STATE OF MICHIGAN

COURT OF APPEALS

JACK DEO, d/b/a SUPERIOR VIEW,

Plaintiff/Counter-Defendant-Appellant,

v

PAUL GILBERT, d/b/a MICHIGAN VIEW,

Defendant/Counter-Plaintiff-Appellee.

UNPUBLISHED
September 22, 2005

No. 260847
Marquette Circuit Court
LC No. 01-038742-CK

Before: Sawyer, P.J., and Talbot and Borrello, JJ.

PER CURIAM.

Plaintiff appeals as of right the trial court's order denying plaintiff's motion to amend his second amended complaint as futile after the trial court found the new claims for unfair competition and fraudulent inducement[1] preempted by federal copyright law. We agree and affirm.

I. Factual and Procedural Background

The parties are both business owners who have engaged in the business of seeking out, producing, marketing, and selling historic photographs. These historic photographs are copies of photographs the parties acquire from a variety of different sources including but not limited to private family albums and old studios. Both parties acknowledge these photographs are in the public domain and cannot be copyrighted. After many casual dealings, the parties entered into a contract whereby plaintiff would sell copies of his photographs to defendant to sell in defendant's store. The contract expressly prohibited defendant from reproducing plaintiff's photographs. Sometime after the parties entered into this agreement, plaintiff discovered

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[1] Plaintiff does not discuss on appeal whether his claim for fraudulent inducement is preempted, and therefore, plaintiff has abandoned this issue. *Etefia v Credit Technologies, Inc*, 245 Mich App 466, 471; 628 NW2d 577 (2001). ("Insufficiently briefed issues are deemed abandoned on appeal").

defendant had been selling a large number of cheap and poor quality reproductions of plaintiff's photographs in contravention of the parties' agreement.

Plaintiff filed a complaint, which he amended numerous times, alleging claims for injunctive relief, breach of contract, conversion of a business opportunity, and tortious interference with a business opportunity. Plaintiff alleged in the complaint that while the photographs cannot be copyrighted, he has a proprietary interest in the photographs that prohibits others from reproducing them. Defendant filed a motion for summary disposition contending the court lacked subject matter jurisdiction over plaintiff's claim because the right to copy photographs is governed exclusively by copyright law and, therefore, plaintiff's claims were preempted. The trial court agreed and granted defendant's motion for summary disposition dismissing plaintiff's complaint. Over four months after the trial court granted defendant's motion, plaintiff filed a motion to amend his previously dismissed second amended complaint alleging two new claims for unfair competition and fraudulent inducement. After hearing arguments, the court denied plaintiff's motion reasoning, *inter alia*, that plaintiff's new claims were equally preempted by federal copyright law.

II. Analysis

A. Standard of Review

"Decisions concerning the meaning and scope of pleading, and decisions granting or denying motions to amend pleadings, are within the sound discretion of the trial court and reversal is only appropriate when the trial court abuses that discretion." *Weymers v Khera*, 454 Mich 639, 654; 563 NW2d 647 (1997). Generally, a trial court should freely grant leave to amend a complaint unless amending would be futile. *Jenks v Brown*, 219 Mich App 415, 420; 557 NW2d 114 (1996). Amendment is futile if the amended complaint would be legally insufficient on its face. *McNees v Cedar Springs Stamping Co*, 184 Mich App 101, 103; 457 NW2d 68 (1990). The court must specify its reasons for denying the motion; a failure to do so requires reversal, unless amendment would be futile. *Noyd v Claxton, Morgan, Flockhart & Vanliere*, 186 Mich App 333, 340; 463 NW2d 268 (1990)

Whether the Copyright Act preempts plaintiff's cause of action is a question of statutory construction this Court reviews de novo. *Westlake Transportation, Inc v Public Service Comm*, 255 Mich App 589, 595; 662 NW2d 784 (2003).

B. Preemption

In 1976 Congress amended the Copyright Act (the act) to provide for the preemption of state law claims that are interrelated with copyright claims. 17 USC 301. Section 301(a)[2]

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[2] Section 301(a) provides:

> On and 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

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provides a two-part analysis for preemption. Under this framework, a state law claim is preempted when: (1) the particular work at issue falls within the "subject matter" protected by the act under 17 USC 102 or 103; and (2) when the state-law claim seeks to adjudicate "legal or equitable rights that are equivalent" to those exclusive rights protected by copyright law under 17 USC 106. See *Harper & Row Publishers, Inc v Nation Enterprises*, 723 F2d 195, 199-200 (CA 2, 1983), rev'd on other grounds 471 US 539; 105 S Ct 2218; 85 L Ed 2d 588 (1985).

