APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

IN RE: DAVID PETER BERGE,

Debtor.

MARKETGRAPHICS RESEARCH GROUP, INC.,

Plaintiff-Appellant,

v.

DAVID PETER BERGE,

Defendant-Appellee.

No. 18-6177

Appeal from the United States Bankruptcy Court for the Middle District of Tennessee at Nashville.
Nos. 3:13-ap-90400; 3:13-bk-07626—Marian F. Harrison, Judge.

Argued: June 19, 2019

Decided and Filed: March 27, 2020

Rehearing Denied: May 6, 2020

Before MOORE, COOK, and READLER, Circuit Judges.

OPINION

CHAD A. READLER, Circuit Judge.

For the Berge family, federal litigation unfortunately has become something of a family affair. David Berge and his parents, Don and Martha, were named as defendants in an unfair competition lawsuit brought by MarketGraphics Research Group, Inc., a company with which Don had previously been associated. Before MarketGraphics could proceed to judgment, Don and Martha filed for Chapter 7 bankruptcy. And when MarketGraphics ultimately obtained a judgment against David, he soon began pursuing Chapter 7 proceedings of his own.

David's Chapter 7 filing made MarketGraphics a judgment creditor in David's bankruptcy proceeding. MarketGraphics initiated adversary proceedings to assert that its claim should be exempted from discharge in accordance with 11 U.S.C. § 523(a)(6), which prevents a debtor from discharging claims for injuries he willfully and maliciously caused. According to MarketGraphics, the earlier judgment preclusively established such conduct on David's part. The bankruptcy court disagreed and denied

MarketGraphics's request to exempt its claim from discharge.

We agree with the bankruptcy court. Nothing in the record of these proceedings or the proceedings for the underlying judgment supports a finding that David acted with the requisite intent under § 523(a)(6) to harm MarketGraphics. Nor do we accept MarketGraphics's contention that we are precluded from reviewing that issue in the first instance. Accordingly, we **AFFIRM** the judgment of the bankruptcy court that David's debts are dischargeable.

I. BACKGROUND

A. David Works For His Father, An Independent Contractor For MarketGraphics.

MarketGraphics collects, analyzes, and distributes data related to residential housing markets. For the Memphis market, Don served for many years as MarketGraphics's licensee. Working as an independent contractor, Don collected data and maintained the company's local client relationships. To assist with data collection, MarketGraphics licensed its maps and other intellectual property to Don.

From the time he was in high school, David often assisted his father in the business. Don and David would "driv[e] the market" to determine growth and collect data to generate reports for MarketGraphics. These efforts continued until 2012, when Don terminated his relationship with MarketGraphics to venture out into the industry on his own. David, who by that time was a real estate agent living in

Nashville, agreed to help his father with his new endeavor.

Don established a new business under the name Realysis. Realysis consisted of three single-member LLCs. Don made himself the sole member of Realysis of Jackson, made his wife, Martha, a teacher, the sole member of Realysis, and made David the sole member of Realysis of Memphis.

MarketGraphics sent letters to its Memphis clients letting them know that Don retired and that the company would service their accounts directly. Despite non-compete and confidentiality provisions in Don's independent contractor agreement with MarketGraphics, Realysis also wanted to service those clients. So Realysis wrote to MarketGraphics's clients to "clear up the confusion" regarding the distinctions between MarketGraphics Research Group in Nashville and Realysis of Memphis, LLC as well as Don and David's roles in MarketGraphics and Realysis, respectively. The letter stated that Don and David gathered all of the information for MarketGraphics for fifteen years, that David was now the sole owner of Realysis of Memphis, LLC, and that Realysis would produce reports every quarter going forward. The letter was sent under David's name and from his Realysis email address. Realysis's letter generated yet one more letter, this time one from MarketGraphics to Realysis reminding Realysis that Don had signed a contract with non-compete and confidentiality provisions. But Realysis continued to compete against MarketGraphics—and effectively so. In under a year, MarketGraphics lost 75 percent of its Memphis-area customers to Realysis.

B. MarketGraphics Sues The Berge Family And The Realysis Entities.

In view of what MarketGraphics perceived as unfair competition by Realysis, MarketGraphics filed a twelve-count complaint in federal district court against Don, David, Martha, and the Realysis entities. MarketGraphics asserted a host of claims, including copyright and trademark infringement, unfair and deceptive trade practices under the Tennessee Consumer Protection Act (or TCPA), and violations of Tennessee common law. MarketGraphics successfully sought a preliminary injunction against all the defendants.

Represented by the same counsel, the defendants filed an answer and responded to MarketGraphics's interrogatory requests. MarketGraphics in turn moved for summary judgment and submitted an accompanying statement of facts. When none of the defendants responded to MarketGraphics's motion, MarketGraphics provided the district court with a proposed judgment. But before the district court entered the proposed judgment, Don and Martha filed for Chapter 7 bankruptcy. The district court stayed the claims against David's parents, leaving David as the sole remaining active individual defendant.

Soon thereafter, the district court entered judgment against David and the Realysis entities. The judgment was identical to the proposed judgment that MarketGraphics submitted. It included several findings regarding David and Realysis, including that they: (1) "willfully or knowingly" violated the TCPA, (2) willfully infringed upon MarketGraphics's copyrighted works, (3) acted

in concert with Don to violate Don's non-compete agreement with MarketGraphics, and (4) wrongfully impaired goodwill among Memphis customers and created unfair competition. The district court permanently enjoined David and the Realysis entities and awarded MarketGraphics $332,314.94 in damages.

C. David Seeks To Discharge In Bankruptcy The Debt Associated With The District Court Judgment.

Following the judgment, David joined his parents by filing Chapter 7 bankruptcy proceedings of his own.

MarketGraphics responded by filing an adversarial complaint asserting that David's judgment debt was non-dischargeable pursuant to 11 U.S.C. § 523(a)(6). To be non-dischargeable under § 523(a)(6), the prior judgment must be for a "willful and malicious" injury. MarketGraphics then moved for summary judgment. David opposed the motion, disputing the scope and nature of the district court's findings as to willfulness and malice.

The parties then spent the next four years litigating how to interpret the phrase "willful and malicious." The parties debated whether § 523(a)(6)'s willful-and-malicious standard is a unitary or two-pronged test. And if it is a two-pronged test, the question remained how to define those respective terms (willful and malicious).

With respect to the threshold inquiry, the bankruptcy court applied a two-pronged test, holding that for purposes of § 523(a)(6), the prior judgment must involve an injury shown to be both willful and

malicious. As the district court in the earlier action did not address the "malicious" conduct prong, the bankruptcy court denied MarketGraphics's request that the earlier judgment be given preclusive effect in the bankruptcy. The district court denied permission for an interlocutory appeal.

The bankruptcy court then conducted a bench trial. Much of the trial's focus was on David's role in Realysis's operations. Throughout his testimony, David disputed his degree of involvement in and knowledge of the Realysis enterprise. Both David and Don testified that Don was Realysis's primary architect and operator. David claimed his participation in Realysis "was very, very limited." To the extent he engaged with the new entity, it was simply to help his financially unstable, 70-year-old father. David testified that Don sent the solicitation letter to MarketGraphics's clients using David's name. While David reviewed and did not object to the contents of the letter before it was sent, including the use of his name, David believed, based upon Don's representations, that neither he nor Don were subject to the non-compete provision.

Following trial, the bankruptcy court dismissed MarketGraphics's adversarial complaint. The lone "issue at trial," the court explained, "was whether [David] acted with malice." The bankruptcy court found that he did not. While Don had used his family to create an elaborate scheme to avoid liability, David, by comparison, was "very credible" and less culpable.

The case then went back up to the district court, this time before Judge Crenshaw. Taking up the threshold legal issue, the district court found that

"[t]he 'willful and malicious' standard in § 523(a)(6) ha[d] evolved" in the Sixth Circuit from a two-pronged approach to a unitary standard. The district court vacated the bankruptcy court's judgment in part and remanded the case with instructions to decide the question of issue preclusion consistent with this unitary standard.

Back down to the bankruptcy court, then, to examine the preclusive effect of the prior district court judgment. Assessing the earlier judgment, the bankruptcy court concluded that two of the key claims at issue there—the TCPA and Copyright Act claims, respectively—each defined "willful" more broadly than did § 523(a)(6). Thus, the bankruptcy court concluded, the willfulness issues litigated in the prior action were not identical to the issue before the bankruptcy litigation, namely, the application of § 523(a)(6)'s "willfulness and malicious" standard. As to the common law claims, the earlier judgment set forth no undisputed facts or conclusions of law with respect to them, meaning they were neither essential to the judgment nor entitled to preclusive effect.

Free to consider the § 523(a)(6) question anew, the bankruptcy court found that David did not have the level of intent required by the § 523(a)(6) unitary standard and again dismissed MarketGraphics's adversarial complaint. Following that dismissal, we granted MarketGraphics's petition for permission to file a direct appeal to this Court.

II. ANALYSIS

By and large, today's case poses two questions. One, what is the proper standard to assess "willful and malicious injury" under § 523(a)(6)? Answering that question divided the courts below, as it has the

circuit courts. Two, under whichever of those is the correct standard, is the earlier judgment against David entitled to preclusive effect in the present proceeding?

A. MarketGraphics Must Show That Its Injury Was Both "Willful" And "Malicious" Under § 523(a)(6).

Chapter 7 of the Bankruptcy Code offers a debtor a fresh financial start at the close of his bankruptcy proceeding. *See Harris v. Viegelahn*, 575 U.S. 510, 135 S. Ct. 1829, 1835, 191 L.Ed.2d 783 (2015). To achieve that fresh start, the Bankruptcy Code allows the debtor to discharge in bankruptcy debts owed to his creditors. 11 U.S.C. § 727. And generally speaking, most debts are dischargeable. *See FCC v. NextWave Pers. Commc'ns Inc.*, 537 U.S. 293, 306, 123 S.Ct. 832, 154 L.Ed.2d 863 (2003).

At issue here is one of the limited exceptions to the general rule favoring discharge. That exception, codified in § 523(a)(6) of the Bankruptcy Code, applies to instances of "willful and malicious injury by the debtor to another entity or to the property of another entity." 11 U.S.C. § 523(a)(6). How to apply that standard, however, has been a point of disagreement among the circuits. As did the most recent district court decision below, some circuits have essentially collapsed the terms "willful" and "malicious," applying a unitary test when assessing the applicability of § 523(a)(6). *See, e.g.*, *McClendon v. Springfield* (*In re McClendon*), 765 F.3d 501, 505 (5th Cir. 2014) (applying the unitary standard and "defining a willful and malicious injury as one where there is either an objective substantial certainty of harm or a subjective motive to cause harm")

(internal quotations omitted); *Berrien v. Van Vuuren*, 280 F. App'x 762, 766 (10th Cir. 2008) (same). Other circuits utilize a two-pronged approach, where "willful" and "malicious" remain separate elements for the courts to review. *See, e.g.*, *Margulies v. USAA Cas. Ins. Co.* (*In re Margulies*), 721 F. App'x 98, 101 (2d Cir. 2018) (finding that "willful ... means deliberate or intentional" and malicious means "wrongful and without just cause or excuse, even in the absence of personal hatred, spite, or ill-will"); *see also First Weber Grp., Inc. v. Horsfall*, 738 F.3d 767, 774 (7th Cir. 2013); *Fischer v. Scarborough* (*In re Scarborough*), 171 F.3d 638, 641 (8th Cir. 1999); *Petralia v. Jercich* (*In re Jercich*), 238 F.3d 1202, 1208–09 (9th Cir. 2001); *Maxfield v. Jennings* (*In re Jennings*), 670 F.3d 1329, 1334 (11th Cir. 2012).

1. Against the backdrop of this deep circuit split, we have cited favorably to the two-pronged approach. *See Doe v. Boland* (*In re Boland*), 946 F.3d 335, 338 (6th Cir. 2020) ("A debtor willfully and maliciously injures a creditor if, acting without just cause or excuse, he knows or is substantially certain that his actions will cause injury."). Today, we explicitly adopt that test.

As an initial matter, the two-pronged approach more squarely accords with customary rules of statutory interpretation. The statute itself invokes two concepts—"willful" and "malicious"—separated by the word "and," which ordinarily suggests that both terms must be satisfied to exempt a debt from discharge. *OfficeMax, Inc. v. United States*, 428 F.3d 583, 588 (6th Cir. 2005) (" '[A]nd' usually does not mean 'or.' Dictionaries consistently feature a conjunctive definition of 'and' as the primary

meaning of the word."). The use of "and" in § 523(a)(6), moreover, seemingly was no accident. Compare § 523(a)(6) with § 1328(a)(4) in Chapter 13 of the Bankruptcy Code. Both sections utilize the terms "willful" and "malicious" in describing injuries that can result in non-dischargeable debts. But § 1328(a)(4), unlike § 523(a)(6), describes the qualifying injury as "willful *or* malicious." 11 U.S.C. § 1328(a)(4) (emphasis added); *see Doe v. Boland* (*In re Boland*), 596 B.R. 532, 546 n.10 (6th Cir. B.A.P. 2019) (citing *B.B. v. Grossman* (*In re Grossman*), 538 B.R. 34, 39 (Bankr. E.D. Cal. 2015)). The use of "or" in a parallel part of the Bankruptcy Code, and the use of "and" here, should be given meaning. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133, 120 S.Ct. 1291, 146 L.Ed.2d 121 (2000) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.") (quotation omitted).

2. To the same end, collapsing the terms "willful" and "malicious" ignores the fact that, ordinarily understood, those terms have separate meanings, and separate purposes. Start with "willful." "Willful" conduct, for purposes of § 523(a) (6), requires "actual intent to cause injury," "not merely a deliberate or intentional *act* that leads to injury." *Kawaauhau v. Geiger*, 523 U.S. 57, 61, 118 S.Ct. 974, 140 L.Ed.2d 90 (1998); *see also In re Boland*, 946 F.3d at 338 ("[A] debtor might act intentionally but simply not *know* that the act will cause injury.") (emphasis added).

In holding that a debtor must have "actual intent to cause injury" to have acted willfully, *Geiger* left unresolved how to measure that intent. Some

circuits have resolved the question by taking a broad approach, utilizing both objective and subjective tests. Under that standard, a debtor acts willfully where his actions were objectively substantially certain to cause harm or, alternatively, where the debtor had a subjective motive to cause harm. *See In re McClendon*, 765 F.3d at 505. This Circuit, on the other hand, utilizes only a subjective standard, asking whether the debtor himself was motivated by a desire to inflict injury. *See, e.g.*, *Markowitz v. Campbell* (*In re Markowitz*), 190 F.3d 455, 464 (6th Cir. 1999) (adopting the subjective approach, in which a debt is nondischargeable under § 523(a)(6) only if the debtor intended to cause harm or knew that harm was a substantially certain consequence of his or her behavior). Put differently, the debtor must "desire[ ] to cause consequences of his act, or ... believe[ ] that the consequences are substantially certain to result from it." *Id.* (internal citations omitted). A debtor need not actually admit his intent; intent may be inferred from the circumstances of the injury. *See, e.g.*, *O'Brien v. Sintobin* (*In re Sintobin*), 253 B.R. 826, 831 (Bankr. N.D. Ohio 2000).

3. Now the term "malicious." In defining "willful," *In re Markowitz* inferred that, in the § 523(a)(6) setting, the term typically would be read to mean something different than "malicious": "From the plain language of the statute, the judgment must be for an injury that is *both* willful and malicious. The absence of one creates a dischargeable debt." 190 F.3d at 463 (emphasis added). Likewise, in a case that pre-dates *Geiger*, we similarly suggested that the two terms are not synonymous. *Wheeler v.*

Laudani, 783 F.2d 610, 615 (6th Cir. 1986) (citations omitted).

With that understanding in mind, in *Wheeler* we defined "malicious," for purposes of § 523(a)(6), to mean "in conscious disregard of one's duties or without just cause or excuse ..." 783 F.2d at 615 (citations omitted); *see also Ball v. A.O. Smith Corp.*, 451 F.3d 66, 69 (2d Cir. 2006) (defining "malicious" as "wrongful and without just cause or excuse, even in the absence of personal hatred, spite, or ill-will") (quotations omitted); *Sells v. Porter* (*In re Porter*), 539 F.3d 889, 894 (8th Cir. 2008) ("Maliciousness is conduct targeted at the creditor ... at least in the sense that the conduct is certain or almost certain to cause ... harm.") (internal quotations omitted). Unlike willful conduct, malicious conduct typically does not require "a showing of specific intent to harm another ...." *In re Jennings*, 670 F.3d at 1334; *see also Yeager v. Wilmers*, 553 B.R. 102, 107 (S.D. Ohio 2015), *aff'd* 553 B.R. 102 (6th Cir. 2016). And as to the requirement that malicious conduct be taken "without just cause," Black's Law Dictionary defines "just cause" as "[a] legally sufficient reason," and "excuse" as "[a] reason that justifies an act or omission or that relieves a person of a duty." Black's Law Dictionary (11th ed. 2019); *see also Murray v. Bammer* (*In re Bammer*), 131 F.3d 788, 792 (9th Cir. 1997) (en banc) (reading "just" to be synonymous with "honorable and fair in dealings and actions, consistent with moral right, and valid within the law") (internal quotations and citations omitted).

