

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

SULLIVAN ASSOCIATES, INC.	:	
Plaintiff	:	CIVIL ACTION
	:	
	:	
v.	:	
	:	
	:	
DELLOTS, INC., LAWRENCE T. SIMON,	:	
LTS BUILDERS, LTS ENTERPRISES, INC.,	:	NO. 97-5457
F.X. BROWNE, INC., and PNC BANK, N.A.,	:	
Defendants.	:	

MEMORANDUM AND ORDER

Yohn, J.

December , 1997

Sullivan Associates, Inc. (“Sullivan”) brings this action for copyright infringement, unjust enrichment, conversion, and conspiracy against Dellots, Inc., Lawrence T. Simon, LTS Builders, LTS Enterprises, Inc., F.X. Browne, Inc., and PNC Bank, N.A. Defendants Dellots, Inc., Lawrence T. Simon, LTS Builders, and LTS Enterprises, Inc. contend that Sullivan's state law claims are preempted by the Copyright Act of 1976, 17 U.S.C. § 101 et seq.¹ They have moved to dismiss these claims pursuant to Federal Rules of Civil Procedure 12(b)(6) and 12(c). For the reasons stated below, the court will grant defendants' motion to dismiss with respect to Sullivan's claims for unjust

¹ Sullivan's claims against defendant PNC Bank were dismissed with prejudice pursuant to an agreement between the parties. See Sullivan Associates v. Dellots, Inc., et al., 97 Civ. 5457, Order, October 31, 1997. Defendant F.X. Browne, Inc. has not joined the instant motion to dismiss. For purposes of this memorandum, moving defendants will be referred to collectively as “defendants.”

enrichment, conversion, and constructive trust. In addition, the court will sua sponte dismiss these claims against defendant F.X. Browne, Inc.

I. Standard of Review

In ruling on a motion to dismiss for failure to state a claim upon which relief can be granted, the court must accept as true all well-pleaded allegations of fact in the plaintiff's complaint and must determine whether "under any reasonable reading of the pleadings, the plaintiff may be entitled to relief." Colburn v. Upper Darby Township, 838 F.2d 663, 665-66 (3d Cir. 1988), cert. denied, 489 U.S. 1065 (1989) (citations omitted). Although the court must construe the complaint in a light most favorable to the plaintiff, it need not accept as true legal conclusions or unwarranted factual inferences. See Conley v. Gibson, 355 U.S. 41, 45-46 (1957). If "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief," the complaint will be dismissed. See Conley, 355 U.S. at 45.²

II. Background

In 1986, SAH-4 and Timber Lakes Partnership ("the Partnership") engaged Sullivan to produce a preliminary and final design for a subdivision development in the Borough of East Stroudsburg, Pennsylvania. The development was to be known as the Timber Lake at East Stroudsburg subdivision ("Timber Lake subdivision"). See Complaint ¶ 12. Between 1986 and 1994, Sullivan provided services relating to the

² A motion for judgment on the pleadings under Fed. R. Civ. P. 12(c) is considered under the same standard as a motion to dismiss under Fed. R. Civ. P. 12(b)(6). See Regalbuto v. City of Philadelphia, 937 F. Supp. 374, 376-77 (E.D. Pa.1995); Constitution Bank v. DiMarco, 815 F. Supp. 154, 157 (E.D. Pa.1993).

Timber Lake subdivision totaling over \$74,000.00, for which it was never paid. See id. ¶ 14. Specifically, Sullivan created a full-size illustrative development plan, a reduced color illustrated development plan, and ten final subdivision plans (collectively, “plans and drawings”). See id. ¶ 16. Sullivan owns the copyright in these plans and drawings. It registered the plans and drawings with the United States Register of Copyrights on June 2, 1994. See id. ¶ 18.

On May 27, 1994, the Bank of Old York Road (“the Bank”) commenced an action against the Partnership on a note and mortgage executed by the Partnership on its East Stroudsburg property. Judgment by confession was entered against the Partnership in the amount of \$545,728.41. See id. ¶ 19. On March 30, 1995, the Bank conducted an execution sale of the property. The Bank was the successful purchaser. See id. ¶ 20.

The Bank or its successor in interest, PNC Bank, then used Sullivan's plans and drawings to solicit purchasers for the property and to sell the property to defendants. See id. ¶ 26. Specifically, on June 30, 1995, Lawrence T. Simons entered into an agreement of sale with the Bank for the East Stroudsburg property. Closing for sale of the property occurred on August 28, 1995, at which time title passed to defendant Dellots, Inc. See id. ¶ 21.

