No. 16-1085

In The
Supreme Court of the United States

ULTRAFLO CORPORATION,

Petitioner,

v.

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

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the District Court and the Fifth Circuit ruled correctly by holding that a state-law claim of "unfair competition by misappropriation" was preempted where the plaintiff repeatedly pled facts concerning the use and reproduction of *drawings*.

CORPORATE DISCLOSURE STATEMENT

In accordance with United States Supreme Court Rule 29.6, Respondents Pelican Tank Parts, Inc. and Pelican Worldwide, Inc. make the following disclosures:

1) Pelican Tank Parts, Inc. does not have a parent corporation and no publicly held corporation holds 10% or more of its stock; and,

2) The parent corporation of Pelican Worldwide, Inc. is Pelican Worldwide Holdings b.v. and no publicly held corporation holds 10% or more of its stock.

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BRIEF IN OPPOSITION

Pelican Tank Parts, Inc., Thomas Joseph Mueller, and Pelican Worldwide, Inc. ("Defendants" or "Respondents") respectfully submit this brief in opposition to the petition for a writ of certiorari filed by Ultraflo Corporation ("Petitioner" or "Ultraflo").

OPINIONS BELOW[1]

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

JURISDICTION

The court of appeals entered its judgment on January 11, 2017. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATEMENT OF THE CASE

A decision on whether Petitioner's Texas state cause of action for unfair competition by misappropriation is preempted by the Copyright Act cannot be

[1] Hereafter, citations to the Petitioner's appendices will be cited as "Pet. App. ___." Citations to documents from the Southern District of Texas – Case No. 4:09-cv-00782 will be cited as "D. Ct. Dkt. No. ___."

divorced from a discussion of the underlying facts, or the manner in which a cause of action was pled. In the proceedings below, the District Court and the Fifth Circuit performed a proper preemption assessment of the underlying state cause of action according to how it was pled. At the District level, Petitioner filed complaints focusing on the alleged use and copying of *drawings* in a way that clearly trampled all over copyright law. Now, Petitioner offers a revisionist history of its state cause of action as actually pled – focusing on a newfound "valuable idea" in Petitioner's statement to this Court. Moreover, by mischaracterizing and omitting the actual procedural history and facts at issue in the underlying cases, Petitioner fails to present a case that would be useful to resolve the asserted split of authority.

With a few exceptions, all causes of action falling within the scope of the Copyright Act are expressly preempted. Section 301 of the Act sets forth two conditions, both of which must be satisfied, for preemption of a right under state law to occur. First, courts must consider whether the work in which the right is asserted comes within the subject matter of copyright. *See Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 429-430 (2d Cir. 2012). Second, courts must consider whether the rights protected by state law claim to protect are equivalent to any of the exclusive rights provided by the Copyright Act. *Ibid*.

The petition does not warrant a grant of review because the underlying case is not useful to resolving any actual split of authority amongst the Circuits. The

underlying facts and procedural background of *this case* would have yielded the same result in all of the Circuits because the matter as pled focused on the subject matter of copyright. The District Court and the Fifth Circuit had no choice but to make a finding of preemption. The petition for a writ of certiorari can be denied without addressing any purported split in authority because the facts and legal scenarios at issue amongst the Circuits do not apply to the facts of the underlying case.

Regarding Petitioner's state claim of "unfair competition by misappropriation," there is nothing that might have been misappropriated that was not already litigated – so justice will not be served by re-litigating anything in this case. After seven years of hard fought litigation, Petitioner lost because the jury did not find a "trade secret" for Petitioner's butterfly valve dimensions, which include various external measurements of its publicly available butterfly valve. Petitioner also litigated a copyright claim for its drawings, and did not prevail. There were no design patents, no utility patents, and no trade dress rights in play. Petitioner has fully litigated its case and justice would not be served by allowing Petitioner to use an amorphous state unfair competition claim as some form of quasi-intellectual property right of indefinite duration – or perhaps more as a "plan B" trade secret allegation that was alleged in the same breath, using the same language as the trade secret claim. Any ruling on this particular set of facts will only encourage use of unfair

competition statutes, ironically, to stifle fair competition in generic product markets where there are no actual demonstrable intellectual property rights.

A. Factual And Procedural Background

Petitioner and Respondents are manufacturers of butterfly valves for the transportation industry. Pet. App., at 35a. Butterfly valves open and shut to let the contents out of trains, trucks, etc. Butterfly valves are a mature product, having been manufactured and sold commercially by numerous companies both in the U.S. and worldwide for decades. Over the years, the sizes, shapes, and materials of construction for butterfly valves have been set to various industry standards and the dimensional measurements are widely known and disseminated amongst those in the industry.

Petitioner filed its first suit almost a decade ago on November 12, 2007 in the 280th District Court of Harris County, Texas against Respondents alleging various state claims including conversion, civil conspiracy, unfair competition and misappropriation of trade secrets. Pet. App., at 36a.