4. As text and precedent thus reflect, assessing whether an injury is "willful and malicious" under § 523(a)(6) is a two-pronged inquiry. A creditor must

prove both elements before the debt may be exempted from discharge. To be sure, in many cases, the same facts that support a finding of willful conduct under § 523(a)(6) will likewise support a finding that the debtor acted with malice. *See Superior Metal Prods. v. Martin* (*In re Martin*), 321 B.R. 437, 442 (Bankr. N.D. Ohio 2004) (noting that in the "great majority of cases, the same factual events that give rise to a finding of 'willful' conduct, will likewise be indicative as to whether the debtor acted with malice"). But in other cases, for example, a debtor may act willfully, but not maliciously. *See id.* ("[A] debtor, in certain limited situations, may be found to have willfully converted a creditor's property, but not to have acted in a malicious manner."); *see also Olmstead v. Newman* (*In re Newman*), 385 B.R. 799 (6th Cir. B.A.P. 2008) (finding that debtor-employer, bought by another company, willfully refused to pay creditor-employee her vacation benefits, but did not act maliciously because it "earnestly believed" that the new owners were responsible for the creditor-employee's benefits); *Fleming Mfg. Co. v. Keogh* (*In re Keogh*), 509 B.R. 915, 939 (Bankr. E.D. Mo. 2014) (debtor willfully breached fiduciary duties as company president but did not act maliciously); *In re Martin*, 321 B.R. at 442 (citing *John Deere Credit Serv. v. McLaughlin* (*In re McLaughlin*), 109 B.R. 14, 18 (Bankr. D.N.H. 1989) (finding willful but not malicious conduct); then citing *Rech v. Burgess* (*Matter of Burgess*), 106 B.R. 612, 616–20 (Bankr. D. Neb. 1989) (same)). Lower courts thus must analyze independently whether a debtor has willfully, and also maliciously, injured the creditor before

rendering a debt non-dischargeable in accordance with § 523(a)(6).

B. The Underlying Judgment Did Not Preclude The Bankruptcy Court From Independently Analyzing Whether David's Conduct Was Willful And Malicious.

Having articulated the test in our Circuit for applying the discharge exception in § 523(a)(6), we must now consider whether the bankruptcy court was nevertheless precluded from applying that test in light of the judgment in the earlier unfair competition lawsuit against David, which MarketGraphics asserts carries preclusive effect.

Issue preclusion prevents a party from relitigating issues of fact or law actually litigated and decided in a prior proceeding. *In re Markowitz*, 190 F.3d at 461–62. Neither the Supreme Court nor this Court has resolved whether federal or state issue-preclusion law governs a federal proceeding where a federal court exercises federal jurisdiction over the federal claims and supplemental jurisdiction over the state law claims. In a somewhat similar circumstance, the Supreme Court held that when a federal court exercises diversity jurisdiction over a state law claim, federal common law governs the issue preclusion analysis. *Semtek Int'l v. Lockheed Martin Corp.*, 531 U.S. 497, 508, 121 S.Ct. 1021, 149 L.Ed.2d 32 (2001).

Whether *Semtek* suggests the same outcome when a federal court exercises supplemental jurisdiction was recently answered in the affirmative by the Fourth Circuit. *Hately v. Watts*, 917 F.3d 770, 777

(4th Cir. 2019); *see also Wu v. Lin* (*In re Qiao Lin*), 576 B.R. 32, 46 (Bankr. E.D.N.Y. 2017) (same); *Marini v. Adamo* (*In re Adamo*), 560 B.R. 642, 647 (Bankr. E.D.N.Y. 2016). Both the Supreme Court and Fourth Circuit, in reaching those respective conclusions, emphasized that federal preclusion law directs courts to apply "the law that would be applied by state courts in the State in which the federal diversity court sits," so long as the state rule is not "incompatible with federal interests." *Semtek*, 531 U.S. at 508–09, 121 S.Ct. 1021 (citations omitted); *see also Hately*, 917 F.3d at 777 (finding *Semtek*'s rationale "equally persuasive in cases in which federal courts exercise supplemental, as opposed to diversity, jurisdiction over state law claims").

We need not conclusively resolve this issue today. As both relevant cases were litigated in federal court in Tennessee, with claims raised under both Tennessee and federal law, either Tennessee or federal preclusion law would apply. And Tennessee preclusion law is compatible with federal interests (indeed, the respective preclusion rules are the same). So there is little if any difference in the preclusion analysis we might apply, and certainly no tension between the two.

Whether we apply federal or Tennessee issue-preclusion law is thus of little practical concern in this case; the tests are nearly the same. That is, a party is barred from relitigating an issue already decided when: (1) the issues are identical;

(2) the issue was actually litigated and decided previously;

(3) the judgment in the earlier proceeding has become final (Tennessee's rule) or resolution of the

issue was necessary and essential to a judgment on the merits (our rule); (4) the party to be estopped was a party to the prior litigation; and (5) the party to be estopped had a full and fair opportunity to litigate the issue. *Compare Mullins v. State*, 294 S.W.3d 529, 535 (Tenn. 2009), *with Wolfe v. Perry*, 412 F.3d 707, 716 (6th Cir. 2005). Critical to our resolution here are the first two prongs of issue preclusion. That is, whether David's subjective intent, a requirement for a finding of willfulness under § 523(a)(6), was actually litigated in the underlying district court proceedings, and, if so, whether the factual issue litigated there was identical to the issue resolved in the district court.

1. For issue preclusion to apply for purposes of satisfying § 523(a)(6), the issue in question must have been "actually litigated and decided" in the earlier proceeding. *See Wolfe*, 412 F.3d at 716. With respect to § 523(a)(6)'s "willful and malicious" requirement, we have explained that assessing willful conduct requires examining the debtor's subjective intent. For preclusion to apply here, then, the parties must have actually litigated and decided in the earlier proceeding that David acted with subjective intent to harm MarketGraphics, the same issue at play in the underlying proceedings here. *See MarketGraphics Research Grp., Inc. v. Berge* (*In re Berge*), No. 313-07626, 2018 WL 3219626, at *2 (Bankr. M.D. Tenn. June 29, 2018) ("The issue is whether that judgment included a finding that the debtor intended harm to MarketGraphics or was substantially certain that harm would occur as required under 11 U.S.C. § 523(a) (6)."). Following its review of the underlying judgment, the bankruptcy

court concluded that such evidence was absent from the earlier district court proceeding: "[T]here is no clear finding" that David "desired to cause the consequences of his act or believed that the injuries were substantially certain to result from it," nor are there "factual allegations in the underlying complaint" to that effect. *Id.* at *3.

We agree. The record in the district court litigation was sparse. The district court judgment included a determination that David and the Realysis entities "willfully or knowingly" violated the TCPA and willfully infringed upon MarketGraphics's copyrighted works. But outside the judgment, the record contains no findings concerning David's intent. Among other omissions, there is no indication that whether David participated in the creation and management of Realysis, and whether he did so with the intent to injure MarketGraphics, was actually litigated or decided in the district court.

Nor did MarketGraphics present undisputed facts from the earlier district court proceeding that conclusively established David's intent to injure. To be sure, as the earlier record reflects, David had a long history of supporting Don's work, both with MarketGraphics and Realysis. And as to the latter, the record reveals that David was named as the sole member and officer or manager of Realysis of Memphis, LLC, one of three Realysis entities created by Don. But nothing in the district court record shows that David had a role in organizing the Realysis entities or that he knew that Realysis of Memphis was created in his name.

Upon Realysis's creation, emails and letters were sent from David's Realysis email address, under his

name, in a not-so-subtle effort to solicit MarketGraphics's customers. Here again though, the letters primarily discussed Don's (not David's) relationship with MarketGraphics as well as Don's knowledge of the industry. True, only David's name was provided in response to an interrogatory request to "[i]dentify each person who has sold, or attempted to sell, goods or services related to the Memphis Metro Area on behalf of any Realysis Entity." But in the statement of facts that MarketGraphics submitted when it moved for summary judgment, the company indicated that Realysis of Memphis, the entity in David's name, had two offices: one at Don's house and another in a space Don rented in his name. All of the data Realysis collected was in a computer at Don's house. And, perhaps unsurprisingly, Realysis customers were more likely to call Don (rather than David) with questions regarding the Realysis business.

Nor does the record contain factual findings describing whether David willfully, with subjective intent, infringed MarketGraphics's copyrights. The defendants there rightly admitted that MarketGraphics's works had been registered with the Register of Copyrights and contained some material subject to protection under the Copyright Act. Yet they also asserted that "[a]ll materials claimed by MarketGraphics are neither trade secrets nor copyrighted and exists [sic] in the public domain." These latter assertions thus undermine any conclusion supporting a subjective intent to infringe upon MarketGraphics's copyrights.

Perhaps most revealing is the judgment submitted in the underlying litigation. MarketGraphics drafted

and submitted the proposed judgment to the district court, and the district court adopted that order without change. MarketGraphics did so with the benefit of knowing that the judgment could be the subject of a bankruptcy proceeding; David's parents, after all, had already filed for bankruptcy during the pendency of the district court action. Yet even armed with that knowledge, MarketGraphics did not include any findings in the judgment revealing David's subjective intent to injure MarketGraphics.

All told, to the extent David was involved in the Realysis enterprise, the factual findings and record in the district court action do not reflect a subjective intent on David's part to injure MarketGraphics. For that reason, the prior judgment and the underlying record do not preclusively establish that David acted willfully, with subjective intent, as required to satisfy § 523(a)(6)'s discharge exception.

2. Whatever the nature of the record and general findings in the earlier judgment, MarketGraphics responds that the ultimate finding in favor of the company on its TCPA and copyright-infringement claims proves David's subjective intent to harm, thereby satisfying the willfulness prong of § 523(a)(6). That argument, however, is at odds with case law interpreting those statutes. Neither the state nor federal law at issue required MarketGraphics to prove that David acted with subjective intent to harm the company.

Start with the TCPA. The TCPA creates a private right of action for "[a]ny person who suffers an ascertainable loss of money or property, real, personal, or mixed, or any other article, commodity, or thing of value wherever situated, as a result of the

use or employment by another person of an unfair or deceptive act or practice ....” Tenn. Code Ann. § 47–18– 109(a)(1). The TCPA’s scope is “much broader” than that of common law fraud and is “not limited to misrepresentations that are fraudulent or willful.” *Tucker v. Sierra Builders*, 180 S.W.3d 109, 115 (Tenn. Ct. App. 2005). Thus, “[t]he defendant’s conduct need not be willful or even knowing.” *Id*. But if a defendant does willfully or knowingly violate the TCPA, the TCPA provides for treble damages. § 47–18– 109(a)(3); *Tucker*, 180 S.W.3d at 115–16. Here, the judgment against David was a treble damages award for a “willful or knowing violation” of the TCPA.

MarketGraphics argues that a “willful or knowing” TCPA violation requires more than simply intending an act that violates the TCPA. Instead, a “willful or knowing” TCPA violation, in its view, requires a subjective intent to injure— the same intent required under § 523(a)(6).

“Willful or knowing” is a disjunctive test. Even if the TCPA term “willful” satisfies § 523(a)(6), a “knowing” TCPA violation must also amount to a “willful and malicious injury.” For purposes of the TCPA, the term “knowingly” has been commonly recognized as a lower standard than “willful.” *See, e.g.*, *Tucker*, 180 S.W.3d at 115–16 (“[D]efendant’s conduct need not be willful *or even knowing*, but if it is, the TCPA permits the trial court to award treble damages.” (emphasis added)). The TCPA defines “knowingly” as “actual awareness of the falsity or deception, but actual awareness may be inferred where *objective manifestations* indicate that a reasonable person would have known or would have

had reason to know of the falsity or deception." Tenn. Code Ann. § 47-18-103(11) (emphasis added).

Proving "knowing" conduct under the TCPA, in other words, merely requires showing that a reasonable person, in the circumstance in question, would have known or had reason to know about the act. *See id.* Subjective intent to injure, as required by § 523(a)(6), is not required to commit a knowing violation of the TCPA. That leaves considerable doubt over whether the district court's underlying judgment made any finding as to David's level of intent. *Compare Couch v. Panther Petro., LLC* (*In re Couch*), 704 F. App'x 569, 571– 72 (6th Cir. 2017) (finding a state court judgment preclusive where the state court specifically found that defendant owed treble damages for a TCPA claim because he "intentionally, willfully, and maliciously" injured plaintiffs), *with McGee v. Marcum*, 184 F. App'x 464, 466 (6th Cir. 2006) (finding that although the defendant pleaded guilty to a willful violation of the Federal Mine Safety and Health Act, there was no evidence in the record that defendant desired to injure plaintiff, and therefore the district court judgment did not preclude the bankruptcy court from independently analyzing the judgment under § 523(a)(6)). Without a subjective intent to injure, there can be no willful injury under § 523(a)(6).

Recently, we held that intent to injure for purposes of § 523(a)(6) can sometimes be inferred from a knowing act. *In re Boland*, 946 F.3d at 338, 341–42. In *Boland*, a defense attorney sought discharge of judgments against him resulting from his creation of child pornography. In a misguided defense of his clients, the attorney had manipulated stock images

of children so that they appeared to be engaged in sex acts, to make the point that "there's just no way of knowing whether real children are depicted in pornography found on the internet." *Id.* at 337. In his bankruptcy proceedings, the debtor-attorney argued that he did not intend to harm the children through his actions. There, the intent to injure was implicit because creating child pornography is itself the injury. *Id.* at 341–42. Not so here. A knowing violation of consumer protection laws does not carry the same inference of intent as the knowing creation of child pornography. Were we broadly to presume intent to injure from a variety of actions, exemptions to discharge—which are disfavored —would abound in bankruptcy proceedings. We are also mindful of our precedent requiring subjective, not objective, intent to injure. *See In re Markowitz*, 190 F.3d at 464.

Further, under the two-pronged § 523(a)(6) "willful and malicious injury" test, a "willful or knowing" TCPA violation must also be "malicious" for the judgment to be exempt from discharge. " 'Malicious' means in conscious disregard of one's duties or without just cause or excuse." *Wheeler*, 783 F.2d at 615; *Tomlin v. Crownover* (*In re Crownover*), 417 B.R. 45, 57 (Bankr. E.D. Tenn. 2009) ("The intent to cause injury to another person or another person's property is malicious *unless* the debtor had a just cause or excuse for acting with the intent to cause the injury."). For issue preclusion to apply, then, a "willful or knowing" TCPA violation must require the conscious disregard of a duty or lack of just cause or excuse. The TCPA requires no such thing. To the contrary, under the TCPA, a court "*may* consider,

among other things" the debtor's competence and good faith, along with the nature of the act and the degree of harm. Tenn. Code Ann. § 47–18–109(a)(4) (emphasis added). Under this permissive framework, it is impossible to know, without additional fact finding, why the court ordered treble damages. Therefore, under either the "willfulness" or "malice" prongs, a "willful or knowing" TCPA violation does not, on its face, carry preclusive effect.

So too for MarketGraphics's copyright-infringement claim. To establish a claim for direct copyright infringement, a plaintiff must show that he owns the copyright and that the defendant copied protected elements of his work. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 534 (6th Cir. 2004). A defendant willfully commits copyright infringement when he knowingly or recklessly copies another's work. *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 585 (6th Cir. 2007) (willfulness includes reckless disregard of plaintiff's property rights).

That recklessness can satisfy the willfulness requirement suggests that a copyright-infringement judgment does not always prove subjective intent to harm, something the Ninth Circuit has already recognized. *See Barboza v. New Form, Inc.*, 545 F.3d 702 (9th Cir. 2008). At issue in *Barboza* was a jury instruction from an earlier proceeding that stated that infringement was "willful" if defendants "knew that they were infringing the [Appellee's] copyrights or that they acted with reckless disregard as to whether they were doing so." *Id.* at 704. Where "a finding of 'willful' copyright infringement is based merely on reckless behavior," the Ninth Circuit

explained, "the resulting statutory award would not fit within the § 523(a)(6) exemption." *Id.* at 708 (noting that *Geiger* specifically limited willful injuries under § 523(a)(6) to deliberate or intentional injuries).

We agree with that approach. Because a finding of "willful" copyright infringement can be predicated upon merely reckless behavior, a copyright-infringement judgment does not necessarily prove the infringer's subjective intent to harm. For purposes of issue preclusion, in other words, MarketGraphics's judgment did not necessarily litigate and decide David's subjective intent. It follows that the bankruptcy court was not precluded from finding that § 523(a)(6) was inapplicable to MarketGraphics's underlying judgment, and thus finding the judgment debt dischargeable. *See Geiger*, 523 U.S. at 61–64, 118 S.Ct. 974 ("[D]ebts arising from recklessly or negligently inflicted injuries do not fall within the compass of § 523(a)(6).").

