

IN THE NEW MEXICO COURT OF APPEALS

COURT OF APPEALS OF NEW MEXICO
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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

**APPELLANT EYEGLOSS WORLD, LLC'S
SUPPLEMENTAL BRIEF REGARDING LACK OF SUBJECT MATTER
JURISDICTION**

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CERTIFICATE OF COMPLIANCE

The Rules of Appellate Procedure do not provide for a word limit on supplemental briefs. However, this Supplemental Brief complies with the type-volume limit for reply briefs set forth in Rule 12-213(F)(3). According to Microsoft Word 2007, the body of this Supplemental Brief, as defined by Rule 12-213(F)(1), contains 3,833 words.

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I. ARGUMENT

A. Subject Matter Jurisdiction Must Be Decided If This Court Notices The Issue At Any Time During An Appeal

As noted, it is settled that a question of subject matter jurisdiction cannot be waived, and must be decided if raised at any time, including on the Court's own motion and even for the first time at the oral argument on appeal. *See Smith v. City of Santa Fe*, 2007-NMSC-055, ¶ 10, 142 N.M. 786, 171 P.3d 500 (“when a jurisdictional claim is raised, the issue must be decided before a court can review the case.... jurisdictional issues should always be resolved even if not preserved below.”); *Wilson v. Denver*, 1998-NMSC-016, ¶ 8, 125 N.M. 308, 961 P.2d 153 (raising subject matter jurisdiction issue sua sponte, and holding that district court had jurisdiction over only portion of the issues it decided and vacating orders entered on portion over which district court lacked subject matter jurisdiction); *Edwin Smith, LLC v. Clark*, 2011-NMCA-003, ¶¶ 8-12, ___ N.M. ___, ___ P.3d ___, cert. granted, 2010-NMCERT-012, ___ N.M. ___, ___ P.3d __ (No. 32,707) (vacating district court orders for lack of subject matter jurisdiction, an issue the parties had not briefed or argued but that appellate court had raised sua sponte at oral argument); *Alvarez v. Taxation & Revenue Dep't*, 1999-NMCA-006, ¶ 1, 126 N.M. 490, 971 P.2d 1280 (vacating district court orders for lack of subject matter jurisdiction, an issue appellate court raised sua sponte and directed parties to address at oral argument); *Armijo v. Save 'N Gain*, 108 N.M. 281, 282, 771 P.2d 989, 990 (Ct. App. 1989) (“A jurisdictional defect may not be waived and may be raised at any stage of the proceedings, even sua sponte by the appellate court.”);

Rule 12-216(B) NMRA 1993 (requirement of preservation of error for purposes of appeal inapplicable to jurisdictional questions).¹

Congress has provided in Section 301(a) of the Copyright Act (17 U.S.C. § 301(a) [“Section 301(a)”]) that all claims that fall within the general subject matter of copyright must be heard exclusively in the federal courts. Accordingly, an assertion that a state law claim falls within the general subject matter of copyright and is therefore preempted by the Copyright Act raises a question of subject matter jurisdiction. *See Ernest Thompson Fine Furniture Maker, Inc. v. Youart*, 109 N.M. 572, 575-577, 787 P.2d 1255, 1258-60 (Ct. App. 1990) (reversing TRO entered based on state Unfair Practices Act with directions to enter a judgment dismissing plaintiff’s complaint because Copyright Act deprived state court of subject matter jurisdiction over claim).²

¹ *See also Britt v. Phoenix Indem. Ins. Co.*, 120 N.M. 813, 815, 907 P.2d 994, 996 (1995) (raising jurisdiction of appellate court sua sponte); *State v. Heinsen*, 2004-NMCA-110, ¶¶ 1, 8, 136 N.M. 295, 97 P.3d 627 (vacating district court orders for lack of subject matter jurisdiction, even though appellant did not raise issue in district court).