1. Subject Matter Requirement

Plaintiff contends the reproduced historic photographs do not fall within the "subject matter" of the act because the photographs are in the public domain and are not "original works of authorship." We disagree. 17 USC 102 defines the "subject matter" of copyright:

> (a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:
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> * * *
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> (5) *pictorial*, graphic, and sculptural works. [Emphasis added.]

Plaintiff misreads the statute's "original work of authorship" language to be a requisite element for a work to fall within the act's "subject matter." The clear language of the statute explains that for a work to be protected by copyright, the work must be an "original work[] of authorship fixed in any tangible medium of expression." However, originality is a requirement for protection, not preemption. As several courts have explained, a particular work need not fall within the copyright protection of the act to be within the act's "subject matter" because "the scope of the Copyright Act's subject matter is broader than the scope of the Act's protections." *Welch, LLC v Taco Bell Corp*, 256 F3d 446, 455 (CA 6, 2001), see also, e.g., *National Basketball Ass'n v Motorola, Inc*, 105 F3d 841, 849-850 (CA 2, 1997) (holding that subject matter of copyright under section 301 includes "uncopyrightable" as well as "copyrightable" elements). Hence, the subject matter of copyright has been construed to include any work listed under sections 102 or 103 regardless of whether copyright protection is extended to those works. This view comports with the legislative history of Section 301(a), which states:

> As long as a work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it

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> expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, 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.

> fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain. [HR Rep No 94-1476 at 131.]

Undoubtedly, plaintiff's photographs, as pictorial works, fall within the subject matter of copyright despite the fact that they are not afforded copyright protection. Accordingly, the first prong of the preemption analysis is met.

2. Equivalency Requirement

Notwithstanding a finding that a work falls within the subject matter of the act, a state claim will only be preempted where it seeks to vindicate legal or equitable rights that are equivalent to any of the exclusive rights within the scope of copyright law. 17 USC 301(a); see *Rosciszewski v Arete Assoc, Inc*, 1 F3d 225, 230 (CA 4, 1993). These exclusive rights include the right "to reproduce the copyrighted work in copies." 17 USC 106(1). The equivalency requirement has been broadly interpreted so as to "avoid the development of any vague borderline areas between the State and Federal protection." *United States ex rel Berge v Bd of Trustees of the Univ of Alabama*, 104 F3d 1453, 1464 (CA 4, 1997).

Section 301 preempts "a state-created right if that right 'may be abridged by an act, which, in and of itself, would infringe one of the exclusive rights' " established by the Copyright Act. *Oddo v Ries*, 743 F2d 630, 635 (CA 9, 1984), quoting *Harper & Row, supra* at 200. To establish a claim is not equivalent, "a cause of action defined by state law must incorporate elements beyond those necessary to prove copyright infringement." *Trandes Corp v Guy F Atkinson Co*, 996 F2d 655, 659 (CA 4, 1993). Therefore, where "a state cause of action requires an extra element, beyond mere copying, . . . the state cause of action is qualitatively different from, and not subsumed within, a copyright infringement claim . . . ." *Gates Rubber Co v Bando Chemical Industries, Ltd*, 9 F3d 823, 847 (CA 10, 1993), see also *Harper & Row, supra* at 200 (where state claim "is predicated upon an act incorporating elements beyond mere reproduction or the like, the [federal and state] rights are not equivalent" and there is no preemption). However, a cause of action will not be saved from preemption "merely by elements . . . , which alter the action's scope but not its nature." *Rubin v Brooks/Cole Publishing Co*, 836 F Supp 909, 923 (D MA, 1993). To determine whether a claim meets the so-called "extra element" test, courts "must look beyond the 'label affixed' to a cause of action, and must determine ' " 'what plaintiff seeks to protect, the theories in which the matter is thought to be protected and the rights sought to be enforced.' " ' " *Rubin, supra* at 923, quoting *Patricia Kennedy & Co, Inc v Zam-Cul Enterprises, Inc*, 830 F Supp 53 (D Mass, 1993), quoting *Computer Assoc Int'l v Altai, Inc*, 982 F2d 693, 716 (CA 2, 1992), quoting 1 Roger M. Milgrim, *Milgrim on Trade Secrets*, § 2.06A[3], at 2-150 (1992).

Applying the "extra-element test," courts have determined that state law unfair competition claims based solely upon impermissible replication of copyrighted material are preempted. See, e.g., *Wikes v Rhino Records, Inc*, 133 F3d 931 (CA 9, 1997).

