STATE OF MINNESOTA **DISTRICT COURT**

COUNTY OF HENNEPIN **FOURTH JUDICIAL DISTRICT**
Case Type: Civil Other

GUAVA LLC,

Plaintiff,

v.

SPENCER MERKEL,

Defendant.

Case No.: 27-CV-12-20976

Judge: Tanya M. Bransford

REPLY IN SUPPORT OF MOTION TO QUASH PLAINTIFF'S NON-PARTY SUBPOENAS TO QWEST COMMUNICATIONS COMPANY, LLC, EMBARQ COMMUNICATIONS, INC., CENTURYTEL BROADBAND SERVICES, INC. AND MIDCONTINENT MEDIA., INC.

I. INTRODUCTION

Non-parties Qwest Communications Company LLC, Embarq Communications, Inc., CenturyTel Broadband Services, Inc. and Midcontinent Media, Inc. (the "Non-Party ISPs") have asked the Court to quash subpoenas Plaintiff Guava LLC issued to each of the Non-Party ISPs. Guava's Response offers nothing to overcome the arguments in the motion to quash.

Additionally, since filing the motion to quash, the Non-Party ISPs have learned of significant, new information that provides further bases to quash the subpoenas. This new information strongly indicates that the present action may be nothing more than a contrived lawsuit with no actual controversy in dispute between Guava and Defendant Spencer Merkel. Guava appears to have settled its dispute with Mr. Merkel, in the context of a copyright infringement suit in the United States District Court for the District of Columbia. In exchange for that settlement, Mr. Merkel apparently agreed to act as a defendant in the present lawsuit, for

the sole purpose of facilitating Guava's pursuit of non-party discovery from Internet Service Providers such as the Non-Party ISPs.

That settlement appears to have laid to rest any actual dispute between Guava and Mr. Merkel. Guava's conduct indicates that it may have pre-arranged this lawsuit against Mr. Merkel—an arrangement that apparently was made when Mr. Merkel was not represented by counsel. Thus, the present case is moot, and the Court therefore has no reason or basis to permit Guava to seek non-party discovery.

Second, even if Guava now claims that other issues remain to be litigated between Guava and Mr. Merkel, the dismissal of the federal action constitutes *res judicata* with respect to the claims asserted in this action. Hard Drive Productions, the nominal plaintiff in the federal case, dismissed the claims with prejudice against a number of John Doe defendants associated with specific IP addresses. At this time, it's not possible to conclude with certainty that the dismissals of the specific IP addresses are linked to the settlement between Guava and Mr. Merkel. Regardless, for purposes of the present motion, this new information raises substantial additional questions about Guava's purpose for filing this suit and issuing the non-party subpoenas to the Non-Party ISPs.

Finally, this additional information provides further support for quashing the subpoenas based on each of the reasons set forth in Non-Party ISP's motion to quash. The serious substantive and procedural deficiencies of this case and the non-party subpoenas cannot be ignored simply because Guava believes that the subpoenas do not impose an undue burden on the Non-Party ISPs. Guava's claims and tactics do not represent a valid purpose for non-party discovery, and do not represent a valid use of the Minnesota state courts.

II. ARGUMENT

Guava does not have an unlimited right to discovery, particularly of third parties. *See* Minn. R. Civ. P. 26.02(a). Rather, the interests of all potentially affected parties must be considered. On weighing the present facts, the harm imposed on the Non-Party ISPs (and their customers—the true non-party targets) far outweighs any legitimate need claimed by Guava. *See Ciriacy v. Ciriacy*, 431 N.W.2d 596, 599 (Minn. Ct. App. 1988) (explaining that a court "should balance the need of the party to inspect the documents or things against the harm, burden, or expense imposed upon the person subpoenaed").

A. The Evidence Suggests That No Actual Dispute Exists Between Guava and Mr. Merkel

Minnesota courts only decide cases involving actual controversies. *In re Schmidt*, 443 N.W.2d 824, 826 (Minn. 1989) ("Well established in this state's jurisprudence is the precept that the court will decide only actual controversies."). "Moreover, the court does not issue advisory opinions, nor decide cases merely to establish precedent." *Id.* (citing *Sinn v. City of St. Cloud*, 203 N.W.2d 365 (Minn. 1972)).

