

**IN THE UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT**

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No. 14-10753

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United States Court of Appeals  
Fifth Circuit

**FILED**

June 30, 2015

Lyle W. Cayce  
Clerk

SPEAR MARKETING, INCORPORATED,

Plaintiff - Appellant

v.

BANCORPSOUTH BANK; ARGO DATA RESOURCE CORPORATION,

Defendants - Appellees

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Appeal from the United States District Court  
for the Northern District of Texas

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Before WIENER, SOUTHWICK, and GRAVES, Circuit Judges.

WIENER, Circuit Judge:

Plaintiff-Appellant Spear Marketing, Inc. (“SMI”) brought various Texas state law claims against Defendants-Appellees BancorpSouth Bank (“BCS”) and ARGO Data Resource Corp. (“ARGO”) (collectively, “Defendants”) in Texas state court. SMI’s claims related to Defendants’ alleged theft of trade secrets in connection with a software program developed and sold by SMI. Defendants removed the case to federal court on the basis of complete preemption by the Copyright Act.<sup>1</sup> The district court denied SMI’s motion to remand and, after

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<sup>1</sup> See 17 U.S.C. § 301(a).

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discovery, granted Defendants' motion for summary judgment on the merits of the claims. SMI appeals both decisions. We affirm.

## I. FACTS AND PROCEEDINGS

SMI is a small, family-run business that produces one product for the banking industry, a computer program called VaultWorks. VaultWorks helps banks manage their cash inventories so that each of their branches has the optimum supply of cash available on site. The program enables banks to identify surplus cash in vaults and ATMs, track daily cash inventory, and eliminate unnecessary cash deliveries to branch and ATM locations.

Although VaultWorks is a software program, none of SMI's customers has access to the software itself. Instead, "SMI's customers can only view the specific user interface screens and reports they are given access to via the internet."<sup>2</sup> Bank branches enter their daily cash information into VaultWorks using these interface screens, and VaultWorks's output data is then displayed to those branches. SMI acknowledges that none of its customers was ever provided with the source code, object code, or software for VaultWorks.

BCS was one of SMI's largest customers. BCS and SMI first entered into a one-year agreement for the use of VaultWorks in May 2002. The parties extended the agreement several times, the last extension occurring in March 2010 for a term of two years.

ARGO, like SMI, develops software for the banking industry. It is significantly larger than SMI and offers a range of products. At all relevant times, BCS used ARGO's automatic teller program, BANKPRO Teller. Around 2004, ARGO began to develop its own cash management program, which

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<sup>2</sup> *Spear Mktg., Inc. v. BancorpSouth Bank*, No. 3:12-CV-3583-B, 2014 WL 2608485, at \*1 (N.D. Tex. June 11, 2014).

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ARGO envisioned would eventually be bundled with its BANKPRO Teller. This product, named Cash Inventory Optimization (“CIO”), uses different predictive algorithms than does VaultWorks. Because CIO is installed directly on a bank’s computers, it is integrated with the rest of the bank’s operating system.<sup>3</sup> CIO thus “eliminates ‘the need for branch personnel to manually input cash data,’ as bank employees must do with VaultWorks.”<sup>4</sup>

Starting in 2008, ARGO began pitching CIO and an upgraded version of the BANKPRO Teller system to BCS. BCS demurred on both products until March 2010, when it told ARGO that it would be interested in CIO if that system could be integrated with the existing version of BANKPRO Teller that BCS was then using rather than ARGO’s upgraded replacement product. ARGO discussed this concern internally and, on April 1, 2010, emailed BCS that this integration would be possible.

Also around April 1, 2010, SMI contacted ARGO to see if it would be interested in acquiring SMI. ARGO expressed interest, representing that it neither had nor was currently developing a cash management product similar to VaultWorks. On the strength of ARGO’s expression and representations, SMI arranged to demonstrate VaultWorks to ARGO, which it did over the phone and online on April 6. During this demonstration, which lasted approximately one hour, SMI disclosed confidential business and technical information about VaultWorks. After a few more exchanges, ARGO lost interest in acquiring SMI and stopped responding to SMI’s emails.