Defendants obtained Sullivan's plans and drawings from the Bank or from a real estate agent who was attempting to market the property on behalf of the Bank, and then used these plans and drawings--or plans strikingly similar to and copied or derived from Sullivan's plans--to obtain approval from the Borough of East Stroudsburg to construct a subdivision known as the College Hill Estates. See id. ¶ 22, 25-26. In

addition, defendants distributed copies of Sullivan's plans and drawings--or copies of plans and drawings that were strikingly similar to Sullivan's plans and drawings--to F.X. Browne, who prepared the final subdivision plan for the College Hill Estates. See id. ¶ 28-29.

III. Discussion

The Copyright Act of 1976 provides, in relevant part:

- (a) 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 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.
- (b) Nothing in this title annuls or limits any rights or remedies under common law or statutes of any state with respect to . . .
 - (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

17 U.S.C. § 301 (emphases added). Section 301(a) establishes a two-step test for preemption. A state law cause of action is preempted by federal copyright laws if: (1) the subject matter of the state law claim falls within the subject matter of the copyright laws, and (2) the asserted state law right is equivalent to the exclusive right that federal law protects. See Del Madera Properties v. Rhodes & Gardner, Inc., 820 F.2d 973, 976 (9th Cir. 1987); Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, 199-200 (2d Cir. 1983), rev'd on other grounds, 471 U.S. 539 (1985); Fundamental Tool, Ltd. v. Universal Music Group, Inc., 1997 WL 381608, at *2 (E.D. Pa. July 8,

1997) (citing Kregos v. Associated Press, 3 F.3d 656, 666 (2d Cir. 1993), cert. denied, 510 U.S. 1112 (1994)).

The first prong of the preemption test is satisfied. Sullivan's engineering plans and drawings clearly fall within the subject matter of the copyright laws. See Guillot-Vogt Associates, Inc. v. Holly & Smith, 848 F. Supp. 682, 686 (“[D]rawings, whether of architectural works, or otherwise, have long enjoyed copyright protection.”); Schuchart & Associates v. Solo Serve Corp., 540 F. Supp. 928, 943 (W.D. Tex.1982) (“Architectural and engineering drawings fall within the subject matter of copyright.”); Del Madera Properties v. Rhodes & Gardner, Inc., 637 F.Supp. 262, 263 (N.D. Cal. 1985), aff'd, 820 F.2d 973 (9th Cir.1987) (“As a general rule, ... technical drawings are copyrightable as 'pictorial' or 'graphic' works under 17 U.S.C. § 102(a)(5).”).³

The parties disagree, however, as to whether Sullivan's state law claims are equivalent to the exclusive rights of a federal copyright. Section 106 of the Copyright Act grants an owner of a copyright the exclusive rights to reproduce (whether in original or derivative form), distribute, perform, and display the copyrighted work. See 17 U.S.C. § 106. A state law right is “equivalent to copyright” if that right is infringed by the mere act of reproduction, performance, distribution or display:

If, under state law the act of reproduction, performance, distribution or display, . . . will in itself infringe the state created right, then such right is preempted. But if other elements are required, in addition to or instead of, the acts of reproduction, performance, distribution or display, in order to constitute a state created cause of action, then

³ Section 101 defines a “pictorial, graphic, and sculptural work” as “two-dimensional or three-dimensional works of fine graphic and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models and technical drawings, including architectural plans.” 17 U.S.C. § 101 (emphasis added).

the right does not lie 'within the scope of copyright,' and there is no preemption.

Motown Record Corp. v. Hormel & Co., 657 F. Supp. 1236, 1239 (C.D. Cal. 1987)

(quoting 1 NIMMER, THE LAW OF COPYRIGHT § 1.01(B)(3) at 1-11-12 (1984)). In order to avoid preemption, the state law claim must include an additional element that goes beyond the protection of § 106 and that “changes the nature of the action so that it is qualitatively different from a copyright infringement claim.” Mayer v. Josiah Wedgewood & Sons, Ltd., 601 F. Supp. 1523, 1535 (S.D.N.Y. 1985). Elements such as awareness or intent, which “alter the action's scope but not its nature, will not save it from preemption under Section 301.” Id.

A. Unjust Enrichment

Count II of Sullivan's complaint is for unjust enrichment. Specifically, plaintiffs allege that “[b]y retaining and utilizing the benefit of the Sullivan Plans and Drawings and the design, defendants either wrongfully secured or passively obtained the benefit that would be unconscionable for them to retain without compensating plaintiff.”

Complaint ¶ 37.

