

IN THE NEW MEXICO COURT OF APPEALS

COURT OF APPEALS OF NEW MEXICO
ALBUQUERQUE
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Ben M. Muncey

WILLIS S. MUNCEY,

Plaintiff-Appellee,

vs.

EYEGLOSS WORLD, LLC,

Defendant-Appellant.

No. 29,813

Second Judicial District Court

No. CV 2005 07697

The Honorable William F. Lang

**EYEGLOSS WORLD, LLC'S REPLY IN SUPPORT OF SUPPLEMENTAL
BRIEF REGARDING LACK OF SUBJECT MATTER JURISDICTION**

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INTRODUCTION

Plaintiff's response confirms that the conversion judgment must be reversed.

Defendant Eyeglass World LLC ("EGW") demonstrated in its supplemental brief that (a) plaintiff recovered on the theory that EGW's copying of patient files constituted a conversion, and (b) such a claim falls "within the general scope of copyright" [17 U.S.C. § 301(a) ("Section 301(a)")] and thus is within the exclusive jurisdiction of the federal courts under Section 301(a).

In response, plaintiff attempts to change his legal theory to assert his conversion claim rests on "rights in physical property." He also answers the wrong subject matter jurisdiction question—arguing the Copyright Act does not protect his patient files—rather than the relevant question—whether his *claim* is "within the general scope of copyright." His response shows the flaws in his claim.

As he admits, "the Copyright Act's preemption of state law is broader than its protections." (Response at 2-3) As long as a *claim* is "within the general scope of copyright" [§ 301(a)], the claim must be heard in federal court—even if the work cannot be copyrighted. This broader preemption ensures all such claims are heard in federal court—where that court decides whether a work is copyrightable. Because the Act protects the right to copy and distribute original works of authorship fixed in a tangible medium, the "general scope of copyright" includes all claims arising out of the copying or distribution of any work that might be asserted to enjoy such protection. Thus, to fall outside Section 301(a), a claim for conversion must—as plaintiff also admits—assert a "right in physical property" (Response at 9) or a right against a physical theft of tangible property (*id.* at 12).

Plaintiff's conversion claim, however, did *not* rest on such tangible property rights. It is undisputed that EGW came into physical possession of the files lawfully when plaintiff left them at the EGW store after the parties' contractual relationship had ended. It is also undisputed that he never demanded the return of

either the files or the copies after he learned EGW had copied the files. Because he was never deprived of a tangible possessory interest in the files, plaintiff obtained instructions and argued to the jury that the file copying was by itself a conversion.

But, copying alone does not impair “rights in physical property.” Copying neither deprives an owner of physical possession of files, nor does it physically damage the files. Thus, a claim based on the copying of files asserts an *intangible* right to control their copying. True, the files may involve insufficient originality to enjoy Copyright Act protection. But, a *claim* that a doctor has the right to recover damages for the copying of patient files—which record the doctor’s original thoughts in a tangible medium of expression—falls “within the general scope of copyright.” Accordingly, as EGW showed, cases consistently hold that Section 301(a) preempts similar claims that the copying of files or data was a conversion.

Moreover, in search of some “right” against file copying that is outside the Section 301(a) bar, plaintiff now also tries to resurrect another theory that the trial court *rejected*. He argues that the Health Insurance Portability and Accountability Act (“HIPAA”) precluded copying of the files, and hence, “[t]he conversion in this case was based on patient claims regarding confidential patient files as tangible property.” (Response at 12) Even setting aside the undisputed fact that there was no evidence any patient made a claim based on the file copying (Tr.6/08/2009:10), the trial court correctly ruled that *plaintiff* could not recover conversion damages based on the theory that the copying infringed *the patients’* right under HIPAA:

This is an action by him, against them, and it is for damages your client. . . . may have sustained at the hands of defendant’s actions. And I have ruled that as far as bringing HIPAA into play, it doesn’t have any bearing on those issues. [¶] [B]ecause there’s not a private right of action; in other words, whatever they may have done did not do any harm to your client. (Tr.6/08/2009:11)

Thus, even if the file copying implicated the confidentiality rights of the *patients*, the copying did not deprive *plaintiff* of any *tangible* property right.