Through the rest of 2010, ARGO continued marketing CIO to BCS. Finally, in early January 2011, BCS agreed to license CIO from ARGO. The two companies conducted a lengthy implementation process that lasted the

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<sup>3</sup> See *id.* at \*3.

<sup>4</sup> *Id.* (citation omitted).

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rest of the year. During this time, BCS sent ARGO various screenshots of the VaultWorks user interface because ARGO needed historical cash usage data from BCS's branches to troubleshoot CIO's forecasting function. That data was readily accessible from the VaultWorks output screens for each branch.

CIO was finally implemented successfully at the end of 2011, and BCS "notified SMI on January 12, 2012 of its intention not to renew the VaultWorks Agreement."<sup>5</sup> That agreement thus expired in February 2012.

In September 2012, SMI filed this suit against Defendants in Texas state court, alleging ten causes of action: violation of the Texas Theft Liability Act ("TTLA"), misappropriation of trade secrets, conversion, unjust enrichment, fraud, constructive fraud, breach of contract, tortious interference, unfair competition, and civil conspiracy. SMI claimed that Defendants had stolen both technical and business trade secrets related to VaultWorks.

Defendants removed the case to federal court on the ground that SMI's claims were completely preempted by the Copyright Act. SMI then amended its state court petition ("Original Petition") to delete its conversion claim and remove various references to copying and distribution. It then moved for remand, contending that removal had been improper because none of its claims were preempted. SMI explained in its opening brief that it voluntarily abandoned its conversion claim "[t]o narrow the issues in this lawsuit" and that it removed portions of its TTLA claim related to copying of trade secrets "even though this district's own precedent holds [those portions] are not preempted by the Copyright Act." The district court denied SMI's motion, holding that the conversion and TTLA claims were completely preempted. The court did not consider whether SMI's remaining claims were preempted, choosing instead to exercise supplemental jurisdiction over them per 28 U.S.C. § 1367.

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<sup>5</sup> *Id.* at \*6.

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After discovery, Defendants filed a motion for summary judgment, seeking dismissal of all of SMI's remaining claims. The district court granted this motion, holding that "SMI ha[d] failed to establish that genuine factual disputes exist for certain essential elements of its nine Texas state law claims, and as such, summary judgment in Defendants' favor [wa]s warranted."<sup>6</sup> SMI timely appealed the summary judgment order and the order denying its motion to remand.

## II. ANALYSIS

### A. Denial of SMI's Motion to Remand

#### 1. *Standard of Review*

"We review the denial of a motion to remand to state court *de novo*."<sup>7</sup> Under this standard, "[a]ny underlying findings of fact are subject to review for clear error."<sup>8</sup>

#### 2. *Time-of-Filing Rule*

The district court considered SMI's motion to remand by evaluating the Original Petition for grounds for removal. SMI asserts that the district court should have considered SMI's amended complaint ("Amended Complaint"), in which SMI dropped its conversion claim and deleted language accusing Defendants of copying VaultWorks. Defendants counter that removal is assessed according to the time-of-filing rule.

"[J]urisdictional facts are determined at the time of removal, and consequently post-removal events do not affect that properly established jurisdiction."<sup>9</sup> It is this court's established precedent that once a case is

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<sup>6</sup> *Id.* at \*19.

<sup>7</sup> *Energy Mgmt. Servs., LLC v. City of Alexandria*, 739 F.3d 255, 257 (5th Cir. 2014) (quoting *Roland v. Green*, 675 F.3d 504, 511 (5th Cir. 2012)).

<sup>8</sup> *Camsoft Data Sys., Inc. v. S. Elecs. Supply, Inc.*, 756 F.3d 327, 333 (5th Cir. 2014).

<sup>9</sup> *Louisiana v. Am. Nat. Prop. & Cas. Co.*, 746 F.3d 633, 636 (5th Cir. 2014).

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