Five months later and after finally identifying its alleged misappropriated "trade secret" as ***technical drawings*** of butterfly valves, Pelican Tank and Mueller removed the case to the United States District Court for the Southern District of Texas on the basis of federal question jurisdiction, asserting that Petitioner's state law claims were completely preempted by the Copyright Act, 17 U.S.C. § 101. *Ibid*. The case

was remanded back to state court as untimely, but the Federal Judge expressly reserved comment on the copyright preemption issue, which was taken up later. *Ibid*. Pelican Tank and Mueller ultimately won a Motion to Dismiss in state court for lack of subject matter jurisdiction over copyrighted subject matter for the drawings, which ended the dispute in state court. Pet. App., at 37a.

Then, in March of 2009, Petitioner again brought this case against Respondents in the Southern District of Texas alleging the same state law causes of action as it brought in the initial state suit regarding its alleged design drawings being copied.[2] It also requested a declaratory judgment against Pelican Tank and Mueller in regard to copyright ownership of the drawings. D. Ct. Dkt. No. 1, at 10. Specifically, citing an ownership dispute under the Copyright Act, Petitioner requested a declaratory judgment against the Respondents, asserting that **"the design drawings that are the subject of this suit"** were owned by Petitioner. *Ibid.* (emphasis added).

On October 28, 2010, Petitioner filed its First Amended Complaint alleging state causes of action for conversion, "unfair competition by misappropriation and misappropriation of trade secrets," civil conspiracy, and for an application for permanent injunction.

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[2] In its Original Complaint, Petitioner stated "Upon information and belief, Pelican Tank's competing valve is based on Ultraflo's confidential and proprietary design drawing." D. Ct. Dkt. No. 1, at 4.

D. Ct. Dkt. No. 66, at 6-11. In the First Amended Complaint, the state law claims were heavily predicated on use and copying of drawings. Specifically, Petitioner's claim for "Unfair Competition by Misappropriation and Misappropriation of Trade Secrets," which were pled under the same heading, stated:

> [a]t all relevant times, Pelican Tank knew that Mueller had access to Ultraflo's trade secrets and proprietary and ***confidential design and drawings***. . . . The unauthorized activities by Mueller in retaining Ultraflo's ***confidential drawings***, and upon information and belief, the subsequent use of them by Pelican Tank to make competitive valves, constitutes misappropriation of Ultraflo's valuable trade secrets.

Id. at 6-7 (emphasis added). Furthermore, Ultraflo's conversion claim asserted, "[t]he conversion of Ultraflo's ***proprietary drawings, designs*** and valves by Defendants. . . ." *Id*. at 6 (emphasis added). Ultraflo's civil conspiracy claim asserted, "[Defendants] have conspired . . . to harm Ultraflo and unlawfully profit from the theft and ***copying of confidential design drawings***. . . ." *Id*. at 8 (emphasis added). Ultraflo's Application for Permanent Injunction asserted, "Ultraflo respectfully requests that this Court grant a permanent injunction: (a) enjoining Defendants from disclosing or utilizing for their own use or benefit any of Ultraflo's ***confidential and/or proprietary design drawings***. . . ." *Id*. at 9-11 (emphasis added). The First Amended Complaint also reiterated a claim for declaratory judgment for ownership of the drawings

that are the subject of the suit under the Copyright Act. *Id*. at 11.

On October 18, 2011, the District Court correctly ruled, on its own motion, that Petitioner's state law claims for unfair competition by misappropriation, conversion and civil conspiracy were preempted by the federal Copyright Act because Petitioner pled state causes of action based on Defendants' use of copyrightable subject matter. Pet. App., at 44a-52a. The District Court ordered Petitioner to file an amended complaint adequately describing the alleged basis for the District Court's subject matter jurisdiction and to re-allege its causes of action, avoiding allegations of state law claims that were preempted by federal law. *Id*. at 51a.

On November 2, 2011, Petitioner filed its second amended complaint re-asserting its state law claims from the First Amended Complaint. D. Ct. Dkt. No. 118, at 6-11. The First and Second Amended Complaints were nearly identical with respect to the unfair competition by misappropriation claim.[3] The Second Amended Complaint again asserted "Unfair Competition by Misappropriation and Misappropriation of Trade Secrets" under the same heading and alleged:

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[3] In its Second Amended Complaint, Petitioner alleges, "Mueller held a key position at Ultraflo and had access to Ultraflo's proprietary and confidential ***designs, which are shown in Ultraflo's drawings, including, but not limited to Ultraflo's design of one of the series of Ultraflo's valves***." D. Ct. Dkt. No. 118, at 3 (emphasis added).

> [a]t all relevant times, Pelican Tank knew that Mueller had access to Ultraflo's trade secrets and proprietary and confidential designs and ***drawings***. . . . The unauthorized activities by Mueller in retaining Ultraflo's ***confidential drawings***, and upon information and belief, the subsequent use of them by Pelican Tank to make competitive valves, constitutes misappropriation of Ultraflo's valuable trade secrets.

