

January 2007

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### Recommended Citation

David Ratner, *The Ongoing Struggle to Determine Federal Arising under Jurisdiction in Copyright: The Complete Preemption Exception to the Well Pleased Complaint Rule*, 84 *Denv. U. L. Rev.* 955 (2007).

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**The Ongoing Struggle to Determine Federal Arising under Jurisdiction in  
Copyright: The Complete Preemption Exception to the Well Pleased Complaint  
Rule**

# THE ONGOING STRUGGLE TO DETERMINE FEDERAL “ARISING UNDER” JURISDICTION IN COPYRIGHT: THE COMPLETE PREEMPTION EXCEPTION TO THE WELL PLEADED COMPLAINT RULE

## INTRODUCTION

Copyright is one of the oldest institutionally protected rights in the United States. The notion of federally protected copyright originated in the United States Constitution in 1787.<sup>1</sup> One of the powers the Constitution grants to Congress is “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>2</sup> What is omitted from these instructions is how the government should promote progress and protect rights. To what extent must the government protect these rights? How can citizens raise grievances that their rights have been infringed upon? Who should hear and adjudicate these grievances?

Although copyright was not a prominent issue in the early years of the republic, advances in technology have greatly increased the number and variety of actual and potential copyright cases. Cases involving copyright issues present one persistent jurisdictional question: what makes a copyright case a federal case? Copyright owners regularly license or assign their rights in contractual agreements and the breach of such an agreement may give rise to a breach of contract claim, a claim for copyright infringement, or both. Pursuant to 28 U.S.C. § 1338(a), the federal courts have exclusive jurisdiction over copyright cases.<sup>3</sup> Yet determining when a case is a “copyright” case is not always straightforward.

Infringement of copyright is a violation of the federal Copyright Act and therefore a federal claim.<sup>4</sup> However, breach of contract is a state law cause of action and therefore undeserving of federal jurisdiction.<sup>5</sup> In response to claims brought under state law, the defendant may assert counterclaims or defenses based in federal copyright law. In this con-

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1. U.S. CONST. art. I, § 8, cl. 8.

2. *Id.*

3. See 28 U.S.C.A. § 1338(a) (West 2007) (“The 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.”).

4. 17 U.S.C.A. § 501(a) (West 2007).

5. See generally *Ritchie v. Williams*, 395 F.3d 283, 285 (6th Cir. 2005) (delineating between state and federal causes of action in a copyright case).

text, a court must determine whether the case properly belongs in state or federal court.

In 1964, the United States Court of Appeals for the Second Circuit established a test for determining whether a copyright claim deserves federal jurisdiction. In *T.B. Harms Co. v. Eliscu*,<sup>6</sup> the court attempted to formulate a rule to resolve “whether and how a complaint implicates the Copyright Act.”<sup>7</sup> The three-part *T.B. Harms* test was praised by leading copyright scholars<sup>8</sup> but also suffered from a variety of misinterpretations and was subsequently applied by various courts in a contradictory manner.<sup>9</sup> Only in 2000 did the Second Circuit emerge from this confusion to clarify the *T.B. Harms* test and promulgate the well pleaded complaint rule as the standard for determining federal copyright jurisdiction.<sup>10</sup> In 2002 the United States Supreme Court reaffirmed the primacy of the well pleaded complaint rule for determining whether cases garner federal jurisdiction under § 1338(a).<sup>11</sup>

While it might appear that all federal courts should fall into line with the Supreme Court, some circuits have not adopted the rule. The United States Court of Appeals for the Tenth Circuit did not address the question of what test to apply to determine jurisdiction in a copyright suit until *Image Software, Inc. v. Reynolds & Reynolds Co.*<sup>12</sup> in 2006. Absent a Supreme Court opinion on the use of the well pleaded complaint rule in the copyright context, there continues to be noteworthy scholarly discourse questioning the wisdom of the rule.

Although the well pleaded complaint rule has distinct weaknesses, it remains the best standard for determining federal jurisdiction in copyright cases. The developing complete preemption doctrine—when applied in the copyright contexts—ameliorates one of the well pleaded complaint rule’s significant weaknesses. Complete preemption applies when the force of a federal statute is so extraordinary that it converts a state law complaint into a federal claim.<sup>13</sup> State law claims that are equivalent to copyright infringement claims can be completely preempted by the Copyright Act and removed to federal court even if they do not state a federal claim.<sup>14</sup>

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6. 339 F.2d 823 (2d Cir. 1964).

7. *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 348 (2d Cir. 2000) (citing *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 825 (2d Cir. 1964)).

8. *Bassett*, 204 F.3d at 349 (citing 3 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 12.01[A]).

9. *Bassett*, 204 F.3d at 351 n.4.

10. *Id.* at 355.

11. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002).

12. 459 F.3d 1044 (10th Cir. 2006).

13. *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 393 (1987) (citing *Metro. Life Ins. Co. v. Taylor*, 481 U.S. 58, 65 (1987)).

14. *Ritchie*, 395 F.3d at 286-87.

Applying the complete preemption doctrine as an exception to the well pleaded complaint rule provides a practical solution to some of the well pleaded complaint rule's shortcomings. It addresses concerns about these shortcomings while still achieving the desired consistency and uniformity that the well pleaded complaint rule provides.

Part I of this article describes the case law addressing whether a case "arises under" the Copyright Act and therefore enjoys federal jurisdiction. This part focuses on significant copyright decisions handed down by the Second Circuit Court of Appeals. Part II describes *Image Software, Inc. v. Reynolds & Reynolds Co.*<sup>15</sup> and the Tenth Circuit's adoption of the Second Circuit's well pleaded complaint rule in copyright cases. Part III identifies the Supreme Court's guidance in establishing the well pleaded complaint rule and the frequent intersection of contract and copyright claims.

Part IV analyzes the underpinnings of the well pleaded complaint rule and identifies arguments supporting the rule and promoting uniformity among the federal courts in determining copyright jurisdiction. Part IV goes on to note the shortcomings of competing standards and address arguments against the rule. In an effort to tackle a significant weakness of the well pleaded complaint rule, this article suggests applying the complete preemption doctrine as an exception to the well pleaded complaint rule.

## I. THE SECOND CIRCUIT'S REIGN IN "ARISING UNDER" COPYRIGHT JURISPRUDENCE

### A. *The Groundwork*

Article I of the Constitution provides Congress the power to secure to authors and inventors the exclusive rights to their works.<sup>16</sup> Under Article III, the federal judiciary is given the power to adjudicate all cases arising under the Constitution and the laws of the United States.<sup>17</sup> Congress established copyrights in the early years of the republic and, through the Copyright Act of 1976,<sup>18</sup> gave the federal courts exclusive jurisdiction over copyright claims.<sup>19</sup>

Congress established federal jurisdiction over copyright claims in 28 U.S.C. § 1338(a): "The 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 pro-

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15. 459 F.3d 1044 (10th Cir. 2006).

16. U.S. CONST. art I, § 8, cl. 8.

17. U.S. CONST. art III, § 2, cl. 1.

18. 17 U.S.C.A. §§ 101-810 (West 2007).