In short, plaintiff's response shines a spotlight on the flaws in his conversion claim. To evade the undisputed facts that EGW came into lawful possession of the files and never refused a demand for their return, plaintiff argued below that HIPAA gave him the right to sue for conversion. But, the trial court correctly rejected that theory. (Tr.6/08/2009:10-11) Plaintiff then avoided a directed verdict by arguing there was substantial evidence that EGW used the patient files after the parties' contractual relationship ended. (Tr.6/09/2009:164-66) After EGW showed on appeal that there was no substantial evidence of any such actual use, plaintiff then argued to this Court that he could recover in conversion based on the file copying alone (Answer Br. 17) After EGW showed that Section 301(a) deprives state courts of subject matter jurisdiction over the copying-is-conversion theory, plaintiff has returned to the "HIPAA" theory that the trial court rejected.

Plaintiff's continual shift in theories confirms what EGW has shown in its appellate briefing. Either (1) plaintiff is asserting an intangible right to control the copying of the files—in which case Section 301(a) deprives the Court of subject matter jurisdiction; or, (2) he is asserting a tangible property right—in which case his claim fails under state law because there is no substantial evidence that he suffered any tangible property deprivation. In trying to avoid his inability to meet the state law requirements for conversion, plaintiff argued below and on appeal an *intangible* right theory. But when confronted with Section 301(a), he now shifts to a *tangible* property theory—without identifying any tangible property deprivation. These shifts show that the conversion claim lacks any legal (or factual) grounding. The Court should reverse the judgment, either on the ground that plaintiff's conversion theory was not viable under state law, or that Section 301(a) deprives this Court and the court below of subject matter jurisdiction over the claim.

REPLY ARGUMENT

As plaintiff notes, a claim styled under state law falls within the federal court's exclusive subject matter jurisdiction if the right asserted in the claim (a) falls within the general "subject matter of copyright," and (b) is equivalent to the rights contained in 17 U.S.C. § 106. (Response at 3) As plaintiff also admits, this test does not involve a determination of whether the Copyright Act, in fact, protects the work in question. (Response 2-3) Rather, the inquiry simply asks whether the claim involves the same general subject matter as copyright and asserts a similar (i.e. "equivalent") right.

Plaintiff argues that the first prong of the test is not met because his patient files lacked sufficient originality or authorship to qualify for Copyright Act protection. (Response 3-7) This argument mistakenly focuses on whether his claim *would succeed* under federal copyright law, rather than *where* his claim *must be heard*, given its *subject matter*.

Because he does not address the correct question, plaintiff fails to rebut EGW's showing that his claim is within the general subject matter of copyright. That the statutorily enumerated categories of copyrightable works do not expressly recite patient files (Response at 4) is of no moment because the recited categories are illustrative and not limitative and one such category, "literary works" is broad enough to encompass patient files. Literary works are defined as "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied." 17 U.S.C. § 101. Patient files express the doctor's thoughts in "words, numbers or other verbal or numerical symbols or indicia."

Although plaintiff argues that such files are not sufficiently "original" or "creative" to qualify for protection (Response at 4-9), this too is debatable because

patient files capture a doctor's original thoughts and thus can be characterized as intellectual property much like the architectural plans, notes, files and other examples in the cases EGW cited. For example, New Mexico Administrative Code Section 16.10.8.7, the very regulation on which plaintiff relies (Response at 6 n. 3), states that an “[e]stablished physician-patient relationship means a relationship between a physician and a patient that is for the purpose of maintaining the patient’s well-being. *At a minimum, this relationship is established by an interactive encounter between patient and physician involving an appropriate history and physical and/or mental status examination sufficient to make a diagnosis and to provide, prescribe or recommend treatment, with the informed consent from the patient and availability of the physician or coverage for the patient for appropriate follow-up care.* A medical record must be generated by the encounter.” NMAC § 16.10.8.7 (emphasis added). Since the records reduce the doctor’s diagnosis and recommended treatment to a tangible medium of expression, the records plainly include some originality and creativity.¹

More to the point, because the definition of literary works is broad enough to encompass patient files and because such files might be sufficiently original, a claim that asserts a right to control the reproduction of such files is within the general subject matter of copyright. Plaintiff’s claim, therefore, meets the first prong of the subject matter jurisdiction test.

