists an actual and justiciable controversy between Property
14 Solutions and Yardi with respect to the infringement of any valid copyright interest
15 Yardi may possess.

16 107. Property Solutions seeks a declaratory judgment that it has not
17 infringed any valid Yardi copyrights. A judicial declaration is necessary and
18 appropriate at this time so that Property Solutions can ascertain its rights.

19 **SECOND COUNTERCLAIM**
20 **(Declaratory Judgment of No Misappropriation of Trade Secrets)**

21 108. Property Solutions incorporates by reference its allegations in
22 paragraphs 1 to 107, above.

23 109. Yardi alleges that Property Solutions has misappropriated Yardi's
24 trade secrets to develop its interfaces for Yardi software and its Entrata software.

25 110. Property Solutions denies that it has misappropriated any Yardi trade
26 secrets. Property Solutions further alleges that Yardi has not taken adequate steps
27 to protect its alleged trade secrets.
28

1 111. There exists an actual and justiciable controversy between Property
2 Solutions and Yardi with respect to the alleged misappropriation of any trade
3 secrets Yardi might possess.

4 112. Property Solutions seeks a declaratory judgment that it has not
5 misappropriated any alleged Yardi trade secrets. A judicial declaration is necessary
6 and appropriate at this time so that Property Solutions can ascertain its rights.


7 **PRAYER FOR RELIEF**

8 WHEREFORE, defendant Property Solutions prays for judgment as follows:

- 9 a. That Property Solutions does not infringe any valid copyright
10 owned by Yardi;
11 b. That Property Solutions has not misappropriated any of Yardi's
12 alleged trade secrets;
13 c. That the Complaint be dismissed with prejudice and that judgment
14 on the Complaint, and each and every claim for relief therein, be
15 entered in favor of Property Solutions and against Yardi;
16 d. That Yardi takes nothing by this suit;
17 e. That Property Solutions be awarded its attorneys' fees and costs
18 incurred herein; and
19 f. For such other and further relief as the Court may deem proper.

20 Dated: December 13, 2013

MORRISON & FOERSTER LLP

21
22 By. 
23 Eric M. Acker

24 Attorneys for Defendant and
25 Counterclaimant
26 PROPERTY SOLUTIONS
27 INTERNATIONAL, INC.
28

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11 Attorneys for Defendant
PROPERTY SOLUTIONS INTERNATIONAL, INC.

12
13 UNITED STATES DISTRICT COURT
14 CENTRAL DISTRICT OF CALIFORNIA

15 YARDI SYSTEMS, INC.,
16 Plaintiff,
17 v.

18 PROPERTY SOLUTIONS
INTERNATIONAL, INC.,
19 Defendant.
20

21 PROPERTY SOLUTIONS
INTERNATIONAL, INC.,
22 Counterclaimant,
23 v.

24 YARDI SYSTEMS, INC.,
25 Counterdefendant.
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Case No. 2:13-cv-07764 FMO (CWx)

CERTIFICATE OF SERVICE

DEMAND FOR JURY TRIAL

Hon. Fernando M. Olguin

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CERTIFICATE OF SERVICE

I declare that I am employed with the law firm of Morrison & Foerster LLP, whose address is 12531 High Bluff Drive, San Diego, California, 92130-2040. I am not a party to the within cause, and I am over the age of eighteen years.

I further declare that on December 13, 2013, I served a copy of:

**DEFENDANT PROPERTY SOLUTIONS
INTERNATIONAL, INC.'S ANSWER AND
COUNTERCLAIMS TO YARDI SYSTEMS, INC.'S
COMPLAINT FOR DAMAGES**

BY ELECTRONIC SERVICE [Fed. Rule Civ. Proc. rule 5(b)] by electronically mailing a true and correct copy through Morrison & Foerster LLP's electronic mail system to the e-mail address(es) set forth below, or as stated on the attached service list per agreement in accordance with Federal Rules of Civil Procedure rule 5(b).

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I declare under penalty of perjury that the foregoing is true and correct.
Executed at San Diego, California, this 13th day of December, 2013.

Diana J. Coletti
(typed)



(signature)