Id. at 6-7 (emphasis added). In addition to a civil conspiracy claim and an application for permanent injunction, Petitioner again made a conversion allegation in regard to the "conversion of Ultraflo's proprietary ***drawings***. . . ." *Id*. at 6. Clearly, the use and copying of confidential drawings are at the substance and core of each of Petitioner's state causes of action, including its claim of unfair competition by misappropriation. Moreover, the Second Amended Complaint again asserted a claim for declaratory judgment – and asserted that **"the asserted drawings, if anything, are 'works made for hire' under the Copyright Act that belong to Ultraflo."** *Id*. at 24 (emphasis added).

On November 21, 2011, Respondents filed a motion to dismiss the Second Amended Complaint, in part, because the Texas causes of action needed to be dismissed on the basis of clear federal subject matter preemption.

On September 7, 2012, the District Court again dismissed Petitioner's claim for unfair competition by misappropriation and stood by its reasoning in its

earlier opinion regarding the preemption of Petitioner's Texas causes of action stating: 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***. Pet. App., at 28a (emphasis added).

On November 14, 2012, Petitioner filed its Third Amended Complaint, which alleged **"Copyright Infringement"** against Respondents. D. Ct. Dkt. No. 169, at 6-7. That the case involves copyright subject matter should be apparent. Petitioner stated in this complaint: **"Ultraflo owns the copyright in the drawings that are the subject of this suit and has registered same"** (D. Ct. Dkt. No. 169, at 6 (emphasis added)) and further complained of Respondents' alleged copying of the drawings: **"Defendants, without authorization, copied substantial portions of the drawings to create their own drawings that are substantially similar to those of Ultraflo."** *Ibid.* (emphasis added).

After more than six years of litigation, in January 2014, Petitioner's claims for misappropriation of trade secrets, civil conspiracy and copyright infringement finally proceeded to a jury trial. Pet. App., at 14a-15a. After weeks in trial considering over a hundred exhibits, experts, and lay witnesses, a jury unanimously concluded that Petitioner's claims of trade secret misappropriation, copyright infringement and conspiracy were not deserving of a liability finding, damages, or

punitive damages. *Id*. The jury readily appreciated that Respondents had not misappropriated trade secrets, or infringed copyrights, or conspired to do anything; and that Petitioner merely made and sold a butterfly valve that was not the subject of any viable intellectual property right.

Petitioner appealed the dismissal of its unfair competition by misappropriation claim, which was affirmed by a panel of the Fifth Circuit. Pet. App., at 1a-13a. Recognizing Petitioner's pleadings, the Fifth Circuit stated that Petitioner asserted a Texas unfair competition by misappropriation claim "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." Pet. App., at 1a-2a.

REASONS FOR DENYING THE PETITION

A. The Decisions In Both Underlying Courts Were Correct And The Circuits Are Not Expressly Divided In Terms Of How This Particular Case Would Be Decided *Considering How It Was Pled* Under The Well-Pleaded Complaint Rule

First, the well-pleaded complaint rule establishes federal jurisdiction over civil actions arising under the Copyright Act. 28 U.S.C. § 1338(a). The claims

established by the well-pleaded complaint must necessarily be determined from the plaintiff's statement of his or her own claim. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-809 (1988); *see also Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987) (whether a case arises under federal law is determined on the basis of the plaintiff's complaint). Under the well-pleaded complaint rule, the plaintiff is the master of the claim. *Caterpillar, Inc*., 482 U.S. at 392. "Once an area of state law has been completely preempted, any claim purportedly based on that preempted state law is considered from its inception, a federal claim, and therefore arises under federal law." *Id*. at 393. Furthermore, "any case of federal preemption of state law is highly dependent upon the facts presented and the claims actually pled by the parties." *Dunlap v. G&L Holding Group, Inc.*, 381 F.3d 1285, 1297 (11th Cir. 2004) (*citing Murray Hill Publ'ns, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 628 (6th Cir. 2001)).[4]

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[4] *See also Alcatel USA, Inc. v. DGI Technologies, Inc*., 166 F.3d 772, 786-789 (5th Cir. 1999) (looking at the discrete facts of the case as alleged in the pleadings when finding the rights protected under federal copyright law and state misappropriation law are equivalent); *Stromback v. New Line Cinema*, 384 F.3d 283, 301-302 (6th Cir. 2004) (finding a commercial misappropriation claim to be preempted based on the alleged acts as pled after examining decisions of the Fifth, Tenth, Second, and Ninth Circuits, all of which decided the question of preemption according to what was alleged in the pleadings); *Spear Marketing, Inc. v. BancorpSouth Bank*, 791 F.3d 586, 598 (5th Cir. 2015) ("Thus, [plaintiff's] conversion claim, to the extent it alleges conversion of intangible 'confidential information' and 'certain trade secrets' is preempted.").

