SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION

NATIONAL ASSOCIATION OF CONSUMER ADVOCATES, Plaintiff, v. RENTGROW, INC., and YARDI SYSTEMS, INC. Defendants.	Case No. 2024-CAB-006253 Judge Leslie A. Meek Next Court Date: Feb. 26, 2026, at 9:00 A.M. Event: Remote Mediation Session

PLAINTIFF'S MEMORANDUM OF LAW
IN OPPOSITION TO
YARDI SYSTEMS, INC.'S MOTION TO DISMISS

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INTRODUCTION

Plaintiff National Association of Consumer Advocates, Inc. ("Plaintiff" or "NACA") alleges that Defendant Yardi Systems, Inc. ("Defendant" or "Yardi") violates the District of Columbia Consumer Protection Procedures Act ("CPPA"), D.C. Code §§ 28-3901–13, based on deceptive and unfair conduct related to a tenant-screening service (the "Service") operated by its wholly owned subsidiary, RentGrow Inc. ("RentGrow"). As alleged in the Complaint ("Compl."), this Service "generates reports based improperly on inaccurate and/or biased information, which negatively impacts individuals in the District who need a RentGrow report to obtain housing." (Compl. ¶ 2.) These inaccurate reports occur despite representations on RentGrow's website[1] that the Service "prepares tenant-screening reports for property owners and managers who use the information to make ***informed*** decisions about rental applications." (*id.* ¶ 45.) Yardi[2] further warrants—

- that RentGrow will provide its services in "a professional, good, workmanlike manner consistent with industry standards";
- that it will comply "with all laws directly applicable to RentGrow's performance"; and
- that its Service must comply with the Fair Credit Reporting Act ("FCRA"), 15 U.S.C. § 1681 *et seq*., which requires maintenance of certain accuracy and data correction procedures." (*Id.* ¶ 48.)

Since 2018, Yardi's "wholly owned subsidiary" (*Id.* ¶ 15) RentGrow "has contracted with the D.C. Housing Authority ('DCHA') to provide its Service to landlords participating in the District's Housing Choice Voucher Program ('HCVP')," which "helps low- and moderate-income residents

[1] When one visits RentGrow's website, one is prompted to "accept cookies." The privacy statement that pops up when one clicks on "cookie settings" lists Yardi's name, evincing its involvement with RentGrow's website. *See Solomon v. Falcone*, 791 F. Supp. 2d 184, 188 (D.D.C. 2011) ("In ruling upon a motion to dismiss, a court may ordinarily consider only 'the facts alleged in the complaint, documents attached as exhibits or incorporated by reference in the complaint and matters about which the Court may take judicial notice.'").

[2] The Complaint refers to Yardi and its co-Defendant collectively as "RentGrow" or "Defendants." (Compl. ¶ 1.)

find and afford housing by providing vouchers to allow participants to pay rent in privately owned properties around the city." (*Id.* ¶ 1.) This means that "a potential tenant's eligibility for housing under the HCVP is often dependent on data that RentGrow provides in its reports, and RentGrow's Service is critical for individuals who need affordable housing in the District." (*Id.*) RentGrow's reports are generated using artificial intelligence, such as Automated Decision-Making ("ADM") systems. (*Id.* ¶ 21.)[3] As detailed in the Complaint, RentGrow "purchases credit data from vendors such as Experian, Equifax, and TransUnion, and utilizes public records compiled by companies like LexisNexis." (*Id.* ¶ 24.) "These companies' information is notoriously inaccurate, having reported error rates in their consumer data of not less than 13 percent, affecting more than 10 million people." (*Id.* ¶ 25.) Despite RentGrow's reliance on third-party data that has a history of inaccuracies, "[o]nly in 'rare instances' does a human actually review" the information in RentGrow's reports "for any inconsistent or nonreportable information." (*Id.* ¶ 28 n.21.) The inaccurate data that the Service's ADM systems do not catch "reflect racial bias" (*Id.* ¶ 34), which is why the Federal Trade Commission ("FTC") "recommends rigorous testing of algorithms to prevent these disparate impacts." (*Id.* ¶ 97.)