19. 17 U.S.C.A. § 301(a).

tection and copyright cases.”<sup>20</sup> Courts have wrestled with the meaning of “arising under” in the copyright framework since the enactment of § 1338(a).<sup>21</sup> There has been an ongoing struggle to define exactly when a claim “arises under” the Copyright Act and therefore garners federal jurisdiction.<sup>22</sup> A suit that simply mentions or involves copyright does not necessarily “arise under” the Copyright Act and therefore does not necessarily come before a federal court.<sup>23</sup>

Although the United States Supreme Court has yet to consider the definition of “arising under” in the realm of copyright,<sup>24</sup> it has decided cases addressing § 1338(a)’s “arising under” language.<sup>25</sup> *American Well Works Co. v. Layne & Bowler Co.*<sup>26</sup> involved a patent claim that began in state court, was removed to federal district court, and appealed to the Supreme Court.<sup>27</sup> Justice Holmes explained that “[a] suit arises under the law that creates the cause of action.”<sup>28</sup> The plaintiff in *American Well Works* did not seek relief under federal patent law and the Court therefore ruled that it belonged in state court.<sup>29</sup> Justice Holmes’ concise statement laid a foundation for approaches to “arising under” jurisdiction in copyright as well as patent cases.<sup>30</sup>

#### B. *T.B. Harms Company v. Eliscu*

Almost fifty years after Justice Holmes discussed the “arising under” language in § 1338(a), the Second Circuit Court of Appeals addressed the issue in *T.B. Harms Co. v. Eliscu*.<sup>31</sup> The court’s decision subsequently suffered a variety of interpretations and ignited a polarized scholarly debate that continues to smolder.

The *T.B. Harms Company* brought an action for declaratory judgment and equitable relief in the District Court for the Southern District of New York, claiming that under a contract with Eliscu, Harms owned renewal copyrights in songs Eliscu co-authored.<sup>32</sup> The plaintiff asserted

20. 28 U.S.C.A. § 1338(a) (West 2007).

21. Christopher D. Birrer, *A Jurisdictional “Nightmare”: Determining When an Interdependent Copyright and Contract Claim “Arises Under” the Copyright Act in Scholastic Entertainment, Inc. v. Fox Entertainment Group, Inc.*, 11 VILL. SPORTS & ENT. L.J. 271, 276 (2004).

22. James M. McCarthy, *Federal Subject Matter Jurisdiction: When Does a Case Involving the Breach of a Copyright Licensing Contract “Arise Under” the Copyright Act?*, 19 DAYTON L. REV. 165, 169 (1993).

23. *Id.*

24. Amy B. Cohen, “*Arising Under*” *Jurisdiction and the Copyright Laws*, 44 HASTINGS L.J. 337, 351 (1993).

25. See *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916); *Holmes Group, Inc.*, 535 U.S. at 829-30.

26. 241 U.S. 257 (1916).

27. *Am. Well Works*, 241 U.S. at 258.

28. *Id.* at 260.

29. *Id.*

30. Daniel E. Wanat, *Copyright and Contracts: The Subject Matter Jurisdiction of Federal Courts Under 28 U.S.C. 1338(a)*, 11 DEPAUL-LCA J. ART & ENT. L. & POL’Y 361, 366 (2001).

31. 339 F.2d 823 (2d Cir. 1964).

32. *T.B. Harms*, 339 F.2d at 824-25.

federal jurisdiction subject to § 1338(a) and the defendants moved to dismiss for failure to state a claim upon which relief could be granted and lack of federal jurisdiction.<sup>33</sup> The district court judge dismissed the complaint for lack of federal jurisdiction and Harms appealed.<sup>34</sup>

Writing for the Second Circuit Court of Appeals, Judge Friendly acknowledged the utility of Justice Holmes' *American Well Works* test in explaining federal jurisdiction in "a great many cases, notably copyright and patent infringement actions."<sup>35</sup> Yet, noting that Holmes' formula was "more useful for inclusion than for the exclusion for which it was intended," Friendly found that "Harms' claim [wa]s not within Holmes' definition."<sup>36</sup>

Facing a need for clarification and mindful of how difficult it was to formulate, the Second Circuit arrived at a three-part test for establishing when an action "arises under" the Copyright Act.<sup>37</sup> Federal jurisdiction shall be conferred

if and only if the complaint is for a remedy expressly granted by the Act . . . or asserts a claim requiring construction of the Act . . . or, at the very least and more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.<sup>38</sup>

Judge Friendly noted that federal jurisdiction is held to exist when a claim is brought for copyright infringement but also observed that "the jurisdictional statute does not speak in terms of infringement, and the undoubted truth that a claim for infringement 'arises under' the Copyright Act does not establish that nothing else can."<sup>39</sup> Friendly went on to examine the ways in which federal jurisdiction might be appropriate for Harms' claims, including if the complaint showed a need for determining the meaning or application of a federal law.<sup>40</sup> Federal jurisdiction could even be found where the issue might seem to be one of local law as long as the federal interest was dominant.<sup>41</sup> *T.B. Harms* became the leading case on how and whether a claim "arises under" the Copyright Act.<sup>42</sup>

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33. *Id.* at 825.

34. *Id.*

35. *Id.* at 826.

36. *Id.* at 827.

37. *Id.* at 828.

38. *Id.*

39. *T.B. Harms*, 339 F.2d at 825.

40. *Id.* at 827.

41. *Id.* at 827-28.

42. McCarthy, *supra* note 22, at 169.

### C. *The T.B. Harms Fallout*

Many courts relied on the *T.B. Harms* test to determine federal copyright jurisdiction,<sup>43</sup> but the application was inconsistent.<sup>44</sup> Interpretations of the opinion ultimately crystallized into two general jurisdictional tests: the "well pleaded complaint" rule<sup>45</sup> and the "essence test."<sup>46</sup>

The well pleaded complaint approach determines jurisdiction solely on the pleadings submitted by the plaintiff and views the surrounding circumstances of the suit as irrelevant to the choice of jurisdiction.<sup>47</sup> The well pleaded complaint standard follows from the first facet of the *T.B. Harms* test, which allows federal jurisdiction "if the complaint is for a remedy expressly granted by the Act."<sup>48</sup> There is also support for this standard in the Second Circuit's determination that federal jurisdiction exists when the plaintiff's pleading is directed toward infringement and not the license itself.<sup>49</sup>

In contrast, the essence test attempts to distill the "essence" of the claim as a basis for jurisdictional determination.<sup>50</sup> Under this standard, courts should establish the "essence" of the plaintiff's claim and only grant federal jurisdiction to matters of legitimate federal significance.<sup>51</sup> Development of the essence test can also be traced to language in the *T.B. Harms* case. First, the *T.B. Harms* district court explained that the formal allegations must yield to the substance of the claim.<sup>52</sup> The "mere circumstance" that the suit "incidentally" centered on copyright did not, on its own, justify federal jurisdiction.<sup>53</sup> Second, Judge Friendly instructed that provisions conferring federal jurisdiction should be read narrowly to avoid depriving state courts of jurisdiction over cases that have little federal significance.<sup>54</sup> Under the essence test, courts should look beyond the face of the complaint to determine the "essence" of the claim and only allow federal jurisdiction where the thrust of the case "arises under" the Copyright Act.

