

No.

In the Supreme Court of the United States

ULTRAFLO CORPORATION,

Petitioner,

v.

PELICAN TANK PARTS, INCORPORATED;
THOMAS JOSEPH MUELLER;
PELICAN WORLDWIDE, INCORPORATED,

Respondents.

**On Petition for a Writ of Certiorari to
the United States Court of Appeals
for the Fifth Circuit**

PETITION FOR A WRIT OF CERTIORARI

TRAVIS SCOTT CRABTREE
JIM MOSELEY
*Gray Reed &
McGraw, LLP
1300 Post Oak Blvd.,
Suite 2000
Houston, TX 77056
(713) 986-7000*

PAUL W. HUGHES
Counsel of Record
MICHAEL B. KIMBERLY
DENNIS R. MAHONEY
*Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
phughes@mayerbrown.com*

Counsel for Petitioner

QUESTION PRESENTED

Section 102(b) of the Copyright Act renders “ideas” outside the subject matter of copyright; it provides that “[i]n no case does copyright protection for an original work of authorship extend to any idea.” 17 U.S.C. § 102(b).

Section 301(a) provides that the Copyright Act “exclusively” governs all rights relating to “works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301(a).

The circuits are expressly divided as to whether Section 301(a) preempts state-law claims relating to ideas expressed in tangible media. Here, the Fifth Circuit held that, despite the fact that an idea is not within the subject matter of copyright, Section 301(a) nonetheless preempts petitioner’s Texas-law claim for unfair competition by means of misappropriation. The question presented is:

Whether Section 301(a) preempts state-law claims relating to ideas expressed in tangible media.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-13a) can be found at 845 F.3d 652. The opinion of the district court (App., *infra*, 14a-24a) is unreported, but is available at 2015 WL 300488.

JURISDICTION

The judgment of the court of appeals was entered on January 11, 2017. This Court's jurisdiction rests on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 102(b) of Title 17 of the U.S. Code provides:

In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Section 301 of Title 17 of the U.S. Code provides in relevant part:

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within

the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

* * *

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

STATEMENT

An idea is categorically exempt from the subject matter eligible for copyright protection. Section 102(b) of the Copyright Act provides that “[i]n no case does copyright protection for an original work of authorship extend to any idea.” 17 U.S.C. § 102(b).

Meanwhile, Section 301(a) provides that the Copyright Act “exclusively” governs all rights relating to “works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301(a).

The question presented in this case is whether Section 301(a) preempts a state-law claim for unfair competition arising from misappropriation of a valuable idea.

Reasoning that Section 301(a) preemption is expressly limited to the subject matter of copyright, and further that Section 102(b) renders an idea outside the scope of subject matter eligible for copyright protection, the Eleventh Circuit holds that Section 301(a) does not preempt such a claim. Five circuits, including the court below, disagree.

Here, an employee of petitioner misappropriated the design of an industrial valve. The core matter at issue is the idea of the valve’s design—and it is thus outside the subject matter governed by the Copyright Act. Respondents flatly acknowledge that the design of the valve is “non-copyrightable subject matter.” D. Ct. Dkt. No. 295, at 24. The Fifth Circuit agrees. App., *infra*, 7a-8a. Yet that court nonetheless held that Section 301 preemption bars petitioner’s misappropriation claim.

Review is warranted: there is a broadly acknowledged conflict among the circuits; this issue arises with considerable frequency; and the approach taken below is irreconcilable with the statutory text.

A. Legal Background.

1. The Copyright Act extends certain protections to expressions fixed in tangible media. But in providing that “copyright protection for an original work of authorship” does not “extend to any idea” (17 U.S.C. § 102(b)), the Copyright Act codifies the principle that “[n]o author may copyright his ideas or the facts he narrates.” *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985).

Section 301(a) expressly preempts state laws that would overlap with federal copyright protections. It provides that the Copyright Act “exclusively” governs all rights relating to “works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301(a).

To apply this statute, the courts of appeals have adopted a two-part analysis. See *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 429 (2d Cir. 2012). First, courts inquire as to whether the material at issue is within the subject matter of copyright. *Id.* at 429-430. If it is, courts then consider whether the state-law claim is equivalent to any of the rights provided by the Copyright Act. *Id.* at 430-432.

2. Drawing from this Court’s decision in *International News Service v. Associated Press*, 248 U.S. 215, (1918), Texas has established a tort of unfair competition by means of misappropriation. See *U.S. Sporting Prod., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex. App. 1993). This cause of action has three elements:

- (i) the creation of plaintiff’s product through extensive time, labor, skill and money,
- (ii) the defendant’s use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition (*i.e.*, a “free ride”) because defendant is burdened with little or none of the expense incurred by the plaintiff, and
- (iii) commercial damage to the plaintiff.

Ibid.

Additionally, because the unfair competition claim requires a showing that the defendant engaged in conduct “contrary to honest practice in industrial or commercial matters,” unfair competition by misappropriation typically requires proof that the misappropriation was committed by an employee or one in a position of special trust with the claimant. *Id.* at 217-218. See also *BP Auto., L.P. v. RML Waxahachie Dodge, L.L.C.*, 448 S.W.3d 562, 572 (Tex. App. 2014).

B. Factual Background.

Respondent Thomas Mueller was an employee of Ultraflo Corporation (“Ultraflo”). Mueller signed “at least two employment agreements relating to workplace ethics including ‘conflict of interest’ and confidentiality provisions.” App., *infra*, 36a.

Ultraflo manufactures valves and accessories for the transportation industry. App., *infra*, 2a. While employed by Ultraflo, Mueller aided the company in redesigning its Model 390 butterfly valve. *Ibid.* Mueller was a part of a team that developed the innovative valve and recorded it in drawings that specified its design and measurements. *Ibid.*

Soon after Ultraflo introduced its valve to the market, Mueller left the company and joined Respondent Pelican Tank Parts, Inc. (“Pelican”). *Ibid.* Pelican later produced its own, nearly-identical valve, providing Pelican an entry into a market in which it had not previously competed. *Ibid.*

C. Proceedings Below.

Following other state and federal proceedings that have now terminated, Ultraflo brought this action in federal court. App., *infra*, 3a.

1. Ultraflo filed an amended complaint on October 28, 2010, raising various state-law claims against Pelican, including unfair competition by means of misappropriation. App., *infra*, 37a. The district dismissed this claim on preemption grounds. *Id.* at 35a-52a. The court reasoned that “[s]tate law claims of unfair competition by misappropriation generally are preempted when the acts that form the basis of the claim ‘touch on interests clearly protected by the Copyright Act.’” *Id.* at 45a-46a.

Ultraflo realleged its unfair competition by means of misappropriation claim in its second amended complaint. The district court again dismissed the claims: “Ultraflo’s state law claims of unfair competition by misappropriation and conversion are preempted and therefore dismissed.” *Id.* at 28a.

Ultraflo’s claims for misappropriation of trade secrets and copyright infringement proceeded to a jury trial, which returned a defense verdict. App., *infra*, 14a-15a.

2. Ultraflo appealed the dismissal of its unfair competition by misappropriation claim. App., *infra*, 5a. Relying on its earlier decision, *Spear Mktg., Inc. v. BancorpSouth Bank*, 791 F.3d 586, 596-597 (5th Cir. 2015), a panel of the Fifth Circuit affirmed. App., *infra*, 1a-13a.

To begin with, the panel agreed that petitioner’s “valve design is not protected under the Copyright Act: it is either a useful article or an idea.” App., *infra*, 7a. The court nonetheless found that Section 301(a) “preempts state protection of works that fall within the subject matter (that is, the scope) of copyright regardless whether the works are actually afforded protection under the Copyright Act.” *Id.* at 8a.

The court concluded that “Congress’s exercise of its power under the Copyright Clause to not provide protection for the embodiment of ideas in useful articles is entitled to preemptive force.” *Id.* at 9a.

Additionally, the panel found that “Texas’s unfair competition by misappropriation cause of action does not afford protection materially different from federal copyright law.” App., *infra*, 10a. The Court thus found that “the Copyright Act preempted Ultraflo’s unfair competition claim.” *Id.* at 13a.

REASONS FOR GRANTING THE PETITION

This petition presents a clear conflict among the circuits. The Eleventh Circuit holds that, because an idea is outside the scope of copyright subject matter eligibility, Section 301(a) of the Copyright Act does not preempt state-law claims relating to theft of an idea. *Dunlap v. G&L Holding Grp., Inc.*, 381 F.3d 1285, 1294 (11th Cir. 2004). Five circuits disagree.

The Court should resolve this circuit split. The issue arises with considerable frequency. And the decision below—which unduly extends the scope of the preemption statute far beyond its plain terms—is incorrect. Certiorari is thus warranted.

A. The Circuits Are Expressly Divided.

This conflict among the circuits is well-recognized. *Dunlap* itself acknowledged its departure from holdings of the Fourth and Sixth Circuits. *Dunlap*, 381 F.3d at 1295 n.18. More recently, the Fifth Circuit identified this “clear and lopsided split” among the “circuits.” *Spear Mktg.*, 791 F.3d at 595. Several lower courts have likewise confirmed the conflict. See, e.g., *Found. for Lost Boys v. Alcon Entm’t, LLC*, 2016 WL 4394486, at *11 (N.D. Ga.

2016).¹ And a leading copyright treatise notes the “controversy” surrounding the issue. 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01 [B][2][c] (Matthew Bender rev. ed.).

1. Based on “a plain reading of the Copyright Act, its legislative history, and consideration of relevant circuit court cases,” the **Eleventh Circuit** held that the preemption provision applies to “only those elements that are substantively qualified for copyright protection.” *Dunlap*, 381 F.3d at 1294-1295. Because “ideas are substantively excluded from the protection of the Copyright Act, they do not fall within the subject matter of copyright.” *Id.* at 1295. Thus, the court concluded that a “claim for conversion” of a plaintiff’s “ideas” is “not preempted by the Copyright Act.” *Id.* at 1297.

2. Five other courts of appeals—the Second, Fourth, Fifth, Sixth, and Ninth Circuits—disagree.

In *United States ex rel. Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997), the **Fourth Circuit** held that Section 301 preempts a state-law claim regarding theft of an idea. Although the court recognized that “the Act specifically excludes” ideas “from protection,” it stated that “the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection.” *Ibid.*

Other circuits have followed this lead. The **Second Circuit** holds “that works may fall within the

¹ See also *Counts v. Meriwether*, 2015 WL 12656945, at *5 (C.D. Cal. 2015); *Giordano v. Claudio*, 714 F. Supp. 2d 508, 532 (E.D. Pa. 2010); *Meridian Project Sys., Inc. v. Hardin Constr. Co.*, 2006 WL 1062070, at *3 (E.D. Cal. 2006).

subject matter of copyright, and thus be subject to preemption, even if they contain material that is uncopyrightable under section 102.” *Forest Park Pictures*, 683 F.3d at 429. Thus, “[t]he scope of copyright for preemption purposes * * * extends beyond the scope of available copyright protection.” *Id.* at 429-430. See also *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 849 (2d Cir. 1997) (“Copyrightable material often contains uncopyrightable elements within it, but Section 301 preemption bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements.”).

The **Sixth Circuit** has “joined several other circuits in holding that for purposes of preemption, the scope of the Copyright Act’s subject matter is broader than the scope of its protection.” *Stromback v. New Line Cinema*, 384 F.3d 283, 300 (6th Cir. 2004) (citing *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2001)). That court also holds that Section 301 preemption applies “if a work fits within the general subject matter of Sections 102 and 103 of the Copyright Act, regardless of whether it qualifies for copyright protection.” *Ibid.*

The **Ninth Circuit** agrees that “the scope of the subject matter of copyright law is broader than the protections it affords.” *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 979 (9th Cir. 2011).

Finally, the **Fifth Circuit** has adopted this same holding. In *Spear Mktg.*, 791 F.3d at 595-597, the Fifth Circuit canvassed the circuit “split” and “join[ed] the majority position.” It thus held “that state law claims based on ideas fixed in tangible media are preempted by § 301(a).” *Id.* at 597.

This holding governed the outcome here. The court acknowledged that “Ultraflo is correct that its valve design is not protected under the Copyright Act: it is either a useful article or an idea.” App., *infra*, 7a. The Court nevertheless held that Section 301 “preempts state protection of works that fall within the subject matter (that is, the scope) of copyright, regardless whether the works are actually afforded protection under the Copyright Act.” *Id.* at 8a.