Defendants argue that this claim is preempted by § 301 of the Copyright Act. See Memorandum in Support of Motion by Defendants Dellots, Inc., Lawrence T. Simon, LTS Builders and LTS Enterprises, Inc. to Dismiss All But One of the Counts of the Complaint (“Defendant's Mem.”) at 4. Sullivan does not address this argument in its memorandum of law in opposition to defendants' motion. See Memorandum of Law in Opposition to Defendants' Motion to Dismiss All But One Count of the Complaint

("Plaintiff's Mem.").

Courts have consistently held that an action for unjust enrichment is preempted by copyright law because unjust enrichment "seeks to compensate the plaintiff for the alleged use and imitation of her protected . . . work, which rights are protected by copyright law." Fyk v. Roth, 35 U.S.P.Q.2d 1301, 1302 (E.D. Pa. 1995); see also Del Madera Properties, 820 F.2d at 977 (holding that plaintiff's unjust enrichment claim was preempted because the "foundation of [the] . . . claim [was] its contention that the defendants violated an implied promise . . . not to use or copy materials within the subject matter of copyright"); Cassaway, 26 U.S.P.Q.2d at 1795 ("The second prong of the preemption analysis . . . is satisfied here because copying the drawings to prepare a derivative work is the underlying element for both the copyright cause of action and the state law claim for unjust enrichment."); Kunycia v. Melville Realty Co., Inc., 755 F. Supp. 566, 577 (S.D.N.Y. 1990) ("Because Kunycia's claim of unjust enrichment is that Melville reproduced and used his copyrighted work to prepare derivative works without properly compensating him, the claim is preempted as a state law right equivalent to exclusive rights within the general scope of copyright."); Long v. Quality Computers & Applications, Inc., 860 F. Supp. 191, 197 (M.D. Pa. 1994) ("[The count for unjust enrichment] clearly seeks to aver an equivalent state-law cause of action and we will dismiss it."); Wilson v. Mr. Tee's, 855 F. Supp. 679, 685 (D.N.J. 1994) (same).

Count II of Sullivan's complaint does not allege any misconduct incorporating elements other than those subsumed within the claim of copyright infringement. Sullivan seeks compensation because defendants allegedly "produced, reproduced and distributed plans and drawings which were strikingly . . . similar and copied or derived

from” Sullivan's plans and drawings. See Complaint ¶ 27. The right to create derivative works from copyrighted material, to reproduce copyrighted material, and to distribute copyrighted material is specifically protected by § 106. Plaintiff's state law claim for unjust enrichment is therefore preempted.

B. Conversion

Count III of Sullivan's complaint is for conversion.⁴ Specifically, Sullivan alleges that “[b]y the acts described above, defendants have deprived plaintiff of its rights, title and interest in, and the use and possession of, the Sullivan Plans and Drawings and of the work, without plaintiff's consent and without lawful justification.” Complaint ¶ 41.

Defendants contend that this claim is preempted by the Copyright Act. See Defendant's Mem. at 5. Sullivan responds that the “right to pursue a claim for wrongful possession, dominion or authority over property is not equivalent to any right under the Copyright Act.” Plaintiff's Mem. at 2.

Courts have held that a “state law action for conversion will not be preempted if the plaintiff can prove the extra element that the defendant unlawfully retained the physical object embodying the plaintiff's work.” United States v. Board of Trustees of the University of Alabama, 104 F.3d 1453, 1463 (4th Cir. 1997) (quotation omitted); see also Oddo v. Ries, 743 F.2d 630, 635 (9th Cir. 1984) (“Conversion of tangible property

⁴ Conversion is an “act of willful interference with the dominion and control over a chattel done without lawful justification, by which any person entitled to the chattel is deprived of its use and possession.” Gemel Precision Tool Co. v. Pharma Tool Corp., 35 U.S.P.Q.2d 1019, 1024 (E.D. Pa. 1995) (citing Baram v. Farugia, 606 F.2d 42, 43 (3d Cir. 1979)).

involves actions different from those proscribed by the copyright laws, and thus is not preempted.”); cf. Tacquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir. 1990) (holding that plaintiff's cause of action for conversion was preempted because “[t]here [was] no evidence that [plaintiff] was deprived physically of its property.”).

In Gemel Precision Tool Co. v. Pharma Tool Corp., 35 U.S.P.Q.2d 1019 (E.D. Pa. 1995), however, the court held that plaintiff's state law claim for conversion was preempted by federal copyright law even though plaintiff alleged that defendants had deprived it physically of its property. Specifically, plaintiff alleged that defendants “illegally and without permission, gained possession of and removed from plaintiff's premises copies of plaintiff's copyrighted works, blueprints, computer files, drawings, material specifications, customer and pricing information, [and] trade secret designs [for a feeder machine]” and then proceeded to copy these materials to create a substantially similar machine. See id. at 1024 (quotation omitted). The court explained that plaintiff's claim for conversion, “as it related to the copyrighted blueprints and databases, [was] substantively similar to [p]laintiff's claim for copyright infringement.”