Justiciability doctrines, such as mootness, relate to the court's ability to redress an injury through judicial relief. Mootness "seeks to ensure that a sufficient personal interest continues to exist throughout the litigation." *Sviggum*, 732 N.W.2d at 321 (citing *Kahn v. Griffin*, 701 N.W.2d 815, 821 (Minn. 2005)). Thus, if a court is unable to grant effectual relief because there is no actual dispute, the issue is deemed moot, and the case should be dismissed resulting in dismissal of the appeal. *State ex rel. Lezer v. Tahash*, 128 N.W.2d 708, 708 (Minn. 1964); *see also Schmidt*, 443 N.W.2d at 826 (noting that case is moot if a court cannot "grant effectual relief").

As explained in the attached affidavit of David E. Camarotto, Guava has apparently agreed to settle its dispute with Mr. Merkel, thus rendering the present suit moot. On December 10, 2012, Mr. Camarotto was contacted by Trina Morrison, counsel of record for defendant Mr. Merkel. (Affidavit of David E. Camarotto, ¶ 2.) In her conversation with Mr. Camarotto, Ms. Morrison indicated that she is representing Mr. Merkel in the present case. (*Id.*) Ms. Morrison further explained that:

> 1) Mr. Merkel had been identified as a John Doe defendant in one of the many copyright infringement cases brought by Hard Drive Productions, Inc., and specifically in *Hard Drive Productions, Inc. v. Does 1-1,495*, No. 1:11-cv-01741-JDB-JMF (D.D.C. filed Sept. 27, 2011);
>
> 2) After discovery was granted by the district court in the *Hard Drive* case, Mr. Merkel's identity was disclosed to plaintiff by a non-party ISP as being associated with one of the IP addresses accused of conduct that allegedly amounted to copyright infringement;
>
> 3) After some discussions, Hard Drive Productions had agreed to drop its copyright infringement claims against Mr. Merkel;
>
> 4) In exchange for Hard Drive Productions dismissing its copyright infringement claims against Mr. Merkel, Mr. Merkel would agree to serve as a defendant in the present action by Guava in Minnesota; and
>
> 5) Guava further agreed that, in the present Minnesota case, Guava would not seek any remedies, financial or otherwise, against Mr. Merkel.

(Camarotto Affidavit ¶ 9.)

Based on the conversation between Ms. Morrison and Mr. Camarotto, the Guava-Merkel settlement agreement included the understanding that Hard Drive Productions would dismiss its federal suit against Mr. Merkel in exchange for Mr. Merkel agreeing to act as a defendant in the present suit brought in Minnesota. (*Id.*) Hard Drive Productions agreed that it would not seek any order of liability attributable to Mr. Merkel. (*Id.*) It certainly appears that the purpose of the agreement was to create the appearance of a controversy in order to permit suit in Minnesota—so that Guava could seek non-party discovery and thereby obtain information identifying ISP

customers from whom Hard Drive Productions (or some associated entity) would then seek recovery.

The above details about the Guava-Merkel arrangement are supported by the recent submission by several John Does in this case. (*See* Memorandum of John Doe IP addresses 24.111.103.45 *et al.)* In that filing, the submission included an e-mail exchange between Mr. Merkel's counsel and Paul Godfread, counsel for several John Does. (*Id.*, Godfread Aff. Ex. B.) In that e-mail exchange, Ms. Morrison acknowledges that Guava made an arrangement with Mr. Merkel and that, pursuant to the arrangement, Mr. Merkel agreed to be sued in Minnesota. (*Id.*) Ms. Morrison also explained that Guava made the arrangement with Mr. Merkel before Ms. Morrison was retained by Mr. Merkel. (*Id.*)

Thus, based on the information available, it appears that there is no live dispute between Guava and Mr. Merkel. Guava has agreed not to seek any recovery from Mr. Merkel. Once the parties settle the dispute, it becomes moot. *Northern States Power Co. v. City of Sunfish Lake*, 659 N.W.2d 271, 275-76 (Minn. Ct. App. 2003); *see also Muellenberg v. Joblinski*, 247 N.W. 570, 571 (Minn. 1933); *U.S. Bancrop Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18 (1994); *Royal Ins. Co. of America v. Kirksville College*, 304 F.3d 804, 808 (8th Cir. 2002) (noting that a party's "right to appeal the ruling was rendered moot by the settlement").

