No. 10-2627

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Wisconsin Interscholastic Athletic Association and American-HiFi, Inc.,

Plaintiffs-Appellees,

v.

Gannett Co., Inc. and Wisconsin Newspaper Association,

Defendants-Appellants.

Appeal from a Judgment and Order of the United States District Court for the Western District of Wisconsin
Case No. 09-CV-155-WMC
Hon. William M. Conley, Presiding

# PLAINTIFFS-APPELLEES' BRIEF REGARDING JURISDICTION

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On January 14, 2011, the Court requested supplemental briefing regarding whether it has jurisdiction over the current dispute. The Court expressed concern that Appellants' (collectively "Gannett") counterclaims and defenses under the Copyright Act of 1976 and the First and Fourteenth Amendments to the United States Constitution could not establish federal jurisdiction over Appellees' (collectively "WIAA") request for a declaration of ownership of depictions in and the right to control transmission of its events, which the Court suggested may be grounded in state rather than federal law. The federal courts have jurisdiction over this dispute, however, because WIAA's complaint raises a claim for declaratory judgment arising under federal law, namely whether WIAA's policies violate the First or Fourteenth Amendments to the Constitution of the United States. Under this Court's precedent, federal jurisdiction over this declaratory judgment claim exists independent of any defenses or counterclaims that Gannett raised.

**BACKGROUND**

On December 5, 2008, after receiving multiple letters from Gannett alleging that WIAA's policies for Internet transmissions violated Gannett's First and Fourteenth Amendment rights to "report" on WIAA tournament events (*see* Dkt. No. 7, Exs. B & C), WIAA filed a declaratory judgment action in the State of Wisconsin Circuit Court, Portage County, requesting a declaration that WIAA owned all rights to the depictions of its events and also had the right to enter into exclusive contracts to transmit those events. Dkt. No. 1, Ex. A. ¶¶ 13, 16. Shortly thereafter, on March 17, 2009, Gannett removed the case to the United States District Court for the

Western District of Wisconsin on the grounds that (1) WIAA's claim was "preempted by the Copyright Act of 1976"; and (2) WIAA's Complaint was fundamentally nothing more than an attempt to end-run federal jurisdiction through "artful pleading." Dkt. No. 1 at 2-3. At the same time, Gannett filed a counterclaim, asserting that WIAA violated Gannett's rights under the First and Fourteenth Amendments to the United States Constitution and the Copyright Act. *See* Dkt. No. 2.[1]

On April 13, 2009, WIAA, in part to clarify the nature of the claims threatened by Gannett, filed a First Amended Complaint. *See* Dkt. No. 7. The Amended Complaint spelled out in simple terms on its face a federal claim, requesting, *inter alia*, a declaration under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, that "WIAA's current policies concerning the internet transmission of its WIAA-sponsored tournament games do not violate [Gannett's] rights under the First or Fourteenth Amendments to the United States Constitution, or any other Constitutional, statutory, or other legal doctrine." Dkt. No. 7 ¶¶ 36-37. With respect to jurisdiction, WIAA alleged that jurisdiction was proper under 28 U.S.C. §§ 1331 and 2201-2202 "because an actual controversy

[1] During briefing for summary judgment, WIAA challenged the purported preemption of its claims under the Copyright Act. *See* Dkt. No. 50 at 37-41 (arguing that copyright law does not preempt WIAA's right to control Internet transmissions). In opposing this motion, Gannett argued that copyright was "relevant here only to the extent" that (1) Gannett rather than WIAA had valid copyrights in video recordings of games made without WIAA's permission; and (2) WIAA could not as a condition of recording an event require surrender of the intellectual property rights associated with that recording. *See* Dkt. No. 76 at 32; *see also* Dkt. No. 109 at 33-36. The district court rejected both of these claims, which Gannett has not challenged on appeal. *See* Appellants' Short Appendix at 50-52.

exists between the parties regarding [Gannett's] alleged right under federal constitutional and federal statutory law to transmit WIAA-sponsored games over the Internet. [Gannett's] threatened claims . . . allegedly arise under federal law, giving this Court the authority to declare the rights and legal relations of the parties." *Id.* ¶¶ 8-9; *see also id.* Exs. B & C (letters from Gannett alleging constitutional violation).