Our decision in *Bridgeport Music, Inc. v. UMG Recordings, Inc.*, does not say otherwise. In *Bridgeport*, the alleged copyright infringer asserted a good faith defense against a finding of willfulness. 585 F.3d 267, 279 (6th Cir. 2009). MarketGraphics reads *Bridgeport* to stand for the proposition that a finding of willful infringement can only be predicated on recklessness if the defendant raises the "good faith" defense. But that was not our holding. There, we rejected the defendant's challenge to the jury instruction on willful infringement. Although the district court, we concluded, erred by omitting the term "reckless" in the instructions, the "knowledge" aspect of "reckless" was nevertheless included in the

good-faith-defense instruction, meaning that when reviewing the instructions as a whole, the jury ultimately received sufficient instructions. *Id.* at 278–79. That decision, however, says nothing about limiting the reckless aspect of copyright infringement to instances where the good faith defense is raised.

At day's end, then, the finding that David was liable for willful copyright infringement, like the TCPA finding, does not support the application of issue preclusion in this proceeding. Nothing in those findings or the proceeding more broadly reflects resolution of the question of David's subjective intent to injure. As we cannot say with conviction that subjective intent was "actually litigated and decided previously," we cannot give the underlying judgment preclusive effect for purposes of discharging MarketGraphics's claim under § 523(a)(6).

Nor does the underlying judgment provide preclusive effect from discharge for the common law claims asserted by Market Graphics. Even assuming that the common law claims facially demonstrate "willful and malicious" injury, the underlying judgment is too vague to carry preclusive effect.

The district court in the underlying federal action ordered damages for copyright infringement, a TCPA violation, and an unknown source of "other compensatory damages."

Theoretically, the common law claims might be the basis for the district court's award for "other compensatory damages." But we have no way of knowing, as the district court did not even analyze those claims. The lone issue the district court analyzed was its basis for imposing a permanent

injunction. In MarketGraphics's view, the district court's permanent injunction analysis doubles as its analysis of the common law claims. But even accepting that as true, there is no way to parse out the amount of damages for each of the three purported common law violations. Neither the complaint nor the judgment lists damages figures for each of the claims— leaving it to conjecture as to which claims make up which parts of the "other compensatory damages." In view of these uncertainties, preclusion does not apply to the common law claims either.

C. The Bankruptcy Court Properly Declined To Apply The Doctrine Of Judicial Estoppel.

Short of formal preclusion, MarketGraphics claims that, at the very least, David should be "judicially estopped" from arguing in this proceeding that he lacked the subjective intent to harm MarketGraphics. To the company's mind, David engaged in something of a "bait and switch." The Berges, says MarketGraphics, asserted in the initial proceeding that David (not Don) was the culprit behind Realysis's unfairly competitive efforts, with David then changing his tune in this proceeding, laying blame at Don's feet.

Judicial estoppel is an equitable doctrine invoked to preserve the integrity of our judicial system. *New Hampshire v. Maine*, 532 U.S. 742, 749–50, 121 S.Ct. 1808, 149 L.Ed.2d 968 (2001). Generally speaking, the doctrine serves to prevent a party from engaging in "cynical gamesmanship" by arguing and prevailing on one position before one court, and then arguing the opposite position before another. *Lorillard*

Tobacco Co. v. Chester, Willcox & Saxbe, LLP, 546 F.3d 752, 757 (6th Cir. 2008) (internal citations omitted). For judicial estoppel to apply, three features should be present: (1) the party's prior and later positions are clearly inconsistent; (2) the earlier court accepted the prior position; and (3) the opposing party would be unfairly disadvantaged by the subsequent court accepting the party's later, inconsistent position. *New Hampshire*, 532 U.S. at 750–51, 121 S.Ct. 1808 (internal quotation marks and citations omitted); *see also Lorillard Tobacco Co.*, 546 F.3d at 757 (citing *Excel Energy, Inc. v. Smith* (*In re Commonwealth Inst. Sec.*), 394 F.3d 401, 406 (6th Cir. 2005)).

Those features are absent here. First, while David's respective positions regarding who operated Realysis were in some tension, they were not "clearly inconsistent." To be sure, David's explanation concerning his limited role in the underlying conduct in the bankruptcy court was at odds in some respects with the Berge family's position in the district court that David (not Don) was the mastermind behind Realysis. But it was always the case that Don had some involvement with Realysis, and David's position in the bankruptcy court was influenced by responding to the factual determinations made previously by the district court. To that same end, the record reflects that the district court, in the underlying litigation, did not appear to accept David's position there. Indeed, the district court seemingly rejected the notion that David was the responsible party. At the preliminary injunction hearing, the district court apparently believed that Don was responsible for the operation of Realysis.

Nor, in any event, has MarketGraphics explained how David's purported prior assertions impacted or otherwise unduly prejudiced the company in the current bankruptcy proceeding. In the proceedings below, MarketGraphics was unencumbered in making its evidentiary case. Among its efforts, the company introduced at trial the interrogatory response stating that David was the only person who sold, or attempted to sell, goods or services on behalf of Realysis. It likewise introduced emails and letters under David's name from Realysis to MarketGraphics's clients. And it was able to question David about them. As such, the bankruptcy court properly rejected MarketGraphics's request to invoke judicial estoppel.

CONCLUSION

For these reasons, we **AFFIRM** the judgment of the bankruptcy court.

APPENDIX B

UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF TENESSEE

IN RE: DAVID PETER BERGE,

Debtor.

MARKETGRAPHICS RESEARCH GROUP, INC.,

Plaintiff,

v.

DAVID PETER BERGE,

Defendant.

Case No. 313-07626

Adv. No. 313-90400

Signed: June 28, 2018

MEMORANDUM OPINION

Marian F. Harrison, U.S. Bankruptcy Judge

This matter is before the Court upon MarketGraphics Research Group, Inc.'s

("MarketGraphics") renewed motion for summary judgment based on collateral estoppel. For the following reasons, the Court finds that MarketGraphics' motion for summary judgment should be denied.

I. PROCEDURAL BACKGROUND

Prior to bankruptcy, the District Court entered judgment in favor of MarketGraphics against the debtor in the amount of $332,314.94, jointly and severally with three other defendants. The District Court found in a memorandum and order prepared by MarketGraphics' counsel on the default summary judgment that the debtor "willfully or knowingly violated the Tennessee Consumer Protection Act" ("TCPA") and that the debtor's copyright infringement was willful.

After the debtor filed his bankruptcy petition, MarketGraphics filed this adversary complaint to determine the dischargeability of its claim pursuant to 11 U.S.C. § 523(a)(6). MarketGraphics sought summary judgment relief based on collateral estoppel resulting from the District Court's action. This Court denied the motion, and MarketGraphics filed an interlocutory appeal. After MarketGraphics' appeal was dismissed by the District Court and the Sixth Circuit Court of Appeals, this Court conducted a trial and determined that the debt owed to MarketGraphics was dischargeable and dismissed MarketGraphics' complaint. MarketGraphics again appealed. The District Court affirmed the findings of this Court following trial but reversed this Court's decision on the initial summary judgment decision and remanded the case "to determine the matter of issue preclusion on first impression." To decide

whether issue preclusion should apply, the District Court remanded the case to determine whether the District Court in the underlying judgment held that the debtor willed or desired harm or believed that injury was substantially certain to occur as a result of his behavior. In MarketGraphics' renewed motion for summary judgment, it asserts that issue preclusion applies to the District Court's findings regarding the TCPA, copyright infringement, and common law claims.

II. DISCUSSION

A. Summary Judgment Standards

Pursuant to Federal Rule of Civil Procedure 56(a), as incorporated by Federal Rule of Bankruptcy Procedure 7056, an entry of summary judgment is mandated "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." When considering a motion for summary judgment, the Court "must view the evidence and draw all reasonable inferences in favor of the nonmoving party." *Browning v. Levy,* 283 F.3d 761, 769 (6th Cir. 2002) (citation omitted). The Court does not " 'weigh the evidence and determine the truth of the matter but ... determine[s] whether there is a genuine issue for trial.' " *Id.* (citation omitted).

B. Issue Preclusion

Issue preclusion prevents a party from relitigating issues that were actually litigated in a prior proceeding. *Markowitz v. Campbell (In re Markowitz)*, 190 F.3d 455, 461 (6th Cir. 1999) (citations omitted). "Principles of collateral estoppel apply in non-dischargeability actions." *Livingston v.*

Transnation Title Ins. Co. (In re Livingston), 372 Fed. App'x 613, 617 (6th Cir. 2010) (unpublished) (citations omitted).

Whether federal or state law applies when seeking collateral estoppel from a federal court judgment appears to be in a state of confusion. Some courts hold that collateral estoppel application from any federal court judgment rests on federal preclusion law. *Trost v. Trost (In re Trost)*, 545 B.R. 193, 203 (Bankr. W.D. Mich. 2016) (citations omitted); *J.Z.G. Res., Inc. v. Shelby Ins. Co.*, 84 F.3d 211, 213-14 (6th Cir. 1996) (citations omitted). The Supreme Court has stated that federal court judgments based on state law claims in diversity actions rely on state issue preclusion standards, although the opinion noted that the state and federal standards for issue preclusion were similar. *Semtek Int'l Inc. v. Lockheed Martin Corp.,* 531 U.S. 497, 508 (2001). In this case, federal and state law are almost identical. The federal law of issue preclusion requires:

> (i) the issue in the subsequent litigation is identical to that resolved in the earlier litigation;
>
> (ii) the issue was actually litigated and decided in the prior action;
>
> (iii) the resolution of the issue was necessary and essential to a judgment on the merits in the prior litigation;
>
> (iv) the party to be estopped was a party to the prior litigation (or in privity with such a party); and
>
> (v) the party to be estopped had a full and fair opportunity to litigate the issue.

In re Trost, 545 B.R. at 204 (citing *Verizon North Inc. v. Strand*, 367 F.3d 577, 583 (6th Cir. 2004)).

Tennessee law applies essentially the same standards for collateral estoppel as federal law. *Mullins v. State*, 294 S.W.3d 529, 535 (Tenn. 2009). Accordingly, it makes no difference which law is applied. This opinion relies on the federal standards recited above.

C. 11 U.S.C. § 523(a)(6)

Exceptions to discharge are to be strictly construed. *Gleason v. Thaw*, 236 U.S. 558, 562 (1915). Pursuant to 11 U.S.C. § 523(a)(6), a debt is nondischargeable when the debt is "for willful and malicious injury by the debtor to another entity or to the property of another entity." Therefore, "nondischargeability takes a deliberate or intentional *injury*, not merely a deliberate or intentional *act* that leads to injury." *Kawaauhau v. Geiger*, 523 U.S. 57, 61 (1998). "[U]nless 'the actor desires to cause the consequences of his act, or ... believes that the consequences are substantially certain to result from it,' he has not committed a 'willful and malicious injury' as defined under § 523(a)(6)." *In re Markowitz*, 190 F.3d 455, 464 (internal citation omitted).

D. Tennessee Consumer Protection Act

In the present case, the District Court ruled that "pursuant to Tennessee Code Ann. § 47-18-109(a)(3), that the Defendants ... willfully or knowingly violated the Tennessee Consumer Protection Act," and awarded treble damages to MarketGraphics. The issue is whether that judgment included a finding that the debtor intended harm to

MarketGraphics or was substantially certain that harm would occur as required under 11 U.S.C. § 523(a)(6). If so, then MarketGraphics is entitled to collateral estoppel and summary judgment on its TCPA claim.

To recover under the TCPA, a plaintiff must prove that the defendant engaged in an unfair or deceptive act or practice declared unlawful by the TCPA and that the defendant's conduct caused an ascertainable loss of money or property. T.C.A. § 47-18-109(a)(1). Under the TCPA, a defendant's conduct need not be willful or even knowing, but if it is, the trial court is permitted to award treble damages under T.C.A. § 47-18-109(a)(3). *Tucker v. Sierra Builders*, 180 S.W.3d 109, 115-16 (Tenn. Ct. App. 2005) (citations omitted).

The term "willful" is not defined in the TCPA, but courts have interpreted the "willful" requirement as "nothing more than intentional." *Akers v. Bonifasi*, 629 F. Supp. 1212, 1223 (M.D. Tenn. 1984) (citation omitted). *See also Mills v. Partin*, No. M2008-00136-COA-R3-CV, 2008 WL 4809135, at *7 (Tenn. Ct. App. Nov. 4, 2008) (citing *Akers*). The term "knowing" is defined as "actual awareness of the falsity or deception, but actual awareness may be inferred where objective manifestations indicate that a reasonable person would have known or would have had reason to know of the falsity or deception." T.C.A. § 47-18-103(10).

MarketGraphics cites several cases in support of its assertion that "willful and knowing" under the TCPA is the same as that required under 11 U.S.C. § 523(a)(6) (a finding that the actor desires to cause the consequences of his act or believes that the

consequences are substantially certain to result from it). The problem is that the cases cited by MarketGraphics do not address the meaning of "willful and knowing" under the TCPA.[1]

MarketGraphics also rejects as simply wrong the opinion in *Tomlin v. Crownover (In re Crownover)*, 417 B.R. 45 (Bankr. E.D. Tenn. 2009). In *Crownover*, the plaintiffs' pre-petition state court judgment against the debtor was, in part, for violations of the TCPA, and the plaintiffs sought to use the doctrine of collateral estoppel to obtain summary judgment against the debtor on their dischargeability claims. In deciding that the judgment for violations of the TCPA was not entitled to collateral estoppel with regard to nondischargeability under 11 U.S.C. § 523(a)(6), the court pointed out that "willful" under the TCPA means the debtor intended to commit the acts, *id.* at 58, but 11 U.S.C. § 523(a)(6) requires a finding that the debtor intended his actions to bring about the harm suffered. *Id.* As in *Crownover*, the District Court could have made a specific finding that the debtor violated the TCPA with the intent to cause harm or that the debtor believed that the harm

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[1] *See Hughes v. Metro. Gov't of Nashville & Davidson Cty.*, 340 S.W.3d 352, 371 (Tenn. 2011) (defendant who intended to create apprehension of harm in plaintiff has committed intentional tort of assault); *Mix v. Miller*, 27 S.W.3d 508, 515 (Tenn. Ct. App. 1999) (reviewing intent under unrelated statute); *Steier v. Best (In re Best)*, 109 F. App'x 1, 5 (6th Cir. 2004) ("Debts arising out of these types of misconduct satisfy the willful and malicious injury standard: intentional infliction of emotional distress, malicious prosecution, conversion, assault, false arrest, intentional libel, and deliberately vandalizing the creditor's premises.").

was substantially certain to result from his actions. The underlying complaint did not include specific factual allegations, analogous to 11 U.S.C. § 523(a)(6), and the District Court judgment only states that the debtor violated the TCPA.

The TCPA does not require a finding that the actor desired to cause the consequences of his act or believed that the injuries were substantially certain to result from it, and there is no clear finding of such in the underlying District Court judgment or factual allegation in the underlying complaint.

Accordingly, summary judgment on MarketGraphics' TCPA claim must be denied.

E. Copyright Infringement

The same is true as to the copyright infringement claim. In the underlying judgment, the District Court held that the debtor's "infringement was willful." To establish a copyright infringement claim, a plaintiff must show "ownership of a valid copyright" and that the "defendant copied protectable elements of the work." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 534 (6th Cir. 2004). In *Princeton Univ. Press v. Michigan Document Serv. Inc.*, 99 F.3d 1381 (6th Cir. 1996), the Sixth Circuit Court of Appeals defined willful in the context of copyright infringement:

> "In other contexts ['willfulness'] might simply mean an intent to copy, without necessarily an intent to infringe. It seems clear that as here used, 'willfully' means with knowledge that the defendant's conduct constitutes copyright infringement. Otherwise, there would be no point in providing specially for the reduction of

> minimum awards in the case of innocent infringement, because any infringement that was nonwillful would necessarily be innocent. This seems to mean, then, that one who has been notified that his conduct constitutes copyright infringement, but who reasonably and in good faith believes the contrary, is not 'willful' for these purposes." Melville B. Nimmer & David Nimmer, 3 Nimmer on Copyright § 14.04 [B] [3] (1996).
>
> ... [T]he issue is whether the copyright law supported the plaintiffs' position so clearly that the defendants must be deemed as a matter of law to have exhibited a reckless disregard of the plaintiffs' property rights.

Id. at 1392. See also *Digital Filing Sys., L.L.C. v. Agarwal*, No. 03-70437, 2005 WL 1702954, at *2 (E.D. Mich. July 20, 2005) (citing Princeton Univ. Press); *Zomba Enters. Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 585 (6th Cir. 2007) (willfulness includes reckless disregard of plaintiffs' property rights); *Abercrombie & Fitch Trading Co. v. Importrade USA, Inc.*, No. 07-23212-CIV-ALTONAGA/ Brown, 2009 WL 10668408, at *2 (S.D. Fla. Aug. 18, 2009) (citations omitted) (willful copyright infringement requires actual knowledge or reckless disregard).