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43. Cohen, *supra* note 24, at 362.

44. *Id.*

45. Birrer, *supra* note 21, at 286.

46. McCarthy, *supra* note 22, at 179.

47. Cohen, *supra* note 24, at 371-72. This standard is also applied to other areas of federal jurisdiction to determine whether a complaint "arises under" federal law.

48. McCarthy, *supra* note 22, at 175 (citing *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2nd Cir. 1964)).

49. *Id.* (citing *T.B. Harms*, 329 F.2d at 828).

50. *Id.*

51. *Id.*

52. *Id.*

53. *T.B. Harms Co. v. Eliscu*, 226 F. Supp. 337, 338 (S.D.N.Y. 1964).

54. Birrer, *supra* note 21, at 283.



*D. Schoenberg v. Shapolsky Publishers*

After twenty-eight years of conflicting decisions,<sup>55</sup> in 1992 the Second Circuit adopted the essence test in *Schoenberg v. Shapolsky Publishers*.<sup>56</sup> Harris Schoenberg, an author, brought a federal suit against his publisher for breach of their publication agreement and infringement on his copyrighted work.<sup>57</sup> The defendants' former attorney appealed his conviction for contempt and questioned the jurisdiction of the federal district court.<sup>58</sup>

Referring to select previous Second Circuit decisions,<sup>59</sup> the *Schoenberg* court determined that a district court may "refer to evidence outside of the pleadings" to decide subject matter jurisdiction.<sup>60</sup> This conflicted with *American Well Works*<sup>61</sup> as well as an earlier Justice Holmes decision which explained that "the party who brings a suit is master to decide what law he will rely upon, and therefore does determine whether he will bring a 'suit arising under' the . . . law of the United States by his declaration or bill."<sup>62</sup>

*Schoenberg* advocated a three-part essence test to "clarify the proper approach" for determining whether a suit "arises under" the Copyright Act and therefore deserves federal jurisdiction.<sup>63</sup> First, the court must ascertain whether an infringement claim is only "incidental" to a determination of ownership or rights under a copyright.<sup>64</sup> If the claim is not merely incidental, the court must examine whether the complaint alleges a breach of the contract licensing or assigning the copyright.<sup>65</sup> If such a breach is alleged, there is federal jurisdiction, but if the complaint merely alleges a breach of contract then the court must endeavor to take a third step.<sup>66</sup> If the breach was so material as to create a right of rescission in the grantor, then the claim arises under the Copyright Act.<sup>67</sup>

The *Schoenberg* court acknowledged that the last two steps would often determine the "essence" of the claim and that, "in practice," the

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55. Wanat, *supra* note 30, at 385-86.

56. 971 F.2d 926 (2d Cir. 1992).

57. *Schoenberg*, 971 F.2d at 928.

58. *Id.* at 930.

59. *Schoenberg*, 971 F.2d at 932 (citing *T.B. Harms*, 226 F. Supp. at 337; *Costello Pub. Co. v. Rotelle*, 670 F.2d 1035 (D.C. Cir. 1981); *Berger v. Simon & Schuster*, 631 F. Supp. 915 (S.D.N.Y. 1986)).

60. *Schoenberg*, 971 F.2d at 933.

61. 241 U.S. 257 (1916).

62. Edwin E. Richards, *Drafting Licenses to Guide Whether Potential Disputes Lie in Contract or Infringement*, 7 COMP. L. REV. & TECH J. 45, 50 (2002) (citing *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913)).

63. *Schoenberg*, 971 F.2d at 932.

64. *Id.*

65. *Id.*

66. *Id.* at 932-33.

67. *Id.* at 933.

three steps would merge into one.<sup>68</sup> Despite the Second Circuit's effort to clarify the law, the *Schoenberg* essence test was met with criticism<sup>69</sup> and was eventually invalidated.<sup>70</sup>

#### E. *Basset v. Mashantucket Pequot Tribe*

In *Basset v. Mashantucket Pequot Tribe*<sup>71</sup> the Second Circuit responded to criticisms and rejected the essence test that it established in the *Schoenberg* decision.<sup>72</sup> Debra Basset contracted to produce a film for the Mashantucket Pequot Tribe in an agreement that granted Basset exclusive rights to the film.<sup>73</sup> After Basset wrote and delivered a script, the tribe told Basset that it was terminating the agreement.<sup>74</sup> The tribe continued to pursue production of the film and Basset brought suit seeking an injunction and other copyright remedies.<sup>75</sup>

The *Basset* court reviewed the *T.B. Harms* opinion,<sup>76</sup> addressed criticisms of that decision,<sup>77</sup> and then questioned the wisdom of *Schoenberg*.<sup>78</sup> The court identified a number of shortcomings in finding the essence test "unworkable."<sup>79</sup> First, the court noted the perverse possibility that, under *Schoenberg*, only those cases with a strong defense would warrant federal jurisdiction.<sup>80</sup> A court could deny a plaintiff a federal forum and, therefore, the benefit of copyright remedies because her copyright claims were incidental to her contract dispute.<sup>81</sup> "A plaintiff with meritorious copyright claims and entitlement to the special remedies provided by the Act [could be] deprived of these remedies merely because the first hurdle of proving entitlement is a showing of a contractual right."<sup>82</sup>

The *Basset* court identified a second *Schoenberg* shortcoming: the essence test is "based more on the defense than on the demands asserted in the complaint."<sup>83</sup> A plaintiff might not be able to establish whether to file her complaint in federal or state court because the jurisdictional determination would be based on the defendant's response.<sup>84</sup> Furthermore, a court might not know the "essence" of the plaintiff's claim simply

68. *Id.*

69. *Birrer*, *supra* note 21, at 292-93.

70. *Id.* at 288.

71. 204 F.3d 343 (2d Cir. 2000).

72. *Birrer*, *supra* note 21, at 288.

73. *Bassett*, 204 F.3d at 346.

74. *Id.*

75. *Id.*

76. *Id.* at 348-51.

77. *Id.* at 351 n.4.

78. *Id.* at 352-55.

79. *Id.* at 352.

80. *Richards*, *supra* note 62, at 49.

81. *Bassett*, 204 F.3d at 352.

82. *Id.* at 352-53.

83. *Id.* at 353.

84. *Id.*

based on the complaint.<sup>85</sup> The *Basset* court felt that this inability to predict jurisdiction under the essence test was a “major problem.”<sup>86</sup>

A final shortcoming of the essence test is that it “requires the court to make complex factual determinations relating to the merits at the outset of the litigation—before the court has any familiarity with the case.”<sup>87</sup> Such determinations could “require extensive hearings and fact finding” and could recur “at each stage of Schoenberg’s three-step formula.”<sup>88</sup> The *Basset* court expressed concern that jurisdiction would be decided by determining the “essence” of the claim even though the “essence” could not be determined solely on the pleadings.<sup>89</sup>

After rejecting the essence test, the court went on to establish the well pleaded complaint rule for determining jurisdiction in copyright cases.<sup>90</sup> The court harkened back to Justice Holmes’ *American Well Works* decision in maintaining that “a suit arises under the law that creates the cause of action”<sup>91</sup> and that jurisdiction should be based upon the content of the plaintiff’s complaint.<sup>92</sup> This established the well pleaded complaint rule as the standard for determining federal “arising under” jurisdiction in copyright. The court determined that because *Basset*’s complaint alleged a violation of the Copyright Act and sought injunctive relief provided by the Act, the action deserved federal jurisdiction.<sup>93</sup>

## II. *IMAGE SOFTWARE, INC. V. REYNOLDS & REYNOLDS CO.*

While a number of federal circuits have adopted the well pleaded complaint rule in copyright, the United States Court of Appeals for the Tenth Circuit only recently enunciated its stance on federal “arising under” jurisdiction for copyright claims. In *Image Software, Inc. v. Reynolds & Reynolds Co.*,<sup>94</sup> the court took the opportunity to adopt the well pleaded complaint rule for determining whether a copyright case arises under the laws of the United States.

