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

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Defendants-Appellants' Supplemental Brief on Jurisdiction

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INTRODUCTION

Pursuant to this Court's January 14, 2011 order, Gannett Company, Inc. and Wisconsin Newspaper Association (collectively, the "Newspapers") submit this brief to address the Court's jurisdictional questions.

FACTS

On December 5, 2008, Wisconsin Interscholastic Athletic Association ("WIAA") commenced this action in state court against the Newspapers. WIAA sought declaratory relief affirming that:

> it has ownership rights in any transmission, internet stream, photo, image, film, videotape, audiotape, writing, drawing or other depiction or description of any game, game action, game information, or any commercial used [sic] of the same of an athletic event that it sponsors, and that it has the right to grant exclusive rights to others, including the plaintiffs named pursuant to Wis. Stats. § 803.03 and, further requests such other relief that the court deems appropriate, together with its costs, disbursements and attorneys fees.

R. 1, Ex. A ("Compl.") at 5-6. In the body of its complaint, WIAA pleaded that "it has all rights and ownership in [the] media rights" it had granted to various companies -- including television, photography and Internet streaming. *Id.*, ¶ 12. WIAA also pleaded several facts related to its disposition of those rights and alleged that the Newspapers had violated its "exclusive rights and ownership" by streaming a football tournament game "without permission." *Id.*, ¶ 14. WIAA did not identify any legal basis for the rights it asserted -- for example, by pleading that it had obtained those rights by contract or that it had those rights as a matter of law, whether state or federal, common law or statutory.

WIAA attached several documents to its complaint, including a letter dated October 31, 2008, from the Newspapers' counsel to WIAA's Executive Director, which WIAA characterized in its pleading as "challenging the WIAA's right to control internet streaming and challenging the WIAA's authority to grant exclusive coverage rights to its sponsored athletic events." *Id.*, ¶ 6. The letter disputed WIAA's "right to discriminate between members of the news media who wish to report on the events" and claimed all credentialed media were entitled to equal coverage rights, "subject only to reasonable and non-discriminatory time, place and manner restrictions." *Id.*, Ex. B at 3. The Newspapers relied on First Amendment law to argue in the letter that "WIAA lacks the authority…to deny the WNA's members the right to utilize internet streaming technology to report on state high school tournament events on an equal basis with WWWY." *Id.*, citing *American Broadcasting Companies, Inc. v. Cuomo*, 570 F.2d 1080 (2d Cir. 1977). *Id.*, Ex. B. at 3.

The Newspapers removed the case to federal court under 28 U.S.C. §§ 1331 and 1441 relying primarily on the theory that the WIAA's claim of ownership of all descriptions or depictions of the events was a claim of copyright ownership, and thus any state law claim was completely preempted by the Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.* (the "Act" or the "Copyright Act"). *See* R. 1.

WIAA did not oppose removal; instead, it filed an amended complaint. WIAA pleaded that its initial complaint had been filed "[i]n response to the threat of litigation." R. 7 ("Am. Compl."), ¶ 3. It contended that the Newspapers identified the source of their claimed right to internet stream on an equal basis with WWWY "under

the United States Constitution." *Id.*, ¶ 8. WIAA itself agreed that federal jurisdiction over the amended complaint was proper "because an actual controversy exists between the parties regarding Defendants alleged right under federal constitutional and federal statutory law to transmit WIAA-sponsored games over the Internet." *Id.*, ¶ 9. WIAA sought a declaration of rights, including 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." *Id.*, ¶ 36.

ARGUMENT

I. THE DISTRICT COURT HAD JURISDICTION OVER THE PLAINTIFFS' STATE COURT ACTION.

The district court had federal question jurisdiction over this action under 28 U.S.C. § 1331, which reads:

> The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

The meaning of the phrase "arising under" is governed by the "well-pleaded rule," established by *Louisville Nashville R.R. Co. v. Mottley*, 211 U.S. 149 (1908) and its progeny.