Yardi's Motion to Dismiss ("MTD") argues that there is a lack of personal jurisdiction and that it cannot be held liable for the actions of its subsidiaries. Both arguments fail for reasons set forth below.[4] Therefore, Yardi's motion should be denied.

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[3] As used in the Complaint, ADM systems refer to any "tool, software, system, process, function, program, method, model, and/or formula designed with or using computation to automate, analyze, aid, augment, and/or replace government decisions, judgments, and/or policy implementation." (Compl. ¶ 21.)

[4] Yardi also "incorporates by reference" RentGrow's Motion to Dismiss. (MTD at 1.) NACA addresses those arguments in its simultaneously filed brief in opposition to RentGrow's Motion to Dismiss.

LEGAL STANDARD

"'The Court treats the factual allegations of the complaint as true' and must grant plaintiff 'the benefit of all inferences that can be derived from the facts alleged.'" *Qureshi v. Am. Univ.*, No.20-cv-1141 (CRC), 2023 U.S. Dist. LEXIS 38041, at *7 (D.D.C. Mar. 7, 2023) (citations omitted). "When considering a motion to dismiss under Rule 12(b)(6), courts are permitted only to consider matters within the complaint." *Stocks v. Cordish Cos.*, 118 F. Supp. 3d 81, 84 (D.D.C. 2015). "On a motion to dismiss pursuant to Rule 12(b)(2), . . . [f]actual discrepancies in the record 'must be resolved in favor of the plaintiff.'" *Id.* at 86 (citations omitted).

ARGUMENT

I. The District of Columbia Has Specific Jurisdiction Over Yardi.

"The District of Columbia's long-arm statute states that '[a] District . . . court may exercise . . . jurisdiction over a person, who acts directly or by an agent, as to a claim for relief arising from . . . transacting any business in the District . . . or having an interest in, using, or possessing real property in the District.'" *District of Columbia v. Daro Realty, LLC*, No. 2020 CA 001015 B, 2020 D.C. Super. LEXIS 12, at *13-14 (Aug. 6, 2020) (López, J.) (citing D.C. Code § 13-423(a), (b)). The CPPA "establishes an enforceable right to truthful information from merchants about consumer goods and services that are or would be purchased, leased, or received in the District of Columbia." D.C. Code § 28-3901(c). The Service provided by Yardi through its wholly owned subsidiary, RentGrow, is received in the District and is the subject of the CPPA claim. (Compl. ¶ 1.) A claim for relief "based on misrepresentation under the CPPA" that arises from "transacting business in the District of Columbia" meets "the statutory requirements for personal jurisdiction pursuant to § 13-423." *Animal Outlook v. Cooke Aquaculture, Inc.*, No. 2020 CA 002908 B, 2021

D.C. Super. LEXIS 12, at *31 (June 24, 2021) (Pasichow, J.). A defendant cannot "eliminate [] jurisdiction by claiming the facts of the [] Complaint are false." *Id.*

Jurisdiction pursuant to subsection 13-423 extends as far as the Due Process Clause permits, *see, e.g.*, *Flocco v. State Farm Mut. Auto. Ins. Co.*, 752 A.2d 147, 162 (D.C. 2000), and includes no requirement that the defendant have been physically present in the District, *see, e.g.*, *Family Fed'n for World Peace & Unification Int'l v. Hyun Jin Moon*, 129 A.3d 234, 242-43 (D.C. 2015) (citing *Mouzavires v. Baxter*, 434 A.2d 988, 992 (D.C. 1981)). The crucial inquiry is whether maintenance of the suit against the defendants "offend[s] 'traditional notions of fair play and substantial justice'." *Shoppers Food Warehouse v. Moreno*, 746 A.2d 320, 330 (D.C. 2000) (en banc) (quoting *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)).

Holding Yardi accountable for conduct in the District presents no offense to fair play or justice. Yardi contends that the Complaint alleges only conduct attributable to RentGrow. As set forth in more detail *infra*, Part II, however, the Complaint's allegations are directed at both Yardi and RentGrow. For example, Yardi is listed as a party to receive the contract of its wholly owned subsidiary with the DCHA (Compl. ¶¶ 1, 2, n.4). Given Yardi's documented interest in the DCHA contract regarding the Service, Yardi could "reasonably anticipate being haled into court" here based on the trade practice, *see, e.g.*, *Shoppers Food Warehouse*, 746 A.2d at 327—not least because D.C. Code §§ 28-3901 and 13-423[5] state as much.