Id. at 1024:

Although copyright law does not protect possession, per se, implicit in the ownership rights conferred by Section 106 is the power to control the use of the copyrighted materials. Plaintiff characterizes its harm as Defendant's subsequent use of its materials to create and sell the Pharma Tool. . . . As such, the conversion claim is identical to Gemel's exclusive right to copy, to create derivative works from, and to distribute the copyrighted materials, as provided for by Section 106.

Id. at 1025.

As in Gemel, Sullivan's action for conversion is substantively similar to its action for copyright infringement. The gravamen of Sullivan's complaint is that defendants

used Sullivan's plans and drawings to develop, construct, and market defendants' College Hill Estates subdivision. See Complaint ¶ 30. Sullivan characterizes its harm as defendants' use of its materials to create strikingly similar plans and drawings, to distribute these plans and drawings, and to create derivative works based on them. See id. As such, the conversion claim is “identical to [Sullivan's] exclusive right to copy, to create derivative works from, and to distribute the copyrighted materials, as provided for by Section 106.” Gemel, 35 U.S.P.Q.2d at 1025. Therefore, Sullivan's claim for conversion is preempted.

C. Conspiracy

Count IV of Sullivan's complaint is for conspiracy. Sullivan alleges that “[b]y engaging in the acts described above, defendants have unlawfully conspired together to infringe upon, inter alia, plaintiff's rights arising under the Copyright Laws.” Complaint ¶ 44.

Defendants contend that this claim is preempted because the “underlying action of copyright infringement remains essentially the same under the state claim.” Defendants' Mem. at 5. Sullivan responds that conspiracy is an intentional tort that “contains elements outside of copyright infringement” and is therefore not preempted. See Plaintiff's Mem. at 2.

To state a cause of action for civil conspiracy, a plaintiff must show that “two or more persons combined or agreed with intent to do an unlawful act or to do an otherwise lawful act by unlawful means.” Thompson Coal Company v. Pike Coal Company, 412 A.2d 466 (Pa. 1979) (citing Landau v. Western Pennsylvania National

Bank, 282 A.2d 335, 338 (Pa. 1971)). The unlawful act at issue is copyright infringement. However, Sullivan's claim for conspiracy by definition includes several "extra elements." Specifically, the claim alleges that: (1) two or more persons (2) entered into an agreement (3) with intent to infringe Sullivan's copyright; (4) that they committed an overt act in furtherance of their common purpose; and (5) that Sullivan suffered actual legal damage as a result. See Strickland v. University of Scranton, 700 A.2d 979 (Pa. Super. Ct. 1997) (citation omitted). These "extra elements" "change[] the nature of the action so that it is qualitatively different from a copyright infringement claim." Mayer, 601 F. Supp. at 1535. For this reason, Count IV of Sullivan's complaint is not preempted by the Copyright Act.

D. Constructive Trust

In Count V of Sullivan's complaint, Sullivan requests that the court impose a constructive trust "upon all funds, assets and revenue and profits of defendants which are due and owing to plaintiff and which are derived from the infringement." Complaint ¶ 47.

Defendants argue that an "attempt to impose a constructive trust is not qualitatively different from a charge of copyright infringement and, accordingly, the claim for a constructive trust is preempted by the Copyright Act." Defendants' Mem. at 5. Sullivan responds that it does "not seek to utilize Count V for the purpose of establishing ownership [over a copyright], but only for purposes of specifying a remedy for its claims of conversion and conspiracy." Plaintiff's Mem. at 3.

A constructive trust is "an equitable remedy utilized by courts to prevent unjust