> Under the "well-pleaded complaint" rule, 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.

GNB Battery Techs. v. Gould, Inc., 65 F.3d 615, 619 (7th Cir. 1995) (citations and internal quotations omitted). In contrast, there would be no original jurisdiction when federal law provides only a defense to the plaintiff's state-law claims. *See Mottley*, 211 U.S. at

152. One purpose of this rule is to prevent federal courts from having to weigh in on state-law causes of action, which may ultimately fail without ever reaching the federal question the plaintiff anticipated would be raised in defense. *Id.* at 153.

A. The District Court Had Jurisdiction Because WIAA's Complaint Sought To Anticipate A Threatened Claim By The Newspapers For Constitutional Violations.

Because this case was filed as a request for declaratory judgment, the jurisdictional analysis under the well-pleaded complaint rule is somewhat inverted, requiring analysis of the *defendants'* legal claims. In a traditional declaratory judgment case:

> the realistic position of the parties is reversed. The plaintiff is seeking to establish a defense against a cause of action which the declaratory defendant may assert….Respondent here has sought to ward off possible action of the petitioners by seeking a declaratory judgment to the effect that he will have a good defense when and if that cause of action is asserted. *Where the complaint in an action for declaratory judgment seeks in essence to assert a defense to an impending or threatened state court action, it is the character of the threatened action, and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court*.

Public Service Commission of Utah v. Wycoff Co., 344 U.S. 237, 248 (1952) (emphasis added); *GNB Battery Techs.*, 65 F.3d at 619 ("In declaratory judgment cases, the well-pleaded complaint rule dictates that jurisdiction is determined by whether federal question jurisdiction would exist over the presumed suit by the declaratory judgment defendant").

Removal was proper under the facts of this case because WIAA could have brought its action for declaratory relief in federal court. *See* 28 U.S.C. § 1441 (a). The

October 31, 2008 letter from the Newspapers' counsel that WIAA attached to its complaint formed a part of WIAA's pleading. *See* Fed. R. Civ. P. 10(c). That letter raised the specter of a lawsuit by the Newspapers for violations of the United States Constitution and, in particular, of the Newspapers' rights under the First Amendment. The letter itself was quite specific:

> State high school sports tournaments are public, taxpayer-supported events. As such, neither the host schools nor the WIAA has any right to discriminate between members of the news media who wish to report on the events, using whatever technology they choose, subject only to reasonable and non-discriminatory time, place and manner restrictions....
>
> …
>
> The WIAA lacks the authority, as a state actor, to deny the WNA's members the right to utilize internet streaming technology to report on state high school tournament events on an equal basis with WWWY. *See, e.g.*, *American Broadcasting Companies, Inc. v. Cuomo*, 570 F.2d 1080, 1084 (2nd Cir. 1977) ("[O]nce there is a public function, public comment and participation by some of the media, the First Amendment requires equal access to all of the media.")....
>
> …
>
> The WNA's members will not meekly surrender their right to use internet streaming technology to enhance their reporting on these events. The WNA and its members would welcome a constructive dialogue with the WIAA and its counsel on these issues, and would prefer to avoid litigation, but they will not accept the status quo as set forth in the WIAA's media guide.

Compl., Ex. B at 3-4.

WIAA sought to anticipate the Newspapers' claims under 42 U.S.C. § 1983 for First Amendment violations and, thus, its action could have been brought in federal

court. Removal was, accordingly, not only proper under 28 U.S.C. § 1441 (a) but virtually inevitable.

B. The District Court Also Had Jurisdiction Over The Action Under The Complete Preemption Corollary To The Well-Pleaded Complaint Rule.