The newly available information about the Guava-Merkel agreement also raises questions about the veracity of Guava's response to the motion to quash. Specifically, Guava asserts that it "made no allegations of copyright infringement against Defendant [Merkel]." (Guava Resp. at 9.) This statement is completely contradicted by the evidence of the Guava-Merkel agreement and by the settlement offer letter sent by Guava's counsel to Mr. Merkel. Guava also contends that it "is seeking to hold Defendant [Merkel] joint and severally liable for the harm caused by

the conspiracy." (*Id.* at 5.) Again, based on the attached affidavit, Guava's statement appears untrue. Further, Guava's claim that its so-called "Information Letter" is not an attempt to seek monetary compensation is incredible. (*See id.* at 4.)

B. A Prior Settlement Agreement Between Guava And Mr. Merkel Bars The Present Case Under The Doctrine Of *Res Judicata*

Res judicata precludes parties from raising subsequent claims in a second action when: "(1) the earlier claim involved the same set of factual circumstances; (2) the earlier claim involved the same parties or their privities; (3) there was a final judgment on the merits; (4) the estopped party had a full and fair opportunity to litigate the matter." *Hauschildt v. Beckingham*, 686 N.W.2d 829, 840 (Minn. 2004). "*Res judicata* applies equally to claims actually litigated and to claims that could have been litigated in the earlier action." *Brown-Wilbert, Inc. v. Copeland Buhl & Co.*, 732 N.W.2d 209, 220 (Minn. 2007) (citing *State v. Joseph*, 636 N.W.2d 322, 327 (Minn. 2001)); *Loo v. Loo*, 520 N.W.2d 740, 744 n.1 (Minn. 1994) ("*Res judicata*, or claim preclusion, prevents parties from splitting claims into more than one lawsuit and precludes further litigation of the same claim.").

Here, based on the evidence in the attached affidavit, there appears the strong likelihood that the claims being asserted by Guava in the present lawsuit are substantially the same claims that were asserted in *Hard Drive Productions*, No. 1:11-cv-01741-JDB-JMF. That case asserted copyright claims, and it appears that the same conduct by Mr. Merkel forms the basis of Guava's allegations in this case. Those claims against Mr. Merkel may have been dismissed with prejudice. Accordingly, because Guava's present claims against Mr. Merkel are quite likely the same claims that were dismissed with prejudice in the earlier *Hard Drive Productions* case, then the present claims against Mr. Merkel are barred. *See Johnson v. Hunter*, 447 N.W.2d 871 (Minn. 1989) (holding that dismissal with prejudice will support *res judicata*); *Lampert Lumber*

Co. v. Joyce, 405 N.W.2d 423, 425 (Minn. 1987) (same); *Firoved v. General Motors Corp.*, 152 N.W.2d 364, 368 (Minn. 1967) (same); *Wills v. Red Lake Municipal Liquor Store*, 389 N.W.2d 769, 770 (Minn. Ct. App. 1986) ("A stipulation of dismissal with prejudice operates as a merger of, and bars the right to recover on, all antecedent claims included therein."); *Brooks v. Barbour Energy Corp.*, 804 F.2d 1144, 1146 (10th Cir. 1986) ("A dismissal with prejudice by order of the court is a judgment on the merits.").

Although the dismissed case involved Hard Drive Productions as the named plaintiff, and not Guava, the settlement agreement between Guava's counsel and Mr. Merkel suggests that Hard Drive Products and Guava may not be distinct entities and are, at a minimum, likely to be in privity. Moreover, based on new information, it now appears that Guava is collaborating with Sunlust Pictures, LLC and Hard Drive Productions. As noted in the Non-Party ISPs' original motion, the present lawsuit is one of well over a hundred lawsuits filed in the last two years by Guava's counsel's firm alone. During a recent hearing in one of those cases—before Judge Mary Scriven of the United States District Court for the Middle District of Florida—a Mr. Mark Lutz asserted that he was a "corporate representative" appearing on behalf of Sunlust Pictures. (Exhibit F.) After being put under oath and examined by Judge Scriven, Mr. Lutz admitted that he was also working for Hard Drive Productions and Guava, LLC. (*Id.*, pp. 16-17.) Mr. Lutz's testimony supports the direct link between Hard Drive Productions and Guava. With the commonality of their "corporate representative" and counsel of record in these cases, as well as the settlement agreement involving Hard Drive Productions, Guava, LLC and Mr. Merkel, there exists a direct link between the claims asserted in the now-dismissed action and the presently pending action.