On June 3, 2010, after extensive briefing, the district court entered a declaratory judgment in WIAA's favor, holding, *inter alia*, that WIAA's exclusive license "does not violate [Defendants' rights under] the free press clause of the First Amendment or the equal protection clause of the Fourteenth Amendment." Appellants' Short Appendix ("AA") at 51.

## ARGUMENT

### I. Federal Courts Have Jurisdiction Over Claims for Declaratory Relief Arising Under Federal Law Where the Defendant's Presumed Coercive Action Would Raise Federal Questions.

Under the "well-pleaded complaint" doctrine, whether the court has federal-question jurisdiction is assessed based solely on the substance of the plaintiff's claim. *See Louisville & Nashville R.R. v. Mottley*, 211 U.S. 149, 151-52 (1908). Thus, to confer federal-question jurisdiction, "federal law must create the cause of action, or some substantial, disputed question of federal law must be an element in the plaintiff's claim." *Commercial Nat'l Bank of Chicago v. Demos*, 18 F.3d 485, 488 (7th Cir. 1994) (citing *Napoleon Hardwoods, Inc. v. Professionally Designed Benefits, Inc.,* 984 F.2d 821, 822 (7th Cir. 1993)); *see also Franchise Tax Bd. v. Constr.*

*Laborers Vacation Trust,* 463 U.S. 1, 27-28 (1983). The "consequence" of this rule is that to establish jurisdiction, the plaintiff "cannot rely on the anticipation of defenses on which it believes the defendant will rely." *Commercial Nat'l Bank*, 18 F.3d at 488 (citing *Franchise Tax Bd.,* 463 U.S. at 9-10); *see also Taylor v. Anderson,* 234 U.S. 74, 75-76 (1914); *Louisville & Nashville R.R.*, 211 U.S. at 152-53. Rather, the complaint itself must state a claim that arises under federal law. *Commercial Nat'l Bank of Chicago*, 18 F.3d at 488.

Declaratory judgment actions, however, modify this analysis. The Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202 confers jurisdiction to federal courts over claims involving actual controversies. It is not, however, a source of federal jurisdiction. *See, e.g.*, *GNB Battery Techs. v. Gould, Inc.*, 65 F.3d 615, 619 (7th Cir. 1995) (citing *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671 (1950)). Rather, the federal court must possess an independent basis for jurisdiction, e.g., federal-question jurisdiction. *Id.*; *see also Wisconsin v. Ho-Chunk Nation*, 512 F.3d 921, 935 (7th Cir. 2008).

In the context of a declaratory judgment action, whether there is federal-question jurisdiction turns on "the character of the threatened action" and whether that threatened action itself arises under federal law. *PSC v. Wyckoff Co.*, 344 U.S. 237, 248 (1952). Thus, "federal-question jurisdiction exists in a declaratory judgment action if the plaintiff has alleged facts in a well-pleaded complaint which demonstrate that the defendant could file a coercive action arising under federal law . . . ." *Household Bank F.S.B. v. JFS Grp.*, 320 F.3d 1249, 1251 (11th Cir. 2003).

Put differently, there is federal jurisdiction if the declaratory judgment complaint "presumes the possibility of an action by [the defendant] under [federal law]." *GNB Battery Techs.*, 65 F.3d at 619 (citing *Nuclear Eng'g Co. v. Scott*, 660 F.2d 241, 253 (7th Cir. 1981)); *see also Ho-Chunk Nation*, 512 F.3d at 935.

To illustrate, in *GNB Battery Technologies, Inc. v. Gould, Inc.*, 65 F.3d at 1619-20, this Court found federal jurisdiction where the plaintiff brought a declaratory judgment action seeking non-liability under 42 U.S.C. §§ 9607 and 9613, which grant subject matter jurisdiction over suits brought by purchasers of contaminated sites for the cost of clean-up. More specifically, plaintiff GNB Battery Technologies sought a declaration that it was not liable to defendant Gould under that federal statute. *Id.* at 619. Because this presumed a federal claim, i.e., a claim by Gould that GNB was liable under the federal statute, the Court held that the complaint constituted an adequate request for relief sufficient to confer federal-question jurisdiction. *Id.* at 619-20.