Yardi's contention that, despite its appearance in the RentGrow contract with DCHA, it has nothing to do with the Service provided to D.C. consumers, is immaterial. Yardi is listed as a

[5] D.C. Code § 28-3901(c) states that the CPPA "shall be construed and applied liberally to promote its purpose [and] establishes an enforceable right to truthful information from merchants about consumer goods and services that are or would be purchased, leased, ***or received in the District of Columbia.***" (emphasis added). Yardi's Services are received in the District**.** (*See, e.g*. Compl. ¶ 2 n.4.) D.C. Code § 13-423(a)(2) states that "A District of Columbia court may exercise personal jurisdiction over a person, who acts directly or by an agent, as to a claim for relief arising from the person's —contracting to supply services in the District of Columbia." Here, Yardi, through its subsidiary RentGrow, Inc., has a Service that is subject to a contract by a D.C. agency. (Compl. ¶ 2 n.4.).

party in the contract. That is sufficient to establish specific jurisdiction. *See Shoppers Food Warehouse*, 746 A.2d at 324 (finding personal jurisdiction where the defendant had contracted with District businesses); *Meyer v. Race City Classic, LLC*, 761 S.E.2d 196, 202 (N.C. Ct. App. 2014) ("When a contract bears a substantial connection to the forum state, a defendant who enters into that contract can reasonably anticipate being haled into court."). Further, it is inappropriate to dismiss a well-pleaded complaint simply because a defendant denies the allegations. Establishing the truth of the allegations is the very purpose of discovery and trial. *See Grayson v. AT&T Corp.,* 15 A.3d 219, at 232-233 (D.C. 2011) ("For purposes of ruling on a motion to dismiss for want of constitutional standing, both the trial and reviewing courts must accept as true all material allegations of the complaint, and must construe the complaint in favor of the complaining party.") (quoting *Warth v. Seldin*, 422 U.S. 490, 501 (1975)). "The Supreme Court has held that 'where issues arise as to jurisdiction . . ., discovery is available to ascertain the facts bearing on such issues.'" *Saad Aljabri v. Mohammed Bin Salman Bin Abdulaziz Al Saud*, 106 F.4th 1157, 1164 (D.C. Cir. 2024). NACA and Yardi will engage in discovery to test the allegations of the Complaint; Yardi is free to include jurisdictional discovery in that process.

II. The Complaint Identifies Conduct Attributable to Yardi.

In considering a motion to dismiss under Rule 12(b)(6), "the court must accept as true all of the factual allegations contained in the complaint." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 572 (2007) (quoting *Swierkiewicz v. Sorema* N.A., 534 U.S. 506, 508 n. 1 (2002)), and NACA is entitled to "the benefit of all inferences that can be derived from the facts alleged." *Hettinga v. United States*, 677 F.3d 471, 476 (D.C. Cir. 2012). The thrust of Yardi's arguments is that the conduct identified in the Complaint as violating the CPPA belongs exclusively to the wholly owned subsidiary, RentGrow, and that Yardi should not be charged with the consequences of RentGrow's actions. As set forth herein, the Complaint sets forth Yardi's role in the offensive

conduct. NACA believes it can prove all the allegations of the Complaint, but for this moment, the allegations themselves suffice to bring the parties to discovery.

A. NACA Adequately Alleges Unfair and Deceptive Trade Practices by Yardi.

Yardi mischaracterizes the Complaint's allegations as imputed to only RentGrow, Inc., when the violations of the DC CPPA are alleged against RentGrow, Inc. and to Yardi Systems, Inc. in equal measure. In the first sentence of the Complaint, NACA defines the two Defendants collectively as "Defendants" or "RentGrow." (Compl. ¶ 1.) An examination of the Complaint shows that the collective reference is well founded; NACA plausibly pleads the "factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Hettinga*, 677 F.3d 471, at 476 (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)).