B. The Question Presented Is Important.

The question presented warrants this Court’s review both because it arises with considerable frequency and because the decision below improperly encroaches on the authority of Texas to define state-law causes of action.

1. This issue recurs in a great variety of contexts. It arises in lawsuits regarding confidential business information. See, e.g., *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240 (W.D. Wash. 2007); *Kantemirov v. Goldine*, 2005 WL 1593533 (N.D. Cal. 2005). It is often addressed when a plaintiff claims that a story idea was misappropriated. See, e.g., *Stromback v. New Line Cinema*, 984 F.3d 283 (6th Cir. 2004); *Wilder v. CBS Corp.*, 2016 WL 693070 (C.D. Cal. 2016); *Idema v. Dreamworks*, 162 F. Supp. 2d 1129 (C.D. Cal. 2001). And it recurs in the context of software. See, e.g., *Media.net Advert. FZ-LLC v. Netseer, Inc.*, 2016 WL 4036092 (N.D. Cal. 2016); *Priority Payment Sys., LLC v. Signapay, Ltd.*, 161 F. Supp. 3d 1285 (N.D. Ga. 2015); *WJ Glob. LLC v. Farrell*, 941 F. Supp. 2d 688 (E.D.N.C. 2013).

There is no doubt, moreover, that this issue is frequently litigated. Courts in the Second,² Third,³ Fourth,⁴ Fifth,⁵ Sixth,⁶ Seventh,⁷ Eighth,⁸ Ninth,⁹

² See, e.g., *Gary Friedrich Enters., LLC v. Marvel Enters., Inc.*, 713 F. Supp. 2d 215, 227 (S.D.N.Y. 2010); *A Slice of Pie Prods., LLC v. Wayans Bros. Entm't*, 392 F. Supp. 2d 297, 315 (D. Conn. 2005); *Katz Dochtermann & Epstein, Inc. v. Home Box Office*, 1999 WL 179603, at *2-3 (S.D.N.Y. 1999); *Boyle v. Stephens Inc.*, 1998 WL 690816, at *5 (S.D.N.Y. 1998).

³ See, e.g., *Giordano v. Claudio*, 714 F. Supp. 2d 508, 532 (E.D. Pa. 2010).

⁴ See, e.g., *WJ Glob. LLC v. Farrell*, 941 F. Supp. 2d 688 (E.D.N.C. 2013); *Ground Zero Museum Workshop v. Wilson*, 813 F. Supp. 2d 678, 695 (D. Md. 2011); *Coll. of Charleston Found. v. Ham*, 585 F. Supp. 2d 737, 745 (D.S.C. 2008).

⁵ See, e.g., *First Am. Bankcard, Inc. v. Smart Bus. Tech., Inc.*, 2016 WL 5869787, at *7 (E.D. La. 2016); *Thermotek, Inc. v. Orthoflex, Inc.*, 2016 WL 4678888, at *7 (N.D. Tex. 2016); *Beardmore v. Jacobsen*, 131 F. Supp. 3d 656, 670 (S.D. Tex. 2015); *Suncoast Post-Tension, Ltd. v. Scoppa*, 2014 WL 12596471, at *11 (S.D. Tex. 2014); *M-I LLC v. Stelly*, 733 F. Supp. 2d 759, 792 (S.D. Tex. 2010).

⁶ See, e.g., *Entity Prod. v. Vargo*, 2007 WL 3129861, at *3 (N.D. Ohio 2007).

⁷ See, e.g., *Act II Jewelry, LLC v. Wooten*, 2016 WL 3671451, at *5 (N.D. Ill. 2016); *Micro Data Base Sys., Inc. v. Nellcor Puritan-Bennett, Inc.*, 20 F. Supp. 2d 1258, 1262-1263 (N.D. Ind. 1998).

⁸ See, e.g., *Pinnacle Pizza Co. v. Little Caesar Enters., Inc.*, 395 F. Supp. 2d 891, 899-900 (D.S.D. 2005).

⁹ See, e.g., *Wilder v. CBS Corp.*, 2016 WL 693070 (C.D. Cal. 2016); *Media.net Advert. FZ-LLC v. Netseer, Inc.*, 2016 WL 4036092 (N.D. Cal. 2016); *Doody v. Penguin Grp. (USA) Inc.*, 673 F. Supp. 2d 1144, 1165 (D. Haw. 2009); *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240 (W.D. Wash. 2007); *Meridian Project Sys., Inc. v. Hardin Constr. Co.*, 2006 WL 1062070, at *3-4 (E.D. Cal. 2006); *Kantemirov v. Goldine*, 2005 WL 1593533 (N.D. Cal. 2005); *Idema v. Dreamworks*, 162 F. Supp. 2d 1129

Tenth,¹⁰ and Eleventh¹¹ Circuits are regularly confronted with this question.

2. The question also warrants review because it concerns the appropriate balance of federal and state authority.

Texas has established a cause of action for unfair competition by misappropriation. See *U.S. Sporting Prod., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex. App. 1993). This cause of action uniquely guards against misappropriation of valuable ideas by those in a position of confidence—precisely the sort of misconduct that occurred here. The Copyright Act, of course, provides no similar protection.

Texas litigants often invoke this law, seeking the legal safeguards that Texas has established. See, e.g., *Dresser-Rand Co. v. Virtual Automation Inc.*, 361 F.3d 831, 839 (5th Cir. 2004); *Orchestratehr, Inc. v. Trombetta*, 2016 WL 4563348, at *12 (N.D. Tex. 2016); *Schwimmer v. Presidio Indus. LLC*, 2011 WL 13089398, at *7 (N.D. Tex. 2011); *Target Strike, Inc. v. Marston & Marston, Inc.*, 2010 WL 4269617, at *4

(C.D. Cal. 2001); *Endemol Entm't B.V. v. Twentieth Television Inc.*, 1998 WL 785300, at *3 (C.D. Cal. 1998); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 822-823 (C.D. Cal. 1997).

¹⁰ See, e.g., *Kindergartners Count, Inc. v. Demoulin*, 171 F. Supp. 2d 1183, 1193 (D. Kan. 2001); *Malik v. Lynk, Inc.*, 1999 WL 760217, at *3 (D. Kan. 1999).

¹¹ See, e.g., *Found. for Lost Boys v. Alcon Entm't, LLC*, 2016 WL 4394486, at *11 (N.D. Ga. 2016); *Priority Payment Sys., LLC v. Signapay, Ltd.*, 161 F. Supp. 3d 1285 (N.D. Ga. 2015); *White v. Alcon Film Fund, LLC*, 2013 WL 12067479, at *3 (N.D. Ga. 2013); *Jaggon v. Rebel Rock Entm't, Inc.*, 2010 WL 3468101, at *3 (S.D. Fla. 2010); *SCQuARE Int'l, Ltd. v. BBDO Atlanta, Inc.*, 455 F. Supp. 2d 1347, 1360-1361 (N.D. Ga. 2006).

(W.D. Tex. 2010); *Sefton v. Jew*, 201 F. Supp. 2d 730, 749 (W.D. Tex. 2001); *In re TXCO Res., Inc.*, 475 B.R. 781, 837 (Bankr. W.D. Tex. 2012); *BP Auto.*, 448 S.W.3d at 572 (Tex. App. 2014).

The Fifth Circuit’s holding nullifies this cause of action—at least in substantial part. This ruling thus encroaches upon Texas’ “broad authority” to provide “for the public good.” *Bond v. United States*, 134 S. Ct. 2077, 2086 (2014). Because the law recognizes “respect for the States as ‘independent sovereigns in our federal system,’” (*Wyeth v. Levine*, 555 U.S. 555, 565 n.3 (2009)), review of this question is imperative.

C. The Decision Below Is Wrong.

The broadly-acknowledged split among the circuits as to the meaning of Section 301(a) of the Copyright Act—a question which we have shown recurs with frequency—is reason enough to warrant a grant of certiorari. But the need for review is all the more pressing because the result reached below is wrong.

The decision below is irreconcilable with the plain text of the Copyright Act, it disregards the clear statutory purpose, and it improperly intrudes on the States’ ability to regulate competition by protecting ideas that are categorically outside the scope of the Copyright Act.

1. The text of the Copyright Act compels the conclusion that Section 301(a) does not preempt state-law claims regarding ideas that are excluded from the subject matter eligible for copyright protection.

Resolving the scope of a “pre-emption provision begins ‘with the language of the statute itself,’ and that ‘is also where the inquiry should end,’” when, like here, “the statute’s language is plain.” *Puerto Ri-*

co v. Franklin Cal. Tax-Free Tr., 136 S. Ct. 1938, 1946 (2016). Tellingly, the Eleventh Circuit carefully tethered its analysis to the statutory text (see *Dunlap*, 381 F.3d at 1294-1295); by contrast, the other circuits, in holding that Section 301(a) reaches ideas outside the scope of copyright subject matter, do not explain how this result comports with the language of the statute (see, *e.g.*, *Berge*, 104 F.3d at 1463; *Spear Mktg.*, 791 F.3d at 594-598).

Section 301(a) expressly defines the scope of federal preemption: the Copyright Act “govern[s] exclusively” “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright.” 17 U.S.C. § 301(a). This applies to “works of authorship that are fixed in a tangible medium of expression and *come within the subject matter of copyright as specified by sections 102 and 103.*” *Ibid.* (emphasis added).

Section 301(b)(1) further confirms that “[n]othing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to * * * subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103.” *Id.* § 301(b)(1).

The reach of the Copyright Act’s preemption provision is thus expressly defined by—and is coextensive with—the scope of the Copyright Act’s subject matter. Sections 102 and 103 delimit the reach of copyright subject matter in multiple ways. Section 102(a) restricts the subject matter of copyright to “original works of authorship fixed in any tangible medium of expression”; it enumerates certain examples, including “literary works” and “musical works.” 17 U.S.C. § 102(a). Section 103 extends the subject

matter of copyright to compilations and derivative works. *Id.* § 103.

Most important for present purposes, Section 102(b) *excludes* material from the subject matter of the Copyright Act:

In no case does copyright protection for an original work of authorship extend to any *idea*, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 U.S.C. § 102(b) (emphasis added).

Section 102(b) thus renders “idea[s]” categorically outside the scope of copyright subject matter. The section declines to “extend” “copyright protection” to an “idea.” *Ibid.* The Court has long understood that such material is exempt from the Act’s subject matter. See *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 357 (1991). The title of the section, moreover, is “Subject of copyright: In general.” See *Fla. Dep’t of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 47 (2008) (statutory titles and headings are relevant).

Ideas committed to tangible media are *not*, therefore, “works of authorship * * * *within the subject matter* of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301(a) (emphasis added).

This is especially so because the merger doctrine holds that, in certain circumstances, an “idea ‘merges’ with the expression, such that a given idea is inseparably tied to a particular expression.” 4 Nimmer on Copyright § 13.03[B][3]. That is, “[u]nder the

merger doctrine, ‘expression is not protected in those instances where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself.’” *BellSouth Advert. & Publ’g Corp. v. Donnelley Info. Publ’g, Inc.*, 999 F.2d 1436, 1442 (11th Cir. 1993).¹² Because an idea will often merge with the work in which it resides, it is therefore inseparable from it. Thus, such ideas “are not the subject of copyright.” *Baker v. Selden*, 101 U.S. 99, 107 (1879).

In sum, an idea is not “within the subject matter of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301(a). Section 301(a) preemption, by its own terms, does not therefore apply.

2. The statutory purpose, as evidenced by the legislative history, confirms that Section 301(a) does not preempt state-law claims focused on the protection of ideas.

The House Report accompanying the Copyright Act of 1976 explains the operation of Section 301(a):

As long as a work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal

¹² See also *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 838 (10th Cir. 1993) (“Under the merger doctrine, copyright protection is denied to expression that is inseparable from or merged with the ideas, processes, or discoveries underlying the expression.”); *Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458, 1463-1464 (5th Cir. 1990) (applying merger doctrine where idea of locating pipeline along certain route was inseparable from expression of the route on a topographical map).

or lacking in originality to qualify, or because it has fallen into the public domain.

H.R. Rep. No. 94-1476, at 130-131 (1976). The preemption statute may therefore have effects beyond what it protects—it preempts state laws that would create copyright-like protection for material that lacks originality or has fallen into the public domain and thus is outside the protection of the Copyright Act. *Ibid.* But it does not extend to material outside the *subject-matter* scope of copyright altogether. See *Dunlap*, 381 F.3d at 1296.

3. To the extent that any doubt remains, it is resolved by the governing “presumption against preemption.” *Wyeth v. Levine*, 555 U.S. 555, 565 n.3 (2009).