Similarly, in *Wisconsin v. Ho-Chunk Nation*, 512 F.3d at 935, this Court found jurisdiction over a declaratory judgment action brought by Wisconsin against a Native American tribe where Wisconsin's amended complaint requested a declaration that Wisconsin did not violate 25 U.S.C. § 2710(d)(7)(A)(i), which statute grants jurisdiction over suits brought by tribes arising from failure of a state to enter into good-faith negotiations related to tribal-state compacts. Again, the tribe's presumed complaint under federal law provided the necessary independent basis for subject matter jurisdiction in a declaratory judgment action. *Id.*

Here, the issue for this Court to determine is therefore whether Gannett's presumed complaint *against WIAA*—which is the basis for WIAA's declaratory judgment action in the first instance—"on its face, would include an action 'arising under' federal law." *Samuel C. Johnson 1988 Trust v. Bayfield Cnty.*, 520 F.3d 822, 828 (7th Cir. 2008) (citing *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987)). As addressed below, WIAA's complaint unquestionably presumes the possibility of an action by Gannett for WIAA's purported violation of the First and Fourteenth Amendments to the United States Constitution. *See* Dkt. No. 7 ¶¶ 36-37. This is not merely a ruse designed to dress a state claim as arising under federal law. Rather, the crux of the dispute between these parties is Gannett's allegation that its constitutional rights have been violated, which allegation constitutes an adequate basis to support federal-question jurisdiction.

## II. WIAA's Complaint Adequately Pleads a Declaratory Judgment Action Arising Under Federal Law.

It is well-settled law that 42 U.S.C. § 1983 creates a federal cause of action against public actors for alleged violations of constitutional rights, including the rights conferred under the First Amendment. *See, e.g.*, *Collins v. City of Harker Heights*, 503 U.S. 115, 119-20 (1992) (noting that § 1983 provides a cause of action for citizens injured by violations of constitutional protections). Gannett's pre-litigation correspondence threatened precisely this type of action, alleging that WIAA's Internet streaming policy violated the First and Fourteenth Amendments, and was "unconstitutional on its face and as applied." Dkt. No. 7, Ex. B at 1; *see also*

*generally id.* Ex. C. Had Gannett filed such a claim, it unquestionably would arise under federal law.

The WIAA's declaratory judgment action based on this dispute therefore also arises under federal law. Indeed, the coercive or presumed action that supports the declaratory judgment action is a simple federal constitutional claim, i.e., in the very words of the Amended Complaint (Dkt. No. 7), a declaration that "WIAA's current policies concerning the Internet transmission of its WIAA-sponsored tournament games do not violate Defendants' rights under the First or Fourteenth Amendments to the United States Constitution, or any other Constitutional, statutory, or other legal doctrine." Dkt. No. 7 ¶ 37.A(4).[2] This is not merely a defense or a counterclaim raised by Gannett. Rather, the gravamen of Gannett's accusation was not that WIAA did not "own" its tournaments, but that in seeking to generate revenues through licensing, it violated the constitutional rights of reporters to "cover" WIAA events. Based on pre-litigation threats of a violation of constitutional rights, WIAA filed the present declaratory judgment action, which requested a binding ruling based on Gannett's presumed coercive action under § 1983 for violation of its constitutional rights. And this claim, which arises under federal law, confers jurisdiction to the federal courts.

[2] While the WIAA's complaint raises additional requests for relief (*see* Dkt. No. 7 ¶ 37.A(1)-(3)), to the extent these may arise under state law, supplemental jurisdiction is proper. 28 U.S.C. §§ 1367 & 1441.

III. Jurisdiction in This Case Does Not Depend on Gannett's Defenses and Counterclaims Under the Copyright Act.

In its January 18, 2011 Order, the Court asked the parties to address the applicability, if at all, of *Louisville & Nashville Railroad v. Mottley*, 211 U.S. 149, and *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964) ("*Mottley*"), to this case. For the reasons stated below, these cases do not control the jurisdictional outcome.

In *Louisville & Nashville Railroad v. Mottley*, 211 U.S. 149, the United States Supreme Court announced that federal-question jurisdiction cannot be based on federal claims raised as a counterclaim or defense. *See Mottley*, 211 U.S. at 152-53. As detailed above, Gannett's allegations of a constitutional violation under § 1983 are not merely a defense. They are the coercive action that underpins WIAA's declaratory judgment action. *See* Dkt. No. 7 ¶ 37.A(4); *see also id.* ¶¶ 9, 26-28, 32, 34, 36(4). The *Mottley* decision is thus readily distinguishable.