² As the New Mexico Supreme Court has recognized, New Mexico’s state courts lack subject matter jurisdiction where, as here, the federal statute states an intent to displace state courts as a forum for resolving claims relating to that subject matter. *Gonzales v. Surgidev Corp.*, 120 N.M. 133, 138, 899 P.2d 576, 581 (1995) (“we must look to the [federal] statute to determine whether it displaces state courts as forums for considering claims involving medical devices”); *Ernest Thompson*, *supra*, 109 N.M. at 575-577, 787 P.2d at 1258-60 (Copyright Act preemption deprived state court of subject matter jurisdiction). This is not a case like *Gonzales* where the state court’s subject matter jurisdiction is not implicated by a federal preemption question because the federal law does not specify that the federal courts are the exclusive forum for resolving disputes involving that law. *See id.* (claim that federal Medical Device Act Amendments preempted state law claims did not deprive state court of subject matter jurisdiction because language of federal statute “demonstrates that any preemptive effect is not directed at displacing state courts as forums for adjudicating claims that implicate the Medical Device Amendments”). Here, Congress plainly stated its intent that the federal

Here, as we now explain, this Court similarly lacks, and the district court below lacked, subject matter jurisdiction over Dr. Muncéy's conversion claim because his claim likewise falls within the general subject matter addressed in the Copyright Act.

B. Due To Copyright Act Preemption, This Court Lacks Subject Matter Jurisdiction Over Dr. Muncéy's Conversion Claim

1. To Eliminate Vague Borderline Areas Between The Federal Courts' Exclusive Jurisdiction Over Copyright And State Law, The Copyright Act's Preemption Of State Law Claims Is Broader Than The Act's Protection

Congress retains the exclusive authority to regulate copyrights. U.S. Const. art. I, § 8, cl. 8. In turn, Congress has vested jurisdiction over actions arising under federal copyright law in the federal district courts. 28 U.S.C. § 1338(a) (Federal district courts "shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."). In 1978, Congress enacted Section 301(a) to ensure that any claim, no matter how styled, that was within the general subject matter of copyright would be within the *exclusive* jurisdiction of the federal courts. Section 301(a) provides that the Copyright Act preempts "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." 17 U.S.C. § 301(a).

courts would displace state courts as forums for considering claims involving copyrights.

Section 301(a)'s legislative history explains that the preemption extends even more broadly than the Copyright Act's protection so that the federal courts alone decide any claim falling within the general subject matter categories in the Act:

The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law.... 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 or lacking in originality to qualify, or because it has fallen into the public domain.

H.R. Rep. No. 94-1476, at 130-31 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5746-47.

The scope of preemption provided for under Section 301(a) has been described as "broad," "absolute," and "stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection." *United States ex. rel Berge v. Bd. of Trustees of Univ. of Ala.* ("Berge"), 104 F.3d 1453, 1464 (4th Cir. 1997).

To eliminate any such vague borderline areas between state and federal protection, Congress expressly stated that Section 301 is intended to prevent the States from protecting a work even if the work fails to achieve federal copyright protection. *Ehat v. Tanner*, 780 F.2d 876, 877-78 (10th Cir. 1985) (quoting H.R. Rep. No. 1476, 94th Cong., 2d Sess. 131 (1994), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5747).

Thus, it is settled that the Copyright Act's preemption is far broader than its protection. *See Berge*, 104 F.3d at 1463 (“the shadow actually cast by the Act's preemption is notably broader than the wing of its protection”); *Ehat*, 780 F.2d at 878 (same); *ATC Distrib. Group, Inc. v. Whatever It Takes Transmissions & Parts, Inc.*, 402 F.3d 700, 713 (6th Cir. 2005) (“The fact that none of these works are eligible for copyright protection under federal law does not preclude the preemption of ATC's state law claims.”); *Nat'l Basketball Assoc. v. Motorola, Inc.*, 105 F.3d 841, 849 (2nd Cir. 1997) (“The fact that portions of the [works] may consist of uncopyrightable material ... does not take the work as a whole outside the subject matter protected by the Act.”); *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 918-19 (2nd Cir. 1980) (unfair competition claim preempted by copyright law even though works were not protected by copyright law because the works fell within the subject matter of copyright law); *RBC Nice Bearings, Inc. v. Peer Bearing Co.*, 676 F. Supp. 2d 9, 34 n.8 (D. Conn. 2009) (“The fact that the Court has granted summary judgment on Plaintiffs' copyright claim does not preclude the preemption of their state law claims.”); *accord, e.g., Chase v. Pub. Util. Comm'n of Pa.*, No. 1:05-CV-2375, 2008 WL 906491, at *4 (M.D. Pa. Mar. 31, 2008); *Alliance for Telecomms. Ind. Solutions, Inc. v. Hall*, No. CCB-05-440, 2007 WL 3224589, *10 (D. Md. Sept. 27, 2007); *Pinnacle Pizza Co., Inc. v. Little Caesar Enters., Inc.*, 395 F. Supp. 2d 891, 901 (D.S.D. 2005).