enrichment.” Francois v. Francois, 599 F.2d 1286, 1291 (3d Cir. 1979) (citing RESTATEMENT OF RESTITUTION § 160; SCOTT ON TRUSTS § 462); see also Gray v. Leibert, 53 A.2d 132, 135 (Pa. 1947) (“[A] constructive trust arises where a person holding title to property is subject to an equitable duty to convey it to another on the ground that he would be unjustly enriched if he were permitted to retain it.”). Under Pennsylvania law, a constructive trust may be imposed “even though the acquisition of the property was not wrongful and the defendant’s intention was not malign”: “[Pennsylvania] courts focus not on intention, but on the result of unjust enrichment.” Gee v. Eberle, 420 A.2d 1050, 1059 (Pa. Super. Ct. 1980) (quoting Kimball v. Barr Township, 378 A.2d 366, 368 (Pa. 1977)). Although the equitable remedy of a constructive trust is frequently imposed when a party to a confidential relationship abuses that relation to secure personal advantages, see Francois, 599 F.2d at 1291, it may be imposed even when there is no such confidential relationship between the parties. See Gee, 420 A.2d at 1060. As such, Sullivan’s claim for a constructive trust is founded upon precisely the same facts as its claim for unjust enrichment. As discussed above, however, Sullivan’s claim for unjust enrichment is preempted. See supra Part III.A. Like Count II, therefore, Count V is subsumed within Sullivan’s claim of copyright infringement and is preempted. See Motown Record Corp., 657 F. Supp. at 1241 (holding that plaintiffs’ cause of action for constructive trust was preempted because “the facts alleged in support of [this claim] . . . [were] rooted primarily on contentions that defendants infringed on plaintiffs’ copyrighted work.”); Food Lion, Inc. v. Capital Cities/ABC, Inc., 946 F. Supp. 420, 422 (M.D. N.C 1996) (dismissing plaintiff’s claim for a constructive trust because plaintiff “[sought] a declaration of copyright ownership based on state

law”).

E. Punitive Damages

In Count VI, Sullivan contends that “[d]efendants' conduct . . . was extremely outrageous, intentional, wanton and wilful [sic], and plaintiff is entitled to punitive damages.” Complaint ¶ 49.

Defendants argue that punitive damages are not recoverable in a suit for copyright infringement. See Defendants' Mem. at 6. Sullivan responds that its request for punitive damages “is a permissible remedy, recoverable in claims for conversion and conspiracy.” Plaintiff's Mem. at 3.

Defendants correctly point out that punitive damages are not recoverable in federal copyright suits. See Hays v. SONY Corp. of America, 847 F.2d 412, 415 (7th Cir. 1988) (“[I]t appears to be accepted that punitive damages are not recoverable in federal copyright suits.”); Oboler v. Goldin, 714 F.2d 211, 213 (2d Cir. 1983) (“[P]unitive damages are not available under the Copyright Act of 1976.”). However, Sullivan's claim for civil conspiracy is not preempted, see supra Part III.C, and Sullivan may recover punitive damages on this claim if it shows that defendants acted “with a bad motive or with a reckless indifference to the interests of others.” Shared Communications Services of 1800-80 JFK Boulevard Inc. v. Bell Atlantic Properties Inc., 692 A.2d 570, 576 (Pa. Super. Ct. 1997) (quoting Martin v. Johns-Manville Corp., 494 A.2d 1088, 1097-98 (1985)). Therefore, Count VI will not be dismissed.

F. State Law Claims Against F.X. Browne, Inc.

Sullivan asserts state law claims for unjust enrichment, conversion, conspiracy, constructive trust, and punitive damages against defendant F.X. Browne, Inc. See Complaint, Counts II-VI. F.X. Browne, Inc. has not joined defendants' motion to dismiss these claims. However, the court may, on its own motion, dismiss a claim pursuant to Fed. R. Civ. P. 12(b)(6). See Bryson v. Brand Insulations, Inc., 621 F.2d 556, 559 (3d Cir. 1980) (“The district court may on its own initiative enter an order dismissing the action provided that the complaint affords a sufficient basis for the court's actions.”); Schiffman v. Postmaster of Philadelphia, 1997 WL 602786, at *7 (E.D. Pa. Sept. 19, 1997) (dismissing sua sponte all federal claims with prejudice for failure to state a claim upon which relief can be granted); Timmons v. Special Insurance Services, 1997 WL 721001, at *5 (E.D. Tex. Nov. 13, 1997) (dismissing sua sponte plaintiff's state law claims under Rule 12(b)(6) because they were preempted by ERISA). For the reasons stated above, Sullivan's state law claims against F.X. Browne, Inc. for unjust enrichment, conversion, and constructive trust are preempted by § 301 of the Copyright Act. On its own motion, the court therefore dismisses with prejudice these state law claims against F.X. Browne, Inc.

IV. Conclusion

Sullivan's claims for unjust enrichment, conversion, and constructive trust are preempted by § 301 of the Copyright Act. It appears beyond doubt that Sullivan “can prove no set of facts in support of [these claims] which would entitle [it] to relief.” Conley, 355 U.S. at 45. Defendants' motion to dismiss is therefore granted with respect to these claims. In addition, the court sua sponte dismisses with prejudice these claims

against F.X. Browne, Inc.

An appropriate order follows.