The Circuits apply a two-part test for preemption in a copyright case under the Copyright Act. The two-part test applied to determine whether the Copyright Act preempts state rights asks (1) whether the rights at issue fall within the subject matter of Copyright, and if so (2) whether the state law protects rights which are equivalent to the exclusive rights of the Copyright Act. *See Forest Park Pictures*, 683 F.3d at 429-430. With respect to the scope of the subject matter of copyright, Section 301 of the Copyright Act provides:

> 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. . . . [N]o person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

i. The Petitioner's claim for unfair competition by misappropriation falls within the subject matter of copyright as it was pled.

The way the underlying state cause of action of unfair competition by misappropriation was pled caused it to fall within the subject matter of copyright. Section 101 of the Copyright Act provides that the subject matter and scope of copyright encompasses "[p]ictorial,

graphic and sculptural works," which includes "two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings. . . ." 17 U.S.C. § 101. That this case involved the subject matter of Copyright under the first prong of preemption is obvious on its face – especially considering that ***Petitioner brought a cause of action of copyright infringement for its copyrighted drawings*** – which it also repeatedly asserted as trade secrets and the subject of its unfair competition claims. *See* D. Ct. Dkt. No. 169, at 6-7.

When evaluating the nature and subject matter of the claims, a court must look at the complaint as a whole. *See* Fed. R. Civ. P. 8(e) ("Pleadings must be construed so as to do justice"); *see also Coley v. Lucas County, Ohio*, 799 F.3d 530, 543 (6th Cir. 2015) (explaining courts "must look to the complaint 'as a whole' to see if it provides 'sufficient notice' of the claim"); *Argueta v. U.S. Immigration & Customs Enforcement*, 643 F.3d 60, 74 (3d Cir. 2011) (stating that when determining if a claim is facially plausible, "courts must determine whether the complaint as a whole contains sufficient factual matter"); *Yoder v. Orthomolecular Nutrition Institute, Inc.*, 751 F.2d 555, 562 (2d Cir. 1985) (on a motion to dismiss, "a complaint must be read as a whole"); *M-I LLC v. Stelly*, 733 F.Supp.2d 759, 782-783 (S.D. Tex. 2010) ("Taken as a whole, the gravamen of [Plaintiff's] complaint focuses almost exclusively on . . . alleged theft of tool drawings, designs, and other confidential information. . . . The Court finds

that the claims fall under the subject matter of copyright").[5] If any of the Petitioner's claims are within the scope of the Copyright Act, those claims are preempted. *See Alcatel USA, Inc.*, 166 F.3d at 785-789 (5th Cir. 1999) (overturning a jury verdict in plaintiff's favor on unfair competition by misappropriation claim due to federal copyright preemption).[6]

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[5] "Federal courts have repeatedly recognized that allowing state law claims where the core of the complaint centers on wrongful copying would render the preemption provisions of the Copyright Act useless." *Butler, Jr. v. Continental Airlines, Inc.*, 31 S.W.3d 642, 651 (Tex. Ct. App. 2000) (*quoting State v. Perry*, 697 N.E.2d 624, 627 (Ohio 1998)); *see U.S. ex rel. Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1464 (4th Cir. 1997); *see also Daboub v. Gibbons*, 42 F.3d 285, 290 & n.8 (5th Cir. 1995); *Gemcraft Homes, Inc. v. Sumurdy*, 688 F.Supp. 289, 292-295 (E.D. Tex. 1988) (federal exclusivity of a copyright claim is so strong that an unstated copyright claim preempts explicitly worded state law claim).

[6] *See also Daboub v. Gibbons*, 42 F.3d at 289 (upholding finding of preemption of misappropriation claim relating to a rock song); *see, e.g., Dealer Basic, L.L.C. v. American Auto Exchange, Inc.*, 2007 WL 4836671 (N.D. Tex. Sept. 22, 2008) (finding copyright absolutely preempts an unfair competition by misappropriation of software, i.e., copyrightable subject matter); *Xpel Technologies Corp. v. American Filter Film Distributors*, 2008 WL 3540345 at *6 (W.D. Tex. Aug. 11, 2008) (discussing difference between preemption of trade secret claims and unfair competition by misappropriation); *Spectrum Creations, L.P. v. Carolyn Kinder International, LLC*, 514 F.Supp.2d 934, 950 (W.D. Tex. 2007) ("to the extent that the unfair competition claim is based on misappropriation of copyrightable designs, it appears that it would be preempted by the Copyright Act even though the trade-secret misappropriation claim is not preempted.").