### A. *Facts*

Plaintiff Image Software Inc. (“Image”) developed imaging software to capture and archive business reports, alleviating the need for handling paper documents.<sup>95</sup> Defendant Reynolds and Reynolds Com-

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85. *Id.* at 353-54.

86. *Id.* at 354 n.11 (citing Cohen, *supra* note 24, at 374).

87. *Bassett*, 204 F.3d at 354.

88. *Id.*

89. *Wanat*, *supra* note 30, at 390.

90. *Bassett*, 204 F.3d at 352-55.

91. *Id.* at 355 (citing *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916)).

92. *Bassett*, 204 F.3d at 355 (citing *Taylor v. Anderson*, 234 U.S. 74, 75 (1914)).

93. *Bassett*, 204 F.3d at 355-56.

94. 459 F.3d 1044 (10th Cir. 2006).

95. *Image Software, Inc. v. Reynolds & Reynolds Co.*, 273 F. Supp. 2d 1168, 1169 (D. Colo. 2003).

pany ("Reynolds") aimed to market Image's product to car dealerships and entered into a licensing agreement with Image<sup>96</sup> to this end.<sup>97</sup> Pursuant to a 1994 agreement, Image sold Reynolds perpetual and non-exclusive licenses to the software for a one-time fee.<sup>98</sup> Image granted Reynolds the right to use, market, and distribute the software<sup>99</sup> and agreed to make subsequent upgrades available to Reynolds for an arranged fee.<sup>100</sup>

In 1996, Image and Reynolds entered into a subsequent agreement, providing Reynolds with an updated version of the software, Release 5.5.<sup>101</sup> The 1996 agreement also allowed either party to terminate the license upon ninety days notice.<sup>102</sup> Reynolds terminated the agreement in 2002, and Image informed Reynolds that Reynolds could no longer use the licensed software.<sup>103</sup> Reynolds, however, continued to use and distribute Release 5.5. Image brought suit, charging that Reynolds' use infringed on Image's copyright.<sup>104</sup>

Pursuant to an arbitration clause in the 1994 agreement, Reynolds filed a motion to stay federal litigation and compel arbitration.<sup>105</sup> The district court granted the arbitration motion, an arbitrator granted Reynolds almost \$400,000 in damages, and the district court confirmed the arbitrator's order.<sup>106</sup> Image subsequently appealed, challenging the district court's order and jurisdiction.<sup>107</sup>

### B. Decision

In addressing the issue of subject matter jurisdiction, the Tenth Circuit Court of Appeals noted that although the parties in the case never questioned the federal courts' jurisdiction, the district court rightfully raised the issue sua sponte.<sup>108</sup> The district court invoked federal jurisdiction under 28 U.S.C. § 1331<sup>109</sup> and 28 U.S.C. § 1338(a)<sup>110</sup> and determined that the complaint pled a federal copyright claim.<sup>111</sup> The district

96. *Image*, 273 F. Supp. 2d at 1169. The agreement was executed by ISI, parent company of Image. *Id.*

97. *Image*, 459 F.3d at 1047.

98. *Image*, 273 F. Supp. 2d at 1169.

99. *Image*, 459 F.3d at 1047.

100. *Image*, 273 F. Supp. 2d at 1169-70.

101. *Image*, 459 F.3d at 1047.

102. *Id.*

103. *Id.*

104. *Image*, 273 F. Supp. 2d at 1170.

105. *Image*, 459 F.3d at 1047.

106. *Id.* at 1047-48.

107. *Id.*

108. *Id.*

109. 28 U.S.C.A. § 1331 (West 2007) ("[D]istrict courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.")

110. 28 U.S.C.A. § 1338(a). ("[D]istrict courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.")

111. *Image*, 273 F. Supp. 2d at 1171.

court applied the well pleaded complaint rule and found that it had subject matter jurisdiction because *Image* had requested relief under the federal Copyright Act.<sup>112</sup> The district court relied on *Basset v. Mashantucket Pequot Tribe*,<sup>113</sup> and the Tenth Circuit affirmed, taking the “opportunity to adopt the Second Circuit’s analytical approach.”<sup>114</sup> The Tenth Circuit’s decision quotes liberally from *Basset* in embracing the well pleaded complaint rule as “[t]he most frequently cited test’ for determining whether an action arises under the Copyright Act.”<sup>115</sup>

In adopting the Second Circuit test, the court engaged in a retelling of the history of *Basset*, including a recitation of the problems with the essence test.<sup>116</sup> The court also recounted a more recent Ninth Circuit decision that similarly adopted the well pleaded complaint rule.<sup>117</sup> Applying the Second Circuit’s well pleaded complaint rule to the *Image* case, the Tenth Circuit agreed with the lower court decision and affirmed that the federal courts had subject matter jurisdiction over *Image*’s copyright claim.<sup>118</sup>

### III. JUDICIAL AND LEGISLATIVE UNDERPINNINGS OF THE WELL PLEADED COMPLAINT RULE

There is a history of Supreme Court support for applying the well pleaded complaint rule to determine jurisdiction for cases “arising under” federal laws such as § 1338(a).<sup>119</sup> The Court recently reaffirmed that the well pleaded complaint rule should be applied to cases questioning patents in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*<sup>120</sup> This rule should also apply to copyright because patent and copyright are treated similarly under § 1338(a).<sup>121</sup> In addition, acts of Congress suggest that the well pleaded complaint rule should determine jurisdictional questions in copyright cases.

#### A. Supreme Court Support

The United States Supreme Court recently affirmed the primacy of the well pleaded complaint rule and established a solid statutory foundation for its application.<sup>122</sup> Although *Holmes Group, Inc. v. Vornado Air*

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112. *Id.*

113. 204 F.3d 343 (2d Cir. 2000).

114. *Image*, 459 F.3d at 1049.

115. *Id.* (quoting *Gener-Villar v. Adcom Group, Inc.*, 417 F.3d 201, 203 (1st Cir. 2005)).

116. *Image*, 459 F.3d at 1050.

117. *Id.* at 1050 n.7 (citing *Scholastic Entm’t, Inc. v. Fox Entm’t Group, Inc.*, 336 F.3d 982, 985-86 (9th Cir. 2003)).

118. *Image*, 459 F.3d at 1051.

119. *See Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 258, 260 (1916).