First, NACA alleges that Yardi collects and provides inaccurate data to District landlords. For example, citing a contract between RentGrow and the DCHA that gives Yardi material obligations and mentions Yardi by name twelve times, the Complaint states that Defendants collectively "compile[] data from third parties" and "purchase[] credit data from vendors such as Experian, Equifax, and TransUnion, and utilize[] public records compiled by companies like LexisNexis." (Compl. ¶ 2 n.4.) These inaccurate and biased data are the very data that create the unfair trade practice. (*E.g.*, Compl. ¶ 37–38 (alleging that the data, such as eviction filing data, found in defendants' tenant-screening algorithm "reflects longstanding systemic discrimination").)

Second, NACA alleges that Yardi provides misleading and inaccurate information about the RentGrow service. The DCHA Housing Contract, specifically "Schedule C: Required Supplemental Terms and Conditions," is hosted on Yardi's own website, not on RentGrow's, and makes promises about FCRA compliance. (*See* DCHA Housing Contract at 9, cited in Compl. ¶ 2 n.4.) Even if RentGrow was the nominal contract signatory, Yardi had a hand in drafting the language and shaping how RentGrow expressly certified compliance with FCRA obligations. (*Id.*;

id. ¶ 49.) The discrepancy between the promises about RentGrow—including those made by Yardi on its website—and RentGrow's actions in practice constitute unfair trade practices tin violation of the DC CPPA.

Third, NACA's allegations are not limited, as Yardi suggests, to Yardi's liability for RentGrow's actions as the parent of the subsidiary. Instead, NACA alleges that Yardi's own actions violate the DC CPPA, because RentGrow, Inc. and Yardi Systems, Inc.'s actions are intermingled to the point where it is unclear which entity is doing which of the specific tasks that contribute to the unfair and deceptive trade practices—despite Yardi's fact contention that it does not directly engage in the provision of tenant-screening services (*see* Declaration of Brady M. Bustany ("Bustany Decl."), attached to the MTD, at ¶ 2). Consistent with this, and despite not signing the contract independently of RentGrow, Defendant Yardi Systems Inc. has distinct, material obligations under the DCHA housing contract, which mentions "Yardi" by name twelve separate times (DCHA Contract at 5, 9, 10) and Yardi's product Voyager an additional three times (*Id.* at 2, 8). Per the DCHA Housing contract—which, again, directly impacts and affects the rights of D.C. consumers—Yardi manages records for RentGrow's screening service, including providing copies of TransUnion Reports, Experian Reports, Equifax reports, public court records, and other documentations underlying RentGrow's tenant-screening algorithm. (*See* DCHA Housing Contract at 10, cited Compl. ¶ 2 n.4). The contract makes Yardi, not RentGrow, solely responsible for dispute resolution, and for indemnifying landlords and the DCHA. (*Id.*) The contract was signed on August 22, 2018, by Michael Remorenko (*Id.* at 6), an officer who according to publicly available information is affiliated with ***Yardi***—muddling and intermingling RentGrow's and Yardi Systems Inc.'s legal responsibilities. As stated in the DCHA Contract (*Id.* at 2), RentGrow's tenant-screening algorithm is available through the platform of Voyager, which

is another of ***Yardi***'s products, suggesting that RentGrow, Inc. is one piece of Yardi Systems Inc.'s well controlled ecosystem of property management software products.

NACA has plausibly alleged that Yardi is a participant in the DCHA contract, materially involved in the compilation and use of inaccurate data, in the provision of the biased data to landlords and government agencies, and in making misleading statements about the tenant-screening algorithms.

B. In the Alternative, RentGrow Is Effectively a Shell for Yardi for the Purpose of CPPA Liability.

Yardi does not dispute that RentGrow is its wholly owned subsidiary. (MTD at 1.) For liability of actions committed by a subsidiary to attach to a parent corporation, the corporate veil must be pierced. Whether to pierce a corporate veil is determined by the law of the state where the subsidiary is incorporated. *See, e.g.*, *United States v. TDC Mgmt. Corp*., 263 F. Supp. 3d 257, 266 (D.D.C. 2017). RentGrow, Yardi's wholly owned subsidiary, is incorporated in Delaware. Here, Yardi exercised a "complete domination and control of" RentGrow, Inc. which requires the court to pierce the corporate veil. *Wallace ex rel. Cencom Cable Income Partners II, Inc., v. Wood*, 752 A.2d 1175, 1183 (Del. Ch. 1999).