In *Barboza v. New Form, Inc.*, 545 F.3d 702 (9th Cir. 2008), the court considered the relationship between the Copyright Act and 11 U.S.C. § 523(a)(6):

> [I]n the District Court Action, the jury was instructed that the infringement was willful if Appellants "knew that they were infringing the [Appellee's] copyrights or that they acted

> with *reckless disregard* as to whether they were doing so." The jury found that Appellants willfully infringed Appellee's copyright by making unlawful copies of ten India Maria Pictures. However, the Bankruptcy Court had no way to determine whether the jury found the willful infringement based on a *reckless disregard or a knowing* violation of Appellee's copyright.
>
> Even though recklessness is sufficient for a finding of willful copyright infringement, the Supreme Court has clearly held that injuries resulting from recklessness are *not* sufficient to be considered willful injuries under § 523(a)(6) of the Bankruptcy Code and are therefore insufficient to merit an exemption to dischargeability. *Geiger*, 523 U.S. at 60–61, 118 S. Ct. 974. In *Geiger*, the Supreme Court specifically limited "willful" injuries under § 523(a)(6) to "deliberate or intentional" injuries. *Id.* at 61, 118 S. Ct. 974. Therefore, if a finding of "willful" copyright infringement is based merely on reckless behavior, the resulting statutory award would not fit within the § 523(a)(6) exemption.

Id. at 708 (emphasis added). *See also Unicolors, Inc. v. Urban Outfitters, Inc.*, 853 F.3d 980, 992 (9th Cir. 2017) (citation omitted) ("a finding of willful infringement does not require a showing of actual knowledge; a showing of recklessness or willful blindness is sufficient").

In the present case, the underlying District Court judgment is not entitled to issue preclusion on the issue of dischargeability because the term "willful or

knowing" under the Copyright Act does not equate with a desire to cause the consequences of an act or a belief that the consequences are substantially certain to result from it.

F. Common Law Allegations

Several common law claims were made by the plaintiff, including unfair competition, civil conspiracy, and interference with business relations. The District Court Judgment set forth no undisputed facts or conclusions of law on these claims, and damages were not awarded in the judgment for these claims. Accordingly, any reference to these allegations in the District Court's order were not essential to its judgment. *See SunTrust Bank v. Bennett (In re Bennett)*, 517 B.R. 95, 106 (Bankr. M.D. Tenn. 2014) ("The party asserting the doctrine of collateral estoppel in seeking to bar litigation of an issue has the burden of proving that the issue was necessary to the judgment."); *In re Trost*, 545 B.R. 193, 203.

III. CONCLUSION

Accordingly, the Court finds that the plaintiff's motion for summary judgment should be denied.

APPENDIX C

UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISON

MARKETGRAPHICS RESEARCH GROUP, INC.,
Appellant,

v.

DAVID PETER BERGE,
Appellee.

No. 3:16–cv–01191

Filed: March 24, 2017

MEMORANDUM OPINION

WAVERLY D. CRENSHAW, JR., UNITED STATES DISTRICT JUDGE

MarketGraphics Research Group, Inc. ("MarketGraphics") appeals the United States Bankruptcy Court for the Middle District of Tennessee's ruling that David Peter Berge's debt to MarketGraphics is dischargeable under Chapter 7 of the Bankruptcy Act. The sole issue on appeal is whether the injury Berge caused MarketGraphics was "malicious" within the meaning of 11 U.S.C.

§ 523(a)(6). The Court has reviewed the record and determined that oral argument is not necessary because "the facts and legal arguments are adequately presented in the briefs and record, and the decisional process would not be significantly aided by oral argument." FED. R. BANK. P. 8019(b)(3); LR 81.01(b). For the following reasons, the judgment of the Bankruptcy Court is **AFFIRMED IN PART and VACATED IN PART**, and this case is **REMANDED** to the Bankruptcy Court for further proceedings.

I. FACTS AND PROCEDURAL HISTORY

Donald Berge, with the assistance of his son David Berge, worked as a licensee for MarketGraphics from 1997 to 2012. MarketGraphics Research Grp., Inc. v. Berge, No. 3:13-cv-00001, 2014 WL 2155009, at *1 (M.D. Tenn. May 22, 2014). During this period, Donald Berge had "access to confidential information related to MarketGraphics' business, he received specialized training in MarketGraphics' proprietary systems, and Memphis-area customers came to associate him with MarketGraphics' business." Id. MarketGraphics had "(1) a valid, enforceable, and registered copyright in the Memphis Works (reports to Memphis-area customers), and (2) a protectable business interest in its Memphis clients." Id.

In September 28, 2012, Donald and David Berge left MarketGraphics and opened a competing business that provided essentially the same services as MarketGraphics. Id. As a result of actions by the competing business, MarketGraphics filed suit against Donald and David Berge, as well as other defendants, alleging (1) copyright infringement of the Memphis Works; (2) copyright infringement of

website images; (3) trademark infringement; (4) cybersquatting as to marketgraphics.net; (5) cybersquatting as to marketgraphicsofmemphis.com; (6) unfair competition; (7) breach of contract; (8) breach of covenant not to compete; (9) breach of covenant of good faith and fair dealing; (10) violation of the Tennessee Consumer Protection Act; (11) interference with business relations; and (12) conspiracy. MarketGraphics Research Grp., Inc. v. Berge, No. 3:13–cv– 00001, ECF No. 1, 2013 WL 146122 (M.D. Tenn. Jan. 2, 2013).

On August 22, 2013, the Honorable Aleta A. Trauger entered judgment in favor of MarketGraphics against David Berge in the amount of $332,314.94, jointly and severally with three other defendants. MarketGraphics Research Grp., Inc. v. Berge, No. 3:13–cv–00001, ECF No. 64 (M.D. Tenn. Aug. 22, 2013). The court found that David Berge "willfully or knowingly violated the Tennessee Consumer Protection Act." Id. at 2. It further found that David Berge's copyright infringement was "willful." Id. at 8.

On August 30, 2013, David Berge filed for Chapter 7 bankruptcy. In re David Peter Berge, No. 3:13–bk–07626, ECF No. 1 (Bankr. M.D. Tenn. Aug. 30, 2013). In order to collect its judgment, on October 22, 2013, MarketGraphics filed an adversarial suit in the United States Bankruptcy Court for the Middle District of Tennessee, alleging that David Berge's debt to it is nondischargeable under 11 U.S.C. § 523(a)(6). MarketGraphics Research Grp., Inc. v. Berge, No. 3:13–ap–90400, ECF No. 1 (Bankr. M.D. Tenn. Oct. 22, 2013).

On August 11, 2014, MarketGraphics moved for summary judgment in the adversarial case, alleging that all elements are issue precluded by Judge Trauger's judgment. Id. at ECF No. 49 (Aug. 11, 2014). On September 30, 2014, the Bankruptcy Court denied the motion. Id. at ECF No. 61 (Sept. 30, 2014). It found that Judge Trauger's judgment determined that David Berge "willfully" caused an injury, but did not make any finding of malice. Id. at 6. MarketGraphics appealed that ruling to this District, which the Honorable William J. Haynes, Jr. dismissed. MarketGraphics Research Grp., Inc. v. Berge, No. 3:14–cv–02027, ECF No. 11, 2015 WL 738052 (M.D. Tenn. Feb. 20, 2015). MarketGraphics attempted to appeal to the United States Court of Appeals for the Sixth Circuit, but the court dismissed its appeal. MarketGraphics Research Grp., Inc. v. Berge, No. 15–5477, ECF No. 8 (May 8, 2015).

On March 31, 2016, the Bankruptcy Court conducted a trial in the adversary proceeding. (Doc. No. 14.) On May 19, 2016, the Bankruptcy Court dismissed the action, finding David Berge's debt to be dischargeable. (Doc. No. 1–3.) The court found that "the only issue at trial was whether the debtor acted with malice." (Doc. No. 1–2 at 3.) The court found David Berge to be "very credible" and that he was "merely a son who worked for his father and believed what his father told him." (Id.) Thus, the court found no "malicious intent in that ... not all the elements of 11 U.S.C. § 523(a)(6) have been proven." (Id.) MarketGraphics appeals that finding to the Court. (Doc. No. 1.)

II. STANDARD OF REVIEW

The Court reviews the Bankruptcy Court's conclusions of law de novo, and examines its findings of fact for clear error. In re Dilworth, 560 F.3d 562, 563 (6th Cir. 2009) (citing In re Copper, 426 F.3d 810, 812 (6th Cir. 2005)). The factual finding that an obligation constitutes a nondischargeable debt is reviewed for clear error. Sorah v. Sorah (In re Sorah), 163 F.3d 397, 400 (6th Cir. 1998). Discharge exceptions are narrowly construed in favor of the debtor, and the creditor must prove by a preponderance of the evidence that a discharge exception applies. Meyers v. I.R.S. (In re Meyers), 196 F.3d 622, 624 (6th Cir. 1999).

III. ANALYSIS

The Bankruptcy Court held that "the only issue at trial was whether the debtor acted with malice." (Doc. No. 1–2 at 3.) MarketGraphics argues that the Bankruptcy Court used the incorrect standard in determining whether David Berge acted with malice. (Doc. No. 15 at 46.) It further argues that the David Berge's trial testimony conclusively shows that he acted with malice, and the Court therefore should enter judgment for MarketGraphics. (Id. at 53–75.) David Berge argues that the Bankruptcy Court's judgment is correct. (Doc. No. 17.)

A. The Standard

A Chapter 7 bankruptcy does not discharge a debtor from any debt "for willful and malicious injury to another entity or to the property of another entity ...." 11 U.S.C. § 523(a)(6). For § 523(a)(6) to apply, a debtor must (1) "will or desire harm[;]" or (2) "believe injury is substantially certain to occur as a result of

his behavior." Sanderson Farms, Inc. v. Gasbarro, 299 Fed.Appx. 499, 504 (6th Cir. 2008) (quoting Markowitz v. Campbell (In re Markowitz), 190 F.3d 455, 465 n.10 (6th Cir. 1999)). This limits the exception to debts "based on what the law has for generations called an intentional tort." Kawaauhau v. Geiger, 523 U.S. 57, 60, 118 S.Ct. 974, 140 L.Ed.2d 90 (1998) (quoting In re Geiger, 113 F.3d 848, 852 (8th Cir. 1997) (en banc)).

The "willful and malicious" standard in § 523(a)(6) has evolved. In the 1980s, the Sixth Circuit determined that "willful" means "an intentional act that results in injury," Perkins v. Scharffe, 817 F.2d 392, 393 (6th Cir. 1987), and "malicious" means "in conscious disregard of one's duties or without just cause or excuse; it does not require ill-will or specific intent to do harm." Wheeler v. Laudani, 783 F.2d 610, 615 (6th Cir. 1986). In 1993, the United States Supreme Court overturned Perkins, holding that a "willful and malicious injury" only covers "acts done with the actual intent to cause injury ...." Geiger, 523 U.S. at 61, 118 S.Ct. 974. In 1999, the Sixth Circuit applied Gieger in In re Markowitz, stating that "the judgment must be for an injury that is both willful and malicious. The absence of one creates a dischargeable debt." In re Markowitz, 190 F.3d at 463. It held that unless "the actor desires to cause consequences of his act, or ... believes that the consequences are substantially certain to result from it, ... he has not committed a 'willful and malicious injury' as defined under § 523(a)(6)." Id. at 464 (citing Restatement (2d) of Torts § 8A, at 15 (1964)).

In 2001, Sixth Circuit explicitly stated that Geiger overruled both Perkins and Wheeler, although it did

not state whether it only overturned the definition of "willful" in both opinions or if it also overturned the definition of "malicious" in Wheeler. In re Kennedy, 249 F.3d 576, 580 (6th Cir. 2001). The parties have not identified a case since In re Kennedy where the Sixth Circuit cited Wheeler favorably or even used a separate test for "malicious" outside the test it articulated in In re Markowitz. See In re Brown, 489 Fed.Appx. 890, 895 (6th Cir. 2012) (to find "willful and malicious injury," the Bankruptcy Court must determine whether the debtor "(1) intended to cause injury to the Creditor or the Creditor's property, or (2) engaged in an intentional act from which the Debtor believed injury would be substantially certain to result.") (quoting In re Sweeney, 264 B.R. 866, 871 (Bankr. W.D. Ky. 2001)); In re Musilli, 379 Fed.Appx. 494, 498 (6th Cir. 2010) ("For the discharge exception under § 523(a)(6) to apply, a debtor must: (1) 'will or desire harm[;]' or (2) 'believe injury is substantially certain to occur as a result of his behavior.") (quoting In re Markowitz, 190 F.3d at 465 n.10); Sanderson Farms, Inc. v. Gasbarro, 299 Fed.Appx. 499, 504 (6th Cir. 2008) (same); McGee v. Marcum, 184 Fed.Appx. 464, 467 (6th Cir. 2006) (applying the standard from In re Markowitz); In re Best, 109 Fed.Appx. 1, 5 (6th Cir. 2004) ("[U]nless the actor desires to cause [the] consequences of his act, or ... believes that the consequences are substantially certain to result from it, he has not committed a willful and malicious injury as defined under § 523(a)(6).") (quoting In re Kennedy, 249 F.3d at 580); In re Romano, 59 Fed.Appx. 709, 715 (6th Cir. 2003) ("The Sixth Circuit has interpreted [§ 523(a)(6)] to mean that the debtor must have desired to cause the consequences of her act, or

believed that the consequences are substantially certain to result from it.") (citing In re Markowitz, 190 F.3d at 464). From the post-In re Markowitz cases, the Sixth Circuit has appeared to apply one single test for whether an injury was "willful and malicious" rather than considering "willful" and "malicious" as separate elements.

This approach is consistent with the Supreme Court's holding in Geiger, which considered the scope of the "willful and malicious injury" exception of § 523(a)(6). 523 U.S. at 61, 118 S.Ct. 974. The Supreme Court did not state that it was only considering the "willful" element of the exception; it repeatedly stated that it was defining a "willful and malicious injury." Id. at 61, 118 S.Ct. 974 ("We confront this pivotal question concerning the scope of the 'willful and malicious injury' exception ...."), 63 (discussing another case that examined "willful and malicious injuries to the person or property of another."), and 64 ("Negligent or reckless acts, the Court held, do not suffice to establish that a resulting injury is 'willful and malicious."). The United States Court of Appeals for the Fifth Circuit agreed, and held that "willful and malicious" is a "unitary concept," defined as "acts done with the actual intent to cause injury." In re Miller, 156 F.3d 598, 606 (5th Cir. 1998) (quoting Geiger, 523 U.S. at 58, 118 S.Ct. 974). The Court believes the Sixth Circuit's approach is consistent with Geiger and the Fifth Circuit's, and the In re Markowitz test analyzes

"willful and malicious" rather than only the "willful" element.[1]

Admittedly, the Bankruptcy Court's application of Wheeler's definition of "malicious" is reasonable. In re Markowitz, which implemented Geiger in the Sixth Circuit's jurisprudence, explicitly held that "willful" and "malicious" are separate and distinct elements with different tests. In re Markowitz, 190 F.3d at 463. This approach is consistent with the approach adopted by the United States Courts of Appeals for the Eighth and Ninth Circuits. See In re Barboza, 545 F.3d 702, 711 (9th Cir. 2008) (citing In re Su, 290 F.3d 1140, 1146– 47 (9th Cir. 2002)); In re Porter, 375 B.R. 822, 827 (8th Cir. BAP 2007) (citing Johnson v. Miera, 926 F.2d 741, 743 (8th Cir. 1991)).[2]

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[1] Despite the signaling of the Sixth Circuit that it is applying Geiger's test to "willful and malicious," multiple non-binding opinions by courts within the Sixth Circuit continue to apply Wheeler's test for "malicious." The Court is not persuaded by these cases because they apply Wheeler's test for "malicious" without analyzing the subsequent rulings that place doubt on Wheeler's applicability. See Yeager v. Wilmers, 553 B.R. 102, 107 (S.D. Ohio 2015); Eaton v. Ford Motor Credit Co., No. 3:11-cv-1029, 2012 WL 3579644, at *3 (M.D. Tenn. Aug. 17, 2012); In re Cottingham, 473 B.R. 703, 709 (6th Cir. BAP 2012); In re Trantham, 304 B.R. 298, 308 (6th Cir. BAP 2004); In re Moffitt, 252 B.R. 916, 923 (6th Cir. BAP 2000).