120. 535 U.S. 826, 830 (2002).

121. *See* 28 U.S.C.A. § 1338(a) (West 2007) (“The 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.”). In construing “arising under” jurisdiction for § 1338(a), the *Holmes Group* decision applies to patents, plant variety protection, copyrights, and trademarks. *Id.*

122. *Holmes Group*, 535 U.S. at 830.

*Circulation Systems, Inc.*, addressed a patent law claim,<sup>123</sup> the ruling applies to copyright because both areas of law are addressed in § 1338(a).<sup>124</sup> In *Holmes Group*, the Court noted that the strength of § 1338(a) draws from its “linguistic consistency” with § 1331,<sup>125</sup> which confers federal jurisdiction on “all civil actions arising under the Constitution, laws or treaties of the United States.”<sup>126</sup>

The Court in *Holmes Group* stated that “the well-pleaded-complaint rule has long governed whether a case ‘arises under’ federal law for purposes of § 1331.”<sup>127</sup> The “arising under” language is the same in § 1331 and § 1338(a) so the well pleaded complaint rule should determine jurisdiction in § 1338(a) cases as well. The Court bolstered its support of the well pleaded complaint rule by noting that to allow a counterclaim to establish “arising under” jurisdiction would “contravene the longstanding policies underlying our precedents.”<sup>128</sup> Although the Tenth Circuit did not cite *Holmes Group* in its *Image* decision, deliberate adoption of the well pleaded complaint rule brings the Tenth Circuit into line with the high court’s prevailing decision.

As the *Holmes Group* court explained, the “linguistic consistency” of §§ 1331 and 1338(a) provides statutory support for the well pleaded complaint rule.<sup>129</sup> It establishes uniformity between “arising under” jurisdiction for copyright claims under § 1338(a) and general “arising under” jurisdiction for all cases of original federal jurisdiction under § 1331. This, in turn, maintains the primacy of the well pleaded complaint rule by requiring that all cases garnering federal jurisdiction “arise under” federal law.

### B. The Statutory Outlook

Is § 1338(a) necessary if it grants jurisdiction identical to § 1331? Section 1331 grants original federal jurisdiction to any case arising under the laws of the United States.<sup>130</sup> Section 1338(a)—granting the same jurisdiction but referring to patents, plant variety, copyrights and trademarks—seems redundant. The reason for these different provisions is not clear. One may conclude that the use of the well pleaded complaint rule for cases “arising under” § 1331 implies the use of the rule for cases

123. *Id.*

124. *See* 28 U.S.C.A. § 1338(a).

125. *Holmes Group*, 535 U.S. at 829-30 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808 (1988)).

126. 28 U.S.C.A. § 1331.

127. *Holmes Group*, 535 U.S. at 830 (citing *Phillips Petroleum Co. v. Texaco, Inc.*, 415 U.S. 125, 127-28 (1974) (per curiam)).

128. *Holmes Group*, 535 U.S. at 831.

129. *Id.* at 829-30.

130. 28 U.S.C.A. § 1331.

“arising under” § 1338(a).<sup>131</sup> The broad use of the well pleaded complaint rule for all federal questions under § 1331 supports the consistent use of the rule for questions involving copyright.

The Copyright Act of 1976 established exclusive federal jurisdiction for all copyright claims and made copyright law federal law.<sup>132</sup> Since § 1331 grants original federal jurisdiction to all claims arising under federal law and all copyright claims arise under federal law, the use of the well pleaded complaint rule for § 1331 questions implies its use for copyright questions. This statutory consistency provides further support for the use of the well pleaded complaint rule in determining copyright jurisdiction.

### C. Copyright and Contract

The frequent relationship between copyright and contract is inextricably related to the discussion of “arising under” jurisdiction and the well pleaded complaint rule. Copyright owners regularly use contracts to license or assign their rights.<sup>133</sup> Disputes relating to these contracts arise and some of these disputes result in lawsuits. If one of the parties seeks federal jurisdiction, the court must use the well pleaded complaint rule to determine whether the suit “arises under” the Copyright Act.<sup>134</sup>

There is an inherent tension between state and federal law in copyright claims because the breach of a license or assignment of a copyright may raise a contract claim (state law), a claim of infringement (federal law), or both. Courts must focus on the plaintiff’s allegations to determine whether the dispute is primarily a federal concern, outweighing the issues of state contract law.<sup>135</sup>

In general, courts have held that a suit by a copyright holder for royalties under a license or agreement does not arise under the copyright laws of the United States and does not deserve federal jurisdiction.<sup>136</sup> In *T.B. Harms*, Judge Friendly suggested a situation where the plaintiff licensed his copyright and the defendant forfeited the grant.<sup>137</sup>

[I]n such cases federal jurisdiction is held to exist if the plaintiff has directed his pleading against the offending use, referring to the license only by way of anticipatory replication, but not if he has sued

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131. John Donofrio & Edward C. Donovan, *Christianson v. Colt Industries Operating Corp.: The Application of Federal Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U. L. REV. 1835, 1837-38 (1996).

132. 17 U.S.C.A. § 301(a) (West 2007).

133. See 17 U.S.C.A. § 201(d); McCarthy, *supra* note 22, at 165 n.2.

134. *Image Software, Inc. v. Reynolds & Reynolds Co.*, 459 F.3d 1044, 1051 (10th Cir. 2006).

135. Cohen, *supra* note 24, at 392-94.

136. See *Lockett v. Delpark, Inc.*, 270 U.S. 496, 502 (1926) (stating a general rule for patent which concurrently applies to copyright).

137. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 825 (2d Cir. 1964).

to set the license aside, seeking recovery for unauthorized use only incidentally or not at all.<sup>138</sup>

Friendly explained that, in order to garner federal jurisdiction, a copyright claim must allege infringement and offending use and not breach of the contract that originally permitted the use.<sup>139</sup>

The scenario Judge Friendly envisioned matches the circumstances of *Image*. *Image* and Reynolds had an agreement licensing *Image*'s software, Reynolds terminated the agreement, and *Image* brought suit alleging infringement.<sup>140</sup> These circumstances demonstrate the importance of following the well pleaded complaint rule. A plaintiff alleging copyright infringement, not breach of the licensing agreement or assignment, deserves federal jurisdiction. A complaint that raises state claims belongs in state court.

#### IV. THE WELL PLEADED COMPLAINT RULE AND THE FUTURE OF COPYRIGHT JURISDICTION

In spite of some weaknesses—discussed below—the well pleaded complaint rule remains the majority rule for determining jurisdiction for copyright claims. The well pleaded complaint rule maintains the long-held principle that the plaintiff is master of his complaint, it encourages uniformity in determining the venue for copyright claims, and it is the better choice when viewed in light of the shortcomings of the essence test. However, use of the well pleaded complaint rule may fail to result in federal jurisdiction for state contract claims that implicate significant copyright issues and therefore belong in federal court. This article proposes an exception to the rule to ameliorate this problem.