This “presumption” stems from “respect for the States as ‘independent sovereigns in our federal system.’” *Ibid.* (quoting *Medtronic, Inc. v. Lohr*, 518 U.S. 470, 485 (1996)). The Court thus “assume[s] that ‘Congress does not cavalierly pre-empt state-law causes of action.’” *Ibid.*

There is an especially strong “assumption that the historic police powers of the States are not to be superseded by the Federal Act unless that was the clear and manifest purpose of Congress.” *Altria Grp., Inc. v. Good*, 555 U.S. 70, 77 (2008) (quoting *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)). That applies here because states have historically regulated unfair competition and misappropriation of ideas. See, e.g., *Wissman v. Boucher*, 150 Tex. 326, 328 (1951).

In sum, “when the text of a pre-emption clause is susceptible of more than one plausible reading, courts ordinarily ‘accept the reading that disfavors

pre-emption.” *Altria*, 555 U.S. at 77 (quoting *Bates v. Dow Agrosciences LLC*, 544 U.S. 431, 449 (2005)).

The plain text and statutory history demonstrate, unambiguously, that Section 301 does *not* preempt state-law claims regarding ideas ineligible for copyright protection. To the extent that the statute admits of any ambiguity, the presumption against preemption would nonetheless require reversal.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

TRAVIS SCOTT CRABTREE
JIM MOSELEY
*Gray Reed &
McGraw, LLP*
*1300 Post Oak Blvd.,
Suite 2000
Houston, TX 77056
(713) 986-7000*

PAUL W. HUGHES
Counsel of Record
MICHAEL B. KIMBERLY
DENNIS R. MAHONEY
Mayer Brown LLP
*1999 K Street, NW
Washington, DC 20006
(202) 263-3000
phughes@mayerbrown.com*

Counsel for Petitioner

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APPENDICES

1a

APPENDIX A
UNITED STATES COURT OF APPEALS,
FIFTH CIRCUIT.

NO. 15-20084

ULTRAFLO CORPORATION,
PLAINTIFF—APPELLANT

V.

PELICAN TANK PARTS, INCORPORATED;
THOMAS JOSEPH MUELLER; PELICAN
WORLDWIDE, INCORPORATED,
DEFENDANTS—APPELLEES

(Filed January 11, 2017)

OPINION

Before STEWART, Chief Judge, and OWEN and
COSTA Circuit Judges.

GREGG COSTA, *Circuit Judge*.

This appeal requires us to again consider the preemptive force of the Copyright Act. Plaintiff Ultraflo Corporation asserts an unfair competition by misappropriation claim under Texas law alleging that a competitor stole its drawings showing how to design valves and then used them to make duplicate

valves. We have previously held that copyright preempts this Texas cause of action when the intellectual property at issue is within the subject matter of copyright. *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 785–89 (5th Cir. 1999). Ultraflo contends that its claim escapes preemption because its valve design, when separated from the drawing itself, is afforded no protection under the Copyright Act. Because copyright preemption prohibits state interference with Congress’s decision not to grant copyright protection just as much as it protects a decision to provide protection, the district court correctly found that the state claim is preempted.

I.

Ultraflo manufactures butterfly valves used in the transportation industry. With the help of its employee Thomas Mueller, Ultraflo redesigned its Model 390 butterfly valve. The new design was recorded in drawings that specify the valve’s features and measurements.

Mueller ultimately left Ultraflo to work at Pelican—a competing valve manufacturer. Soon after, Pelican entered the market with a valve that Ultraflo contends was strikingly similar to its own.

Believing that Pelican hired Mueller to gain access to its design drawings and other intellectual property, Ultraflo sued Pelican and Mueller (jointly referred to as Pelican) in state court for conversion, civil conspiracy, unfair competition by misappropriation, and misappropriation of trade secrets. Pelican sought to remove the case to federal court, arguing that the state claims were preempted by the Copyright Act, but removal was untimely. Back in state court, Pelican won a motion to dismiss, which argued

that the court lacked jurisdiction as the subject matter of the suit was subject to the copyright laws, because Ultraflo failed to respond.

Before the state suit was dismissed, Mueller registered valve drawings with the U.S. Copyright Office and filed a complaint in federal court, seeking declaratory relief that the drawings (1) were copyrightable subject matter, (2) belonged to Mueller, and (3) were not “works for hire” under the Copyright Act. Mueller then voluntarily dismissed his suit in an attempt to encourage settlement.

After the settlement failed to materialize, Ultraflo filed this federal action. It again asserted the state tort claims and also sought a declaratory judgment that Mueller was using a copyright that did not belong to him. The district court *sua sponte* questioned whether Ultraflo’s state claims were preempted by the Copyright Act. It ordered Ultraflo to file a second amended complaint “avoiding allegations of state law claims that are clearly preempted by federal law.”

That pleading reasserts all of Ultraflo’s state claims and notes that they arise from Pelican’s “use of Ultraflo’s [design] drawings to make actual valves.” For example, it alleges that the “unauthorized activities by Mueller in retaining Ultraflo’s confidential drawings [and] the subsequent use of them by Pelican . . . to make competitive valves, constitutes misappropriation of Ultraflo’s valuable trade secrets.” It further contends that Defendants engaged in unfair competition by misappropriating its “butterfly valves, valve features, and components.”

Pelican subsequently filed a motion to dismiss on preemption grounds. The district court agreed that

all but Ultraflo's trade secret claim were preempted by the copyright laws.¹

In response, Ultraflo filed a third amended complaint that removed the preempted state claims and added a claim of copyright infringement. Pelican filed yet another motion to dismiss, seeking dismissal of the new copyright claim. The district court denied the motion because Ultraflo alleged "that Defendants infringed the drawings, not by taking the physical drawings, but by taking their intangible intellectual property, using it to make their own drawings and butterfly valve, and thereby infringing on Ultraflo's exclusive rights to reproduce its copyrighted work and to prepare derivative products based on the copyrighted work."

The case proceeded to trial on the copyright and trade secret claims, both of which the jury rejected. After trial, Ultraflo moved under Rule 50(b) for judgment as a matter of law, or, alternatively, a new trial, on the ground that the unfair competition claim was not preempted. Finding that this was not the proper procedural vehicle to seek reconsideration of the pretrial dismissal of the unfair competition claim, the court treated the motion as one asserted under Rule 59. It declined to change its earlier ruling finding preemption.

II.

¹ The court's ruling on the trade secret claim accords with our subsequent decision in *GlobeRanger Corp. v. Software AG United States of Am., Inc.*, which held that a claim under Texas trade secret law is not preempted. 836 F.3d 477, 486–88 (5th Cir. 2016).

Ultraflo's appeal does not challenge the jury's rejection of its copyright and trade secret claims. It seeks only reversal of the pretrial dismissal of the unfair competition by misappropriation claim on preemption grounds.

Pelican asserts that Ultraflo waived its right to challenge the pretrial preemption ruling by not raising the issue during trial in a number of ways. According to Pelican, Ultraflo needed to request a jury charge on the dismissed state law claims, introduce an offer of proof to show the evidence that supported them, and seek entry of judgment as a matter of law on the state claims under Rule 50(a) before the case was submitted to the jury.

The delay and expense resulting from such futile measures is not required to preserve appellate review of a pretrial dismissal.² The final judgment rule prevented Ultraflo from appealing the Rule 12 dismissal until now. *See Dig. Equip. Corp. v. Desktop Direct, Inc.*, 511 U.S. 863, 868 (1994) (explaining that the rule provides that "a party is entitled to a single appeal, to be deferred until final judgment has been entered"). Indeed, Ultraflo followed the proper procedure by omitting the dismissed claims from its third amended complaint. *Lincoln Gen. Ins. Co. v. U.S. Auto Ins. Servs., Inc.*, 787 F.3d 716, 724 (5th Cir. 2015) (noting that requiring the repleading of claims dis-

² Confusion may have arisen from Ultraflo filing a post-trial Rule 50(b) motion for judgment on the pleadings raising the preemption issue. The district court correctly noted that this was not a proper motion to challenge the pretrial dismissal of claims. As discussed *infra*, however, that is not because the same motion should have been asserted during trial. There was no need to do anything during or after trial to preserve appellate review of the Rule 12 dismissal.

missed with prejudice would be at odds with judicial efficiency and might be sanctionable). As those state claims were no longer part of the live pleading in the case, Ultraflo could not have taken any of the actions with respect to them during trial that Pelican urges. But it is still allowed to appeal a dismissal with prejudice of claims asserted in its earlier pleadings. *Id.* (explaining that when a pretrial dismissal of a claim is “on the merits or with prejudice, the plaintiff may appeal that ruling without needing to include the claim in a later amended complaint”).

III.

We thus may consider the merits of Ultraflo’s appeal: whether its unfair competition by misappropriation claim is preempted by the Copyright Act. We review this question *de novo*. *GlobeRanger Corp. v. Software AG United States of Am., Inc.*, 691 F.3d 702, 705 (5th Cir. 2012). Section 301 of the Copyright Act preempts state law claims that fall within the general scope of federal copyright law. *Alcatel*, 166 F.3d at 785. It provides that:

all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a). This text is the source of the two-part test we use to determine if the Copyright Act

preempts a state law cause of action. *Alcatel*, 166 F.3d at 785-86. Courts first ask whether the intellectual property at issue is within the subject matter of copyright. *Id.* If it is, then a state law claim is preempted if it protects rights in that property that are equivalent to any of the exclusive rights within the general scope of copyright. *Id.*

A.

The subject matter inquiry requires us to determine what intellectual property Ultraflo is seeking to protect. The design drawings themselves are undoubtedly within the scope of copyright protection;³ they were the basis for the copyright infringement claim Ultraflo took to trial. But the unfair competition claim is not based on Pelican’s copying the drawings. Ultraflo instead alleges that Pelican used the drawings to make replica valves. Because the valve design—the work in which Ultraflo asserts a right—is what was allegedly misappropriated, Ultraflo argues that its claim does not seek protection for a work protected by the copyright laws.

Ultraflo is correct that its valve design is not protected under the Copyright Act: it is either a useful article⁴ or an idea.⁵ Were the question simply wheth-

³ Section 102 of the Copyright Act provides that “[w]orks of authorship include ... pictorial, graphic, and sculptural works.” 17 U.S.C. § 102. Section 101 defines “pictorial, graphic, and sculptural works” to include “technical drawings.” 17 U.S.C. § 101. And design drawings are considered copyrightable technical drawings. See *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990) (treating engineering drawings as copyrightable); *M-I LLC v. Stelly*, 733 F.Supp.2d 759, 782 (S.D. Tex. 2010) (treating tool design drawings as copyrightable).

⁴ A useful article is “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the ar-

er the work in which Ultraflo asserts a right is protected under the Copyright Act, its argument would carry the day.

The preemption statute, however, sweeps more broadly. It preempts state protection of works that fall within the subject matter (that is, the scope) of copyright, regardless whether the works are actually afforded protection under the Copyright Act. *Spear Mktg., Inc. v. BancorpSouth Bank*, 791 F.3d 586, 596-97 (5th Cir. 2015). “[S]cope and protection are not synonyms.” *Id.* at 596 (quoting *U.S. ex rel. Berge v. Bd. of Trs. of the Univ. of Ala.*, 104 F.3d 1453, 1463 (4th Cir. 1997)). As the Fourth Circuit put it, “the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection.” *U.S. ex rel. Berge*, 104 F.3d at 1463.

This distinction led us to hold in *Spear Marketing* that state claims based on ideas fixed in a tangible medium of expression fall within the subject matter of copyright even though copyright law does not protect the mere ideas. 791 F.3d at 597. The parties disputed whether copyright preemption extended to

ticle or to convey information.” 17 U.S.C. § 101. Section 101 further states that “the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work [that is, copyrightable] only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” *Id.* Neither party disputes that the Model 390 butterfly valve design includes only utilitarian features and thus is not subject to copyright protection.

⁵ “In no case does copyright protection for an original work of authorship extend to any idea [or] concept . . . regardless of the form in which it is described, explained, illustrated, or embodied in such work.” 17 U.S.C. § 102(b).

state claims protecting the noncopyrightable material—ideas—contained in copyrightable works—a software program. *Id.* at 594. In finding that it did, we noted that to allow states to protect fixed ideas would intrude upon Congress’s exclusion in section 102(b) of ideas from federal copyright protection. *Id.* at 596 (citing 5 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 19D.03[A][2][b]).