Removal was proper for a second reason: WIAA's complaint sought a declaration of its ownership rights that raised substantial questions of copyright law, an area in which federal law completely preempts state law. The Copyright Act of 1976 contains a statutory preemption clause that by its express terms preempts all rights based on state law that fall within its ambit:

> On or after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103…are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301.[1] The clause has been interpreted broadly "to prevent states from giving special protection to works of authorship that Congress has decided should be in the public domain." *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir. 1996); *see also Toney v. L'Oreal USA, Inc.*, 406 F.3d 905, 911 (7th Cir. 2005) ("[S]tate laws that intrude on the domain of copyright are preempted even if the particular expression is neither

[1] The complete preemption doctrine did not arise in *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977) (First Amendment is not a defense to a publicity-rights claim under Ohio law for violations of a performer's rights) because that case arose before the effective date of the Act, and in particular, before the effective date of this preemption clause.

copyrighted nor copyrightable. Such a result is essential in order to preserve the extent of the public domain established by copyright law.")

Because federal law is completely preemptive in the area of copyright, WIAA's broad claim of ownership gave rise to federal jurisdiction.

> Federal pre-emption is ordinarily a federal defense to the plaintiff's suit. As a defense, it does not appear on the face of a well-pleaded complaint, and, therefore, does not authorize removal to federal court….One corollary of the well-pleaded complaint rule developed in the case law, however, is that Congress may so completely pre-empt a particular area that any civil complaint raising this select group of claims is necessarily federal in character.

Metropolitan Life Ins. Co. v. Taylor, 481 U.S. 58, 63-64 (1987). That is the case here.

A purported state-law right that touches on the copyright arena "arises under" federal law when two elements are met. *Toney*, 406 F.3d at 909. First, state law is preempted if it protects rights that are equivalent to the exclusive rights specified in § 106 of the Act. *Id.* A purported state-law right that is violated merely by "an act which, in and of itself, would infringe one of the exclusive rights…must be deemed preempted." *Harper & Row Publishers v. Nation Enterprises*, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd on other grounds,* 471 U.S. 539 (1985). Second, the law must reach work fixed in a tangible form within the subject matter of copyright. *Toney*, 406 F.3d at 909.

For the purposes of a preemption analysis, the "'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." *ProCD*, 86 F.3d at 1453. And as to fixation, "once a performance is reduced to tangible form, there is no distinction between the

performance and the recording of the performance for the purpose of preemption under § 301 (a)." *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 675 (7th Cir. 1986).

To be clear, a case does not automatically "arise under" federal law for jurisdictional purposes merely because it involves a property dispute over copyrighted or copyrightable material.

> Just as with western land titles, the federal grant of a patent or copyright has not been thought to infuse with any national interest a dispute as to ownership or contractual enforcement turning on the facts or on ordinary principles of contract law.

T.B. Harms Co. v. Eliscu, 339 F.2d 823, 826 (2d Cir. 1964). But the issue presented by WIAA's original complaint was of a different nature than the ownership issue in *Harms.* It was not a "dispute over the meaning or validity of an agreement to license a copyright," *see Zerand-Bernal Grp. v. Cox*, 23 F.3d 159, 162 (7th Cir. 1994) (construing *Harms*), or a factual dispute over who created a work, or any other claim where the copyright issues are merely incidental to the actual dispute. *See also, e.g.*, *RX Data Corp. v. Dep't of Social Services*, 684 F.2d 192, 196 (2d Cir. 1982) ("even [a well-pleaded] infringement claim will not invoke federal jurisdiction when the claim is merely incidental to a primary dispute over copyright ownership under state law."). Instead, the issues WIAA raised went straight to the heart of the Copyright Act -- that is, the nature of the asserted right itself.

WIAA sought a judgment declaring its "ownership rights" in all descriptions or depictions of certain athletic events, including the Newspapers' own future written,

video and audio reports of athletic events fixed in a tangible medium of expression. WIAA's claim was essentially one of copyright ownership and thus it fell within the ambit of the complete preemption corollary and "arose under" federal law for jurisdictional purposes no matter what legal basis WIAA might have asserted for the ownership rights it claimed.[2] It asserted a right equivalent to an exclusive right under the Act (the right to control duplication and performance of the Newspapers' future written, video and audio reports of a tournament event) in a subject matter within the scope of the Act (an athletic event fixed in a tangible medium).