Accordingly a state common law claim is preempted simply if the claim falls within the general subject matter of copyright; the court does not decide whether the material in question would be copyrightable or whether federal law actually protects the material. *See id.* This rule leaves the analysis of the underlying claim to the federal courts and requires a state court to determine only if the state claim falls within the same general subject matter as that addressed in the Copyright Act. As we now explain, Dr. Muncey's claim here falls within that general subject

matter, so the courts of this state lack (and lacked) subject matter jurisdiction over the claim.

2. Dr. Muncey's Conversion Claim Falls Within The General Subject Matter Of Copyright And Is Therefore Preempted

The general subject matter of copyright is to regulate rights of reproduction, distribution or use of any “original works of authorship fixed in any tangible medium of expression.” 17 U.S.C. § 102(a). For those who establish copyright protection and infringement, the statute permits actual or statutory damages, but not punitive damages. 17 U.S.C. § 504(a).

Section 102 includes seven categories of copyrightable works that are “illustrative and not limitative” and do not exhaust the scope of original works of authorship the law is intended to protect. *Lotus Dev. Corp. v. Paperback Software Intern.*, 740 F. Supp. 37, 48 (D. Mass. 1990). One such category—literary works—is 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. Thus, original reports, files and notes can qualify as copyrightable works. *See R.W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133, 1146 (10th Cir. 2009); *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992).

To avoid Copyright Act preemption, the state law claim “must have a fundamentally different element than those elements protected by copyright law.” *Ernest Thompson, supra*, 109 N.M. at 575, 787 P.2d at 1258. For example, in holding that the Copyright Act preempted a furniture manufacturer’s attempt to restrain an Albuquerque gallery from selling furniture “deceptively similar” in design to plaintiff’s furniture, this Court explained, “[t]he protection sought by

plaintiff is a protection against copying designs. The right to prevent copying is not a different right than those protected by federal copyright law. Therefore, this claim is preempted by federal law and under the exclusive jurisdiction of the federal courts.” *Id.* 109 N.M. at 577, 787 P.2d at 1260.

Moreover, since Section 301(a)’s preemption is broader than the Copyright Act’s protection, courts have held that the Copyright Act preempted a wide variety of state law claims that sought to impose liability for the unauthorized copying, reproduction, or distribution of notes, files or other data that have been fixed in a tangible medium of expression—even though many of these decisions also recognized that the Copyright Act did not protect the files in question. *See, e.g., ATC Distrib. Group, supra*, 402 F.3d at 713-14 (Section 301(a) preempted state law conversion claim premised on allegedly unauthorized copying of plaintiff’s parts catalog even though catalog was not entitled to copyright protection); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir. 1996) (conversion claim premised on allegedly unauthorized copying of software and data was preempted even though federal law did not protect the software and data); *Harris v. Winfrey*, No. 10-5655, 2011 WL 1003807, at *4 (E.D. Pa. Mar. 18, 2011) (conversion claim based on purportedly “unauthorized possession, control and use” of plaintiffs’ booklet was preempted even though copying did not constitute copyright infringement).