[2] A full discussion of the circuit split on "willful and malicious" is described in Jendusa–Nicolai v. Larsen, 677 F.3d 320, 323 (7th Cir. 2012). Even in this opinion, the Seventh Circuit is unclear what the Sixth Circuit applies as its standard. See id. (noting that the Sixth Circuit did not question the definition in Wheeler in Markowitz, but still held that the debtor "must will or desire harm, or believe injury is substantially certain to occur as a result of his behavior."). The Seventh Circuit further noted that the Eleventh Circuit

However, as In re Markowitz and subsequent cases held that the debtor must (1) will or desire harm, or (2) believe injury is substantially certain to occur as a result of his behavior, that is the standard that the Court applies today.

B. The Application

Although the Bankruptcy Court followed its precedent and applied the incorrect standard, its factual findings are sufficient for the Court to determine that David Berge cause a willful and malicious injury to MarketGraphics under § 523(a)(6). The Bankruptcy Court found that "MarketGraphics has failed to show that [David Berge] acted with the desire to harm MarketGraphics or that he believed injury was substantially certain." This finding is not in clear error. MarketGraphics argues that the Bankruptcy Court applied a "just cause or excuse" exception to § 523(a)(6), but that language is nowhere in the Bankruptcy Court's opinion. Rather, David Berge did not intend to cause injury as required by Geiger, In re Markowitz, and all subsequent opinions. Thus, the Bankruptcy Court's factual determination is not in clear error, and its holding is affirmed.

The Court must still remand this case to the Bankruptcy Court to determine the matter of issue preclusion on first impression. In its prior issue preclusion decision, the Bankruptcy Court held that the "debtor concedes that the District Court

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continues to apply a formula almost identical to Wheeler in its "willful and malicious" jurisprudence. Id. (citing Maxfield v. Jennings, 670 F.3d 1329, 1334 (11th Cir. 2012)).

judgment is entitled to collateral estoppel as to the elements of 11 U.S.C. § 523(a)(6) with the exception of malice." MarketGraphics v. Berge (In re Berge), 2014 WL 4929423, at *1 (Bankr. M.D.Tenn. 2014). It found that MarketGraphics was not entitled to collateral estoppel because "the District Court did not make a finding of malice ...." Id. at *3. It did not make a finding of whether the District Court's judgment held that David Berge: (1) "will[ed] or desire[ed] harm[;]" or (2) "believe[d] injury is substantially certain to occur as a result of his behavior." As such, the Court remands this case to the Bankruptcy Court to decide this issue on the first instance.

IV. CONCLUSION

For the foregoing reasons, the judgment of the Bankruptcy Court is **AFFIRMED IN PART** with respect to its factual finding that David Berge did not cause a "willful or malicious" injury to MarketGraphics, **VACATED IN PART** with respect to its collateral estoppel holding, and **REMANDED** to the Bankruptcy Court for further proceedings consistent with this opinion.

IT IS SO ORDERED.

APPENDIX D

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE

IN RE: DAVID PETER BERGE,

Debtor.

MARKETGRAPHICS RESEARCH GROUP, INC.,

Plaintiff,

v.

DAVID PETER BERGE,

Defendant.

Case No. 313-07626

Adv. No. 313-90400

Signed: May 19, 2016

MEMORANDUM OPINION

Marian F. Harrison, US Bankruptcy Judge

The plaintiff, MarketGraphics Research Group, Inc. (hereinafter "MarketGraphics") filed the above-styled

adversary complaint to determine whether its claim against the debtor is non-dischargeable pursuant to 11 U.S.C. § 523(a) (6). For the following reasons, which represent the Court's findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a)(1), as incorporated by Fed. R. Bankr.P. 7052, the Court finds that the complaint should be denied.

I. *PROCEDURAL BACKGROUND*

Previously, the debtor and MarketGraphics were parties in the District Court case of *MarketGraphics Research Group Inc. v. Donald Berge, et al.*, No. 3:13–cv–00001. The defendants included the debtor, his parents, and a trio of limited liability companies under their control for their roles in allegedly engaging in unfair competition with MarketGraphics in the field of housing-market research. On June 3, 2013, the District Court entered a preliminary injunction against the defendants, including the debtor, and in favor of MarketGraphics based on a non-compete agreement.

On July 12, 2013, MarketGraphics moved for summary judgment in District Court, including six claims against the debtor (copyright infringement, unfair competition, violation of the Tennessee Consumer Protection Act, intentional interference with business relations, and civil conspiracy). On August 6, 2013, MarketGraphics filed a Motion for Entry of Judgment pertaining to its motion for summary judgment, describing the claims on which it sought judgment and the amount in which it sought judgment.

On August 8, 2013, and August 22, 2013, the District Court stayed the proceedings as to Donald Berge and Martha Berge (the debtor's parents),

respectively, after they each filed for bankruptcy protection. On August 22, 2013, the District Court granted MarketGraphics' motion for summary judgment against the debtor and the three LLCs and certified the judgment as final. The debtor filed his voluntary Chapter 7 petition on August 30, 2013.

On October 22, 2013, MarketGraphics filed this adversary complaint to determine the dischargeability of its claim pursuant to 11 U.S.C. § 523(a)(6). Initially, MarketGraphics sought summary judgment based on the prior judgment in District Court, asserting that the judgment was entitled to collateral estoppel. The debtor conceded that collateral estoppel precluded any argument that the injury was willful but asserted that the District Court did not consider whether the injury was malicious. This Court agreed and denied the motion, finding that the District Court judgment did not include a finding of malice, and therefore, whether or not the debtor's actions were malicious was a material disputed fact to be determined at trial. The plaintiff sought an interlocutory appeal of this Court's ruling in the District Court and then in the Sixth Circuit Court of Appeals. After these appeals were dismissed, the matter was set for trial. The debtor having conceded all other elements of 11 U.S.C. § 523(a)(6), the only issue at trial was whether the debtor acted with malice.[1]

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[1] MarketGraphics continues to argue that all the elements of 11 U.S.C. § 523(a)(6), including malice, were addressed in the District Court's judgment, and therefore, are subject to collateral estoppel. This Court has already considered the collateral estoppel issue, and nothing presented at trial has

II. *FACTS*

MarketGraphics and the debtor's father, Donald Berge (hereinafter "Mr. Berge"), were parties to an agreement (hereinafter the "Associate Agreement") dated January 15, 1997. Mr. Berge collected data every fourth month from subdivisions in five counties in the Memphis area and delivered the information to MarketGraphics. The debtor worked for his father, covering DeSoto County in Mississippi and Shelby County in Tennessee. Collecting this data is known as "driving the market" and involves driving around the subdivisions within the area to determine market growth. The maps used were provided and copyrighted by MarketGraphics. This process took approximately three weeks to complete. The debtor also did pipeline research, such as pull MLS data for reports and look for potential new subdivisions online.

On August 21, 2012, Mr. Berge formed Realysis of Memphis, LLC (hereinafter "Realysis"), as a limited liability company with the debtor as the registered agent and sole member. Unlike MarketGraphics, Realysis provided quarterly reports to its customers with some additional information. Realysis continued to use MarketGraphics' copyrighted maps in gathering data. At this time, the debtor lived in Nashville, but he stayed with his parents and worked out of their home when he was driving the market. On September 28, 2012, Mr. Berge notified MarketGraphics by e-mail of his desire to terminate

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changed this Court's opinion. The only issue remains whether the debtor acted with malice.

the Associate Agreement. The Associate Agreement included a non-compete clause. The debtor testified that he was aware of the non-compete clause but his father told him that he had consulted with an attorney and that the non-compete clause was invalid. The debtor did not know until after the fact that his father listed him as president on the company's web page and that his name went out on invoices, e-mails, and letters. The debtor believed his title to be superficial because his father actually ran the business. The debtor used this title on social media, but from his testimony, it was clear that the debtor was just attempting to bolster his resume. Even when the debtor found out that they might be sued under the non-compete clause, his father again told him not to worry because the non-compete agreement was invalid and besides, the debtor could not be bound by the non-compete agreement because he did not sign it.

III. *DISCUSSION*

A. *DISCHARGEABILITY*

Generally, exceptions to discharge are to be construed strictly against the creditor. *Gleason v. Thaw,* 236 U.S. 558, 562 (1915). The burden of proof falls upon the party objecting to discharge to prove by a preponderance of the evidence that a particular debt is nondischargeable. *Grogan v. Garner,* 498 U.S. 279, 291 (1991). The primary purpose of bankruptcy is to grant a "fresh start to the honest but unfortunate debtor." *Marrama v. Citizens Bank of Mass.,* 549 U.S. 365, 367 (2007) (citation and internal quotation marks omitted). Because the bankruptcy discharge is central to a "fresh start," discharge exceptions "are to be strictly construed against the

creditor and liberally in favor of the debtor." *Risk v. Hunter (In re Hunter),* 535 B.R. 203, 212 (Bankr.N.D.Ohio 2015) (citations omitted).

B. *11 U.S.C. § 523(a)(6)*

Pursuant to 11 U.S.C. § 523(a)(6), a debt is nondischargeable when the debt is "for willful and malicious injury by the debtor to another entity or to the property of another entity." This discharge exception requires an injury resulting from conduct that is "both willful and malicious." *Markowitz v. Campbell (In re Markowitz),* 190 F.3d 455, 463 (6th Cir.1999). "[U]nless 'the actor desires to cause consequences of his act, or ... believes that the consequences are substantially certain to result from it,' he has not committed a 'willful and malicious injury' as defined under § 523(a)(6)." *Id.* at 464 (citation omitted). It is insufficient that a reasonable debtor "should have known" that his conduct risked injury to others. *Id.* at 465 n.10. Instead, the debtor must "will or desire harm, or believe injury is substantially certain to occur as a result of his behavior." *Id.* "The conduct 'must be more culpable than that which is in reckless disregard of creditors' economic interests and expectancies, as distinguished from ... legal rights.... [K]nowledge that legal rights are being violated is insufficient to establish malice.' " *Steier v. Best (In re Best),* 109 Fed.Appx. 1, 6 (6th Cir.2004) (citation omitted). In other words, "[l]ack of excuse or justification for the debtor's actions will not alone make a debt nondischargeable under § 523(a)(6)." *S. Atlanta Neurology & Pain Clinic, P.C. v. Lupo (In re Lupo),* 353 B.R. 534, 550 (Bankr.N.D.Ohio 2006) (citation omitted).

In the present case, MarketGraphics has failed to show that the debtor acted with the desire to harm MarketGraphics or that he believed injury was substantially certain. If Mr. Berge were the defendant in this adversary, it seems certain that the debt would be non-dischargeable. Mr. Berge was the culprit who concocted this elaborate plan and used his family members, in particular his son, to avoid liability. After listening to portions of Mr. Berge's deposition and hearing his testimony in court, Mr. Berge clearly was not a credible witness. Only after he received a discharge in his own bankruptcy did Mr. Berge change his testimony regarding the debtor's involvement. On the other hand, the debtor was very credible. He was merely a son who worked for his father and believed what his father told him. The Court cannot find any malicious intent in that, and therefore, not all the elements of 11 U.S.C. § 523(a)(6) have been proven.

IV. *CONCLUSION*

Accordingly, the Court finds that the plaintiff's complaint should be dismissed and that the debt is dischargeable.

An appropriate order will enter.

APPENDIX E

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE

IN RE: DAVID PETER BERGE,

Debtor.

MARKETGRAPHICS RESEARCH GROUP, INC.,

Plaintiff,

v.

DAVID PETER BERGE,

Defendant.

Bankruptcy No. 313-07626

Adversary No. 313-90400

Signed: Sept. 30, 2014

MEMORANDUM OPINION

MARIAN F. HARRISON, U.S. Bankruptcy Judge

The plaintiff filed the above-styled adversary complaint to determine whether its claim against the

debtor is non-dischargeable pursuant to 11 U.S.C. § 523. The plaintiff filed a motion for summary judgment, asserting that its District Court judgment establishes the elements of 11 U.S.C. § 523(a)(6) and is entitled to collateral estoppel. For the following reasons, the Court finds that the plaintiff's motion for summary judgment should be denied.

I. UNDISPUTED FACTS

On August 22, 2013, the District Court for the Middle District of Tennessee granted summary judgment in the plaintiff's lawsuit against the debtor. The District Court found that the debtor had willfully or knowingly violated the Tennessee Consumer Protection Act (hereinafter "TCPA") and entered judgment against him for $72,328 in compensatory and $144,656 in treble damages. The District Court also found that the debtor had willfully infringed on the plaintiff's valid copyrights and entered judgment against him for $108,752 in damages. The plaintiff asserts that its claim is non-dischargeable based on the collateral estoppel effect of the District Court's judgment. The debtor concedes that the District Court judgment is entitled to collateral estoppel as to the elements of 11 U.S.C. § 523(a)(6) with the exception of malice.

II. DISCUSSION

A. Summary Judgment Standards

Pursuant to Fed.R.Civ.P. 56(a), as incorporated by Fed. R. Bankr.P. 7056, an entry of summary judgment is mandated "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." When considering a motion for summary

judgment, the Court "must view the evidence and draw all reasonable inferences in favor of the nonmoving party." *Browning v. Levy*, 283 F.3d 761, 769 (6th Cir.2002) (citation omitted). The Court does not " 'weigh the evidence and determine the truth of the matter but ... determine[s] whether there is a genuine issue for trial.' " *Id.* (citation omitted).

B. Collateral Estoppel

The doctrine of collateral estoppel prevents a party from relitigating issues that were actually litigated in a prior proceeding. *Markowitz v. Campbell (In re Markowitz)*, 190 F.3d 455, 461 (6th Cir.1999) (citations omitted). "Principles of collateral estoppel apply in non-dischargeability actions." *Livingston v. Transnation Title Ins. Co. (In re Livingston)*, 372 Fed. App'x. 613, 617 (6th Cir.2010) (unpublished) (citations omitted).

Where the prior judgment is from a federal court and involves a federal question, federal issue preclusion law applies. *Semtek Int'l Inc. v. Lockheed Martin Corp.*, 531 U.S. 497, 508 (2001). Whereas, when a federal judgment is based on a state law issue, the issue preclusion law of the state in which the federal court sits is generally applied unless there is a countervailing federal interest. *Id.* Accordingly, in this case, the Court must look to federal issue preclusion law as to the copyright infringement judgment and to Tennessee law as to the TCPA judgment.

Federal "[i]ssue preclusion ... bars 'successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment,' even if the issue recurs in the context of a different claim." *Taylor v. Sturgell*, 553

U.S. 880, 892 (2008) (citations omitted). Under Tennessee law, collateral estoppel requires a showing of the following elements:

> [1.] that the issue sought to be precluded is identical to the issue decided in the earlier suit; [2.] that the issue sought to be precluded was actually litigated and decided on its merits in the earlier suit; [3.] that the judgment in the earlier suit has become final; [4.] that the party against whom collateral estoppel is asserted was a party or is in privity with a party to the earlier suit; and [5.] that the party against whom collateral estoppel is asserted had a full and fair opportunity in the earlier suit to litigate the issue now sought to be precluded.

Patton v. Estate of Upchurch, 242 S.W.3d, 781, 787 (Tenn.Ct.App.2007) (citation omitted).

C. 11 U.S.C. § 523(a)(6)

Pursuant to 11 U.S.C. § 523(a)(6), a debt is nondischargeable when the debt is "for willful and malicious injury by the debtor to another entity or to the property of another entity." Section 523(a)(6) provides that a debt that is both willful and malicious is nondischargeable. When relying on collateral estoppel, "the [prior] judgment must be for an injury that is both willful and malicious. The absence of one creates a dischargeable debt." *In re Markowitz*, 190 F.3d 455, 463.

A malicious injury occurs "when a person acts in conscious disregard of [his] duties or without just cause or excuse." *J & A Brelage, Inc. v. Jones (In re Jones)*, 276 B.R. 797, 803 (Bankr.N.D.Ohio 2001)

(citation omitted). "[M]alice does not require any ill will or specific intent to do harm, only to do an act without just cause or excuse, but that is beyond negligence or recklessness." *West Michigan Cmty. Bank v. Wierenga (In re Wierenga)*, 431 B.R. 180, 185 (Bankr.W.D.Mich.2010) (citations omitted).

i. Tennessee Consumer Protection Act

In order to recover under the TCPA, a plaintiff must prove that the defendant engaged in an unfair or deceptive act or practice declared unlawful by the TCPA and that the defendant's conduct caused an ascertainable loss of money or property. T.C.A. § 47-18-109(a)(1). Under the TCPA, a defendant's conduct need not be willful or even knowing, but if it is, the trial court is permitted to award treble damages under T.C.A. § 47-18-109(a)(3). *Tucker v. Sierra Builders*, 180 S.W.3d 109, 115-16 (Tenn.Ct.App.2005) (citations and footnote omitted).