##### A. Importance of the Well Pleased Complaint Rule

###### 1. Plaintiff as Master of His Complaint

It is well established that the plaintiff is the master of his complaint.<sup>141</sup> As such, the plaintiff has complete discretion in choosing where to bring his case. A plaintiff praying for state court adjudication is given deference in electing to bring a state, not federal, claim.<sup>142</sup> The essence test allows a defendant to frustrate the plaintiff's choice of a state forum by raising a federal issue in a counterclaim.<sup>143</sup> A defendant should not be allowed to defeat a plaintiff's choice of a state court forum simply

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138. *T.B. Harms*, 339 F.2d at 825.

139. *See id.*

140. *Image*, 459 F.3d at 1047.

141. *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913); *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002) (citing *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987)).

142. Cohen, *supra* note 24, at 382-83.

143. *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 349 (2d. Cir. 2000).



by including a federal counterclaim.<sup>144</sup> The well pleaded complaint rule rightly places the plaintiff in charge of his suit by allowing him to choose the jurisdiction in which he will be heard.

The creativity of a defendant's response should not be allowed to alter a plaintiff's choice of venue. To permit the defendant to deliberately frustrate the plaintiff's prerogative undermines the balance of power in the adversary system. The well pleaded complaint rule maintains a plaintiff's right to determine the whether a state or federal court will resolve the dispute.

## 2. Uniformity

Another advantage of the well pleaded complaint rule is that it provides uniformity for the courts and the parties. There are a host of reasons why uniformity is desirable and this article will highlight four such reasons: doctrinal stability, equal treatment across the federal system, the desirability of appearing before judges with expertise in particular areas of law, and discouraging forum shopping and gamesmanship.

The well pleaded complaint rule promotes uniformity in the application of copyright law by granting federal jurisdiction only to litigants whose prayer for relief "arises under" copyright on the face of the complaint. By ensuring that federal courts are the exclusive forum for genuinely pled copyright cases, the rule increases consistency.<sup>145</sup> The rule allows parties to consistently determine where their case will be heard; allowing the federal courts to have a monopoly on copyright law helps to maintain a desirable level of doctrinal stability.<sup>146</sup> The well pleaded complaint rule directs only appropriate copyright cases to the federal courts in the spirit of true federal "arising under" jurisdiction.

Uniformity in the application of federal law increases the likelihood that similarly situated parties will receive equal treatment.<sup>147</sup> The Supreme Court has repeatedly recognized that this consistency is desirable.<sup>148</sup> Equal treatment is an ideal for which all levels of American justice strive. It is a fundamental tenet of the legal system that "like cases should be treated alike."<sup>149</sup> Universal adoption of the well pleaded complaint rule makes it more likely that copyright litigants can expect reliable jurisdictional results anywhere in the federal court system.

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144. *Holmes Group*, 535 U.S. at 831-32.

145. Christopher A. Cotropia, *Counterclaims, the Well Pleased Complaint, and Federal Jurisdiction*, 33 HOFSTRA L. REV. 1, 38 (2004).

146. *Id.*

147. *Id.*

148. *Id.* (citing Donald L. Doernberg, *There's No Reason For It; It's Just Our Policy: Why the Well-Pleaded Complaint Rule Sabotages the Purposes of Federal Question Jurisdiction*, 38 HASTINGS L.J. 597, 615 (1987)).

149. Joan E. Schaffner, *Federal Circuit "Choice of Law": Erie Through the Looking Glass*, 81 IOWA L. REV. 1173, 1207 (1996).

Another benefit of uniformity in federal question jurisdiction is that it puts copyright disputes in the hands of judges with expertise in the area.<sup>150</sup> Funneling copyright cases to the federal courts benefits all parties because federal judges are better equipped to adjudicate disputes involving questions of federal copyright law. Application of the well pleaded complaint rule ensures that federal copyright cases are only heard by federal judges. Litigants will be better served by federal judges applying federal law when deciding federal copyright cases.

Uniformity in determining copyright jurisdiction will also discourage parties from forum shopping. If the fair resolution of a claim hinges upon whether a court favors the well pleaded complaint rule or the essence test, forum shopping will result. Different circuits applying different standards for resolving copyright jurisdiction allows litigants to manipulate the administration of justice.<sup>151</sup> There are inherent inequities in a system where a plaintiff can expect to find federal jurisdiction for his claim in one circuit while being relegated to state court in another circuit. This could lead to venue bias, disharmony, and unequal treatment.

The *Image* decision increases uniformity by bringing the Tenth Circuit into line with other circuits that have adopted the well pleaded complaint rule for determining “arising under” copyright jurisdiction.<sup>152</sup> The *Image* court noted that it had previously endorsed the well pleaded complaint standard in *Ausherman v. Stump*.<sup>153</sup> In that 1981 decision, the Tenth Circuit found that a patent infringement action brought under a contract claim did not garner federal jurisdiction.<sup>154</sup> The *Ausherman* case arose during a period of Second Circuit indecision—after *T.B. Harms*, prior to *Schoenberg*, and long before *Bassett*. Although the Tenth Circuit had previously adopted the well pleaded complaint rule in *Ausherman*,<sup>155</sup> it cited growing support for the rule when explicitly adopting it in *Image*.<sup>156</sup> By highlighting other circuits’ consistent embrace of the well pleaded complaint rule, the Tenth Circuit took a noteworthy and admirable step in pursuit of uniformity.

The Tenth Circuit’s acknowledgment of other circuits’ adoption of the well pleaded complaint rule highlights the importance of having a universal standard for “arising under” federal jurisdiction. The Second Circuit has long been a source of federal circuit precedent in copyright

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150. Cotropia, *supra* note 145, at 38.

151. See Schaffner, *supra* note 149, at 1193 (citing Note, *Forum Shopping Reconsidered*, 103 HARV. L. REV. 1677 (1990)).

152. *Image Software, Inc. v. Reynolds & Reynolds Co.*, 459 F.3d 1044, 1051 n.10 (10th Cir. 2006) (citing *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 350-51 (2d Cir. 2000)) (noting that the First, Fourth, Fifth, Ninth, and Eleventh Circuits had adopted the Second Circuit’s approach).

153. 643 F.2d 715, 718 (10th Cir. 1981).

154. *Ausherman*, 643 F.2d at 718.

155. *Id.*

156. *Image*, 459 F.3d at 1049.

law<sup>157</sup> and it is not surprising that other circuits have followed its lead. The judicial system is stronger when it operates with uniformity regarding a particular issue.

### *B. Inadequacies of the Essence Test*

Adoption of the well pleaded complaint rule is especially appropriate in light of the inadequacies of the essence test. The essence test requires the court to consider the complaint and all the surrounding circumstances to resolve the jurisdictional question.<sup>158</sup> This forces the court to determine jurisdiction before it can assess the “essence” of the case. This is impractical and may undermine a claimant’s legitimate choice of jurisdiction.

Jurisdiction is normally determined at the outset of a case, long before formal argument of the issues before the court. Yet the essence test seeks to determine jurisdiction based on a full understanding of the issues and each party’s respective arguments. There is an inherent contradiction in achieving a jurisdictional determination early in the case based on inquiry into issues that cannot be understood at such an early stage.<sup>159</sup>

Even if a court adequately determines the “essence” of a case at the outset, the essence test can deprive a plaintiff with legitimate copyright claims of a venue to pursue relief.<sup>160</sup> Under the essence test, a plaintiff bringing suit for relief under the Copyright Act can be denied access to the federal courts if the district court determines that the copyright claims are incidental to a contract dispute.<sup>161</sup> The injustice of such a denial is that this plaintiff is left to plead his case in state court and is denied the benefit of copyright remedies.