The strong evidence of *res judicata* further supports Non-Party ISPs' argument that the subpoenas have not been issued for a proper purpose and should be quashed.

C. At A Minimum, The Court Should Order Guava To Produce Information Relevant To Whether The Case Is Moot Or Barred By *Res Judicata*

Non-Party ISPs recognize the unusual procedural posture in which the mootness and *res judicata* issues are being raised. Generally, mootness or res judicata is raised by one or more of the named parties. In the unusual circumstances of this case, however, the information submitted herewith is directly relevant to the question of whether Guava is using non-party discovery procedures for an improper purpose. *See, e.g.*, *Digital Sins, Inc. v. John Does 1-245*, No. 11 Civ 8170(CM), 2012 WL 1744838, at *1-3 (S.D.N.Y. May 15, 2012) (discussing chronicling by numerous courts of abusive litigation practices); *SBO Pictures, Inc. v. Does 1-3036*, No. 11-4220 SC, 2011 WL 6002620, at *3 (N.D. Cal. Nov. 30, 2011) (explaining the likely adverse effects on "numerous innocent internet users"); *MCG-IP, LLC v. Doe*, No. 4:11-cv-02331, 2011 U.S. Dist. LEXIS 108109, at *8 n.5 (N.D. Cal. Sept. 16, 2011) (noting that "mass copyright infringement cases have emerged as a strong tool for leveraging settlements").

Moreover, "[a]s a constitutional prerequisite to the exercise of jurisdiction, we must consider the mootness question even if ignored by the parties." *Schmidt*, 443 N.W. 2d at 826 (citing *St. Paul Fire & Marine Ins. Co. v. Barry*, 438 U.S. 531, 537 (1978)). Furthermore, because the issue of mootness implicates the court's jurisdiction, a party or the court may consider the issue at any time. *Arizonans for Official English v. Arizona*, 520 U.S. 43, 68 n.23 (1997).

Importantly, on questions of mootness and *res judicata*, Guava and Mr. Merkel are the parties who uniquely possess the information that can enlighten the Court's inquiry. Indeed, the parties' respective counsel have the continuing obligation to bring to the Court's attention any

information bearing on the Court's jurisdiction. *Arizonans for Official English*, 520 U.S. at 68 n.23; *Board of License Comm'rs of Tiverton v. Pastore*, 469 U.S. 238, 240 (1985) ("It is appropriate to remind counsel that they have a 'continuing duty to inform the [Supreme] Court of any development which may conceivably affect the outcome' of the litigation." (quoting *Fusari v. Steinberg*, 419 U.S. 379, 391 (1975) (Burger, C.J., concurring)))[1].

Given this important obligation, it is incumbent upon counsel to ensure that any actions taken by the parties are done with a proper purpose. Moreover, "the court has broad discretion to fashion orders for 'good cause' to protect the parties or witnesses from 'annoyance, embarrassment, oppression or undue burden or expense' in the discovery process." *State v. Deal*, 740 N.W. 2d 755, 763 (Minn. 2007) (quoting Minn. R. Civ. P. 26.03); *see also Baskerville v. Baskerville*, 75 N.W.2d 762, 769 (Minn. 1956).

The new information presented above establishes a sufficient basis, by itself, upon which to quash the subpoenas. Moreover, if the Court declines to immediately quash the subpoenas, Non-Party ISPs respectfully request that the Court consider ordering the parties and counsel to provide sworn testimony to the Court regarding the settlement agreement between the parties so that the Court may assess whether an actual case or controversy exists between Guava and Mr. Merkel. Such an order by the Court is well-within its inherent authority to ensure the Court's "vital function—the disposition of individual cases to deliver remedies for wrongs and justice freely and without purchase; completely and without denial; promptly and without delay, conformable to the laws." *Patton v. Newmar Corp.*, 538 N.W.2d 116, 118 (Minn. 1995).