In *Tomlin v. Crownover (In re Crownover)*, 417 B.R. 45 (Bankr.E.D.Tenn.2009), the plaintiffs' pre-petition state court judgment against the debtor was, in part, for violations of the TCPA, and the plaintiffs sought to use the doctrine of collateral estoppel to obtain summary judgment against the debtor on their dischargeability claims. The court concluded that the state court judgment was insufficient to establish all the intentional elements of the plaintiffs' nondischargeability claims and denied in part the plaintiffs' motion for summary judgment. The court noted that "[t]he plaintiffs' argument under § 523(a)(6) fails because they erroneously equate 'willful and malicious' in § 523(a)(6) with 'unfair or deceptive' in the state court's judgment." *Id.* at 58.

In the present case, the District Court ruled that "pursuant to Tennessee Code Ann. § 47-18-109(a)(3), that the Defendants ... willfully or knowingly violated the Tennessee Consumer Protection Act," and awarded treble damages to the plaintiff. The award of treble damages under the TCPA does not require a finding of malice, nor does the District Court's order reflect a finding of malice. As stated in *In re Markowitz*, an injury must be both willful and malicious to be non-dischargeable under 11 U.S.C. § 523(a)(6). 190 F.3d at 463. Because the District Court did not make a finding of malice, the plaintiff is not entitled to collateral estoppel on this element of 11 U.S.C. § 523(a)(6).

ii. Copyright Infringement

In the District Court judgment, the Court held that the debtor's "infringement was willful." The Court also held that the debtor violated the Anticybersquatting Consumer Protection Act (hereinafter "ACPA"). To establish a copyright infringement claim, a plaintiff must show "ownership of a valid copyright" and that "defendant copied protectable elements of the work." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 534 (6th Cir.2004). While the elements of copyright infringement do not include intent, the District Court ruled that the debtor's infringement was willful. However, as stated in *In re Markowitz*, 190 F.3d at 463, willful and malicious are distinct elements of 11 U.S.C. § 523(a)(6).

Under the ACPA, cybersquatting includes the act of registering or using a domain name that is identical or confusingly similar to another entity's trademark or service mark (or personal name that is protected

as a mark) with the bad faith intent of making a profit. 15 U.S.C. § 1125(d)(1). As to the defendant's state of mind, there is no mention in the ACPA of willfulness or malice, only of bad faith intent to profit. In *HER, Inc. v. Barlow (In re Barlow)*, 478 B.R. 320 (Bankr.S.D.Ohio 2012), the court declined to decide whether a finding of bad faith under ACPA would lead in every case to a ruling that the resulting debt is nondischargeable under 11 U.S.C. § 523(a)(6). *Id.* at 335. Instead, the court based its finding of collateral estoppel on the District Court's award of significant statutory damages and attorneys' fees after stating that "courts award such damages where a defendant 'willfully, intentionally and maliciously acted in bad faith with intent to profit.' " *Id.* Unlike the underlying record in *In re Barlow*, the District Court's judgment in this case includes no such findings regarding the debtor's conduct, and there is no basis for concluding that issue preclusion should apply on the issue of malice.

III. CONCLUSION

Accordingly, the Court finds that the plaintiff's motion for summary judgment should be denied.

An appropriate order will enter.

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

IN RE: DAVID PETER BERGE,

Debtor.

MARKETGRAPHICS RESEARCH GROUP, INC.,

Plaintiff-Appellant,

v.

DAVID PETER BERGE,

Defendant-Appellee.

Case No. 18-6177

Issued: May 6, 2020

ORDER

BEFORE: MOORE, COOK, and READLER, Circuit Judges.

Upon consideration of the petition for rehearing filed by the appellant,

It is **ORDERED** that the petition for rehearing be, and it hereby is, **DENIED**.

ENTERED BY ORDER OF THE COURT
Deborah S. Hunt, Clerk

Issued: May 6, 2020 /s/ Deborah S. Hunt

APPENDIX G

UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
AT NASHVILLE

MARKETGRAPHICS RESEARCH GROUP, INC.,
Plaintiff,

v.

DONALD BERGE; DAVID BERGE; MARTHA BERGE;
REALYSIS OF MEMPHIS, LLC; REALYSIS OF JACKSON,
LLC, AND REALYSIS LLC,
Defendants.

Case No. 3:13-cv-00001

Judge Trauger

Magistrate Judge Bryant

August 22, 2013

JUDGMENT

Having considered the papers filed in connection with MarketGraphics Research Group, Inc.'s Motion

for Summary Judgment, together with the whole record, the Court hereby GRANTS Plaintiff's Motion for Summary Judgment and ORDERS as follows:

1. The Plaintiff, MarketGraphics Research Group, Inc., is hereby AWARDED a judgment of damages in the sum of $332,314.94 against Defendants David Berge; Realysis of Memphis, LLC; Realysis of Jackson, LLC; and Realysis, LLC, jointly and severally. This total damages award consists of the following components:

Actual Damages Pursuant to 17 U.S.C. § 504	$108,752
Other Compensatory Damages	$72,328.00
Treble Damages under the TCPA	$144,656.00
Prejudgment Interest:	$6,242.00
Per diem prejudgment interest after 8/5/13	336.94
Total:	**$332,314.94**

2. The Court hereby FINDS, pursuant to Tennessee Code Ann. § 47-18-109(a)(3), that the Defendants David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, willfully or knowingly violated the Tennessee Consumer Protection Act.

3. David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, along with their representatives, agents, affiliates, successors, assigns, and any person or entity acting on their behalf or in concert or participation with

them, are hereby PERMANENTLY ENJOINED from publishing, procuring the publication, making, producing, reproducing, copying, distributing, transferring, displaying, marketing, advertising, shipping, providing or causing to be provided access via the internet to, selling or offering to sell, or delivering in connection with consulting services or otherwise:

a. Any map, image, or depiction of the Memphis area that uses analytical divisions identical or substantially similar to the MG Areas found on Exhibit 1 hereto, which is incorporated herein by reference;

b. Any map, image, or depiction of the Memphis area that uses the analytical divisions found on Exhibit 2 hereto, which is incorporated herein by reference.

c. Any publication, whether in physical or electronic format, related to the market for new homes that uses taxonomies for home styles identical or substantially similar to those found on Exhibit 3 hereto, which is incorporated herein by reference.

d. Any publication, whether or physical or electronic format, related to the market for new homes that uses the taxonomies for new home styles found on Exhibit 4 hereto, which is incorporated herein by reference.

e. Any publication, whether in physical or electronic format, related to the market for new homes that uses taxonomies for home construction stages identical or substantially

similar to those found on Exhibit 5 hereto, which is incorporated herein by reference.

f. Any publication, whether or physical or electronic format, related to the market for new homes that uses the taxonomies for home construction stages (or "subdivision life cycle terminology") found on Exhibit 6 hereto, which is incorporated herein by reference.

4. David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, along with their representatives, agents, affiliates, successors, assigns, and any person or entity acting on their behalf or in concert or participation with them, are hereby PERMANENTLY ENJOINED from engaging in any of the following acts:

a. Copying, imitating, selling, offering to sell, marketing, distributing, or making any use of the elements of the copyrighted works of MarketGraphics Research Group, Inc., shown in Exhibits 1, 3, and 5, which works are owned by MarketGraphics Research Group, Inc.;

b. Engaging in any and all further acts of infringement of the elements of the copyrighted works shown on Exhibits 1, 3, and 5, which works are owned by MarketGraphics Research Group, Inc.;

c. Asserting any ownership of rights or any right, title, or interest in the elements of the copyrighted works shown on Exhibits 1, 3, and 5, which works are owned by MarketGraphics Research Group, Inc.;

d. Assisting, aiding, or abetting any other entity or person in engaging in or performing any

of the activities referred to in paragraph 1(a) through 1(f) and 2(a) through 2(c).

5. David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, are hereby ORDERED to terminate web access to the Realysis Data Interface Tool and to keep the Realysis Data Interface Tool inaccessible via the world-wide web, or via any other network or protocol, until such time as it is modified to comply with the provisions of this injunction.

6. David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, at their own expense, shall make written contact, including by facsimile or e-mail, with each person or entity to whom a copy of *Metro Memphis New Homes Market Analysis* has been delivered since September 1, 2012, and each person or entity to whom access to the Realysis Data Interface Tool has been provided at any time since September 1, 2012, and provide each such person or entity with a copy of this Order and with a verbatim copy of the following notice, in legible and conspicuous print, of the following (which is hereinafter referred to as the "Notice"):

NOTICE PUBLISHED PURSUANT TO
ORDER OF
THE UNITED STATES DISTRICT COURT

YOU ARE HEREBY ADVISED as follows:

Recently you received one or more copies of *Metro Memphis New Homes Market Analysis*, or you were given access to an online database sometimes referred to as the Realysis Data Interface Tool or Realysis Quarterly Data Tool.

> Pursuant to the rulings of the United States District Court for the Middle District of Tennessee, both *Metro Memphis New Homes Market Analysis* and the Realysis Data Interface Tool contain copyrighted elements belonging to MarketGraphics Research Group, Inc., and that have been infringed by David Berge and three entities doing business under the trade name "Realysis."
>
> The Court has ordered these persons and entities immediately to cease any further production, distribution, or provision of access to *Metro Memphis New Homes Market Analysis* and the Realysis Data Interface Tool.

7. David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, at their own expense, shall post in legible and conspicuous print a verbatim copy of the Notice upon the home page of the Realysis web site at www.realysis.com, beginning within twenty-four hours of receipt of notice of this Order and continuing for a period of no less than ninety (90) days.

8. The Defendants David Berge; Realysis of Memphis, LLC; Realysis of Jackson, LLC; and Realysis, LLC, and all those in privity or acting in concert with them are, for a period of four years beginning on September 28, 2012, ENJOINED from acting in concert or privity with or on behalf of Donald Berge in selling, offering to sell, giving, distributing, or conveying, in any format and by any medium, whether for consideration or gratuitously, any compilation of data in any form whatsoever,

related to the market for new homes in the Memphis Metro Area.

9. The Defendants David Berge; Realysis of Memphis, LLC; Realysis of Jackson, LLC; and Realysis, LLC, and all those in privity or acting in concert with them, are, for a period of four years beginning on September 28, 2012, ENJOINED from acting in concert or privity with or on behalf of Donald Berge in collecting data related to the market for new homes in the Memphis Metro Area pursuant to the MarketGraphics Systems.

10. For all purpose of this Injunction, the Memphis Metro Area consists of Shelby, Fayette, and Tipton Counties, Tennessee; De Soto County, Mississippi; and Crittenden County, Arkansas.

11. For purposes of this Injunction, the MarketGraphics System consists of (1) the compilation of statistical information pertaining to the new-home market using the construction stage, home-style, subdivision, and price-range taxonomies found in Exhibit 7 hereto; and (2) the division of the Memphis Metro Area into the "MG Areas," however denominated, found in Exhibit 1 hereto.

12. The Defendants David Berge; Realysis of Memphis, LLC; Realysis of Jackson, LLC; and Realysis, LLC, Donald Berge, along with their representatives, agents, affiliates, successors, assigns, and any person or entity acting on their behalf or in concert or participation with them, are hereby PERMANENTLY ENJOINED from acting in concert or privity with or on behalf of Donald Berge in maintaining or using a website accessible via, or causing to be used or maintained a website

accessible via, the second-tier domains "marketgraphicsofmemphis" or "marketgraphics."

13. No part of any of the foregoing injunctive commands is directed at, or shall operate against, the Defendants Donald Berge and Martha Berge, against whom continuation of judicial action is automatically stayed by operation of 11 U.S.C. § 362(a), both Mr. and Mrs. Berge having filed voluntary petitions under Chapter 7 of the Bankruptcy Code. This action REMAINS STAYED against Defendants Donald Berge and Martha Berge. The Court's May 31, 2013, Preliminary Injunction REMAINS IN EFFECT against the Defendants Donald Berge and Martha Berge.

Pursuant to Federal Rule of Civil Procedure 65(d)(1)(A), the Court finds as follows:

I. The Plaintiff and the Defendant Donald Berge entered a valid Associate Agreement on January 15, 1997. The Associate Agreement contains a covenant by which Mr. Berge agrees to refrain from competing with MarketGraphics or using MarketGraphics' procedures, techniques, or materials following the termination of the Agreement.

II. The Defendants, David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC, (hereinafter referred to as the "Active Defendants") have been acting in active concert with Donald Berge in since Donald Berge's termination of the Associate Agreement. The actions of the Active Defendants have been in derogation of the rights of MarketGraphics under the Associate Agreement.

III. MarketGraphics seeks a reasonable enforcement of the restrictive covenant.

MarketGraphics has a protectable business interest in its Memphis area customers, provided extensive training to Mr. Berge, and made him privy to its operations and methods over the course of a fourteen-year relationship. The four years requested in the Complaint is a permissible length for a restrictive covenant under Tennessee law. Having obtained summary judgment, Plaintiff has prevailed on the merits of its claim against the Active Defendants and demonstrated its entitlement to injunctive relief against them.

IV. The Active Defendants have wrongfully impaired Plaintiff's good will among its Memphis customers and deprives it of the opportunity to compete fairly. Such injuries are poorly, if at all, compensated by monetary damages. It is thus likely that MarketGraphics will suffer irreparable harm without an injunction.

V. The enforcement of a valid and reasonable covenant not to compete does not impose an untoward burden upon the Active Defendants, since the severity of the injury to Plaintiff's position in the Memphis market—the loss of four-fifths of its customers—together with the fledgling character of the Active Defendants' operation and the inherently wrongful nature of the Active Defendants' undertaking, tip the balance of equities in favor of granting the injunction.

VI. The Active Defendants' activities do not implicate any public interest that militates against entry of the injunction.

VII. The same is true of the Active Defendants' infringement of the Plaintiff's copyrights. The Plaintiff has a protectable copyright interest in

various elements of its publication Memphis Metro Area *Memphis Metro Area Housing & Subdivision Analysis.* These elements include those shown in Exhibits 1, 3, and 5 hereto.

VIII. The Active Defendants have, in conjunction with others, published and distributed a competing publication, *Metro Memphis New Homes Market Analysis*, that infringes MarketGraphics Research Group's registered and protectable copyright in the parts of *Memphis Metro Area Housing & Subdivision Analysis* shown in Exhibits 1, 3, and 5 hereto. In particular, the elements seen in Exhibits 2 and 4 infringe upon Plaintiff's copyright in *Memphis Metro Area Housing & Subdivision Analysis*.

IX. Likewise, the Active Defendants, in conjunction with others, have caused to be published on the internet a database, known as the Realysis Data Interface Tool, presenting data contained in *Metro Memphis New Homes Market Analysis* as well as additional information. Portions of this database also infringe Plaintiff's copyright in *Memphis Metro Area Housing & Subdivision Analysis*. In particular, each part of the Realysis Data Interface Tool that shares an infringing element with Metro Memphis New Homes Market Analysis and the home-style taxonomies shown on Exhibit 6 hereto infringe Plaintiff's copyright in *Memphis Metro Area Housing & Subdivision Analysis*.

X. The Active Defendants' infringement was willful.

XI. An injunction under the Copyright Act is appropriate for all the same considerations that an injunction under the Associate Agreement is appropriate.

XII. The Plaintiff owns the distinctive mark "MarketGraphics" pertaining to housing market research. The Active Defendants' participation in or benefitting from Donald Berge's use of the second-tier domain names "marketgraphicsofmemphis" and "marketgraphics" constitutes infringement of Plaintiff's mark for which injunctive relief is appropriate pursuant to the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d).

Entry of this order shall constitute a final judgment, pursuant to Federal Rule of Civil Procedure 54(b), against David Berge; Realysis, LLC; Realysis of Memphis, LLC; and Realysis of Jackson, LLC.

It is so Ordered.

Entered this 22nd day of August 2013.

/s/ Aleta A. Trauger
ALETA A. TRAUGER
UNITED STATES DISTRICT JUDGE

APPROVED FOR ENTRY:

s/Paul J. Krog

Eugene N. Bulso, Jr. (No. 12005)
Paul J. Krog (No. 29263)
LEADER, BULSO & NOLAN, PLC
414 Union Street, Suite 1740
Nashville, Tennessee 37219
(615) 780-4110
Attorneys for Plaintiff

APPENDIX H

MARKETGRAPHICS NATIONAL, INC.

AGREEMENT

This Agreement (the "Agreement") entered into this 15th day of January, 1997 by and between **MARKETGRAPHICS NATIONAL, INC.,** a Tennessee corporation with offices located at 5530 Hearthstone Lane, Brentwood, TN 37027 ("MarketGraphics") and **Don Berge** an individual resident of Tennessee whose address is PO Box 181532 Memphis, Tn. 38181 ("**Berge**").

WITNESSETH

WHEREAS, MarketGraphics is a housing marketing organization with experience in the analysis and publication of market data regarding the availability, pricing and sales activity of residential real estate, including undeveloped land, unimproved lots, properties under construction, and closed sales; and WHEREAS, MarketGraphics and Berge desire to enter into an agreement to allow Berge to operate as a licensee of MarketGraphics in the Memphis, Tennessee Metropolitan Statistical Area (including parts of Arkansas and Mississippi) to collect, analyze and sell market research data in said area; and

WHEREAS, MarketGraphics has agreed to provide certain information and systems to support Berge's operation,

WHEREAS, the parties desire to set forth in writing certain undertakings and understandings regarding their mutual agreement.