The result should be no different for the valve design that Congress also chose to exclude from copyright protection.⁶ Indeed, the exclusion of useful articles from copyright protection is a corollary of the idea-expression dichotomy that *Spear Marketing* rejected as a basis for the dividing line of when copyright preemption applies. See *Mazer v. Stein*, 347 U.S. 201, 217 (1954); *Durham Indus. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980) (“Just as copyright protection extends to expression but not ideas, copyright protection extends only to the artistic aspects, but not the mechanical or utilitarian features, of a protected work.”). Congress’s exercise of its power under the Copyright Clause to not provide protection for the embodiment of ideas in useful articles is entitled to preemptive force. Allowing state law to protect such works would undermine the “deliberate ex-

⁶ A copyright treatise reaches the same conclusion in considering the preemption question for another type of subject matter that is excluded from copyright protection: typeface. HOWARD B. ABRAMS, *THE LAW OF COPYRIGHT* § 6:22 (2016) (concluding that if “Congress deliberately made certain classes of subject matter ineligible for federal copyright protection, as was clearly the case for typeface designs, then . . . the state law is preempted”).

clusion” of such subject matter from the federal copyright scheme. *Spear Mktg.*, 791 F.3d at 596.

B.

That the valve design is within the subject matter of copyright does not, on its own, mean that the state claim is preempted. As mentioned at the outset, the state law must also seek to protect rights equivalent to those “within the general scope of copyright.” 17 U.S.C. § 301. This is determined by the “extra elements” test, which looks at whether “one or more qualitatively different elements are required to constitute the state-created cause of action being asserted.” *Alcatel*, 166 F.3d at 787. If so, the state law protects rights different than those that the Copyright Act protects and there is no preemption. *Id.*

We have previously held that Texas’s unfair competition by misappropriation cause of action⁷ does not afford protection materially different from federal copyright law. *Id.* at 787–89. In doing so, we rejected Alcatel’s attempt to satisfy the extra elements test by pointing to the state tort’s elements of sweat equity and use against a competitor. *Id.* With respect to the former, we concluded “the time, labor, skill, and money expended by the author in creating the work are necessarily contemplated in [] copyright,” which requires independent creation. *Id.* at 789. As to the latter, we held that reproduction or

⁷ The elements of Texas’s unfair competition by misappropriation are: (1) the creation by a plaintiff of a product through extensive time, labor, skill, and money; (2) the use of that product by defendant in competition with plaintiff; and (3) commercial damage to the plaintiff. *U.S. Sporting Prods., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex. App.—Waco 1993, writ denied).

derivate use of a copyright by a competitor would suffice to show copyright infringement.⁸ *Id.*

Ultraflo attempts to get around *Alcatel* by focusing on the special copyright status of drawings depicting useful articles. Although the Copyright Act provides the owner of such a drawing the exclusive right to reproduce the drawing itself, it does not grant the exclusive right to use the drawing to make the useful article depicted. *See* 17 U.S.C. § 113(b) (“This title does not afford, to the owner of copyright in a work that portrays a useful article as such, any greater or lesser rights with respect to the making, distribution, or display of the useful article so portrayed than those afforded to such works under the law. . . .”); 1 NIMMER, *supra*, § 2A.12. At first blush, it thus appears that Ultraflo’s unfair competition by misappropriation claim protects a right that federal copyright does not: exclusive use of the copyrightable design drawings to make the depicted valves.

Again, however, the preemption inquiry operates on a more general level. The question is not whether state law provides a right identical to federal copyright law, but whether state law provides a right akin to those “*within the general scope of copyright* as specified by section 106.” 17 U.S.C. § 301 (emphasis added). Among the exclusive rights generally provid-

⁸ Ultraflo also contends that unfair competition by misappropriation is qualitatively different because it requires intent to engage in dishonest conduct. That a state law requires scienter as a condition to liability, however, does not save the state law from preemption. *See R. W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133, 1148-49 (10th Cir. 2009) (holding that the addition of a scienter element did not render defendant’s unfair competition claim qualitatively different from copyright infringement).

ed to copyright holders in section 106 is the right to make derivative use of copyrighted works. 17 U.S.C. § 106. State claims protecting against such use by another thus are preempted by Section 301. *See Alcatel*, 166 F.3d at 789 (holding that plaintiff's unfair competition by misappropriation claim was preempted by the Copyright Act when plaintiff alleged defendant stole its software, used it to make microprocessors, and then distributed the microprocessors in competition with plaintiff); *M-I LLC v. Stelly*, 733 F.Supp.2d 759, 784–85 (S.D. Tex. 2010) (holding that plaintiff's unfair competition by misappropriation claim, alleging defendant used, without permission, plaintiff's tool design drawings to make a competing product, did not supply a qualitatively different element and thus was preempted). Indeed, section 113(b), by carving out use of technical drawings to make useful articles from copyright protection, recognizes that such derivative use may otherwise be protected by the copyright laws.

Similar to what we saw with the subject matter inquiry, the “equivalent rights” inquiry thus looks not at the rights Congress actually provided but at the type of rights it has the power to confer. Withholding a particular right is part of the balance Congress struck between the need for copyright incentives and the value in public access to ideas. *See* H.R. REP. NO. 94-1476, at 105 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5720 (explaining that Congress, through section 113(b), reaffirmed the longstanding idea-expression dichotomy, which provides that ideas contained in copyrighted works are free to the public unless otherwise protected by patent law). Section 113(b), as a particular application of the idea-expression dichotomy, also plays a role in demarcating the boundary between copyright and patent law.

Id.; see generally *Baker v. Selden*, 101 U.S. 99 (1879). To allow state law protection in this area that Congress excluded from the ambit of copyright thus would run afoul of the “‘familiar doctrine’ that the federal policy ‘may not be set at naught, or its benefits denied’ by the state law.” *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 228 (1964) (quoting *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 172, 176 (1942)).

* * *

The district court correctly held that the Copyright Act preempted Ultraflo’s unfair competition claim. The judgment is AFFIRMED.

APPENDIX B

**UNITED STATES DISTRICT COURT,
FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON
DIVISION.**

**ULTRAFLO CORPORATION,
PLAINTIFF,**

v.

**PELICAN TANK PARTS, INC.,
PELICAN WORLDWIDE INCORPORATED, AND
THOMAS JOSEPH MUELLER,
DEFENDANTS.**

**CIVIL ACTION
No. H-09-0782.**

Jan. 22, 2015

Attorneys and Law Firms

James M. McGraw, Travis Scott Crabtree, Looper
Reed et al., Gabe Thomas Vick, III, Gray Reed &
McGraw, P.C., Houston, TX for Plaintiff.

John Karl Buche, Buche Assoc PC, Houston, TX, for
Defendants.

OPINION AND ORDER

MELINDA HARMON, United States District Judge.

The above referenced action, asserting misappropriation of trade secrets, civil conspiracy, and copyright infringement, was tried to a jury from January 14-28, 2014 and was closed on March 28,

2014 by a final judgment (instrument #293) that both parties take nothing since neither side prevailed. Pending before the Court is Plaintiff Ultraflo Corporation's renewed motion for judgment as a matter of law under Federal Rule of Civil Procedure 50(b) or, alternatively, motion for new trial under Federal Rule of Civil Procedure 59 (instrument #294).

Standards of Review

After a party has been fully heard in a jury trial, at the close of evidence but before the case is submitted to the jury Federal Rule of Civil Procedure 50(a) permits a court to grant a motion for judgment as a matter of law if it “finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue” Fed. R. Civ. P. 50(a)(1). *Kevin M. Ehringer Enterprises, Inc. v. McData Services Corp.*, 646 F.3d 321, 324 (5th Cir. 2011), *citing Travelers Cas. & Sur. Co. of Am. v. Ernst & Young, LLP*, 542 F.3d 475, 481 (5th Cir. 2008), and *Foradori v. Harris*, 523 G.3f 477, 485 (5th Cir. 2008). “The district court properly grants a motion for judgment as a matter of law only if the facts and inferences point so strongly in favor of one party that reasonable minds could not disagree.” *Piotrowski v. City of Houston*, 237 F.3d 567, 576 n. 9 (5th Cir. 3001). The court considers all the evidence, not merely that which supports the nonmovant's case, “but in the light and with all reasonable inferences most favorable to the party opposed to the motion.” *Gomez v. St. Jude Medical Daig Div., Inc.*, 442 F.3d 919, 927 (5th Cir. 2006), *citing Info. Communication Corp. v. Unisys Corp.*, 181 F.3d 629, 633 (5th Cir. 1999). In deciding such a motion, the court “‘may not make credibility determinations or weigh

the evidence.’” *Kevin M. Ehringer*, 646 F.3d at 325, quoting *Reeves v. Sanderson Plumbing Prods.*, 530 U.S. 133, 150 (2000).

Federal Rule of Civil Procedure 50(b) allows a court to review its earlier denial of such a motion as a matter of law if the movant again raises the motion after a jury verdict. *Kevin M. Ehringer*, 646 F.3d at 324-25, citing *Downey v. Strain*, 510 F.3d 534, 543 (5th Cir. 2007). A motion for judgment as a matter of law after a jury verdict has been returned “‘is a challenge to the legal sufficiency of the evidence supporting the jury’s verdict.’” *Heck v. Triche*, — F.3d —, No. 14-30146, 2014 WL 7335023, at *5 (5th Cir. Dec. 23, 2014), quoting *Hiltgen v. Sumrall*, 47 F.3d 695, 699 (5th Cir. 1995). The Fifth Circuit’s “standard of review with respect to a jury verdict is especially deferential.” *Brown v. Bryan County, OK.*, 219 F.3d 450, 456 (5th Cir. 2000). “‘A jury verdict must be upheld unless there is no legally sufficient basis for a reasonable jury to find as the jury did.’” *Heck*, 2014 WL 7335, 023, at *5, quoting *Foradori v. Harris*, 523 F.3d 477, 485 (5th Cir. 2008). The court must draw all reasonable inferences and resolve all credibility determinations in the light most favorable to the nonmovant. *Id.*, citing *Flowers v. S. Reg’l Physician Servs., Inc.*, 247 F.3d 229, 235 (5th Cir. 2001). Because a Rule 50(b) motion “is technically only a renewal of the [Rule 50(a) motion for judgment as a matter of law, a/k/a a motion for a directed verdict] . . . it cannot assert a ground that was not included in the [original] motion for directed verdict.” *Mozingo v. Correct Mfg. Corp.*, 752 F.2d 168, 173 (5th Cir. 1985), quoted for that proposition, *In re Isbell Records, Inc.*, — F.3d —, Nos. 13-40878 and 14-40545. 2014 WL 72108778, at *5 (5th Cir. Dec. 18, 2014), citing *Arsement v. Spinnaker Exploration Co.*, 400 F.3d

238, 247 (5th Cir. 2005) (“If a party fails to raise an issue in its Rule 50(a)(1) motion at trial, it may not do so in its post-trial Rule 50(b) motion.”), and 9B Charles Alan Wright & Arthur K. Miller, *Federal Practice and Procedure* § 2537 (3d ed.) (“[T]he district court only can grant the Rule 50(b) motion on the grounds advanced in the preverdict motion, because the former is conceived of as only a renewal of the latter.”).

In relevant part, Rule 59 (“New Trial; Altering or Amending a Judgment”), provides,

(a) In General.

(1) *Grounds for New Trial.* The court may, on motion, grant a new trial on all or some of the issues--and to any party--as follows:

(A) after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court

....

(e) Motion to Alter or Amend a Judgment. A motion to alter or amend a judgment must be filed no later than 10 days after the entry of judgment.

Federal Rule of Civil Procedure 59(a)(1)(A) gives the district court the sound discretion whether to grant a new trial after a jury trial “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” The district court “should not grant a new trial on evidentiary grounds unless the verdict is against the great weight of the evidence.”