Under Delaware state law, useful factors for considering when to pierce the corporate veil include adequate capitalization, solvency, observation of corporate formalities, siphoning of funds by the dominant shareholder, or in general the subsidiary's serving as a façade for the dominant shareholder. "An ultimate decision regarding veil-piercing is largely based on some combination of these factors, in addition to an overall element of injustice or unfairness." *Manichaean Cap., LLC v. Exela Techs., Inc.*, 251 A.3d 694, 707 (Del. Ch. 2021) (citations omitted). Proof of actual fraud is not a prerequisite for piercing the veil under Delaware precedent. *See, e.g.*, *Trustees, Nat'l Elevator Indus. Pension v. Lutyk*, 332 F.3d 188, 194 (3d Cir. 2003). The emphasis is on whether

the subsidiary is little more than a legal fiction, *see id.* (quoting *Pearson v. Component Tech. Corp.*, 247 F.3d 471, 485 (3d Cir. 2001)), and whether there is an element of injustice or fundamental unfairness, *see id.* (quoting *United States v. Pisani*, 646 F.2d 83, 88 (3d Cir. 1981)). The muddled way in which Yardi Systems, Inc. and RentGrow, Inc. operate indicates a "single economic entity such that it would be inequitable for this Court to uphold a legal distinction between them." *Manichaean Cap.*, 251 A.3d, at 707 (citations omitted). (citing *Mabon, Nugent & Co. v. Texas Am. Energy Corp.*, No. 8578, 1990 Del. Ch. LEXIS 46, at *15 (Del. Ch. Apr. 12, 1990)). Importantly, courts recognize that "an overall element of injustice or unfairness" is integral to a veil-piercing claim. *See Verdantus Advisors, LLC v. Parker Infrastructure Partners, LLC*, No. CV 2020-0194-KSJM, 2022 Del. Ch. LEXIS 50, at *4 (Del. Ch. Mar. 2, 2022). Plaintiffs will not be shielded from unfair and deceptive trade practices if the Court dismisses Yardi Systems Inc. from the case and fails to enjoin Yardi's behavior.

As described above, there is no clear boundary between when Defendant Yardi Systems Inc. uses its own name, when it uses an "authorized representative" acting for it and RentGrow, and when it uses its subsidiary RentGrow. Yardi obtains and manages records for RentGrow's screening services, is solely responsible for dispute resolution of contracts entered by RentGrow and indemnifies for actions taken by the RentGrow entity. RentGrow itself is just one piece of Yardi Systems Inc.'s greater ecosystem of property management software products. Voyager is another of Yardi Systems Inc.'s products, *i.e.*, not a product under the "RentGrow" moniker, yet RentGrow's tenant-screening algorithm is available through the Voyager platform. This is evident from the contract, which stipulates that users of Voyager shall also have access to RentGrow.[6]

[6] *See* Compl. ¶ 2 n.4; DC Housing Contract at 8 ("Only the designated POC is authorized to add new End-Users, except that if the Services [RentGrow screening and related products and solutions] are accessed through Client's Voyager software, Client shall ensure that any Designated User of said Voyager software that also has access to the Services shall also be an End-User.").

Even the fact that RentGrow's sole service is its tenant-screening algorithm suggests that RentGrow, as a corporate entity, is a shell for Yardi's venture into screening algorithms; prior to being re-branded "RentGrow," the offering was known as "Yardi Resident Screening." (*See* Compl. ¶ 15 n.6; *see also* Bustany Decl. ¶ 6.).

Yardi Systems Inc. is the recordkeeper of public records that undergird the tenant-screening algorithm created by RentGrow. To hold RentGrow accountable for failure to engage in basic safeguards regarding the datasets provided by Yardi but let Yardi evade liability would be inequitable.

CONCLUSION

The motion to dismiss filed by Defendant Yardi Systems, Inc. should be denied. In the event the Court is inclined to grant any portion of that motion, NACA alternatively requests the Court to allow for jurisdictional discovery and/or for leave to file an amended complaint.

DATED: July 18, 2025

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was filed electronically on July 18, 2025. Notice of this filing will be sent to the following Parties by operation of the Court's electronic filing system to all counsel of record.

/s/ Kim E. Richman
Kim E. Richman
Attorney for Plaintiff