While the Petition at hand is an attempt by Petitioner to re-define its case, in truth, Petitioner repeatedly and steadfastly pled a cause of action that spoke to copyrightable subject matter in the form of design drawings. Petitioner repeatedly asked for relief via an "Unfair Competition by Misappropriation" claim under Texas state law, which has rights equivalent to and covered by federal copyright statutes. Petitioner was actually given multiple opportunities to re-plead its case in a way that might have avoided copyright preemption, but insistently filed nearly identical amended complaints that referenced misappropriation of design drawings in a manner that was clearly preempted. Pet. App., at 51a. It was clear to all, including the District Court and Fifth Circuit, that Petitioner was merely re-wording its "Unfair Competition by Misappropriation" claim for a second bite at its trade secret claim and copyright claim, both of which Petitioner ultimately lost at trial.

In its First Amended Complaint, Petitioner pled under a single heading the claims of "Unfair Competition by Misappropriation and Misappropriation of Trade Secrets," alleging:

> "[a]t all relevant times, Pelican Tank knew that Mueller had access to Ultraflo's trade secrets and proprietary and ***confidential design and drawings***. . . . The unauthorized activities by Mueller in retaining Ultraflo's ***confidential drawings*** . . . the subsequent

> use of them by Pelican Tank to make competitive valves, constitutes misappropriation of Ultraflo's valuable trade secrets."

D. Ct. Dkt. No. 66, at 6 (emphasis added). Petitioner's claim for "Unfair Competition by Misappropriation and Misappropriation of Trade Secrets" in its Second Amended Complaint was nearly identical.[7] For some reason – either haphazardly, deliberately or inadvertently – Petitioner continued to base its unfair competition by misappropriation claim on content preempted by the Copyright Act. The tweaking of one or two words does nothing to change the substance or the core of the relief requested by Ultraflo, especially in light of the fact that the remaining paragraphs of the Second Amended Complaint are identical to the First Amended Complaint. As such, the substance and core of Petitioner's amended unfair competition by misappropriation claim consistently focused on drawings and were therefore correctly preempted by the District Court.

In fact, not only did Petitioner's unfair competition by misappropriation claim center on its drawings, but Petitioner's other state causes of action for conversion,

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[7] "At all relevant times, Pelican Tank knew that Mueller had access to Ultraflo's trade secrets and proprietary and confidential designs and ***drawings***. . . . The unauthorized activities by Mueller in retaining Ultraflo's ***confidential drawings***, and upon information and belief, the subsequent use of them by Pelican Tank to make competitive valves, constitutes misappropriation of Ultraflo's valuable trade secrets." D. Ct. Dkt. No. 118, at 6 (emphasis added).

civil conspiracy, and application for permanent injunction also centered on the same drawings demonstrating that Petitioner's various complaints were all focused on copyright subject matter.[8] As the other state causes of action detail, Petitioner's complaints were principally about use of copyright subject matter, including drawings and designs – and the reproduction, display and distribution of the drawings/designs. D. Ct. Dkt. No. 118, at 6-11.[9] Thus, as pled consistently for years, Plaintiff's entire action was preempted by the Copyright law because Plaintiff sought to remedy uses

[8] Ultraflo's conversion claim asserted, "[t]he conversion of Ultraflo's ***proprietary drawings***, ***designs*** and valves by Defendants. . . ." D. Ct. Dkt. No. 66, at 6 (emphasis added). Ultraflo's civil conspiracy claim asserted, "Mueller and Pelican Tank have conspired . . . to harm Ultraflo and unlawfully profit from the theft and copying of ***confidential design drawings***. . . ." *Id*. at 8 (emphasis added). Ultraflo's Application for Permanent Injunction asserted, "Ultraflo respectfully requests that this Court grant a permanent injunction: (a) enjoining Defendants from disclosing or utilizing for their own use or benefit any of Ultraflo's ***confidential and/or proprietary design drawings***. . . ." *Id*. at 9-11 (emphasis added).

[9] Ultraflo's First and Second Amended Complaints are consistent with a record made in the state court hearing in response to Defendants' discovery request seeking, "all documents that identify, embody, or otherwise contain the trade secrets [Plaintiff] allege have been misappropriated," where counsel for Ultraflo stated to the Judge, "I think that's been taken care of because ***it is about the drawings*** and we're going to exchange those." *See* D. Ct. Dkt. No. 100, at 4; D. Ct. Dkt. No. 100-2, at 6 (emphasis added).

of drawings and designs which were the province of Copyright law.[10]

Contrary to Petitioner's newfound assertion that this case concerns the misappropriation of a "valuable idea," the crux of Petitioner's various complaints always centered on the alleged misappropriation of its drawings and use of those allegedly copied drawings by Respondents. Petitioner now averts the focus of its original pleadings which concerned the copying of drawings and designs with a newfound claim of unfair competition by misappropriation involving the taking of "valuable ideas." The District Court and Fifth Circuit correctly preempted Petitioner's Texas cause of action by taking into account what Petitioner originally pled at the District level, not what Petitioner now describes as "valuable ideas" to try and get around the lack of trade secret, copyright, or any patent protection. Also, to the extent there were any "valuable ideas" they were not in the form of a trade secret according to the jury.