NOW, THEREFORE, for and in consideration of the covenants and agreements herein contained, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. LICENSE.

A. MarketGraphics hereby grants to Berge, upon the terms and conditions hereof, the right to operate and use the MarketGraphics name, but only in connection with the collection, publication and distribution of market research information and materials produced in conjunction with MarketGraphics.

B. Nothing herein shall give Berge any right, title or interest in or to any of MarketGraphic's trademarks, trade names, service marks, insignia, labels or designs, including without limitation and data bank established and the name "MarketGraphics," except a mere privilege and license during the term hereof, to display and use the same according to the limitations herein set forth, and upon the termination of this agreement for any reason, at the election of MarketGraphics, Berge shall deliver and surrender immediately to MarketGraphics each and all of the materials and data in the possession of Berge which contain or utilize the term "MarketGraphics" as well as any and all associated MarketGraphics materials, old reports and manuals.

2. TERM

This agreement shall continue in force indefinitely, provided Berge complies with all of the terms and conditions of this agreement, including without limitation, the payment of the initial and renewal license fees, periodic computer center costs, publication costs, and other expenses chargeable to Berge hereunder.

3. EXCLUSIVE TERRITORY

Berge shall have the exclusive license to operate a real estate market research organization cooperatively with MarketGraphics and to utilize the MarketGraphics name in the following counties in Tennessee, Arkansas and Mississippi: (5 Countys) Shelby, Fayette, Tipton (TN); DeSoto (MS); and, Crittenden (AR).

4. LICENSE FEES AND EXPENSES.

A. As an initial license fee, the sum of Twenty Five Thousand ($25,000.00) Dollars, shall be due to MarketGraphics from Berge. Said sum shall be deemed fully earned by MarketGraphics upon the execution of this Agreement by the parties hereto.

B. The initial fee may be paid by Berge in 18 equal payments of $1,388.89, with a payment being due the first of every fourth month beginning the second month after the delivery to Berge of the first Main Report. Berge shall furnish all data needed to produce the first data base before the end of Nine (9) months from this agreement and the Main Report Data updated within 3 1/2 months thereafter.

C. In addition to the initial fee as provided above, Berge shall pay to MarketGraphics an annual License Renewal fee, one-third of which fee shall be

due and payable the first day of every fourth month beginning the second month after the delivery to Berge of the first Main Report plus one year. The annual fee shall be $5,000.00 for the first year of this agreement, $10,000.00 for the second year of this Agreement, and $15,000.00 for the third year of this Agreement and every year thereafter. Beginning with the eleventh year of this agreement, the annual License Renewal fee shall increase by a percentage equal to the percentage increase change in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics for the Atlanta (Georgia) Metropolitan Area (1992 - 1994=100), such adjustment being calculated based on the most recently published twelve month period and being computed on the increase over the immediately preceding twelve (12) month period.

D. In addition to the above, at the time of publication of the four month Reports described below, Berge shall pay to MarketGraphics a computer center cost payment of $2,850.00 per four months, plus the actual cost of duplication of the reports excluding the first copy of the report which copy is included in the basic cost figure. Beginning with the fifth year of this Agreement, the computer center cost payment shall increase by a percentage equal to the percentage change in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics for the Atlanta (Georgia) Metropolitan Area (1992 - 1994 = 100), such adjustments being calculated based on the most recently published twelve month period and being computed on the increase over the immediately

preceding twelve month period. After 7 years from this agreement MarketGraphics reserves the Right to have a yearly evaluation of this cost and increase the price but not over twice the Consumer Price Index.

5. REPORTS AND PRESENTATIONS.

Upon Berge providing such market research data and information as designated by MarketGraphics, MarketGraphics shall analyze such data and information and compile and produce the following reports ("the reports"): Main Report, Main Report Summary, Lot & Development report, Executive Summary, Permit Report, 10 Minute Manager Report with cassette tape, Housing Forecast, and Fed. vs Market Report. The Reports shall be produced in a style and manner and contain a similar presentation of information as those reports produced by MarketGraphics in the Nashville, Tennessee Metropolitan Area or as adjusted at the sole discretion of MarketGraphics. In addition to producing and publishing the Reports, MarketGraphics shall make Edsel Charles or his agent available, at MarketGraphic's expense, at least once a year to make a live presentation on behalf of Berge to such gathering as Berge may request, such as the HomeBuilders Association, realtor groups, or other groups or organizations as may reasonably benefit the operation of Berge or increase the visibility of Berge's operations but not exceed two presentations within a six (6) hour period on one day.

The New Homes Publication Service will be separate from this agreement and the cost agreed to separate from this contract.

6. TRAINING.

MarketGraphics shall train one (1) person designated by Berge or Berge on the data collection and research techniques utilized by MarketGraphics in preparing the information and data necessary to produce the Reports. Such training shall include working with Berge's designated representative to prepare and collect all of the necessary information for one of the counties (not including Shelby County) in Berge's territory defined above but not more then the course of one (1) week. Such training shall include explanation of the forms used for the collection of data, using forms to collect all of the necessary information from the county courthouse, preparing the permit reports, mapping the county, physically driving part of the area with the representative, and demonstrating how the information should be packaged and presented to the MarketGraphic's computer center for analysis and publication. In addition to the above, MarketGraphics, if it determines that additional training is necessary, may require that Berge's representative undergo additional training outside of Berge's territory in one of the other areas currently served by MarketGraphics.

7. FORMS AND MATERIALS.

MarketGraphics shall designate and provide the form of all forms and other materials to be used in the collection of information and data. Berge shall pay the cost of reproduction of the materials used by Berge in its operation and only use MarketGraphics forms, systems and process.

8. INFORMATION COLLECTION AND RESEARCH.

Berge shall provide such personnel as may be necessary to collect, document, record and deliver to MarketGraphics the market activity, statistical data, on site observations and other information and materials necessary for the time preparation of the Reports. Berge shall promptly and regularly deliver such information and data so as to reasonably allow MarketGraphics to receive, analyze, and publish the Reports once every four (4) months on a schedule set by MarketGraphics as established by the date the first report is produced.

9. COMPUTER PROCESSING AND ANALYSIS.

MarketGraphics shall maintain reasonable computer hardware and software systems to analyze the data and information received from Berge and to produce and publish the Reports. Berge shall be available and responsive during the report production period to answer questions to the computer center.

10. COMPLIANCE WITH LAWS AND REGULATIONS.

Berge shall operate its business in strict compliance with all applicable laws, rules and regulations of all governmental authorities; shall comply with all applicable wage, hour and other laws and regulations of the Federal, state or local governments; shall prepare and file all necessary tax returns and shall pay all taxes, including sales tax, imposed upon Berge and Berge's business.

11. INDEMNIFICATION.

Berge hereby agrees to protect, defend, and indemnify MarketGraphics, its subsidiaries, affiliates and designees, and hold them harmless from and against any and all costs, expenses, including attorneys fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, arising in any way out of the operation of Berge's activities as a licensee of MarketGraphics or from the publication of the Reports in Berge's territory defined above.

12. INSURANCE

To standardize insurance coverage and to provide MarketGraphics and Berge protection against insurable risks, MarketGraphics may describe minimum standards and limits for certain types of insurance coverage to be purchased by Berge. If Berge fails or refuses to purchase insurance conforming to the standards and limits prescribed by MarketGraphics, MarketGraphics may obtain, through agents and insurance companies of its choosing, such insurance as is necessary to meet such standards. Payment for such insurance shall be borne by Berge over and above report cost.

All insurance purchased by or for Berge shall name MarketGraphics as an additional insured and paid insurance shall provide that MarketGraphics shall be given at least thirty (30) days prior written notice of any termination, amendment, cancellation or modification thereof. Berge shall promptly provide MarketGraphics with Certificates of Insurance evidencing such coverage within ten (10) days following execution hereof.

13. RELATIONSHIP OF THE PARTIES.

In all matters pertaining to the operation of Berge's business in cooperation with MarketGraphics, Berge shall be an independent contractor. No employee of Berge shall be deemed to be an employee of MarketGraphics. Nothing herein contained in this Agreement shall be construed so as to create a partnership, joint venture, or agency; and neither party shall be liable for the debts and obligations of the other. This is a license not a franchise. MarketGraphics reserves the right to establish its corporate right to do business in any state.

14. OWNERSHIP OF MARKET DATA AND RESEARCH.

The parties agree that all data and information collected by Berge for use in preparing the Reports shall upon every collection and delivery to MarketGraphics, become the exclusive property and asset of MarketGraphics. MarketGraphics shall have the right and authority to package and sell the data and or information in the Reports to third parties, provided such activity shall not generally interfere with Berge's operations and provided the sale or distribution of such data and information by MarketGraphics is not generally directed to an audience which would cause competition between MarketGraphics and Berge.

15. CONFIDENTIALITY AND COPYRIGHT.

Berge acknowledges and agrees that any and all forms, materials, maps, guides, and other documents, machines, equipment and other materials (collectively the "Materials") provided by or specified by MarketGraphics are trade secrets and/or

copyrighted material. Any publication, distribution or unauthorized copying of these materials would be substantially injurious to MarketGraphics and Berge. Berge agrees that it and all of its employees shall at all times hold such materials in strict confidence and secrecy in order to protect the business interests of both Berge and MarketGraphics. Berge will have his attorney prepare an agreement for any and all of his employees to sign to legally bind those employees to these agreements as may apply.

16. DEFAULT AND TERMINATION.

This agreement may be terminated only for cause or by mutual agreement. "Cause" is hereby defined as a material breach of this Agreement. MarketGraphics shall exercise its right to terminate this Agreement in the following manner:

A. Termination Upon Notice.

Except with respect to Berge's failure to pay any of the sums due MarketGraphics hereunder, or except as herein expressly provided, MarketGraphics may terminate this Agreement only upon thirty (30) days prior written notice to Berge, setting forth the material breach complained of. If Berge shall cure the breach prior to the end of such period, MarketGraphic's right to terminate this Agreement shall cease; provided, however, that if, because of the nature of the breach, Berge shall be unable to cure the same within thirty (30) day period, Berge shall be given such additional time as shall be reasonable necessary within which to cure said breach, upon condition that Berge shall, upon receipt of notice from MarketGraphics, immediately commence to

cure such breach and continue to use its best efforts to do so to the sole satisfaction of MarketGraphics.

With respect to any default by Berge of its obligation to pay any sums due MarketGraphics under this Agreement, MarketGraphics may terminate this Agreement upon not less than fifteen (15) days prior written notice of such default. If Berge shall cure said default prior to the end of such period, MarketGraphics right to terminate this agreement shall cease.

B. Termination Without Notice

MarketGraphics shall have the right to terminate this Agreement without prior written notice to Berge upon occurrence of any of the following events, each of which shall be deemed an incurable breach of this Agreement:

Berge's willful or grossly negligent providing of significantly inaccurate or misleading data to MarketGraphics which would materially affect the quality and accuracy of the reports. In the event that Berge shall be adjudged a bankrupt or file for bankruptcy, or shall make an assignment for the benefit of creditors, or shall allow a judgment against him in the amount of more then $5,000.00, or shall allow any of the forms or materials provided by MarketGraphics for use in Berge's operations to be copied or distributed to parties or persons outside of MarketGraphic's or Berge's personnel, or is convicted of any felony, or any crime involving moral turpitude.

C. Effect of Termination.

No termination pursuant to this part shall excuse or forgive the payment of any amounts due

MarketGraphics hereunder and the same shall remain the personal obligation of Berge. In the event of any litigation regarding the termination of this Agreement, a material breach of this Agreement or the collection of any sums due hereunder, the prevailing party shall be entitled to collect its costs and expenses in such litigation, including reasonable attorneys fees. In the event of termination of this Agreement, whether by reason of default or other cause, in addition to MarketGraphic's rights as stated herein, Berge shall forthwith discontinue the use of MarketGraphic's trademarks and trade name and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that he is operating a business similar to MarketGraphic's nor shall Berge thereafter use, in any manner, or for any purpose, directly or indirectly, any of MarketGraphic's trade secrets, procedures, techniques or materials acquired by Berge by virtue of the relationship established by this Agreement, nor any copyrights, trademarks, trade names, and patents now or hereafter applied for or granted in connection therewith. Waiver by MarketGraphics of any default or breach shall not be deemed to be a waiver of any other subsequent default or breach. Not withstanding the above, MarketGraphics at their sole discretion reserves the right during any conflict of any type to determine if Reports are not being adequately handled for clients by Berge and can take over the operation and retain income while the conflict is being addressed to a conclusion.

17. NOTICES.

All notices hereunder shall be in writing and shall be deemed to have been given if sent by hand delivery, overnight courier or certified mail, postage prepaid, addressed to the following address:

If to MarketGraphics:	MarketGraphics National, Inc. Attn. Edsel Charles 5530 Hearthstone Lane Brentwood, TN 37027
If to Berge:	Don Berge PO Box 181532 Memphis, Tn. 38181

18. MISCELLANEOUS

Headings in this Agreement are for convenience only and are not be used for interpreting or construing provision hereof. Time is of the essence of this Agreement and all parts thereof, and of the obligations of the parties set out herein. This Agreement shall be construed and enforced in accordance with the laws of the State of Tennessee. This Contract shall be binding upon, and shall inure to the benefit, the parties hereto, and their respective successors and assigns

19. ASSIGNMENT:

This Agreement may be assigned to another corporation or entity only by MarketGraphics National, Inc.

Dated this 15th day of January, ~~1996~~ 1997.

/s/ Don Berge
Don Berge

MarketGraphics National, Inc.,
a Tennessee corporation

By: /s/ Edsell Charles

Its: President

APPENDIX I

U.S. BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE
(NASHVILLE)

Adversary Proceeding #3:13-ap-90400

MARKETGRAPHICS RESEARCH GROUP, INC.,
Plaintiff

v.

DAVID PETER BERGE,
Defendant.

REPORTER'S OFFICIAL TRANSCRIPT OF PROCEEDINGS

March 31, 2016

BEFORE:

HONORABLE MARIAN F. HARRISON, Bankruptcy Judge

APPEARANCES:

For the Plaintiff:

EUGENE N. BULSO, JR., ESQ.,

PAUL JOSEPH KROG, ESQ.

414 Union Street, Suite 1740

Nashville, TN 37219

615-780-4115

For the Defendant:
STEVEN L. LEFKOVITZ, ESQ.
618 Church Street, Suite 410
Nashville, TN 37219
615-256-8300

TRANSCRIBED BY:
Ann Woofter, Certified Court Reporter
2200 Golden Oak Place
Madison, Tennessee 37115
615-868-8800

P R O C E E D I N G S

* * *

[Testimony of David Berge, pp. 11:13-13:23; 20:5-24; 27:19-29:16; 36:25-38:7; 39:25-40:8; 45:19-48:5; 58:18-25; 64:17-68:1; 71:1-74:15]

* * *

Q Your father operated between 1997 and 2012 a business under the name of MarketGraphics of Memphis, did he not?

A Yes.

Q And to clarify, your father is Mr. Donald Berge?

A Yes.

Q And you worked with your father's MarketGraphics of Memphis business from its inception in 1997, correct?

A Yes, off and on, over the course of 15 years.

Q Your father operated that business pursuant to a license or associate agreement with MarketGraphics of Memphis, correct?

A I believe it was called an associate agreement.

Q And my question was - let me restate the question. Your father operated MarketGraphics of Memphis pursuant to an associate agreement with MarketGraphics Research Group or MarketGraphics National, correct?

A Yes.

Q And that was a housing market research business, correct?

A Correct.

Q You and your father collected housing market data and delivered it to MarketGraphics here in Nashville and MarketGraphics produced a report based on the data, correct?

A Correct.

Q You did what they call drive the market for MarketGraphics of Memphis, correct?

A Yes; my father and me, and sometimes when I was in college I didn't do it, and there were other occasions within the 15 years where I had another job that kept me from doing the drive.

Q With the exception of a few odd cycles where you weren't able to participate, you participated in driving the market during this period, correct?

A Correct.

THE COURT: What does it mean by driving the market? I don't understand that. Are you going to ask that?

MR. KROG: I can ask it or he can answer the question from Your Honor.

THE COURT: Yes, answer it.

THE WITNESS: Well, to drive the market, we go through every fourth month and go through all of the active subdivisions and the active subdivisions in our database. We count the starts and closings, and based on those starts and closings, it's entered into a database that formulates a report, and bankers can utilize that report to decide whether or not a subdivision is a good investment. Like if a builder comes to X Bank and says I want a construction lot on three lots in a subdivision, they will turn around a look at the data to decide whether or not that construction loan is a good idea. So, we basically, every four months just refresh the data and based on the previous data you can tell the growth, what areas are growing and what subdivisions are successful, what subdivisions have been overbuilt and things like that.