D. The Subpoenas Should Be Quashed For All The Reasons Set Forth In The

[1] In addition, any attorney must certify that submissions to the court are "not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation"; that legal claims are supported by existing law or a nonfrivolous argument for a change in the law; and that factual allegations are or will be supported by evidence. Minn. Stat. § 549.211, subd. 2 (2012); *see also* Minn. R. Civ. P. 11.02.

Motion To Quash

In addition to the information presented above, Guava's subpoenas should be quashed for all the reasons identified in the Non-Party ISPs' motion to quash. Nothing in Guava's response gives sufficient reason to permit Guava wide-ranging discovery in this case.

1. Guava concedes that the personal information regarding unnamed "co-conspirators" is not relevant to the claims against Mr. Merkel

As detailed in the Non-Party ISPs' opening motion, the subpoenas are grossly overbroad, harassing, and abusive. There is no assertion that Mr. Merkel, the single named defendant, is alleged to have used any of the IP addresses identified in the subpoenas. Nor has Guava alleged that Mr. Merkel knows, works with, or has had any substantial contact with the so-called co-conspirators. The broad swath of information Guava is seeking, which is sensitive, personal information about the Non-Party ISPs' customers, is irrelevant to Guava's claim against the sole defendant in the case. *See, e.g., Pacific Century Int'l, Ltd. v. John Doe*, No. 11-cv-3479, 2012 WL 2522146 at *4 (E.D. Ca. Jun. 28, 2012) ("[C]o-conspirator discovery is unnecessary to identify the named . . . defendant.").

Guava's discovery requests of third parties are nothing more than wishful fishing expeditions. *See Lewis v. St. Cloud State Univ.*, 693 N.W.2d 466, 474 (Minn. Ct. App. 2005) (affirming denial of motion for continuance of discovery because "appellant was on a 'fishing expedition'"); *see also Rice v. Perl*, 320 N.W.2d 407, 412 (Minn. 1982) ("The court should be quite strict in refusing continuances where the party merely expresses a hope or a desire to engage in a fishing expedition . . . .").

Further, without any alleged agreement between Mr. Merkel and the purported "co-conspirators," a conspiracy cannot exist. *See State v. Kuhnau*, 622 N.W. 2d 552, 556 (Minn. 2001) ("We have long held that the crime of conspiracy requires (1) an agreement between two

or more people to commit a crime and (2) an overt act in furtherance of the conspiracy." (citing *State v. Peterson*, 4 N.W.2d 826, 828 (Minn. 1942))). "[A] conscious and intentional purpose to break the law is an essential element of the crime of conspiracy." *Sisson v. Triplett*, 428 N.W.2d 565, 572 n.6 (Minn. 1988). If there were in fact a conspiracy, as Guava claims, surely Mr. Merkel could provide discovery on this issue without the need to issue burdensome and overly broad non-party subpoenas.

Guava also does not attempt to distinguish the facts of this case from the cases cited in the motion. For instance, in *First Time Videos, LLC v. Doe*, No. CIV S-11-3478, 2012 U.S. Dist. LEXIS 15810, at *19 (E.D. Cal. Feb. 8, 2012), the court found that plaintiff's "request to conduct expedited discovery regarding all of the alleged co-conspirators is not reasonable and is not supported by good cause." In *Pacific Century International, Ltd. v. John Doe*, No. 11-cv-3479, 2012 WL 2522146 at *4-*5 (E.D. Ca. Jun. 28, 2012), the court held that, under similar circumstances, "plaintiff failed to show good cause to seek discovery as to the co-conspirators." The same rationale applies here.

2. Guava does not explain how this Court is a proper venue for or has jurisdiction over the so-called "co-conspirators"

Conspicuously absent from Guava's response is any acknowledgment that Mr. Merkel is a resident of Beaverton, Oregon. Because Mr. Merkel resides in Oregon and has no demonstrable connection to this forum, this Court lacks jurisdiction over Mr. Merkel and is not a proper venue for permitting discovery of third parties with no connection to Minnesota.

By statute, a case must begin in either the county in which the defendant resides when the action begins or the county in which the cause of action arose. Minn. Stat. § 542.09. Although a party can sue where the cause of action arose, a plaintiff seeking to bring suit in a county where

no defendant resides must make a strong showing that some part of the cause of action arose there. *Johnson v. Minn. Farm Bureau Mktg. Corp.*, 232 N.W.2d 200, 203-04 (Minn. 1975).