Therefore, since a case of federal preemption of state law is highly dependent upon the claims actually pled by the parties, the Circuit Courts would be in agreement to preempt Petitioner's state cause of action because Petitioner repeatedly pled claims in a manner that focused on copyrightable subject matter and drawings. *See Dunlap*, 381 F.3d at 1297 (citing *Murray*

[10] 17 U.S.C. § 106(1-5) provides protection against unauthorized copying, display, or creation of derivative works.

Hill Publ'ns, Inc. v. ABC Communications, Inc., 264 F.3d 622, 628 (6th Cir. 2001)).

ii. The Texas cause of action for unfair competition by misappropriation does not have an extra element that is qualitatively different to those rights under the Copyright Act.

Since Petitioner's claims were clearly considered Copyright subject matter under the preemption test, the second prong of the test asks whether the Texas state law claim protects rights that are equivalent to any of the exclusive rights provided by the Copyright Act. *Forest Park Pictures*, 684 F.3d at 429-430. To evaluate whether a state cause of action protects rights equivalent to those of Copyright, the Circuits use an "extra element" test, which evaluates whether "one or more qualitatively different elements are required to constitute the state-created cause of action being asserted." *Alcatel USA, Inc.*, 166 F.3d at 787; *see also National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 850 (2d Cir. 1997). State 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 789.

The elements of Texas 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 it was burdened with little or none of the expense incurred by plaintiff in the creation of the product; and (3) commercial damage to plaintiff. *See U.S. Sporting Prod., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex. App. 1993); *M-I LLC*, 733 F.Supp.2d at 791 (S.D. Tex. 2010). The Fifth Circuit has determined that this Texas cause of action is "specially designed to protect the *labor* – the so-called 'sweat equity' – that goes into creating a work." *Dresser-Rand Co. v. Virtual Automation Inc.*, 361 F.3d 831, 839 (5th Cir. 2004) (quoting *Alcatel USA, Inc.*, 166 F.3d at 778). The Circuit Court below correctly explained that the time, labor, skill, and money expended by the author in creating a work are necessarily contemplated in a copyright. Pet. App., at 10a.

The Fifth Circuit and District Courts were correct in finding preemption based on their correct evaluation of the elements of the Texas "unfair competition by misappropriation" cause of action. Contrary to the Petitioner's assertion, Texas Courts have held that there is no "extra element" in Texas for unfair competition by misappropriation that would take it out of the realm of a legal equivalent of Copyright. *See Alcatel USA, Inc.*, 166 F.3d at 787-789; *see also Thermoteck, Inc. v. Orthoflex, Inc.*, 2016 WL 4678888, at *7 (N.D. Tex. Sept. 7, 2016). Petitioner asserts that the unfair competition claim "requires proof that the misappropriation was committed by an employee or one in a position of special trust with the claimant" (Pet. App., at 5), however, the extra element of a breach of a

confidential relationship is only required in a claim for *trade secret* misappropriation – an entirely different cause of action than unfair competition by misappropriation. *See M-I LLC*, 733 F.Supp.2d at 785.[11] This aspect of Petitioner's brief is simply a legally incorrect statement of the Texas law on the subject. Accordingly, there is no extra element of intent, a breach of a confidential relationship, or the like, necessary to succeed on an unfair competition by misappropriation claim. The elements of creation through time, labor, skill, and money are necessarily contemplated in copyright and use of a derivative work by a competitor would be sufficient to show copyright infringement. *See Alcatel USA, Inc.*, 166 F.3d at 789. Accordingly, there is no extra element present in the Texas cause of action for unfair competition by misappropriation that is not provided or contemplated for in the Copyright Act.[12]

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[11] By contrast, 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*, 733 F.Supp.2d at 785 (*quoting Stromback v. New Line Cinema*, 384 F.3d 283, 303 (6th Cir. 2004)) (internal citations omitted).

[12] Unfair competition and misappropriation claims grounded solely in the copying of a plaintiff's protected expression are preempted by Section 301. *Computer Associates International, Inc. v. Altai, Inc.*, 982 F.2d 693, 717 (2d Cir. 1992).

B. Even If The Petitioner's Claims Did Not Concern Copyrighted Drawings, All Circuits Would Agree That The Petitioner's Claims Are Preempted Because Valve Designs Can Fall Within Copyrightable Subject Matter

Petitioner's referenced split in authority relates to whether *ideas* expressed in tangible media are preempted by the Copyright Act. However, the split in authority does not apply here to the extent this case concerns Petitioner's design for a valve drawing or design, and not merely an idea. All Circuits agree that the scope of the subject matter of the Copyright Act is broader than the scope of its protection. Petitioner's valve design – as a pictorial, graphic, or sculptural work – falls within copyrightable subject matter because it is substantively eligible for copyright protection, even though it may not ultimately receive protection. For purposes of preemption, all Circuits agree that the relevant question is not whether the subject of a cause of action is actually protected – but instead is whether it pertains to copyright eligible subject matter.