### *C. Addressing Arguments Against the Well Pledged Complaint Rule*

The Second Circuit’s long period of indecision on the standard for determining when suits “arise under” the Copyright Act testifies to the volatility of the issue. Although many circuits have adopted the well pleaded complaint rule,<sup>162</sup> there are still arguments against its implementation. Addressing three of these grievances illuminates a justified preference for the well pleaded complaint rule and an opportunity to improve its application.

Policy implications fuel some of the arguments against the well pleaded complaint rule.<sup>163</sup> One criticism is that failing to consider fed-

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157. See Mark R. Kravitz, *Developments in the Second Circuit: 1997-1998*, 18 QUINNIPIAC L. REV. 809, 848-49 (1999).

158. McCarthy, *supra* note 22, at 180.

159. Bassett, 204 F.3d at 354.

160. *Id.* at 352.

161. *Id.* at 352-53.

162. *Image*, 459 F.3d at 1051 n.10.

163. Cotropia, *supra* note 145, at 37.

eral law counterclaims as a basis for jurisdiction may frustrate the interests of the counterclaiming party. Yet allowing a counterclaim to establish federal jurisdiction inherently frustrates a plaintiff pursuing state court jurisdiction. In either circumstance, one party's jurisdictional preference will be thwarted.

Consider a plaintiff pursuing a state breach of contract claim and a defendant with a federal copyright counterclaim. In the absence of the well pleaded complaint rule the counterclaimant may remove the case to federal court over the objections of the plaintiff who originally filed the case in state court. Abiding by the mantra that the plaintiff is master of his complaint,<sup>164</sup> the well pleaded complaint rule rightly supports the plaintiff's interest in maintaining jurisdiction in the forum in which he brought his complaint. Although application of the rule may fail to satisfy the counterclaiming defendant, the plaintiff is master of his complaint and deserves to have his state claim adjudicated.

In *Bassett*, the Second Circuit addressed another criticism of the well pleaded complaint rule: by allowing any plaintiff to gain federal jurisdiction by raising a federal copyright claim, the federal courts will be flooded by cases that are truly contract disputes.<sup>165</sup> The court dismissed this potentiality with historical fact.<sup>166</sup> During the twenty-eight years between *T.B. Harms* and *Schoenberg*, there was no evidence of the well pleaded complaint rule resulting in an overwhelming increase of Second Circuit copyright suits where the only disputes were over contract or ownership.<sup>167</sup> This information refutes the fear that the well pleaded complaint rule will result in an unmanageable increase of questionable copyright cases. The *Bassett* court maintained that the well pleaded complaint rule should be the standard by which all federal circuits determine copyright jurisdiction.<sup>168</sup>

Another grievance with the well pleaded complaint rule is that it will frustrate the legitimate interests of the parties.<sup>169</sup> This argument maintains that a plaintiff can use the well pleaded complaint rule to trap a federal copyright counterclaim in state court.<sup>170</sup> This plaintiff could file a potentially federal case in state court to prevent a defendant from pleading in federal court.<sup>171</sup> This is a genuinely unfortunate possibility. A defendant with a valid federal counterclaim could be denied a federal forum and federal copyright remedies.

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164. *Kohler Die & Specialty Co.*, 228 U.S. at 25.

165. *Bassett*, 204 F.3d at 351.

166. *Id.*

167. *Id.*

168. *Id.* at 352-53.

169. *Cotropia*, *supra* note 145, at 37.

170. *Id.* at 47.

171. *Id.*

Yet failing to implement the well pleaded complaint rule could have similarly unjust ramifications. A plaintiff filing a state law claim in state court could be frustrated by a defendant whose federal counterclaim removes the case to federal court. This potentiality is equally unfortunate. The well pleaded complaint rule allows for the possibility that an unscrupulous party could game the system for an unfair advantage. This possibility is a regrettable consequence of many bright-line rules. However, the tradition, uniformity, and predictability of the well pleaded complaint rule make it the better option. An exception to the well pleaded complaint rule offers relief in those cases where a state court claim legitimately deserves federal jurisdiction.

*D. The Complete Preemption Exception to the Well Pleased Complaint Rule*

While the well pleaded complaint rule is the best path for determining jurisdiction in contract and copyright cases, there are circumstances that may unjustly prevent a party from appearing in federal court.<sup>172</sup> The doctrine of complete preemption addresses many of these circumstances and should function as a valuable doctrinal tool in resolving jurisdictional disputes in the copyright context. The combination of the well pleaded complaint rule and the complete preemption doctrine offers a solution to determining “arising under” jurisdiction for copyright.

The preemption doctrine embodies the basic notion that a federal law can supersede or supplant a state law or regulation when the two conflict.<sup>173</sup> Preemption generally applies to matters that are so significantly national in character that the federal law preempts the state law.<sup>174</sup> Complete preemption is a relatively new doctrine that has been held to operate when a federal statute’s preemptive force is so overwhelming that it converts an ordinary state law complaint into a federal complaint for the purposes of the well pleaded complaint rule.<sup>175</sup>

Complete preemption applies when federal statutory language demonstrates clear congressional intent that claims not only be preempted by federal law but also that they be removable.<sup>176</sup> As noted above, the federal Copyright Act grants exclusive federal jurisdiction for all copyright-related issues.<sup>177</sup> Congress directed that the universe of copyright be

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172. As noted above, under the well pleaded complaint rule a legitimate copyright case may be stuck in state court because of the way the complaint is drafted by the plaintiff.

173. BLACK’S LAW DICTIONARY 1216 (8th ed. 2004).

174. Amy J. Everhart, *Ritchie v. Williams and the Complete Preemption Doctrine in Copyright: The New Federal/State Debate*, 42 TENN. BAR JOURNAL 18, 18 (2006).

175. BLACK’S LAW DICTIONARY 303 (8th ed. 2004).

176. *Palkow v. CSX Transp., Inc.*, 431 F.3d 543, 553 (6th Cir. 2005) (citing *Metro. Life Ins. Co. v. Taylor*, 481 U.S. 58, 66-67 (1987)).

177. See 17 U.S.C.A. § 301(a) (West 2007). Specifically, § 301(a) identifies all rights within the general scope of copyright as exclusively federal. *Id.*

restricted to the federal arena.<sup>178</sup> This provides the basis for applying complete preemption to copyright.