Whitehead v. Food Max of Miss., Inc., 163 F.3d 265, 269 (5th Cir. 1998), *quoted in Carr v. Wal-Mart Stores, Inc.*, 312 F.3d 667, 670 (5th Cir. 2002). Rule 59 permits a court in its discretion to grant a new trial “based on its appraisal of the fairness of the trial and the reliability of the jury’s verdict . . . if the court finds that the trial was unfair or marred by prejudicial error.” *Grace v. Board of Trustees for State Colleges and Universities*, 8 F.3d 25 (not designated for publication), No. 92–9528, 1993 WL 456407, at *7 (5th Cir. Oct. 29, 1993) (*citing Smith v. Transworld Drilling Co.*, 773 F.2d 610, 613 (5th Cir. 1985) (“A new trial may be granted, for example, if the district court finds the verdict is against the weight of the evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed in its course.”) (and cases cited therein)), *cert. denied*, 510 U.S. 1195 (1994). “If the trial judge is not satisfied with the verdict of a jury, he has the right—and indeed the duty—to set the verdict aside and order a new trial.” *Smith v. Transworld*, 773 F.2d at 613. The court may grant a new trial under Rule 59 “‘where it is necessary to prevent an injustice.’” *In re Isbell Records, Inc.*, ___ F.3d ___, Nos. 13-40878 and 14-40545, 2014 WL 7210778, at *10 (5th Cir. Dec. 18, 2014). The Fifth Circuit’s standard of review of a jury verdict is “‘especially deferential.’” *Heck v. Triche*, 2014 WL 7335023, at *5, *quoting Flowers v. S. Reg’l Servs., Inc.*, 247 F.3d 229, 235 (5th Cir. 2001).

A Rule 59(e) motion “calls into question the correctness of a judgment.” *Templet v. HydroChem Inc.*, 367 F.3d 473, 478 (5th Cir. 2004). It “‘serve[s] the narrow purpose of allowing a party to correct manifest errors of law or fact or to present newly discovered evidence.’” *Truvia v. Connick*, 577 Fed. Appx.

317, 327 (5th Cir. Aug. 8, 2014), *quoting Waltman v. Int'l Paper Co.*, 875 F.2d 468, 473 (5th Cir. 1989).¹ In 11 *Federal Practice and Procedure* § 2810.1, at pp. 124-27 (West 2d ed. 1995), Wright and Miller identify four grounds upon which a Rule 59(e) motion may be granted: (1) to correct manifest errors of law of fact upon which the judgment is based; (2) newly discovered or previously unavailable evidence; (3) to prevent manifest injustice, including misconduct of counsel; and (4) an intervening change in controlling law. Motions for amendment or alteration of judgment under Rule 59(e) include motions for reconsideration. *See, e.g., Mitchell v. Sikorsky Aircraft*, 533 Fed. Appx. 354, 357 (5th Cir. March 5, 2013); *see also citing* 11 C. Wright & A. Miller, *Federal Practice and Proc.* § 2810.1 at 122 (West 2d ed. 1995). Nevertheless, while Rule 59(e) allows a court to alter or amend a judgment, the Rule may not be employed to relitigate old matters or raise arguments or present evidence that could have been raised prior to entry of judgment. *Truvia v. Connick*, 577 Fed. Appx. at 327, *citing Exxon Shipping Co. v. Baker*, 554 U.S. 471, 485 n. 5 (2008) (*citing* 11 C. Wright & A. Miller, *Federal Practice and Proc.* § 2810.1 at 127-28 (2d ed. 1995)). “[A] Rule 59(e) motion is not a proper vehicle for rehashing evidence, legal theories, or arguments that could have been offered or raised before the entry of judgment.” *Id.*, *quoting Templet v. HydroChem Inc.*, 367 F.3d at 479. “Reconsideration of a judgment after its entry is an extraordinary remedy that should be used sparingly.” *Templet*, 367 F.3d at 479. The district court has substantial discre-

¹ Because of this narrow purpose, typically Rule 59(e) motions are denied. 11 C. Wright and A. Miller, *Federal Practice and Proc.* § 2810.1, at p. 128 (West 2d ed. 1995).

tion to grant or deny a motion for reconsideration, keeping in mind that it must “strike the proper balance” between the need for finality and “the need to render just decisions on the basis of all the facts.” *Edward H. Bohlin v. Banning Co.*, 6 F.3d 350, 353, 355 (5th Cir. 1993).

Defendants’ Procedural Challenge

A threshold issue here is whether Rules 50 and 59 are the appropriate procedural vehicles to overturn a two-year-old pretrial order on a motion to dismiss, instead of identifying an inappropriate action at trial on the part of the Court or the jury that was legally in error or manifestly unfair.

As noted, a Rule 50 motion for judgment as a matter of law is to be used to challenge the legal sufficiency of evidence supporting a **verdict** or a legal bar to a **verdict** that is contrary to law.² Defendants Pelican Worldwide, Inc. (“Worldwide”) and Thomas Joseph Mueller (“Mueller”) argue that instead of asserting an erroneous verdict or a proper ground for a new trial, Ultraflo’s motion is simply an effort to reverse the Court’s decision (#160), made two years before Ultraflo’s motion, that Ultraflo’s claim for unfair competition by misappropriation was preempted by the Copyright Act. They further note that Ultraflo did not plead a cause of action for unfair competition in its third amended complaint (#169) at the time of trial. Moreover it is uncertain that Ultraflo’s re-

² Defendants maintain that the proper purpose of a motion for new trial under Rule 50 is to demonstrate that the verdict was against the great weight of evidence or that there was some manifest error at trial. They emphasize that Ultrasound is not complaining about the verdict or how it was legally incorrect as a matter of law, nor about a trial error.

newed motion for judgment as a matter of law regarding preemption of the unfair competition by misappropriation claim is properly and timely brought under Rule 50(b), since Ultraflo failed to request that relief in a prior Rule 50(a) before the return of the jury verdict.

Ultraflo responds that although it did not raise the preemption issue in a Rule 50(a) motion for judgment as a matter of law, the broad language of Rule 59 states, “The court may, on motion, grant a new trial on all or some of the issues . . . after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Ultraflo cites cases in which a court has re-examined the granting of pretrial partial summary judgments, construing a motion to be one to alter or amend a judgment under Rule 59(e). *See Frankl v. Netopia, Inc.*, 2008 WL 4826023, at *1 (N.D. Tex. Nov. 4, 2008) (construing the court’s ruling on a pretrial motion for partial summary judgment, “rather than the outcome of a jury trial or nonjury trial,” as a motion to alter or amend a judgment under Rule 59(e)); *Gray v. Burke*, No. 05 C 59, 2007 WL 2688447, at *2 (N.D. Ill. Sept. 11, 2007) (same; “‘Any motion that draws into question the correctness of the judgment is functionally a motion under Civil Rule 59(e), whatever its label.’”) (*quoting St. Mary’s Hosp. Med. Ctr. v. Heckler*, 753 F.2d 469, 474 (7th Cir. 1980) (in turn quoting 9 *Moore’s Federal Practice* ¶ 204.12[1], at 4–67 (2d ed. 1980)), and *citing in accord*, *Committee for First Amendment v. Campbell*, 962 F.2d 1517, 1523 (10th Cir. 1992).

The Court agrees with Defendants that Rule 50(b) is not the appropriate vehicle to challenge the Court’s pretrial dismissal of Ultrasound’s claim for

unfair competition by misappropriation as preempted by the Copyright Act. Not only does Ultraflo's motion not relate to the jury verdict, but the claim was not raised in Rule 50(a) motion before the jury verdict was submitted. Nevertheless, for reasons stated above, the Court may and does construe it as a motion for new trial and to alter or amend judgment, in essence as a motion for reconsideration, under Rule 59.

Substantive Challenges in #294

Ultraflo asserts two grounds for its motion for new trial and/or to alter or amend judgment: (1) the Court erred in dismissing Ultraflo's unfair competition by misappropriation based on preemption by the Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.*³; and (2) additionally, or alternatively, Ultraflo should be granted a new trial because the jury⁴ erred in finding Defendants not liable on Ultraflo's claims for misappropriation of trade secrets and copyright infringement.

Regarding the first ground, the Court's purported error in #160, Ultraflo argues that Ultraflo's claim does not fall within the subject matter of copyright because (1) its valves are not protectable by copyrights because they are "useful" articles under 17 U.S.C. § 101, and thus Ultraflo's unfair competition by misappropriation claim cannot be preempted by copyright law; and (2) Texas' unfair competition by misappropriation claim has an additional element not found in the Copyright Act, i.e., breach of a con-

³ See #160, Opinion and Order, entered on September 7, 2012.

⁴ #279.

fidential relationship or discovery by improper means.

Observing that the valve is a useful article, but that the technical drawings are not because they are created to convey information about the appearance of the article and thus do not meet the requirement of § 101, #236 at p. 75, the Court previously addressed this “useful” article argument in #160 at p. 3 and at length in #236 at pp. 72–82. In the latter document the Court, employing the “extra element” test, indicated as well why this cause of action protected rights that are equivalent to the copyright owner’s exclusive right to copy and reproduce and to use the technical drawings. #236 at pp. 76–82.⁵ As noted, “[A] Rule 59(e) motion is not a proper vehicle for rehashing evidence, legal theories, or arguments that could have been offered or raised before the entry of judgment.’” *Truvia*, 577 Fed. Appx. at 327, *quoting Templet v. HydroChem Inc.*, 367 F.3d at 479. Ultraflo’s contentions clearly fall into this category.

Additionally or alternatively, Ultraflo seeks a new trial on the grounds that the jury’s verdict was against the great weight of evidence relating to Ultraflo’s claims for misappropriation of trade se-

⁵ As argued in Defendants’ memorandum in opposition, #295 at p. 18, no federal or Texas state court has held there is an extra element of a breach of confidential relationship for a claim of unfair competition by misappropriation claim. Instead, breach of confidential relationship is an element for trade secret misappropriation. *Alcatel v. DGI Technologies*, 166 F.3d 772, 785–86 (5th Cir. 1999) (state law claim for unfair competition was preempted by the Copyright Act); #116 at p. 11; *M-I LLC v. Stelly*, 733 F. Supp. at 772, 778, 785–87. Ultraflo did not plead a claim for unfair competition through a breach of fiduciary duty apart from trade secrets.

crets and copyright infringement. The Court responds that Ultraflo fails to show that the evidence preponderates against the verdict on these two claims. In their memorandum in opposition (#295) to Ultraflo's motion, Defendants cite substantial evidence supporting the jury's finding of no trade secret and no copyright infringement.

Accordingly, the Court

ORDERS that Ultraflo's renewed motion for judgment as a matter of law under Federal Rule of Civil Procedure 50(b) or, alternatively, motion for new trial under Federal Rule of Civil Procedure 59 (#294) is DENIED.

APPENDIX C

**UNITED STATES DISTRICT COURT,
FOR THE SOUTHERN DISTRICT OF TEXAS,
HOUSTON DIVISION.**

**ULTRAFLO CORPORATION,
Plaintiff,**

VS.

**PELICAN TANK PARTS, INC., *et al*,
Defendants.**

**CIVIL ACTION
NO. 4:09-CV-782.**

September 7, 2012.

Attorneys and Law Firms

James M. McGraw, Travis Scott Crabtree, Looper
Reed et al., Houston, TX for Plaintiff.

John Karl Buche, Buche Assoc PC, Houston, TX, for
Defendants.

OPINION AND ORDER

MELINDA HARMON, *United States District Judge.*

Pending before the Court is Defendants Pelican Tank Parts, Inc., Pelican Worldwide, Inc., and Thomas J. Mueller's motion to dismiss Plaintiff Ultraflo Corporation's amended complaint. Doc. 122. In response to the Court's request (Doc. 116), both parties have submitted memoranda addressing the

questions of whether federal subject matter jurisdiction exists over Plaintiff's state-law claims and whether Plaintiff's claims for unfair competition by misappropriation, conversion, and civil conspiracy are preempted by the federal Copyright Act. Docs. 119, 124. Defendants have also filed a motion to sever into separate lawsuits Plaintiff's claims against the corporate Defendants and Plaintiff's claims against Defendant Mueller. Doc. 128.

After considering the motions, the background of this case, and the applicable law, the Court finds that the Court has jurisdiction to consider Plaintiff's claims, but that Plaintiff's state law claims for unfair competition by misappropriation and conversion, and civil conspiracy for these alleged acts are preempted by the federal Copyright Act and must be dismissed. Ultraflo retains its remaining claims for misappropriation of trade secrets, for civil conspiracy for the alleged misappropriation, and for a declaratory judgment. Further, the Court finds that Defendants' motion to sever or for bifurcated trials should be denied.

Background

The Court set forth the factual history of this case in its opinion and order of October 18, 2011. Doc. 116 at 1–3. In that order, the Court found that Ultraflo did “not adequately allege the grounds for federal subject matter jurisdiction” and ordered it to file an amended complaint addressing the validity of federal subject matter jurisdiction premised on the existence “of a federal issue in the context of an action for declaratory judgment.” *Id.* at 8. The Court also, acting on its own motion, addressed “the potential preemption of Ultraflo’s state law claims for misappropriation of trade secrets, unfair competition by

misappropriation, conversion, and civil conspiracy,” and, having found that the latter three claims were preempted by the federal Copyright Act, ordered Plaintiff to “re-allege its causes of action, avoiding allegations of state law claims that are clearly preempted by federal law.” *Id.* at 9, 15.