The Second, Fourth, Fifth, Sixth, Ninth, and Eleventh Circuits all agree that, for preemption, the scope of copyright subject matter is broader than the scope of copyright protection. *See Dunlap*, 381 F.3d at 1297, n.20 ("noting that the Copyright Act preempts more than it protects, ***as we reason here***") (emphasis added).[13]

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[13] *See, e.g., Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 429-430 (2d Cir. 2012); *U.S. ex rel. Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463

Even the Eleventh Circuit reasons that the preemptive effect of the Copyright Act extends only to those elements substantively capable of receiving federal copyright protection, regardless of whether the elements actually receive protection. *See Dunlap*, 381 F.3d at 1296.

In *Dunlap*, the Eleventh Circuit agreed that the scope of copyright subject matter is broader than the scope of its protection because there are expressions that qualify for substantive threshold copyright eligibility, but are not ultimately protected. *Dunlap*, 381 F.3d at 1297. For instance, some works are substantively eligible to qualify as a copyright (i.e., literary, musical, pictorial, or sculptural works) but do not receive protection because they do not meet a statutory requirement (i.e., originality).[14] The Eleventh Circuit goes on to explain that its reasoning is supported by the Sixth Circuit's reasoning in *Murray Hill Publ'ns, Inc. v. ABC Communications, Inc.*, 264 F.3d 622 (6th Cir. 2001), wherein a tag line, theme song, and artwork were substantively eligible for copyright protection as musical works, but failed to receive protection because they lacked originality. *Dunlap*, 381 F.3d at 1297.

(4th Cir. 1997); *Spear Marketing, Inc. v. BancorpSouth Bank*, 791 F.3d 586, 596-597 (5th Cir. 2015); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2001); *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 979 (9th Cir. 2011).

[14] "[T]he preemptive effect of the Copyright Act extends only to those elements substantively capable of receiving federal copyright protection, regardless of whether all constitutional requirements, such as originality, are satisfied." *Dunlap*, 381 F.3d at 1296.

Accordingly, akin to the Eleventh Circuit's reasoning that a musical work can be substantively eligible for copyright protection, but not receive it based on a lack of originality, Petitioner's valve design is a work that is substantively eligible for copyright protection as either a "pictorial, graphic, or sculptural work," but may not receive protection to the extent it has intrinsic utilitarian functions.[15]

The subject matter requirement of Section 301 is satisfied 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. *Stromback v. New Line Cinema*, 384 F.3d 283, 300 (6th Cir. 2004) (citing *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 676 (7th Cir. 1986) (quoting H.R. Rep. No. 94-1476, at 131, reprinted in 1976 U.S.C.C.A.N. 5659, 5747)). The subject matter of Section 102 includes "pictorial, graphic, and sculptural works." 17 U.S.C. § 102(a)(5). Section 101 defines a design for a useful article as being considered a pictorial, graphic, or sculptural work. 17 U.S.C. § 101. Accordingly, the design for a valve, for the purposes of preemption under Section 301, is within the subject matter of copyright, regardless of whether it ultimately qualifies for copyright protection.

Here, Petitioner incorrectly states that the Fifth Circuit believes that the design of the valve is

[15] A design of a useful article is not explicitly excluded from being copyright eligible in Section 102(b), but is instead explicitly provided for as being copyright eligible in Section 101.

non-copyrightable subject matter. Pet. App., at 3. This was not the holding. To the contrary, the Fifth Circuit had a more finessed ruling and only stated that the valve design "is not *protected* under the Copyright Act. . . ." Pet. App., at 7a-8a (emphasis added). Under 17 U.S.C. § 101, a valve design would be considered a useful article and the subject of preemption. *See* Pet. App., at 7a-8a, FN4. In fact, according to 17 U.S.C. § 101, ***a design for a useful article*** – a butterfly valve – "shall be considered a pictorial, graphic, or sculptural work [copyrightable under 17 U.S.C. § 102(a)(5)] 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." *See Id*. Thus, a useful article itself is not excluded as non-copyrightable subject matter, but is actually considered a pictorial, graphic or sculptural work under the Copyright Act. Regardless of whether a valve design receives protection, the valve design is a useful article that is, at least, substantively capable of receiving copyright protection under the statute.