* * *

Q Mr. Berge, each one of these maps we've looked at has the copyright legend in the lower right-hand corner, doesn't it?

A Yeah, at the very bottom, MarketGraphics Research Group, Incorporated, 2009.

Q And the ones we saw for 2007, 2008, 2010, 2011 and 2012 have the corresponding legend, didn't they, Mr. Berge?

A Yes, I'm assuming so.

Q Feel free to go back through them and look at them one-by-one.

A Yes.

Q The record will reflect that they were there.

A Okay.

Q And these are the maps, Mr. Berge, that you spent eight to 12 hours with in a car for three weeks at a time, three times a year for these years, correct?

A For a total of nine weeks a year, correct.

* * *

Q And you continued to work with your father's market research business after he switched over to being Realysis of Memphis, correct?

A That's correct. It was still three weeks at a time, three times a year up to a quarterly. So an additional fourth.

Q You did more than just drive the market for Realysis Memphis, didn't you, Mr. Berge?

A That was the bulk of it. I also went to public websites where plat approvals were recorded so that we could figure out if there were any new subdivisions on the horizon.

Q That was called pipeline research?

A Well, pipeline was actually one step even farther back. That's when tracts of lands are rezoned to residential and that gets put in the database as well.

Q And you did pipeline research for Realysis, didn't you?

A I did part of it. I did the research for two out of the five counties.

Q And you helped hold the MLS data for the price information that was put into the (inaudible), correct?

A That's correct.

Q And you did between 90 and 100 percent of the data entry for Realysis, didn't you? You went out and drove and then you typed it all into the computer so it could go into the book?

A Well, starting off like when I was in college and stuff like that.

Q Mr. Berge, I didn't ask you about what you did in college, I asked you what you did for Realysis.

A Oh, for Realysis. Yeah, I probably did 90 percent. My dad would help me sometimes if we were behind schedule or something.

Q And there was one occasion you generated the Realysis Memphis invoices, didn't you?

A Yes.

Q You even had a desk at your parents' house that was your desk where you did these things, didn't you?

A That's correct. I didn't have MarketGraphics or Realysis material at my Nashville house. All the materials were kept with my father.

Q So you came and you had your desk there and you did the research and you drove the market and

you came home and you put it into the computer, and then you went back home?

A Yes, sir.

* * *

Q You knew in the fall of 2012 that you and your father didn't have MarketGraphics' permission to operate a different market research business, didn't you?

A Yes. I was aware of the non-compete; however, I never read it or signed it but I was aware of a non-compete that my father kept telling me was invalid because there was no time limit on there and that there was no configuration. So I kind of disregarded it. I mean I trusted what my father said and I can only make decisions based on the information I'm getting.

Q Mr. Berge, you could have gone out and done your own investigation, couldn't you have?

A Yes, I guess.

Q You could have asked him to give you a copy of the associate agreement, couldn't you have?

A I could have.

Q And you never did?

A That's correct.

Q And you never asked any attorney that you consulted prior to the fall of 2012 whether your father's non-compete was enforceable, did you?

A No, I did not.

Q You didn't ask in the fall or winter of 2012 when you were starting Realysis of Memphis, you didn't ask any attorney, "Please look at this non-

compete and tell me whether or not it's enforceable. Here's a description of what we're doing."

A Right, I didn't ask that.

Q In fact, you knew in September of 2012 or the first days of October of that year that you were likely to get sued by MarketGraphics for what you were doing, didn't you?

A I knew that might be a possibility.

* * *

Q Your father didn't follow the agreement he had with MarketGraphics, did he?

A No.

Q And you knew in October of 2012 that what he was doing was breaking that agreement, didn't you?

A Well, like I said before, I dismissed it because the information I was getting was that it wasn't valid and it wouldn't hold up in court. So, at the time, no, I didn't know that he was technically doing anything wrong.

* * *

Q You name was on just about everything Realysis of Memphis put out as its Owner and President, wasn't it, Mr. Berge?

A Yes. I found that out through the facts, yes.

Q Well, you knew at the time that it was on the Realysis Memphis website, didn't you?

A I did.

Q And that it listed you as Owner and President?

A Owner I'm not sure but President, yes. It may have said I was owner as well; I didn't create the website.

Q Only that there was an address with your name being used to send emails from Realysis of Memphis?

A Yes, my dad created Don@Realysis, David@Realysis and Berge@Realysis. He did that without my knowledge and I didn't know how to access Realysis.com. I didn't have a password or anything.

Q You knew that they were being used to send emails that appeared to come from you, didn't you?

A I only knew about the verification letter that came out at the very beginning. I was not aware to the extent that he was using my name at the bottom.

Q You never asked him to stop doing that, did you, Mr. Berge?

A No, because I wasn't aware of it.

Q Well, Mr. Berge, you knew that he was doing it at least some, weren't you, Mr. Berge?

A Once I knew. And that was something I actually read.

Q You didn't inquire as to whether or not he was doing it more often, did you?

A Like I said, I wasn't aware of it.

Q You didn't inquire as to whether he was doing it more often, did you, Mr. Berge?

A No, I did not.

Q You didn't say anything to the effect of, Dad, I'm not good with that idea.

A I wasn't aware that it was happening.

Q You were aware that the invoices that went out in your name, weren't you, Mr. Berge?

A Yes, I believe so.

Q You held yourself out as the President of Realysis Memphis, didn't you, Mr. Berge?

A I held myself out?

Q Yes.

A Yeah, on my Facebook page and Linked In. But it ended up just being a superficial title.

Q Well, if you look at Exhibit 68, Mr. Berge, that's your Linked In page as it appeared in early 2013, isn't it?

A Yes.

MR. KROG: Your Honor, I would move Exhibit 68 into evidence.

MR. LEFKOVITZ: No objection.

THE COURT: It will be admitted.

(Exhibit 68 admitted)

BY MR. KROG:

Q And you will admit, Mr. Berge, that your father didn't create this Linked In page, did he?

A That's correct.

* * *

Q You were going to help your father with his Realysis business whether he took a few clients or all the clients of MarketGraphics, weren't you?

A Uh-huh.

Q And is it fair to say, Mr. Berge, that you consciously disregarded the danger that posed to MarketGraphics, wouldn't it?

A Right.

* * *

Q There was a letter sent out from Realysis of Memphis in response to the letter that we previously talked about from Mr. Charles, wasn't there?

A Yes, what my dad liked to refer to as the verification letter.

Q And if we look briefly at Exhibit 48 -

A The one from October 4, 2012?

Q Yes, Mr. Berge. You understand that that's the letter from Edsel Charles that we've referred to, correct?

A Yes. I never read this.

Q But that's the letter to which your father referred?

A That's correct.

Q If we look at Exhibit 58, Mr. Berge, this is what you referred to a minute ago as the verification letter, isn't it?

A That's correct.

Q You saw this letter before it was sent, didn't you, Mr. Berge?

A That's correct.

Q And the letter was sent as an attachment to an email to all of the people for whom your father had been doing business in Memphis?

A Yes, I would assume so.

Q Can we turn to the second page, Mr. Berge? This letter is written in your name, isn't it?

A That's correct.

Q And it was written in your name when you read it before it was sent?

A That's correct; it was.

Q And when you looked over this letter before it was sent, you didn't object to anything in it, did you?

A No.

Q In fact, you told your father that it was fine.

A Yes.

Q And you agree, Mr. Berge, that this letter is an attempt to persuade the various people with whom your father had been doing business in Memphis to keep doing business with him via Realysis of Memphis and not to do business with MarketGraphics, don't you, Mr. Berge?

A It could be perceived that way. I think his intention was to inform the clients that MarketGraphics of Memphis was no longer going to be audited by my father and myself. There's other stuff in there, too.

Q There's quite a bit more in here, isn't there, Mr. Berge?

A Yes.

Q Including, Mr. Berge, several statements that are just plain false, aren't they, Mr. Berge?

A Which ones are you referring to?

Q Well, if you'll look at the second paragraph, you'll see that the LGLG (phonetic) letter was sent to those who have been clients of my father, Donald

Berge, for many years. And in bold, "who have not been clients of MarketGraphics Research Group in Nashville." That's not a true statement, is it, Mr. Berge?

A I believe it to be true, yes.

Q Well, Judge Trauger determined that it wasn't true, didn't she, Mr. Berge?

A By the motion for summary judgment?

Q The preliminary junction hearing on May 31, 2013, Judge Trauger said, in words of one syllable, essentially, that these people had been clients, that they were MarketGraphics' clients.

MR. LEFKOVITZ: Your Honor, I object to that. We're sitting up here and the witness has testified that he believed it to be a truthful statement. Whether or not the Court agreed or accepted that opinion, it was still his opinion at the time he uttered it that he believed that paragraph. The Court disagreed with that. That doesn't make it false.

THE COURT: Go ahead. Move along.

BY MR. KROG:

Q Mr. Berge, you knew when you -

A In addition to that, we have evidence, my father has evidence that never came to light that disputes these things but we never got a trial.

Q Mr. Berge, you were aware when you read this letter that your father had a non-compete with MarketGraphics, correct?

A Yes. I was told on most locations he did not believe it to be valid.

* * *

Q If your father's non-compete with MarketGraphics is enforceable, the letter, by failing to reference it, is misleading, isn't it, Mr. Berge?

A I don't think the letter itself is misleading. It's all pretty factual. He was working on the knowledge that it was wasn't valid and I don't think it's common practice to inform people that you have a non-compete that you've been told by your lawyers is not valid.

Q Well, Mr. Berge, didn't you agree in your deposition with my statement? You are giving an assessment, you will agree, though, Mr. Berge, that if the (inaudible) precluded from selling market research services to the recipients of this letter that the letter would be misleading. You answered, "Yeah, that's if the non-compete was valid."

A That's right. That's what I'm saying.

Q You agree, Mr. Berge, don't you, that the presence of the non-compete and the fact that your father was breaching it by continuing the market research business, that might be something that people that he's sending that letter to might want to know?

A Possibly. I mean you agree that a bank might want to know if it's doing business with somebody who doesn't keep his agreements?

MR. LEFKOVITZ: Again, Your Honor, that calls for a conclusion. There's no way he can answer that.

THE COURT: Go ahead and answer. I'm not sure how relevant that is but go ahead.

THE WITNESS: Would you repeat it again?

BY MR. KROG:

Q You agree that a bank might like to know if it's doing business with somebody who doesn't keep agreements he signs?

A Possibly, yes.

Q It's more likely than not.

A In a relationship with my father for 10 or 15 years, if he had mentioned that there was a non-compete but that he was fighting it, there's still a good chance I would have gone with him anyway.

Q You agree that it's more likely than not, Mr. Berge, that a bank -

A I have no idea what bankers would think. I have no idea what decisions they make. I don't know (inaudible).

Q Do you think banks, generally, like dealing with dishonest people?

MR. LEFKOVITZ: Objection.

THE COURT: Sustained, sustained. Speculative.

BY MR. KROG:

Q Do you like dealing with dishonest people, Mr. Berge?

MR. LEFKOVITZ: Objection, Your Honor, that's argumentative.

THE COURT: Sustained.

BY MR. KROG:

Q Mr. Berge, you told your father that the October 30 letter was fine, didn't you?

A Yeah. He asked me, you know, look through it and see if you see any typos. I gave it a quick through and I said, "That's fine with me." I didn't sit there and pick it apart.

Q You didn't tell him not to send it with your name on it?

A No, I didn't not.

Q One of the reasons your father sent this letter with your name on it, Mr. Berge, is because he knew that when he was sued by MarketGraphics it would become evidence and it would support his defense that -

MR. LEFKOVITZ: Objection. That's beyond

THE COURT: Sustained. I don't know what he knew about what his father thought or - his father can say what he knew.

BY MR. KROG:

Q Mr. Berge, you knew, in October of 2012 when you looked at this letter, that if and when you were sued by MarketGraphics, as you were anticipating, that the letter would become a piece of evidence, didn't you, Mr. Berge? You knew that it would be available -

A You give me too much credit, man. I didn't - this was not my baby. This was my father's doing. He asked me what I thought and I said yes but I didn't make decisions that - I was so very much in the backseat I probably wasn't even in the car. I mean I'm not even living in Memphis. He's not asking me permission to do all this stuff. And to the extent of the emails that he wrote under my name, I had no idea of the extent of it. The only one I knew for sure was this one.

* * *

[Testimony of Paula Charles, pp. 111:23-114:19; 119:14-120:7; 122:25-124:13]

* * *

Q Where is it you live, Ms. Charles?

A Brentwood, Tennessee.

Q Where is it that you are employed?

A I am the President of MarketGraphics.

Q MarketGraphics Research Group, the Plaintiff?

A Yes, sir.

Q Were you the President of MarketGraphics in 2012?

A Yes, sir.

Q Have you been the President continuously since then?

A Yes, sir.

Q If you could briefly describe the business in which MarketGraphics is engaged.

A To scale it down for ease of explaining here, MarketGraphics is a new home market research company that collects specific data that is then processed in the Nashville/Franklin office that produces a variety of charts and graphs, but more importantly, information in such a way that banks, builders, developers, utility companies, a variety of people that are in the new home industry can use the data to determine whether there is over-building, under-building and a variety of other things.

Q And does MarketGraphics study the housing market in Memphis?

A Yes, they do.

Q And the surrounding counties?

A Yes.

Q And does MarketGraphics put out a report about Memphis?

A Yes, they do.

Q Is Exhibit 51, Ms. Charles, which should be there in the box with you, is Exhibit 51 and example of the report that MarketGraphics produces concerning Memphis?

A Yes, sir.

MR. KROG: Your Honor, I'd like to move Exhibit 51 -

MR. LEFKOVITZ: No objection.

THE COURT: It will be admitted.

(Exhibit 51 admitted)

BY MR. KROG:

Q Does MarketGraphics collect the data on every housing market itself?

A Can you ask that question again, please?

Q Sure. Does MarketGraphics enter what are called associate relationships for some markets?

A Some of our MarketGraphics cities, yes, have a licensed associate, while others are what I would say managed out of our corporate office in Franklin.

Q For the markets that you manage, out of your corporate office, who handles the client relationships in those offices for those markets?

A When it is time to do the client presentations, typically that takes place in the client's offices. That's done by Edsel Charles.

Q And clients of MarketGraphics directly, right?

A That's correct.

Q Who gets the check if there's an associate?

A The associate.

Q And what is the financial relationship between MarketGraphics and the associate?

A Generally speaking, when a person becomes a licensed associate there is an initial licensing fee. That fee then comes back to, starting about the second year of the agreement, and then additionally the associate pays for the production of the report, the copying, shipping, so forth. Additionally, one other item is that they pay for the computer processing of the data. And there are a few other ancillary things.

* * *

Q If you'll turn to Tab 41, Ms. Charles. Is Exhibit 41 an email that you sent?

A Yes, it is an email that I sent.

Q To Mr. Donald Berge on October 1, 2012?

A Yes, sir.

Q Was the attachment to that email Exhibit 42?

A Yes, I believe so.

MR. KROG: Your Honor, I'd like to move Exhibits 41 and 42.

MR. LEFKOVITZ: No objection.

THE COURT: They'll be admitted.

(Exhibits 41 and 42 admitted)

BY MR. KROG:

Q And on the second page of this October 1, 2012 letter, Ms. Charles, did you and Mr. Edsel Charles expressly remind Mr. Donald Berge about the non-compete provision in the associate agreement?

A Yes, sir.

* * *

Q If you would look, Ms. Charles, at Exhibit 48, can you identify Exhibit 48 for us?

A Yes, it's a letter that we sent to all the MarketGraphics Memphis clients that explained that Don was retiring. And while we did that we also took the opportunity to explain that we had changed the format of our reports to a spiral bound. We also offered additional mapping products for them, so we detailed that there.

Q Did anything Mr. Donald Berge had communicated to MarketGraphics before 2012 give MarketGraphics the impression that Mr. Donald Berge had not retired?

A Can you ask that again, please?

Q Did Mr. Donald Berge tell MarketGraphics prior to the time this letter was sent that he was retiring?

A No, this was the first time I'd heard he was retiring.

MR. KROG: Your Honor, we would move Exhibit 48 into evidence.

MR. LEFKOVITZ: No objection.

THE COURT: It will be admitted.

(Exhibit 48 admitted)

BY MR. KROG:

Q Ms. Charles, if you would please look at Exhibit 49. Can you identify Exhibit 49 for us?

A Yes. What transpired after the retirement notice and us scrambling to make sure we had the market data available in time for the clients, it came to our attention that, while talking to the clients and trying to explain the transition, that, in fact, Don wasn't retiring and that the business was continuing under a different name. So, in this letter we stated parts of our associate agreement, reminding him of confidentiality, copyright and so forth.

Q And one of the parts that you were reminding him of was the part that we see credited on the second page, isn't it, that you had a non-compete agreement with him, correct?

A Absolutely.

* * *