The fact that WIAA did not reference the Copyright Act, or sought prospective relief instead of pleading a retrospective claim for infringement, does not change the analysis.

> [I]f the complaint is actually based on federal law, the plaintiff's effort to conceal this fact because he wants to prevent the defendant from removing the case to federal court must not be allowed to succeed….Making sure that plaintiffs do not get away with concealing the federal nature of their claims is particularly important in cases arising under copyright law, because federal jurisdiction over such cases is exclusive. The plaintiff cannot be allowed to defeat the congressional determination merely by omitting mention of that law from his complaint. This is just another facet of the "*well*-pleaded complaint" rule.

Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1195 (7th Cir. 1987) (emphasis in original).

[2] The Newspapers do not suggest that WIAA was obligated to plead its legal theory, although that certainly would have clarified the issues at all stages of this litigation. It bears noting, however, that WIAA does not appear to have pleaded a right of publicity claim under Wisconsin law, which appears not to have addressed the right in the context of athletic events or performers. *See* Wis. Stat. § 995.50(2)(b).

II. THE DISTRICT COURT DID NOT LOSE JURISDICTION WHEN THE PLAINTIFFS AMENDED THEIR COMPLAINT.

The plaintiffs' Amended Complaint is framed as a traditional claim for declaratory relief seeking to anticipate a federal constitutional lawsuit by the Newspapers:

> Defendants have indicated that they will pursue legal action to protect what they believe to be their rights if the WIAA does not change its [Internet streaming] licensing policy.
>
> …
>
> Through their attorneys, Defendants have written the WIAA claiming such a right [to Internet streams] under the United States Constitution…. The WIAA disputes that any federal constitutional or federal statutory provision grants Defendants such a right or bars the WIAA from establishing reasonable policies governing the transmission of the tournament events it organizes and sponsors.

Am. Compl., ¶¶ 2, 8. Because the defendants' anticipated claim expressly rests on federal law -- namely the United States Constitution -- federal jurisdiction is appropriate under the well-pleaded complaint analysis applicable to declaratory judgment actions. *See Wycoff*, 344 U.S. at 248; *GNB Battery Techs.*, 65 F.3d at 619.

CONCLUSION

For the foregoing reasons, this action was properly removed and both the District Court and this Court have federal question jurisdiction.

Dated this 28th day of January, 2011.

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RULE 32 CERTIFICATE OF COMPLIANCE

I hereby certify that this brief conforms to the rules set forth in Fed. R. App. P. 32 and Circuit Rule 32 for a brief produced with proportionally spaced type-face. This brief was produced in Microsoft Word 2003 format, and its length as set forth by the word processing system used to prepare the brief is 2,780 words including headings, footnotes and quotations, but excluding the Table of Contents, Table of Authorities and any certificates of counsel.

Dated: January 28, 2011.

s/_____
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CERTIFICATION PURSUANT TO CIRCUIT RULE 31(e)

I hereby certify that the Brief supplied to the Court is in a non-scanned PDF format.

Dated: January 28, 2011.

s/_____
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CERTIFICATE OF SERVICE AND FILING BY MAIL

Wisconsin Interscholastic Athletic Association, et al. v.
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Appeal No. 10-2627

I, Matthew P. Veldran, a paralegal employed with the law firm of Godfrey & Kahn, S.C., hereby certify under penalties of perjury that on January 28, 2011, I caused two hard copies of the following document: DEFENDANTS-APPELLANTS' SUPPLEMENTAL BRIEF ON JURISDICTION to be served by hand delivery on the following persons listed below and an electronic copy of the same brief to be served via email on the persons on the same day:

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