Therefore, even if, for argument's sake, all of Petitioner's claims as pled in the First, Second, and Third Amended Complaints were disregarded, and it were determined that Petitioner's preempted copyrighted drawings were not at issue, the subject matter alleged to have been misappropriated would still necessarily involve a valve design, and not merely an idea. Each of the Circuits, including the Eleventh Circuit, would

agree that a design for a valve based on drawings falls under the scope of copyrightable subject matter.[16] Accordingly, the facts of this case are not suitable for reconciling any perceived split between the Eleventh Circuit and the five other Circuits as to whether mere ineligible ***ideas*** expressed in a tangible media are preempted by the Copyright Act. On the contrary, this case did not involve copyright ineligible ideas, but rather copyrighted valve drawings and copyright eligible valve designs.[17]

C. The Lower Courts Were Correct And Should Not Be Reviewed Because, As A Matter Of Policy, Congress Did Not Intend To Allow State Causes Of Action To Engulf Federal Mandates Respecting Available Protections For Intellectual Property

The District Court and Fifth Circuit correctly ruled that Petitioner's state cause of action for unfair

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[16] The Second Circuit explained that the Copyright Act should not be read to distinguish between copyrightable works and underlying uncopyrightable elements when analyzing the preemption of a misappropriation claim based on copying or taking from a copyrightable work. *National Basketball Ass'n*, 105 F.3d at 848-849 (2d Cir. 1997); *see also Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 907 (2d Cir. 2011) ("while the [plaintiff] can invoke copyright law to prevent [defendant] from copying the original expression of their ideas . . . they cannot avoid preemption by seeking state law protection only for the non-copyrightable [elements]").

[17] *See Dunlap* at 1295 ("Where a work of original authorship embraces more than simply the idea, preemption would be appropriate. But where, as here, there is no work that is claimed to have been pirated—*only* an idea which lends itself to very few expressions—there is merger and no preemption").

competition by misappropriation was preempted by the Copyright Act because the claim involving the design and drawings of a valve was within the subject matter of copyright, as Congress intended. Congress has specifically provided the federal government with the control over intellectual property and ideas that are to be in the public domain.

While Respondents do not believe, for this particular case, that it is necessary to address any splits in authority of the Circuits on the subject of ideas and preemption, to the extent the Court embraces the Petitioner's arguments, the decisions of the underlying courts should remain undisturbed. The Fifth Circuit's holding is soundly based. The policy behind the view that ideas fall within the subject matter of copyright for purposes of preemption are, in part, "(1) Congress made a policy decision to exclude ideas from federal copyright protection, so 'state laws that protect fixed ideas trench upon' this deliberate exclusion; and (2) 'if ideas were deemed outside the 'scope' of copyright protection – so that state laws protecting them could never be considered preempted – the result would be that state law could be used to protect . . . even those ideas embodied in published literary works.'" *Spear Marketing, Inc. v. BancorpSouth Bank*, 791 F.3d 586, 596 (5th Cir. 2015) (*quoting* Melville B. Nimmer & David Nimmer, *Nimmer On Copyright*, § 1.01[B][2][c] (Matthew Bender, Rev. Ed.)). The Seventh Circuit noted, "[o]ne function of section 301(a) is to prevent states from giving special protection to works of authorship that Congress has decided should be in the public domain, which it can accomplish only if 'subject

matter of copyright' includes all works of a type covered by sections 102 and 103, even if federal law does not afford protection to them." *Wrench, LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (7th Cir. 2001).[18]

By withholding a right, Congress is determining what is free for the public to use.[19] This case exemplifies this exact intention. Petitioner's valve design falls within the subject matter of copyright for the purposes of preemption, but it is not protected because it is free for the public to use (unless otherwise protected by patent law, which it was not). Congress did not intend to give power to the states to give protection to ideas

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[18] *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 153-154 (1989) ("The injunction against copying of an unpatented article, freely available to the public, impermissibly 'interfere[d] with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain.' "); *See Id.* at 161 ("The prospect of all 50 States establishing similar protections for preferred industries without the rigorous requirements of patentability prescribed by Congress could pose a substantial threat to the patent system's ability to accomplish its mission of promoting progress in the useful arts. Finally, allowing the States to create patent-like rights in various products in public circulation would lead to administrative problems of no small dimension. The federal patent scheme provides a basis for the public to ascertain the status of the intellectual property embodied in any article in general circulation.").

[19] "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." Pet. App., at 12a (citing H.R. Rep. No. 94-1476, at 105 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5720).

and other intellectual property that is in the public domain.[20] To hold differently would allow any individual or corporation with a product in the public domain to file an action for "unfair competition by misappropriation" because the competing physical product looks somewhat similar – completely undermining the roles of copyright and patent law. If Petitioner's arguments were to carry the day, there would be a quasi-patent right of indefinite duration and there would be no need for a Plaintiff to establish actual copyrights, utility or design patents, or even establish trade secrets to exclude competition from marketplaces.

Accordingly, the decisions in the District Court and Fifth Circuit were correct and in line with Congress's intent to deliberately exclude ideas from receiving copyright protection and to define what is to be protected with intellectual property rights and what is for the public domain. Congress's intent is clear and its policy is shared amongst the majority of the Circuits, which is why the preemptive force of the Copyright Act is not an embedded conflict among the Circuits, as only one Circuit has adopted a different interpretation from the other Circuits.

[20] Intellectual property in strictly utilitarian articles may be protected in a patent. In fact, some designs of useful articles may qualify for protection under the federal patent laws and Petitioner had no such patent for its alleged valve design.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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