As for the second prong—whether the state law claim asserts rights “equivalent” to those protected under the Copyright Act—plaintiff’s discussion mirrors EGW’s showing that (1) a state law conversion claim is so equivalent

¹ Using ellipses, plaintiff dropped the italicized language from his quotation of the regulation. Apparently, he appreciated that this language shows that medical records reduce to a tangible medium the original and creative thoughts embodied in a doctor’s diagnosis and recommendations. But since that language undermined his argument, plaintiff omitted it from his quotation. (Response at 6 n. 3)

when the claim complains of a defendant's allegedly unauthorized reproduction, distribution or use of works expressed in words, numbers or other verbal or numerical symbols or indicia and recorded in a tangible medium of expression, but (2) a conversion claim that is premised on the distinct extra element of a deprivation of physical possession of property is not equivalent. *Compare* cases cited in EGW Supplemental Brief at 7-9 & n. 3 (conversion claims premised on unauthorized reproduction of notes, files, plans or data are preempted, as distinct from claims that complain of the physical deprivation of the files), *with* Response at 10 (conversion claim not preempted because "conversion of tangible property adds an element of physical retention").

Plaintiff thus gives examples of non-preempted claims that involved wrongful physical possession of the allegedly converted property. To cite just two:

- A claim against defendants who "wrongfully possessed physical copies of its copyrighted software." Response at 12, citing *SecureInfo Corp. v. Telos Corp.*, 387 F.Supp. 593 (E.D. Va. 2005).
- A claim against a defendant who walks into a bookstore and takes a copy of a book without paying for it. Response at 12, citing *Carson v. Dynegy Holdings, Inc.*, 344 F.3d 446, 457 (5th Cir. 2003).

What plaintiff continues to ignore, however, is that this case did *not* involve any wrongful physical possession of the files in question. Plaintiff instead recovered by claiming the file copying was a conversion. But recall the critical undisputed record facts. *Plaintiff* left the files at the EGW store in EGW's physical possession even though his contract with EGW was slated to expire. When the contract expired, EGW was in lawful physical possession of the files, yet the parties had no agreement governing EGW's lawful possession of the files. EGW began copying the files during the period when the parties had no agreement governing EGW's lawful possession of the files. Plaintiff learned EGW was

copying the files as the copying was in progress, and he thereafter refused to demand the return of either the files or copies or to retrieve either set. Instead, he sought to recover based on the file copying alone.

At trial, he obtained jury instructions that explicitly authorized the theory that the copying of the files constituted a conversion. (RP2:609, Instr. #3) (instructing jury that Plaintiff had burden of proving that “Defendant Eyeglass World’s actions in copying the patient files constituted an unauthorized and injurious use of Plaintiff Willis Muncey’s property”). He then argued that the copying was a conversion to the jury. (Tr.6/10/09, 43:21-45:22, 48:1-7.) And, he argued the copying alone qualifies as a conversion to this Court as well. (Answer Brief 17) (“The act of copying Dr. Muncey’s files, without authorization from Dr. Muncey, is in itself exercising dominion and control over Dr. Muncey’s proper in defiance of his right of exclusive control over the files. This alone supports the jury’s verdict in favor of Dr. Muncey for conversion.”).

After EGW demonstrated that this Court lacks subject matter jurisdiction over plaintiff’s copying-is-conversion theory, plaintiff now retreats in his Response from any direct assertion of the copying theory. Instead, without explaining how, he now argues his claim is based on “rights in physical property.” But, his claim cannot be based on physical property rights in light of the above undisputed facts. That plaintiff’s claim is *not* based on “rights in physical property” is illustrated by how he equivocates in his deliberately vague explanation of the claim:

The conversion in this case was based on patient claims regarding confidential patient files as tangible property, rather than a claim that EGW interfered with Dr. Muncey’s rights to the data contained within the record. The jury found that EGW exercised unlawful dominion and control and/or an unauthorized and injurious use of his patient medical files. [RP 609] Dr. Muncey proved the elements of his conversion claim when he presented facts regarding EGW exercising dominion and control over Dr. Muncey’s patient files by unlawfully, giving third parties access, reproducing them and then retaining the

copies, as well as repeated concessions from EGW that the reason they copied the files was for use by a replacement optometrist. (Response 12)

In other words, plaintiff does *not* and cannot complain that EGW physically deprived him of the files because the undisputed facts show otherwise. Instead, he sought damages for the reproduction and distribution of the files. If this sounds familiar, it is because his claim mirrors the cases EGW cited that found Section 301(a) preempted similar conversion claims. As the Tenth Circuit put it in *Ehat v. Tanner*, 780 F.2d 876 (10th Cir. 1985), “Ehat did not allege a state law claim of conversion to recover for the physical deprivation of his notes. Instead, he sought to recover for damage flowing from their reproduction and distribution.” *Ehat*, 780 F.2d at 878 (citations omitted).