On November 2, 2011, Ultraflo filed its second amended complaint (Doc. 118) and memorandum of law (Doc. 119). Ultraflo re-asserted its state law claims for misappropriation of trade secrets, unfair competition by misappropriation, conversion, and civil conspiracy. Doc. 118 at 6–7. Ultraflo also re-asserted its request for a declaratory judgment that Mueller’s copyright in the contested valve drawings either is invalid or that the drawings were “works made for hire” and that the copyright therefore rightfully belongs to Ultraflo. *Id.* at 10.

Defendants filed a motion to dismiss (Doc. 122), their second amended answer (Doc. 123), the requested memorandum concerning federal subject matter jurisdiction (Doc. 124), and a motion to sever the case against the corporate Defendants from that against Defendant Mueller (Doc. 128). The motions have been fully briefed and now are ripe for consideration.

Analysis

a. Plaintiff’s Preempted State Law Claims

Despite the Court’s admonition that Ultraflo should file an amended complaint that “avoid[s] allegations of state law claims that are clearly preempted by federal law” (Doc. 116), Ultraflo has re-alleged its claims for unfair competition by misappropriation, conversion, and civil conspiracy. Doc. 118. It nevertheless contends that these claims are not

preempted because of an apparently subtle distinction between the many cases holding such claims to be preempted and the case now before the Court.

Ultraflo relies on the “distinction between a useful article and a drawing of a useful article” in an attempt to revive its preempted state law claims. Doc. 119 at 3. “[T]he exclusive rights afforded to copyright owner under 17 U.S.C. § 106 apply only to the drawing, not to the article shown in the drawing,” Ultraflo contends, and therefore Ultraflo’s claim to stop “the use of those drawings to make *useful articles*” is distinct from and not preempted by the federal law. *Id.* at 2, 9. The Court finds the distinction unavailing. Ultraflo is not asserting state law claims based on the loss of the physical drawings themselves, nor the valves, but rather from the loss of the intellectual property contained in graphic representations of the valves and the valve dimensions. That intellectual property is subject to the federal Copyright Act. The Court stands by the reasoning in its earlier opinion and order and finds that Ultraflo’s state law claims of unfair competition by misappropriation and conversion are preempted and therefore dismissed. Similarly, Ultraflo’s claim for civil conspiracy is preempted to the extent that it alleges a conspiracy to engage in unfair competition by misappropriation and conversion; it is not preempted as to Ultraflo’s claim that the corporate Defendants conspired with Mueller, during his employ with Ultraflo, to engage in the unlawful conduct of misappropriation of trade secrets.

b. Ultraflo’s Claim for Misappropriation of Trade Secrets

As the Court laid out in its previous opinion and order, the elements of a claim for misappropriation of

trade secrets under Texas law are “that (1) a trade secret existed, (2) the trade secret was acquired through a breach of a confidential relationship or discovered by improper means, and (3) the defendant used the trade secret without authorization from the plaintiff.” *CQ, Inc. v. TXU Mining Co.*, 565 F.3d 268, 273 (5th Cir. 2009). Here, Defendants argue that no trade secret existed for the contested valve because Ultraflo’s valve was “publicly available to the world and [could] be purchased by anyone.” Doc. 122 at 16.

“A trade secret is any formula, pattern, device or compilation of information used in one’s business, and which gives an opportunity to obtain an advantage over competitors who do not know or use it.” *Taco Cabana Intern., Inc. v. Two Pesos, Inc.*, 932 F.2d 1113 (5th Cir. 1991) (citing *Hyde Corp. v. Huffines*, 158 Tex. 566, 586, 314 S.W.2d 763, 776 (adopting RESTATEMENT OF TORTS § 757 (1939)), cert. denied, 358 U.S. 898, 79 S.Ct. 223, 3 L.Ed.2d 148 (1958)).¹ See also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995). “Matters which are completely disclosed by the goods which one markets cannot be his secret.” RESTATEMENT OF TORTS § 757 cmt. b. And while “[t]he theoretical ability of others to ascertain the information through proper means [like difficult, costly, or time-consuming examination

¹ Although the Restatement has been superseded by the Restatement (Second) and, in part, by sections of the Restatement (Third), the updated versions omit the sections on Unfair Competition and Trade Regulation, including Section 757. See RESTATEMENT (SECOND) OF TORTS 9 intro. note (1979). Texas courts continue to rely on the § 757 definition of “trade secret” contained in the Restatement (First) and in the more recent Restatement (Third) Of Unfair Competition § 39 cmt. d (1995). See *In re Union Pacific R. Co.*, 294 S.W.3d 589, 592 (Tex. 2009).

of a publicly available product] does not necessarily preclude protection as a trade secret,” “information readily ascertainable from an examination of a product on public sale or display is not a trade secret.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. f. Thus, whether a publicly sold object may contain trade secret information turns on how available that information is from an examination of the product.

Defendants contend that “a pleading or public record that admits that the alleged ‘trade secret’ is a design that is publicly available is one that fails as a matter of law.” Doc. 122 at 18 (emph. omitted). Because Ultraflo has asserted a secret in its “non-patented butterfly valves publicly sold by Plaintiff . . . which any person can buy off-the-shelf and observe,” Defendants claim that Ultraflo cannot state a claim for misappropriation of trade secrets. That position is an overstatement of the requirement for secrecy. Whether the alleged secret is “readily available” is not the same question as whether it is “publicly available.” The comment to the Restatement (Third) of Unfair Competition makes clear that the relevant inquiry is into the difficulty a Defendant must undertake to obtain the information. As an illustration of the principle, the Institute gives the following example:

“A manufactures heavy-duty centrifugal blowers. Drawings containing dimensions and specifications for components of the blowers are taken without authorization by B, a former employee of A, and used to manufacture a competing product. Although the approximate dimensions and specifications of A’s products can be determined by measuring

blowers sold by A on the open market, the evidence establishes that the information resulting from such measurements would be less accurate than the drawings taken by B and less valuable in manufacturing competing products. The acquisition of information as accurate as that contained in the drawings taken by B would require a statistical analysis of measurements taken from a large number of A's blowers. The court may properly conclude that the information contained in the drawings is not readily ascertainable by proper means and is thus sufficiently secret to be protected as a trade secret. B is thus subject to liability to A for the appropriation of A's trade secrets under the rules stated in § 40."

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39
cmt. f, illus. 5.

The similarity between that example and the circumstances alleged in this case is striking. Ultraflo has alleged that "Pelican Tank's competing valve . . . matches Ultraflo's drawings better than Ultraflo's own valve matches the drawings,"² suggesting that even a statistical analysis of the publicly available valve would fail to give the Defendants the information they sought to obtain. The Court cannot, therefore, determine on the basis of the fact that Ultraflo sold its valve on the open market that it forfeited the secrecy of the valve's dimensions as contained in its drawings.

² Doc. 118 at 3.

Defendants also encourage the Court to delve into deposition testimony in which Ultraflo representatives admit that Mueller “was not subject to any confidential relationships” with Ultraflo. Doc. 122 at 21. The Court finds it sufficient at the motion to dismiss stage that Ultraflo has alleged the existence of “at least two separate documents promising to keep Ultraflo information secret” that Mueller signed during or as a condition of his employment. Doc. 130 at 19. Defendants’ motion to dismiss Ultraflo’s claim for misappropriation of trade secrets therefore is denied.

c. Declaratory Judgment

Although Defendants contested the validity of federal subject matter jurisdiction based on Ultraflo’s request for relief under the Declaratory Judgment Act (Doc. 124), they have not moved to dismiss this aspect of Ultraflo’s complaint. *See* Doc. 122. Nevertheless, Ultraflo again has failed to cite to the relevant provisions of the Copyright Act on which it challenges the validity or ownership of Mueller’s copyright. *See* Doc. 116 at 8 (“If Ultraflo is alleging . . . that the validity of the copyright itself is at issue, they may have a claim that “arises under the Copyright Act . . . but they have failed to identify the relevant provisions of the Copyright Act.”). The Court therefore orders Ultraflo to file a supplement to its second amended complaint stating, with particularity, the relevant provisions of the Copyright Act which give rise to their claim of ownership to Mueller’s copyright (their “work for hire” argument) and those portions of the Copyright Act which grant this Court the authority to invalidate or transfer ownership of that copyright.

Currently, Ultraflo makes general assertions that “Muller’s assorted valve drawings are not origi-

nal to Mueller,” and that they do not “demonstrate the necessary modicum of original authorship and creativity over and above Ultraflo’s preexisting drawings to warrant copyright protection.” Doc. 118 at 10. Ultraflo then states that the drawings are “‘works made for hire’ under the Copyright Act that belong to Ultraflo.” *Id.* The process of litigation would be eased by direct citations to those portions of the Copyright Act, if any, that require originality, that set forth the grounds (such as lack of originality) on which a copyright can be challenged and invalidated, and that determine ownership of original works produced “for hire.”

d. Defendants’ Motion to Sever Defendants or Bifurcate Trial

Defendants have moved for severance of the corporate Defendants from individual Defendant Mueller on the grounds that Ultraflo’s case against the Defendants involves different legal theories or that the corporate Defendants would be prejudiced or inconvenienced if the trial included Ultraflo’s claims against them and its request for a declaratory judgment relating to Mueller’s copyright. Doc. 128. All the claims in this case arise out of the same set of transactions and occurrences, and certain facts are common to all claims. The Court sees no reason to continue to prolong what already has been a lengthy and convoluted pre-trial experience. Defendants’ motion therefore is denied.

Conclusion

For the foregoing reasons, the Court hereby

ORDERS that Defendants’ motion to dismiss Plaintiff’s second amended complaint (Doc. 122) is **GRANTED** with respect to Plaintiff’s state law

claims for unfair competition by misappropriation, conversion, and conspiracy to commit these acts and **DENIED** with respect to Plaintiff's claim for misappropriation of trade secrets and conspiracy to commit this act. Further, the Court **ORDERS** that Defendants' motion to sever or to bifurcate (Doc. 128) is **DENIED**. Finally, as the Court previously mentioned, Plaintiff shall file a supplement to its second amended complaint specifying the portions of the Copyright Act relevant to its Declaratory Judgment Act claims.

APPENDIX D
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

ULTRAFLO CORPORATION,
Plaintiff,

VS.

PELICAN TANK PARTS, INC., et al,
Defendants.

CIVIL ACTION NO. H-09-782

October 18, 2011

OPINION AND ORDER

In the case pending between Plaintiff Ultraflo Corporation (“Ultraflo”) and Defendants Pelican Tank, Incorporated (“Pelican Tank”), Pelican Worldwide, Inc. (“Pelican Worldwide”), and Thomas Joseph Mueller (“Mueller”), the Court now orders, on its own motion, that the Plaintiff file an amended complaint and Defendants file a dispositive motion or answer to that amended complaint addressing the heretofore unaddressed issues of federal subject matter jurisdiction and the potential preemption of Ultraflo’s state law causes of action by the federal Copyright Act.

Background and Alleged Relevant Facts

Plaintiff and Defendant Pelican Worldwide are manufacturers of butterfly valves used in the transportation industry. Doc. 66 at 2; Doc. 71 at 8. Defendant Mueller worked for Ultraflo for 13 years, during which time he assisted in the redesign and improvement of Ultraflo’s Model 390 butterfly valve. Doc. 86 at 14; Doc. 86-1 at 50. During his time work-

ing at Ultraflo, Mueller signed at least two employment agreements relating to workplace ethics including “conflict of interest” and confidentiality provisions. Doc. 86-1 at 59-107.

In the summer of 2005, Mueller left Ultraflo and began working at Pelican Worldwide, a competing manufacturer of transportation butterfly valves. Doc. 86-1 at 5. Ultraflo alleges that Pelican Worldwide “hired Mueller . . . in an attempt to gain possession of Ultraflo’s highly confidential design drawings and possibly other trade secrets.” Doc. 66 at 4.