Here, it appears that Mr. Merkel is a resident of Oregon, with no apparent connection to the state of Minnesota. In every pleading and paper filed with this Court, Guava has failed to mention that Mr. Merkel is an Oregon resident. Guava has also failed to explain why this case was filed in Minnesota. In its response, Guava acknowledges that personal jurisdiction and venue inquiries are relevant to the parties, "and in particular the defendant." (Guava Resp. at 7.) Given the prior litigation against Mr. Merkel and the apparent settlement agreement between Guava and Mr. Merkel, Guava is without doubt aware that Mr. Merkel does not reside anywhere in Minnesota. Yet Guava maintains that "personal jurisdiction or venue concerns" are "entirely frivolous." It is beyond the pale for Guava to make such an assertion when it knows full well that Mr. Merkel is not subject to jurisdiction in Minnesota.

Furthermore, Guava does not dispute that none of the IP addresses identified in the subpoena to Embarq are used within the State of Minnesota. Nor does it dispute that none of the IP addresses identified in the subpoena to CenturyTel are used within the State of Minnesota. Guava's attempt to distinguish the "geolocation technology" cases is not convincing. Guava complains that personal jurisdiction and venue arguments are premature, but these issues pertain directly to the burden associated with the subpoenas and the issue of whether the subpoenas are being used for a proper discovery purpose. Guava's response confirms the implicit threat of Guava's "Information Letters." Guava admits that, if and when it names the other purported "co-conspirators" as defendants, the personal jurisdiction and venue arguments will be relevant. In response to pending motions to quash filed by John Does in this case, Guava argues that the John Does lack standing to challenge the subpoenas because the Does are not parties to the case.

Thus, Guava argues that neither the subpoena recipients (the Non-Party ISPs) nor the subpoena targets (the John Does) have standing to raise jurisdiction and venue issues and only the named defendant, who is acting pursuant to a settlement agreement with Guava, could raise such an objection. Guava's arguments further demonstrate the improper purpose of the non-party subpoenas.

3. Contrary to Guava's assertions, this is a copyright case and is therefore preempted

Finally, despite Guava's protestations, this case is, at the end of the day, a copyright case. Guava disguises its copyright claim as a claim of civil conspiracy, but the heart of Guava's purported harm is that certain individuals have accessed and copied copyright protected content without paying the requisite fee. That, in sum and substance, is a claim for copyright infringement. Moreover, the prior litigation and settlement between Guava and Mr. Merkel demonstrates that Guava's claims are based in federal copyright law. Guava is suing Mr. Merkel because Mr. Merkel allegedly accessed and copied pornographic content without authorization. Even if the case were not moot, Guava's remedy, if any, resides in federal court. *See* 28 U.S.C. § 1338(a) ("No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to . . . copyrights.").

III. CONCLUSION

For the forgoing reasons, the Non-Party ISPs respectfully request that the Court issue an Order quashing Guava's subpoenas to Qwest Communications Company LLC, Embarq Communications, Inc. and CenturyTel Broadband Services, Inc. Furthermore, if the Court declines to immediately quash the subpoenas, the Non-Party ISPs respectfully request that the Court consider ordering the parties and counsel to provide sworn testimony to the Court

regarding the settlement agreement between the parties so that the Court may assess whether an actual case or controversy exists between Guava and Mr. Merkel.

DATED: January 22, 2013

By: */s/ David E. Camarotto*

David E. Camarotto (Bar No. 0307208)
Mark R. Bradford (No. 0335940)
Bassford Remele, P.A.
33 South Sixth Street
Suite 3800
Minneapolis, MN 55402-3707
Telephone: 612.333.3000
dcamarotto@bassford.com
mbradford@bassford.com

David E. Weslow
Matthew J. Dowd
Wiley Rein LLP
1776 K Street, N.W.
Washington, DC 20006
Telephone: 202.719.7000
dweslow@wileyrein.com
mdowd@wileyrein.com

Attorneys for Qwest Communications Company LLC, Embarq Communications, Inc. CenturyTel Broadband Services, Inc. and Midcontinent Media, Inc.

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