As the cases reveal, the key to separating a non-preempted conversion claim from a preempted claim is whether the plaintiff is complaining of the defendant’s exercise of unauthorized dominion and control over property to the complete exclusion of the plaintiff. Such a claim is based on depriving the plaintiff of a possessory right in tangible property and thus has a fundamentally different element from the general subject matter of copyright. However, if the plaintiff is complaining of the defendant’s allegedly unauthorized reproduction, distribution or

use of data to which the plaintiff is not denied access, the plaintiff is alleging an interference with intangible rights. Such a claim is within the general subject matter of copyright, and is therefore preempted. *See id.*; *see also Berge*, 104 F.3d at 1463 (conversion claim is preempted “where the plaintiff alleges only the unlawful retention of its intellectual property rights” and noting that conversion claim is not preempted if “if the plaintiff can prove the extra element that the defendant unlawfully retained the physical object embodying the plaintiff’s work.” (internal citations and quote marks omitted)); *Jamison Bus. Sys., Inc. v. Unique Software Supp. Corp.*, No. CV 02-4887 (ETB), 2005 WL 1262095, at *15 (E.D.N.Y. May 26, 2005) (Copyright Act preempted conversion claim where defendant’s use of “source code did not prohibit plaintiffs from using the code, because defendant Castro took a copy of the code, and plaintiffs still had the original code. Finally, the situation in this case leans more toward the facts of *Logicom*, in which the plaintiffs’ claim was based not on the physical possession of plaintiffs’ programs themselves, but instead on defendants’ derivative use of the programs.”); *Compliance Review Serv., Inc. v. Davis-Osuawu*, Civil Action No. H-04-3635, 2006 WL 3541715, at *4 (S.D. Tex. Dec. 7, 2006) (distinguishing conversion claims that are based on the reproduction or distribution of a work from those involving a defendant that unlawfully retained the physical object embodying plaintiff’s work).³

³ *See also LTVN Holdings, LLC v. Odeh*, No. CCB-09-789, 2010 WL 2612690, at *6 (D. Md. June 25, 2010) (Copyright Act preempted conversion and unjust enrichment claims that alleged the defendants copied and displayed plaintiffs’ videos without permission; although “a state law action for conversion will not be preempted if the plaintiff can prove the extra element that the defendant unlawfully retained the physical object embodying plaintiff’s work, . . . the defendants did not take any tangible property from the plaintiffs”); *Zito v. Steeplechase Films, Inc.*, 267 F. Supp. 2d 1022, 1027 (N.D. Cal. 2003) (“A conversion claim arising from the unauthorized reproduction of a copyrighted work only interferes with plaintiff’s intangible property right and is equivalent to a claim for copyright

As the Tenth Circuit put it in *Ehat*, “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. Such reproduction interferes with an intangible literary or artistic property right equivalent to copyright.” *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 plans:

In the court’s estimation, the Plaintiff’s claim is not a conversion claim. Although the Plaintiff uses the term “conversion” in the Complaint and asserts that this is an action for conversion under Connecticut law, the use of the word “conversion” is not, by itself, enough for the Plaintiff’s claim to actually sound in conversion. In addition, although the Plaintiff’s opposition memorandum references the “wrongful withholding” of the Plans, *the Plaintiff’s Complaint does not seek the return of the Plans*. Instead, the Complaint reads that the Plaintiff “has been injured and damaged by having expended substantial time and expense in producing the Plans and has not been compensated for same by Defendant[] despite the Defendant[s] utilization of same,” (see dkt. # 1, Complaint ¶ 10), and asks that the court award only money damages, (see *id.* p. 3). *It is clear from the Complaint, then, that the Plaintiff alleges acts of reproduction, or*

infringement”); *Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.*, 351 F. Supp. 2d 436, 443 (M.D.N.C. 2005) (“preemption should continue to strike down claims that, though denominated [as state law claims], nonetheless complain directly about the reproduction of expressive materials.”); *Yost v. Early*, 589 A.2d 1291, 1303, 87 Md. App. 364, 388-89 (Ct. Spec. App. 1991) (to extent conversion claim was based on the reproduction of sheets containing computer codes, it was preempted); *Gemcraft Homes, Inc. v. Sumurdy*, 688 F. Supp. 289, 295 & n. 13 (E.D. Tex. 1988) (finding conversion claim preempted because “As plaintiff has framed its conversion claim, the mere act of copying the architectural plans would infringe the state law right. The rights plaintiff seeks to protect by its conversion claim are equivalent to the rights protected by section 106. Therefore, plaintiff’s conversion claim is pre-empted by section 301”; and finding tortious interference with contract claim preempted because “it is the act of unauthorized copying which causes the violation”).