Ultraflo sued Defendants Mueller and Pelican Tank in state court alleging various state law claims, including conversion, civil conspiracy, unfair competition, and misappropriation of trade secrets. *Ultraflo Corp. v. Pelican Tank Parts, Inc.*, No. 4:08-cv-1460 (S.D. Tex. 2008), Doc. 1-5 at 1. Defendants removed that case to the United States District Court for the Southern District of Texas on the basis of federal question jurisdiction, asserting that Plaintiff’s state law claims were completely preempted by the Copyright Act, 17 U.S.C. § 101. No. 4:08-cv-1460. Judge Werlein found that Defendants’ removal was untimely, declined to address the potential preemption of Plaintiff’s state law claims, and remanded the case to the 280th Judicial District Court of Harris County, Texas. *Id.*, Doc. 21. Defendants filed a notice of appeal to the Fifth Circuit (No. 4:08-cv-1460, Doc. 24) which they subsequently withdrew. *Id.*, Doc. 25.

Before the case was resolved in state court, Defendant Mueller brought a declaratory judgment action in the United States District Court for the Eastern District of Texas, alleging that Ultraflo infringed copyrights that Mueller held to the technical drawings that Ultraflo claimed were its “trade secrets.”.

Mueller v. Ultraflo Corp., No. 1:09-cv-160-MAC (E.D. Tex. 2009). Mueller and Pelican Tank also moved to dismiss the pending case in state court.

Ultraflo alleges that, out of “a desire to avoid costly procedural fights on two fronts,” it did not respond to the motion to dismiss in state court. The state court subsequently dismissed the case before it. Mueller filed a voluntary notice of dismissal of his case in the Eastern District, which the court granted.

In March of 2009, Ultraflo brought this case against Defendants Pelican Tank and Mueller in the Southern District of Texas, alleging the same state law causes of action it brought in its initial suit before Judge Werlein: conversion, unfair competition, misappropriation of trade secrets, and civil conspiracy. Doc. 1 at 6. Ultraflo also requested a declaratory judgment against Defendants Pelican Tank and Mueller, asserting that “Defendants have raised issues of federal copyright law and have asserted federal Copyright Act rights to assets that belong to Ultraflo.” Doc. 1 at 2. It was on this final request that Ultraflo based its assertion of federal subject matter jurisdiction.

In October of 2010, Ultraflo filed an amended complaint in this case, adding Pelican Worldwide as a defendant and adding a state law claim of unfair competition by misappropriation against all defendants. Doc. 66. On April 18, 2011, the Defendants filed four separate motions for partial summary judgment. Docs. 70, 71, 73, 75.

Defendants contend that Ultraflo’s claims are barred by the statute of limitations (Doc. 70), that the absence of any genuine issues of material fact supporting Ultraflo’s claims of the existence of trade

secrets precludes all of Ultraflo's state law causes of action against all defendants (Doc. 71), that the absence of any genuine issues of material fact on the issue of trade secrets precludes specifically Ultraflo's state law claims of conversion and civil conspiracy against all defendants (Doc. 73), and that Ultraflo has failed to introduce evidence in support of any of its causes of action against Defendant Pelican Tank, or any evidence in support of its request for damages against Defendant Mueller. Doc. 75.

In these motions, responses and, replies thereto, no party has addressed the unresolved issues of whether there is federal subject matter jurisdiction under the copyright law and whether any of the state law claims are preempted by federal copyright law.

Legal Standards

Federal courts have jurisdiction over "all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331. Additionally, Section 1338(a) of the Judicial Code gives the district courts jurisdiction "over any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights, and trademarks." 28 U.S.C. § 1338(a). The term "arising under" is identical in both statutes, and courts use the same test to determine whether a statute "arises under § 1331 and §1338(a). *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 829, 122 S. Ct. 1889, 1893, 153 L. Ed. 2d 13 (2002).

A case arises under federal copyright law when the Plaintiff's complaint clearly establishes that the copyright law "creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent [or

copyright] law.” *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 809, 108 S.Ct. 2166, 100 L.Ed.2d 811 (1988). See, e.g., *Phillips Petroleum Co. v. Texaco Inc.*, 415 U.S. 125, 127-128, 94 S.Ct. 1002, 39 L.Ed.2d 209 (1974) (*per curiam*). Whether a case arises under federal law is determined on the basis of the plaintiff’s complaint. *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392, 107 S.Ct. 2425, 96 L.Ed.2d 318 (1987). Neither a defendant’s answer nor counter-claim can create federal jurisdiction. *Holmes Group*, 535 U.S. at 831. Moreover, a plaintiff cannot establish jurisdiction in his complaint by anticipating a federal defense. *Louisville & Nashville RR. Co. v. Mottley*, 29 S.Ct. 42, 211 U.S. 149, 53 L.Ed. 126.

The well pleaded complaint rule reflects the traditional rule that the plaintiff is the master of his claim. *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392, 107 S.Ct. 2425, 96 L.Ed.2d 318 (1987). A plaintiff asserting claims that “arise under” federal law may choose to bring his claims in state court and, “[e]ven if the factual predicate underlying [the] plaintiff’s complaint could have served as the basis for a federal claim, the plaintiff has the prerogative to forgo the federal claim and assert only state law claims in order to prevent removal.” *Tavormina v. Evening Star Productions, Inc.*, 10 F.Supp.2d 729, 732 (S.D.Tex. 1998). The defendant may remove to federal district court, and the district court will have jurisdiction over the claims, “only when a federal question is presented on the face of the plaintiff’s properly pleaded complaint.” *Rivet v. Regions Bank of Louisiana*, 522 U.S. 470, 118 S.Ct. 921, 924, 139 L.Ed.2d 912 (1998). See 28 U.S.C. § 1441(a).

An “important corollary” exists when federal law completely preempts a plaintiff’s state law claim and

renders it necessarily federal in nature. *Franchise Tax Board of Cal. v. Construction Laborers Vacation Trust for Southern Cal.*, 463 U.S. 1, 24, 103 S.Ct. 2841, 77 L.Ed.2d 420 (1983). See *Tavormina*, 10 F.Supp.2d at 732. “Once an area of state law has been completely pre-empted, any claim purportedly based on that pre-empted state law is considered, from its inception, a federal claim, and therefore arises under federal law.” *Caterpillar, Inc. v. Williams*, 482 U.S. 386 (citing *Franchise Tax Board*, 463 U.S. at 24). Copyright is one such area of complete preemption.

Federal courts have exclusive original jurisdiction over claims of copyright infringement (see 28 U.S.C. § 1338(a)) and the Federal Copyright Statute (17 U.S.C. § 101, *et seq.*) “completely preempts practically all state law causes of action falling within its scope.” *Tavormina*, 10 F.Supp.2d at 733 (citing *Daboub v. Gibbons*, 42 F.3d 285, 288 (5th Cir. 1995); *Gemcraft Homes, Inc. v. Sumurdy*, 688 F.Supp. 289 (E.D. Tex. 1988) (federal exclusivity of a copyright claim is so strong that an unstated copyright claim preempts explicitly worded state law claim)). If any of the Plaintiff’s claims are within the scope of the Copyright Act, those claims would be preempted and, although they appear as state law claims, would be federal in nature and serve as a basis for federal jurisdiction.

The Declaratory Judgment Act, although it is a federal law, does not confer jurisdiction on the federal courts. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240, 57 S.Ct. 461, 463, 81 L.Ed. 617 (1937) (“[T]he operation of the Declaratory Judgment Act is procedural only.”). When a plaintiff seeks relief in the form of declaratory judgment, there is no federal

jurisdiction “if, but for the availability of the declaratory judgment procedure, the federal claim would arise only as a defense to a state created action.” *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 103 S.Ct. 2841, 77 L.Ed.2d 420 (1983) (quoting 10A Charles Alan Wright, *et. al*, Federal Practice and Procedure § 2767, at 744-745 (2d ed. 1983)); see *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 70 S.Ct. 876, 94 L.Ed. 1194 (1950).

To determine whether jurisdiction exists in a claim for a declaratory judgment initially filed in federal court, “the normal position of the parties is reversed; therefore, we do not look to the face of the declaratory judgment complaint in order to determine the presence of a federal question.” *Stuart Weitzman, LLC v. Microcomputer Resources, Inc.*, 542 F.3d 859, 862 (11th Cir. 2008) (quoting *Hudson Ins. Co. v. Am. Elec. Corp.*, 957 F.2d 826, 828 (11th Cir. 1992)). The court instead must determine whether the course of action anticipated by the declaratory judgment plaintiff arises under federal law. *Id.* A declaratory judgment action invokes federal question jurisdiction when “the plaintiff has alleged facts in a well-pleaded complaint which demonstrate that the defendant could file a coercive action arising under federal law.” *Id.*

A claim arises under the federal Copyright Act “if and only if the complaint is for a remedy expressly granted by the Act,” like a suit for infringement or to recoup royalties. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 328 (2d Cir.1964) (Friendly, J.). See *Goodman v. Lee*, 815 F.2d 1030 (5th Cir. 1987). The plaintiff in *Harms* sought a declaratory judgment that he was the sole owner of renewal copyrights to songs. *Id.* “At issue was whether one of the defendants had previ-

ously assigned his interest in the copyrights to the plaintiff's agent, or whether the defendant had retained his interest and had later validly assigned it to a second defendant." *Kane v. Nace Intern.*, 117 F.Supp.2d 592 (S.D. Tex. 2000) (citing *Harms*, 339 F.2d at 824-25). The plaintiff did not assert any claim of infringement and did not seek relief under the Copyright Act. *Id.* Because the case turned not on interpretation of the federal Copyright Law but merely on the Plaintiff's rights under an assignment, a question of state law, there was no federal jurisdiction. *Harms*, 339 F.2d at 828 ("The general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough" to give rise to federal subject matter jurisdiction.).

While state law claims over *ownership* to a copyright as a matter of state law do not "arise under" the Copyright Act for the purposes of federal jurisdiction, the Fifth Circuit has recognized that claims requiring construction of the Copyright Act create jurisdiction when the actions are based on rights created in the Act. *Kane v. Nace Intern.*, 117 F.Supp.2d at 596. *See Goodman*, 815 F.2d 1030 (federal jurisdiction existed when plaintiff claimed a right to be listed as the co-author of copyrighted material and receive proceeds as such). The court in *Goodman* distinguished between cases over "a contract, the subject of which was a copyright" for which no federal jurisdiction exists, and cases that "involve the validity of the copyright itself under the Copyright Act." *Goodman*, at 1032.

Discussion

1. Federal Subject Matter Jurisdiction

The plaintiff has the burden of proving subject matter jurisdiction by a preponderance of the evidence. *New Orleans & Gulf Coast Ry. Co. v. Barrois*, 533 F.3d 321, 327 (5th Cir. 2008). In evaluating jurisdiction, this Court must resolve disputed facts without giving a presumption of truthfulness to the plaintiff's allegations. *Williamson v. Tucker*, 645 F.2d 404, 413 (5th Cir. 1981). Ultraflo asserts bases of jurisdiction under "Federal Rule of Civil Procedure 57, 28 U.S.C. §§ 2201, 1338 in that Defendants have claimed a copyright that does not belong to them under federal law." *Id.* at 3. Of the three sources of law (or procedural rules) listed, only Section 1338 contains a grant of jurisdiction to this Court.

Because Ultraflo raises the prospect of a federal issue in the context of an action for declaratory judgment, to establish federal jurisdiction it must "allege facts in a well-pleaded complaint which demonstrate that the defendant[s] could file a coercive action arising under federal law." *Weitzman*, 542 F.3d at 862. Ultraflo's allegations in its amended complaint (Doc. 66) that "Mueller claims a copyright interest in intellectual property and trade secrets that belong to Ultraflo . . . [or i]n the alternative, [that] Mueller claims copyrights to design drawings that are not copyrightable, but that embody Ultraflo's trade secrets that were stolen by Mueller" do not satisfy this standard.

To the extent that Ultraflo is claiming that the copyright to the design drawings at the heart of this case properly belong to it and were obtained by Mueller in violation of state law, and that Mueller may bring suit to establish this ownership, it is well settled that such claims do not "arise under" federal law. *See Eliscu*, 339 F.2d 823. If Ultraflo is alleging,

instead, that the validity of the copyright itself is at issue, they may have a claim that “arises under” the Copyright Act (*see Goodman*, at 1032), but they have failed to identify the relevant provisions of the Copyright Act with sufficient specificity to assure this Court of the grounds of its subject matter jurisdiction. Before the Court can proceed to Ultraflo’s state law claims, it must first establish that it has federal subject matter jurisdiction. Because Ultraflo’s amended complaint (Doc. 66) does not adequately allege the grounds for federal subject matter jurisdiction, Ultraflo must amend its complaint with a clear and definite statement of federal jurisdiction.