*T.B. Harms Co. v. Eliscu*, 339 F.2d 823, is likewise readily distinguishable. In *T.B. Harms Co.*, Judge Friendly explored the parameters of jurisdiction in the context of copyright ownership disputes, concluding that a contract dispute between a licensor and licensee does not give rise to federal jurisdiction. This holding has been adopted by this Court. *See Int'l Armor & Limousine Co. v. Moloney Coachbuilders, Inc.*, 272 F.3d 912 (7th Cir. 2001). Unlike *T.B. Harms*, however, the issue here is not a dispute regarding ownership of a copyright under a license. Rather, the parties disputed whether Gannett could create a valid copyright in the first place without WIAA's consent. *See* Dkt. No. 1 Ex. A ¶¶ 14, 16 (alleging that Gannett made recordings without consent and requesting declaration that WIAA

has "ownership rights" in recordings); *see also* Dkt. Nos. 76 at 32 & 109 at 33-36; AA50-52. The question before the district court was thus one of federal copyright law, i.e., whether under the Copyright Act a valid copyright vests in one who records a sporting event without the authorization of the sponsor of that event, or whether that right vests with WIAA.[3] *See Gaiman v. McFarlane*, 360 F.3d 644, 652-53 (7th Cir. 2004) ("Gaiman seeks a declaration that he *is* a co-owner. . . .That question . . . cannot be answered without reference to the Copyright Act, and it therefore arises under the Act.") (emphasis added) (holding that a dispute over whether one party was a co-author under the Copyright Act gave rise to federal question jurisdiction). This legal dispute arises under federal law and is sufficient to confer jurisdiction. *T.B. Harms Co.*, 339 F.2d at 828 (jurisdiction conferred where claims requires "construction of the [Copyright] Act"); 3 Melleville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 12.01[A][1][b] (jurisdiction conferred where claim requires "determination of the meaning or application of the Copyright Act") (2010 ed.).

Thus, even WIAA's original state court complaint, which requested in part a declaration of ownership in recordings of four games made without its consent, raises a federal question even though it does not explicitly reference federal law. *See Jones v. Gen. Tire & Rubber Co.*, 541 F.2d 660, 664 (7th Cir. 1976) (Federal jurisdiction "is proper where the real nature of the claim asserted in the complaint

[3] In briefing, WIAA conceded that it did not itself own a federal copyright in the recordings, which rights vest only with an "author" transfixing the event with authorization. Dkt. No. 109 at 34-35.

is federal whether or not so characterized.") (citing *Beacon Moving & Storage, Inc. v. Local 814, Int'l Brotherhood of Teamsters*, 362 F. Supp. 442, 445 (S.D.N.Y. 1972)); *see also Franchise Tax Bd.*, 463 U.S. at 13; *see also* Nimmer, *supra*, § 12.01[A][1][d][i].

Regardless, even if the original copyright issue were not sufficient to confer jurisdiction under *T.B. Harms* or *Mottley*, WIAA's amended complaint would have cured any jurisdictional defect. As noted above, shortly after Gannet's removal purportedly based on copyright, WIAA filed an amended complaint in this Action. *See* Dkt. No. 7. The amended complaint explicitly requested a declaration under the United States Constitution, i.e., a federal claim. Even if jurisdiction were wanting at the time of Gannett's removal, this defect would have been cured prior to the district court's ruling. A timely cure, in turn, is sufficient to confer federal jurisdiction over the entire action regardless of any jurisdictional defect in the original pleading. *See Cades v. H & R Block, Inc.*, 43 F.3d 869, 873 (4th Cir. 1994) (post-removal amended complaint containing federal claim established jurisdiction); *see also generally Caterpillar Inc. v. Lewis*, 519 U.S. 61 (1996) (where jurisdictional defect is present at the time of removal but cured prior to final judgment, jurisdiction is proper); 14C Charles Alan Wright et al., *Federal Practice and Procedure* § 3739 & n.15 (4th ed. 2009) (collecting cases).

## CONCLUSION

In light of both the original copyright-related claims and the constitutional issues raised by the amended complaint, WIAA submits that this Court has jurisdiction over the present dispute.

Respectfully Submitted,

January 28, 2011

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I hereby certify that this brief conforms to the rules set forth in Fed. R. App. P. 32 and Circuit Rule 32:

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 2,680 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii).

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Dated: January 28, 2011

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**CERTIFICATION PURSUANT TO CIRCUIT RULE 31(E)**

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Dated: January 28, 2011

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**CERTIFICATE OF SERVICE AND FILING BY HAND DELIVERY**

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*Appeal No. 10-2627*

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