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) (emphasis 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).

Here, Dr. Muncey likewise did not allege a conversion claim to recover for any alleged denial of access to his patient files or to seek the return of those files. Rather, he initially left those files at EGW before his contract to provide EGW optometrist coverage had expired and without informing EGW whether he intended to retrieve them after his coverage duties ended. (Tr. 06/08/2009:125-26; Tr. 6/09/2009: 37, 63) After his coverage duties ended and he learned EGW had copied the files, Dr. Muncey refused to retrieve the files, taking the position that EGW had infringed his rights by copying them and was required at that point to pay him damages. This is plainly a claim for damage premised on EGW's alleged reproduction and/or distribution of the files. The claim is not premised on any deprivation of Dr. Muncey's right to access the files, and Dr. Muncey did not seek the return of the files. As such, Section 301(a) preempted the claim and deprived the district court of subject matter jurisdiction over the claim.

3. Dr. Muncey's Conversion Claim Is Preempted, And He Also Did Not Have A Viable Conversion Claim Under State Law

For Dr. Muncey to recover compensatory and punitive damages under his conversion theory, the district court and this Court must have had the power to adjudicate the claim, *i.e.* they must have had subject matter jurisdiction over the claim. As shown, however, the district court lacked and this Court lacks subject matter jurisdiction over the conversion claim, so the claim must be dismissed.

Moreover, because Dr. Muncey's conversion theory is not premised on a deprivation of his right to possess his patient files, and because he did not seek the return of those files, either a reversal on state law grounds or a reversal on preemption/subject matter jurisdiction grounds is required. As EGW has explained in its appellate briefing, where, as here, the defendant originally came into possession of the files lawfully and the plaintiff never affirmatively demanded their return, the mere copying of the files cannot meet the requirements to establish a conversion on which the jury was instructed below. (*See* Brief in Chief 26-33; Reply 9-11) To the extent Dr. Muncey maintains the position that the state law requirements for conversion are indeed satisfied merely by EGW's unauthorized copying, distribution, or use of the files (as distinct from a claim premised on any alleged deprivation of Dr. Muncey's right to access or use the files), then Section 301(a) preempts his claim.⁴

⁴ If the record is unclear on whether the jury awarded Dr. Muncey compensatory and punitive damages on a theory that is both permissible under state law, yet not preempted under Section 301(a), then the judgment must still be vacated and the case remanded. Dr. Muncey unquestionably has asserted a clearly preempted theory—that mere file copying alone suffices to constitute a conversion. Nothing in the jury instructions on conversion (RP2:609, Instr. #3) prevented the jury from accepting that impermissible theory (although it had no power to do so since it lacked subject matter jurisdiction over the theory), and the jury's general

II. CONCLUSION

The Copyright Act preempts state law conversion claims that are premised on a defendant's unauthorized reproduction, distribution, or use of files, and permits state courts to exercise jurisdiction only over claims alleging the plaintiff was deprived of the right to access or use his files. Because Dr. Muncey's conversion claim in this case was not premised on any claimed deprivation of his right to access or use his patient files, and was instead premised on EGW's allegedly improper reproduction, distribution or use of the files, the judgment must be reversed either on the ground that this was not a viable theory of conversion under state law or that the Copyright Act deprived the district court and this Court of subject matter jurisdiction over the claim.

DATED: April 1, 2011

Respectfully submitted,

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-and-

verdict does not reveal whether it did so. Where an infirm theory is one of several submitted to a jury and the jury returns a general verdict that does not disclose whether it relied on the infirm theory or the other ones, a reversal is required. *See Hoggard v. City of Carlsbad*, 121 N.M. 166, 171-72, 909 P.2d 726, 731-32 (Ct. App. 1995); *Richardson v. Rutherford*, 109 N.M. 495, 503 n.5, 787 P.2d 414, 422 n.5 (1990); *Romero v. Mervyn's*, 109 N.M. 249, 255, 784 P.2d 992, 998 (1989).

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