Or, as the United District Court for the District of Connecticut put it in a case involving the allegedly improper copying of architectural plans:

[A]lthough the Plaintiff’s opposition memorandum references the “wrongful withholding” of the Plans, the Plaintiff’s Complaint does not seek the return of the Plans. . . . and asks that the court award only money damages, (citation). *It is clear from the Complaint, then, that the Plaintiff alleges acts of reproduction, or otherwise wrongful usage, of the Plans.* This conduct constitutes infringement of the exclusive rights provided by federal copyright law, which preempts a conversion claim based on such conduct.

Frontier Group, Inc. v. Northwest Drafting & Design, Inc., 493 F. Supp. 2d 291, 299 (D. Conn. 2007) (emph. added); accord, e.g., *Architects Collective v. Gardner Tanenbaum Group, L.L.C.*, No. CIV-08-1354-D, 2010 WL 2721401, at *7-8 (W.D. Okla. July 6, 2010) (Copyright Act preempted conversion claim alleging that although defendant was authorized to possess architect’s drawings and specifications for purposes set forth in project contracts, defendant’s copying and

use of the drawings without plaintiff's knowledge and consent was contrary to plaintiff's property rights).

Accordingly, either one or both of two conclusions follows. First, the copying theory that plaintiff used to recover below did indeed assert an intangible property right to control the reproduction of his files. Section 301(a) preempts that claim and the district court lacked and this Court lacks subject matter jurisdiction over it. Alternatively, the physical property deprivation claim that plaintiff now attempts to assert fails under state law because the record lacks substantial evidence of any such physical property deprivation.

Finally, in an argument that is as telling as it is unmeritorious, plaintiff returns to the HIPAA-based theory that the trial court rejected. He does this in two ways. First, in an attempt to articulate some non-copyright ground that would permit him to recover based on the file copying, plaintiff argues, as noted, that his conversion claim "was based on patient claims regarding confidential patient files as tangible property." (Response at 12) But as the trial court correctly held, any confidentiality rights that the patients enjoyed in the files does not amount to a "tangible property right" of *plaintiff* that would permit him to recover in conversion for breach of the patients' confidentiality rights.

Second, plaintiff also invokes HIPAA to argue that Congress's express regulation in that statute of the right to access and reproduce medical records shows that (a) Congress did not intend such records to fall within the scope of the Copyright Act (Response at 8-9); and (b) a conversion claim predicated upon those HIPAA rights cannot be "equivalent" to copyright (Response at 13-15). These arguments prove EGW's point.

Regardless of HIPAA, plaintiff nonetheless brought a claim that asserted he had the right to recover damages for the unauthorized reproduction of his records. Because, as the trial court correctly held, plaintiff could not recover damages based

on infringement of the *patients'* rights under HIPAA, his right to recover for file copying could only stem from a claim that *he* had an intangible property right to control the reproduction the files. *His claim* is within the general subject matter of copyright and asserts rights equivalent to copyright—even if a federal court might rely on HIPAA to hold that his claim should not succeed under the Copyright Act.

Perhaps more telling, however, is that plaintiff's attempts to articulate a basis on which the judgment could be affirmed have taken him back full circle to the HIPAA-based argument that the trial court rejected at the outset. This is a clear indication of what EGW has asserted throughout: the conversion claim lacks any proper basis and plaintiff has jumped from one unmeritorious theory to another in a futile attempt to paper over the fact that his claim impermissibly stretches the law of conversion far beyond its legal moorings.

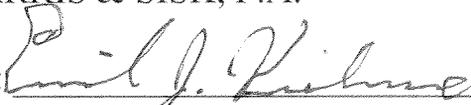
CONCLUSION

The Court should reverse the judgment, either on the ground that plaintiff's conversion theory was not viable under state law, or that Section 301(a) deprives this Court and the court below of subject matter jurisdiction over the claim.

DATED: May 2, 2011

Respectfully submitted,

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