Courts have applied the complete preemption doctrine in copyright cases by removing cases to federal court that would otherwise, under the well pleaded complaint rule, remain in state court.<sup>179</sup> In *Ritchie v. Williams*,<sup>180</sup> musical artist Robert Ritchie (aka Kid Rock) filed a federal trademark infringement action against promoter Alvin Williams.<sup>181</sup> Less than two months later, Ritchie's former record company (for which Williams served as Vice President) brought suit in Michigan State Court alleging various state law claims.<sup>182</sup> The state action included claims for breach of contract, unjust enrichment, misrepresentation, conversion and injunctive relief.<sup>183</sup> Williams claimed that he and Ritchie entered into a contract which granted Williams publication, performance, and distribution rights to songs written by Ritchie.<sup>184</sup> Ritchie subsequently cancelled the agreement, going on to fame and fortune.<sup>185</sup>

Ritchie sought to remove the state action to federal court and the federal court held that Williams' claims were "clearly based in copyright."<sup>186</sup> Many of the state court claims were covered by § 106 of the Copyright Act: the rights to reproduce, distribute and perform the copyrighted work.<sup>187</sup> The well pleaded complaint rule would have mandated state court jurisdiction for these claims because Williams' original claims prayed for state court remedies for violations of state laws. The federal court used the complete preemption doctrine to recharacterize the state court claims as copyright claims and grant federal jurisdiction.<sup>188</sup>

As exemplified in *Ritchie v. Williams*, the complete preemption doctrine is a practical exception to the well pleaded complaint rule.<sup>189</sup> It is especially applicable in copyright law where rights are assigned and licensed in contracts. While the cause of action may be a state claim for breach of contract, misrepresentation, or unjust enrichment, complete preemption allows a court to examine the complaint and determine whether it implicates significant federal interests.

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178. *Id.*

179. *Ritchie*, 395 F.3d at 285; *Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 301 (2d Cir. 2004); *Rosciszewski v. Arete Associates, Inc.*, 1 F.3d 225, 227 (4th Cir. 1993).

180. 395 F.3d 283 (6th Cir. 2005).

181. *Ritchie*, 395 F.3d at 287.

182. *Id.* at 287 n.2.

183. Order Granting Plaintiffs/Counter-Defendants' Motion for Summary Judgment and Denying Defendants/Counter-Plaintiffs' Motion for Summary Judgment at 20, *Ritchie v. Williams*, No. 01-71712 (E.D. Mich. Feb. 3, 2003) [hereinafter Order Granting Summary Judgment].

184. *Ritchie*, 395 F.3d at 287.

185. *Id.*

186. Order Granting Summary Judgment, *supra* note 183, at 19.

187. 17 U.S.C.A. § 106 (West 2007).

188. *Ritchie*, 395 F.3d at 287.

189. Everhart, *supra* note 174, at 20.

*Ritchie v. Williams* is an example of a case where copyright claims were masked in state court causes of action perhaps to avoid federal jurisdiction. Williams claimed that Ritchie granted Williams the rights to Ritchie's music in an agreement that was to expire in 1993.<sup>190</sup> Williams brought his state court claims in 2001 but the statute of limitations on a copyright claim is only three years and therefore would have expired in 1996. Williams may have brought his claims in state court because his federal claims would have been barred under to the statute of limitations.

Under the well pleaded complaint rule, this case would have been stuck in state court because the face of the complaint did not pray for relief under the Copyright Act (or any other federal law). As proponents of the essence test would note, this application of the well pleaded complaint rule would have prevented Ritchie from having his legitimate copyright issues resolved in federal court. The complete preemption doctrine solves this shortcoming of the well pleaded complaint rule by allowing removal to federal court.

There are two requirements that must be satisfied for a state court claim to be preempted under the Copyright Act: (1) the work must fall within the scope of copyright; and (2) the state law rights must be equivalent to rights granted federal copyright protection.<sup>191</sup> In *Ritchie*, the disputed works were musical works which garner copyright protection under § 102(a)(2) of the Copyright Act.<sup>192</sup> Williams' state claims alleged that Ritchie was unjustly enriched by these works and that Ritchie breached his contract assigning Williams the rights to these works.<sup>193</sup> Federal copyright law protects these same rights that Ritchie was accused of infringing.<sup>194</sup> In this example, complete preemption justly removed *Ritchie* from state to federal court.

The complete preemption exception to the well pleaded complaint rule solves a problem in classifying "arising under" jurisdiction for copyright claims. While the well pleaded complaint rule is generally superior in determining copyright jurisdiction, its vulnerability is the risk that a valid copyright claim could be characterized in state law terms to avoid federal jurisdiction. Application of the complete preemption doctrine addresses this shortcoming by providing an avenue for state claims to be heard in federal court without depriving plaintiffs and the courts of the benefits of the well pleaded complaint rule. Courts should employ the well pleaded complaint rule in conjunction with the complete preemption doctrine to keep copyright claims out of state court and ensure that parties with valid copyright claims will be heard in federal court.

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190. *Ritchie*, 395 F.3d at 287.

191. *Stromback v. New Line Cinema*, 384 F.3d 283, 300 (6th Cir. 2004).

192. 17 U.S.C.A. § 102(a)(2) (West 2007) ("Copyright protection subsists, in . . . musical works.").

193. *Ritchie*, 395 F.3d at 287.

194. *See* 17 U.S.C.A. § 106.

## CONCLUSION

The importance of federal uniformity cannot be overstated. Until the Supreme Court decides an issue, the circuit courts of appeals are entrusted with determining the best path in a disputed area of law. The Tenth Circuit should be commended for taking the opportunity to adopt the well pleaded complaint rule and promoting consistency in federal "arising under" copyright jurisdiction. While all circuits have not embraced the test, *Image* places the Tenth Circuit in the clear majority.<sup>195</sup>

The well pleaded complaint rule has limitations that require attention. It fails to ensure that all legitimate copyright claims arrive in federal court. Yet the primary alternative (the essence test) is a worse option. Arguments against the well pleaded complaint rule leave courts without a standard that allows for equal treatment of all parties. The equitable determination of federal or state jurisdiction "poses among the knottiest procedural problems in copyright jurisprudence."<sup>196</sup> The present lack of alternatives suggests the need for a fresh proposal.

Both the well pleaded complaint rule and the complete preemption doctrine are established principles of modern jurisprudence. A significant shortcoming of the well pleaded complaint rule is the possibility that a defendant with legitimate copyright claims will be denied federal jurisdiction by a plaintiff pleading breach of contract claims in state court. Application of complete preemption addresses this shortcoming and acts as a valuable exception to the well pleaded complaint rule. Implementation of this amendment to the rule should be applied across the federal circuits to provide uniform jurisdictional determinations

The Tenth Circuit is right to adopt the well pleaded complaint rule for copyright and the Second Circuit has put a concerted effort into establishing a bright line rule. As the ongoing development of technology continues to make demands upon copyright law, the jurisprudence must adapt and craft rules that meet the demands of the system.

David Ratner\*

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195. The *Image* court referenced *Bassett's* assertion that the First, Fourth, Fifth, Ninth, and Eleventh Circuits have all adopted the Second Circuit's angle on this jurisdictional determination. *Image*, 459 F.3d at 1051 n.9 (citing *Bassett*, 204 F.3d at 350-51). Other cases adopting the well pleaded complaint rule include: *Lindy v. Lynn*, 501 F.2d 1367, 1369 (3d Cir. 1974); *Spearman v. Exxon Coal USA*, 16 F.3d 722 (7th Cir. 1994) (dissent); *Scandinavian Satellite Sys. v. Prime TV Ltd.*, 291 F.3d 839, 844 (D.C. Cir. 2002).

196. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.01[A] (2003).

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