The basis of plaintiff's unfair competition claim, as plaintiff explains on appeal,[3] is that defendant not only copied plaintiff's photographs but defendant is "passing off" plaintiff's work as his own work. There are two types of "passing off" or "palming off" claims. "Passing off" occurs where the defendant sells its product under the plaintiff's name. Courts have also held that state law unfair competition claims that allege the tort of "passing off" one's goods as those of another or creating confusion as to the source of goods are not preempted because they do not entail the assertion of rights equivalent to those protected by federal copyright law. *See Lone Wolf McQuade Assoc v CBS, Inc,* 961 F Supp 587, 598-599 (SD NY, 1997). Therefore, some jurisdictions have found "confusion as to source" to be an "extra element." See *Samara Bros, Inc v Wal-Mart Stores, Inc*, 165 F3d 120, 131-132 (CA 2, 1998), rev'd on other grounds sub nom *Wal-Mart Stores, Inc v Samara Bros, Inc,* 529 US 205; 120 S Ct 1339; 146 L Ed 2d 182 (2000). In contrast, "reverse passing off" occurs where the defendant sells plaintiff's products as its own. Unfair competition claims alleging "reverse passing off" are preempted because they are "equivalent to a claim for copyright infringement." See, e.g., *Am Movie Classics Co v Turner Entertainment Co*, 922 F Supp 926, 934 (SD NY, 1996). "This type of reverse passing off is, in effect, a 'disguised copyright infringement claim.' " *Costar Group, Inc v Loopnet, Inc*, 164 F Supp 2d 688, 714 (D MD, 2001), citing 1 Melvine B. Nimmer and David Nimmer, *Nimmer on Copyright*, § 1.01[B][1][e], at 1-28 (2001).

Plaintiff's claim for unfair competition alleges "reverse passing off" not "passing off" as plaintiff contends. In *Am Movie Classics Co*, the plaintiff, the American Movie Classics Company (AMCC) cable network filed suit against the defendant, Turner Classic Movies, Inc, which operates the TNT and Turner Classic Movies cable network, alleging the defendant violated the plaintiff's exclusive exhibition rights to certain classic movies the plaintiff had licensed from the defendant. *Am Movie Classics Co, supra* at 928. The plaintiff alleged the defendant aired these films during times when plaintiff had the exclusive right to exhibit these films on cable television. *Id*. The plaintiff alleged a claim for unfair competition stemming from the violation of the parties' agreement giving plaintiff the exclusive right to show the film during the licensing period. *Id*., at 929. The plaintiff argued that the defendant's "passing off" created a false impression that the movies shown in the plaintiff's network could also be seen on the defendant's network. *Id*., at 934. The defendant filed a motion to dismiss the plaintiff's claim arguing that the Copyright Act preempted the state cause of action. *Id*. The court agreed. The court held:

> AMCC's claim is far more akin to "reverse passing off," because Turner Classic is essentially accused of exhibiting films which AMCC had exclusive

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[3] It is important to note that the plaintiff's claim for unfair competition in the proposed third amended complaint does not contain any allegations that defendant passed off plaintiff's work as his own. In fact, the two-paragraph count refers the court's attention to the facts alleged under the previously dismissed claims for injunctive relief, breach of contract, tortious interference with a business, and conversion of a business opportunity, none of which contain any factual allegation regarding defendant's act of passing off plaintiff's work. The lack of any factual allegation is in itself grounds for concluding the trial court did not abuse its discretion in denying plaintiff's motion to amend his second amended complaint.

> rights to exhibit. This "reverse passing off claim is equivalent to a claim for copyright infringement." [*Id*.]

In this case, plaintiff's claim for unfair competition derives from defendant's violation of the parties' contractual agreement forbidding defendant from reproducing plaintiff's photographs. Accordingly, plaintiff's claim for unfair competition is not qualitatively different from the rights exclusively protected by the act. The essence of plaintiff's claim is to vindicate his right to exclusive reproduction of the photographs. This right is akin to the exclusive right copyright vests on a copyright owner to reproduce his or her works. As plaintiff acknowledges, his claim is "based solely on violation of the terms of his written agreement with [defendant]," i.e., a prohibition on reproducing the relevant photographs. Accordingly, we hold that plaintiff's unfair competition claim is preempted by the Copyright Act.

Affirmed.

/s/ David H. Sawyer
/s/ Michael J. Talbot
/s/ Stephen L. Borrello