2. Preemption of Ultraflo’s State Law Claims

Plaintiff and Defendants have not addressed the potential preemption of Ultraflo’s state law claims for misappropriation of trade secrets, unfair competition by misappropriation, conversion, and civil conspiracy. In May, 2008, Defendants Pelican Tank and Mueller removed an earlier iteration of this case from state court asserting that Ultraflo’s state law claims were preempted by the Copyright Act. *Ultraflo Corp. v. Pelican Tank Parts, Inc.*, No. 4:08-cv-1460. Although Judge Werlein remanded the case to state court as untimely removed (*id.*, Doc. 21), he gave Ultraflo ample notice that its state law claims were likely completely preempted by the federal Copyright Act. *Id.*, Doc. 21 at 4. Nevertheless, Ultraflo again pleads state law causes of action based on the Defendants’ improper use of copyrightable subject matter.

A state law claim is preempted by the federal copyright law when it falls within the subject matter of copyright and when the state law cause of action protects rights that are “equivalent” to any of the ex-

clusive rights protected by copyright. *Carson v. Dynegy, Inc.*, 344 F.3d 446, 456 (5th Cir. 2003). “A state-created right is equivalent to these rights ‘if the mere act of reproduction, distribution, or display infringes it.’” *GlobeRanger Corp. v. Software AG*, No. 3:11-CV-0403-B, 2011 WL 3586420, *2 (N.D.Tex. Aug. 15, 2011) (quoting *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990)). A state law claim is equivalent to rights protected under the Copyright Act if it involves “elements that would not establish qualitatively different conduct by the defendants than the elements for an action under the Copyright Act.” *Daboub v. Gibbons*, 42 F.3d 285, 209 (5th Cir. 1995) (describing the “extra element” test).

Ultraflo brings state law claims for unfair competition by misappropriation, misappropriation of trade secrets, conversion, and civil conspiracy against the Defendants for their alleged misappropriation and use of Ultraflo’s design drawings.

(a). Unfair Competition by Misappropriation

“The elements of unfair competition by misappropriation are: (1) the creation by plaintiff of a product through extensive time, labor, skill, and money; (2) the use of that product by defendant in competition with plaintiff, thereby giving the defendant a special competitive advantage because he was burdened with little or none of the expense incurred by plaintiff in the creation of the product; and (3) commercial damage to plaintiff.” *M-I LLC v. Stelly*, 733 F.Supp. 2d 759, 791 (S.D. Tex 2010) (quoting *Cable Elecs., Inc. v. N. Am. Cable Equip., Inc.*, No. :08- CV-0433-M, 2010 WL 1541504, at *3 (N.D. Tex. Apr. 15, 2010)). State law claims of unfair competition by misappropriation generally are preempt-

ed when the acts that form the basis of the claim “touch on interests clearly protected by the Copyright Act.” *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772, 789 (5th Cir. 1999). See *M-I LLC v. Stelly*, 733 F.Supp.2d 759.

In *Alcatel*, a manufacturer of telephone network “switches” and switch operating software sued a competitor that had allegedly misappropriated the plaintiff’s intellectual property by wrongfully obtaining schematics and manuals describing the switches and switch software. *Id.* The defendants allegedly used that information to develop a switch which they sold in competition with the plaintiff’s product. *Id.*

The court noted that the elements of unfair competition by misappropriation are not “qualitatively different from those necessary to establish copyright infringement.” *Id.* at 789. The state law elements of “extensive time, labor, skill, and money” expended in the creation of the product at issue “are [also] fundamental to the independent creation of a work, proof of which is necessary under the Copyright Act.” “[U]nder circumstances in which a work has been granted copyright protection . . . the time, labor, skill, and money expended by the author in creating the work are necessarily contemplated in that copyright.” *Id.* Similarly, the state claim requires proof that the defendant used the product “in competition with” the plaintiff’s product. “The owner of a copyright has a claim under federal law for the infringement of his exclusive rights to reproduce, adapt, distribute, perform, and display his works. Whether the infringing act touches on all of these rights or just one is irrelevant for the purposes of copyright law.” *Id.* Because proof that the defendant used the product “in competition with” the plaintiff’s product

would be sufficient to state a claim under federal copyright law, this element does not make the state law claim qualitatively different from a Copyright Act claim. In the absence of any additional showing of a difference between the claims, the state law claim for unfair competition by misappropriation is preempted by the federal Copyright Act.

(b) Misappropriation of Trade Secrets

The elements of a claim for misappropriation of trade secrets under Texas law are “that (1) a trade secret existed, (2) the trade secret was acquired through a breach of a confidential relationship or discovered by improper means, and (3) the defendant used the trade secret without authorization from the plaintiff.” *CQ, Inc. v. TXU Mining Co.*, 565 F.3d 268, 273 (5th Cir. 2009). “Texas’ misappropriation claim is typical of trade secrets claims nationwide, which ‘often are grounded upon a defendant’s breach of duty of trust or confidence to the plaintiff through improper disclosure of confidential material.’” *M–I LLC v. Stelly*, 733 F.Supp 2d at 785 (quoting *Stromback v. New Line Cinema*, 384 F.3d 283, 303 (6th Cir. 2004) (internal citations omitted)).

Because the state law misappropriation claim contains an additional element of a breach of duty or trust that Copyright Act claims do not require, courts have found that this claim is not preempted by the Act. *See M–I LLC v. Stelly*, 733 F.Supp.2d at 785 (“[T]he additional element in trade secret misappropriation, which requires either a breach of confidential relationship or discovery by improper means regulates conduct qualitatively different from that regulated by federal copyright law.”) (internal citation omitted); *Xpel Technologies Corp. v. American Filter Film*, 2008 WL 3540345, *6 (W.D.Tex. 2008)

("[O]ne of the elements of trade secrets misappropriation in Texas is qualitatively different from the elements of copyright infringement. That element is that the 'trade secret was acquired through a breach of a confidential relationship,") (internal citations omitted); *Complete Pharmacy Resources, Ltd. v. Feltman*, No. 04:04-CV-3477, 2005 WL 1949540 (S.D. Tex. Aug. 12, 2005) ("this claim [of misappropriation of trade secrets] includes additional element(s) distinguishing it from a copyright infringement claim" because of the existence of the required element of breach of a duty of trust or confidence to the plaintiff by the defendant). As long as Ultraflo can demonstrate the existence of a confidential relationship, its state law claim for misappropriation of trade secrets will not be preempted.

(c). Conversion

The elements of conversion under Texas state law are that "(1) the plaintiff owned, had legal possession of, or was entitled to possession of the property; (2) the defendant assumed and exercised dominion and control over the property in an unlawful and unauthorized manner, to the exclusion of and inconsistent with the plaintiff's rights; and (3) the defendant refused the plaintiff's demand for the return of the property." *M-I LLC v. Stelly*, 733 F.Supp.2d at 792 (citations omitted). Texas' conversion law concerns only physical property, not intangible intellectual property rights. *Carson v. Dynegy, Inc.*, 344 F.3d 446, 456 (5th Cir. 2003).

A claim of conversion of a tangible, physical object, is not preempted by the Copyright Act, which protects only intangible, copyrightable material. But to the extent that a plaintiff alleges conversion of intangible, copyrightable material, the claim is either

“outside the scope of Texas conversion law” (*id.*) and therefore fails to state a claim under state law or, in the alternative, preempted by the Copyright Act. See *Daboub v. Gibbons*, 42 F.3d at 289 (finding that Plaintiffs’ conversion claim relating to the lyrics of the song *Thunderbird*, performed and made famous by ZZ Top, was preempted as a claim to intangible material); *GlobeRanger Corp. v. Software AG*, 2011 WL 3586420 (finding that a conversion claim relating to computer software was preempted); *M-I LLC*, 733 F.Supp.2d at 792 (finding that plaintiff’s conversion claim is preempted “to the extent that it covers tool drawings, designs, and other matter subject to copyright protection.”). Ultraflo alleges a “conversion of [its] proprietary design drawings by Defendants.” Doc. 66 at 6. Taken in the context of its complaint, it appears that Ultraflo bases its claim for conversion on the intangible intellectual property contained within those design drawings. *Id.* at 4 (“Pelican Tank’s competing valve is *based on* Ultraflo’s confidential and proprietary design drawing.”) (emphasis added). Ultraflo does not specifically allege that the drawings on which Defendants rely in producing their competing butterfly valve are the same pieces of paper originally possessed by Ultraflo, but rather that the drawings depict a valve the design of which is Ultraflo’s property. Such a claim is clearly one for conversion of intellectual property, and therefore preempted by the Copyright Act.

(d). Civil Conspiracy

The elements of civil conspiracy in Texas are: (1) a combination of two or more persons; (2) an object to be accomplished (an unlawful purpose or a lawful purpose by unlawful means); (3) a meeting of the minds on the object or course of action; (4) one or

more unlawful, overt acts; and (5) damages as the proximate result. *Finserve Cas. Corp. v. Settlement Funding, LLC*, 724 F.Supp.2d 662, 674-76, 2010 WL 2757536, at *10 (S.D. Tex. July 13, 2010) (citing *Ins. Co. of N. Am. v. Morris*, 981 S.W.2d 667, 675 (Tex. 1998)). Although civil conspiracy requires an element of knowledge and planning, other courts have held that this element does not make it qualitatively different from a claim under the Copyright Act. *See, e.g., M-I LLC v. Stelly*, 733 F.Supp.2d 759 (“[T]he conspiracy claim requires an element of knowledge and planning, but fails to add any qualitatively different conduct to the claim.”); *Warren Sign Co., Inc. v. Piros Signs, Inc.*, 2010 WL 2802023, at *4 (E.D. Mo. July 15, 2010) (“Because copyright law already recognizes the concepts of contributory infringement and vicarious copyright infringement concepts, which extend joint and several liability to those who participate in the copyright infringement, a civil conspiracy claim does not add substantively to the underlying federal copyright claim and should therefore be preempted.”) (quoting *Irwin v. ZDF Enterprises GmbH*, 2006 WL 374960, at *4 (S.D.N.Y. Feb. 16, 2006)). In *M-I LLC*, Judge Ellison found that “the intent element of the conspiracy claim does not constitute qualitatively different conduct where the element of intent only goes to an intent to form an agreement to copy and use” copyrightable trade secrets and confidential information. 733 F.Supp.2d at 791. This Court agrees.

Conclusion

On the basis of its complaint, Ultraflo’s state law claims for unfair competition by misappropriation, conversion, and civil conspiracy are not qualitatively different from federal claims under the Copyright

Act and are therefore preempted. Ultraflo's claim of misappropriation of trade secrets depends on the existence of a confidential relationship, a distinct element, and therefore is not preempted.

The Court finds that resolution of the foregoing issues is necessary to proceed in this case. Because of the absence of an adequate discussion of the copyright issues which form the basis of Ultraflo's request for a declaratory judgment, this Court cannot be assured of the basis of its jurisdiction. Further, it appears that most of Ultraflo's state law causes of action are preempted by the Federal Copyright Act.¹ Accordingly, it is hereby

ORDERED that Plaintiff Ultraflo Corporation file an amended complaint, within 15 days, addressing the issues raised in this Opinion and Order. The amended complaint must adequately describe the alleged basis for this Court's subject matter jurisdiction and re-allege its causes of action, avoiding allegations of state law claims that are clearly preempted by federal law. Plaintiff Ultraflo Corporation **may** also file on the same day a brief setting forth any legal arguments it may have that the law as expressed in this Opinion and Order is incorrect. It is further

ORDERED that Defendants Pelican Tank Parts, Incorporated, Pelican Worldwide, Inc., and Thomas Joseph Mueller file a dispositive motion or

¹ If the original grounds for jurisdiction alleged in Ultraflo's complaint—a declaratory judgment against potential Copyright Act lawsuits brought by the Defendants—fails, Ultraflo's purported state law claims may form a basis for jurisdiction if Ultraflo repleads them as federal claims under the Copyright Act. This Court currently cannot determine whether Ultraflo can state a claim under the Copyright Act.

answer within 20 days of the filing of Ultraflo's amended complaint. Defendants **may** also file on the same day a brief responding to the issues raised in this Opinion and Order to Ultraflo's brief. It is further

ORDERED that because Defendants' Motions for Partial Summary Judgment (Docs. 70, 71, 73, 75) address the issues raised in Plaintiff's amended complaint and do not address the foregoing issues, they are **DENIED** as premature. Defendants may re-urge these motions after the Court is assured of its subject matter jurisdiction and the nature of the complaint before it.

SIGNED at Houston, Texas, this 18th day of October, 2011.

/s/ Melinda Harmon
UNITED STATES DISTRICT
JUDGE