IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 15-10121

United States Court of Appeals
Fifth Circuit
FILED
September 7, 2016
Lyle W. Cayce
Clerk

GLOBERANGER CORPORATION,

Plaintiff - Appellee

v.

SOFTWARE AG UNITED STATES OF AMERICA, INCORPORATED; SOFTWARE AG, INCORPORATED,

Defendants - Appellants

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

Before ELROD, GRAVES, and COSTA, Circuit Judges.

GREGG COSTA, Circuit Judge:

Software maker GlobeRanger obtained a $15 million judgment in a trade secret misappropriation trial against competitor Software AG. Software AG challenges that result on a number of grounds, but its principal argument is that GlobeRanger finds itself in a jurisdictional Catch-22. It argues that GlobeRanger's trade secret claim is preempted by federal copyright law, but if not, then the result is no federal claim to support jurisdiction. Because we find that the trade secret claim is not preempted but that a dismissed conversion claim was preempted and supports federal jurisdiction, we also consider

challenges to the sufficiency of the evidence, the damages award, and jury instructions. Finding no reversible error on those grounds, we AFFIRM.

I.

A.

GlobeRanger specializes in radio frequency identification (RFID) technology, a type of wireless technology used to identify and track items and information. Those who drive on toll roads are likely grateful for the technology, even if they don't recognize the term RFID. It is what allows drivers to speed through tollbooths while an electronic reader gathers information from a tag inside the car that is connected to the driver's account.

GlobeRanger's software incorporates RFID for a different purpose: inventory management. Its RFID solutions filter, process, and store information from incoming inventory items in real time to help the user keep track of the items. The core of its RFID solution is its proprietary "iMotion platform", which is used in all of its inventory tracking software. This platform connects with RFID readers to quickly process transactions and implement complex workflows in real-time. For particular markets or companies with unique needs, the platform is then supplemented with add-ons, known as "solution accelerators," that customize the product to satisfy those particular demands. For example, GlobeRanger may combine the iMotion platform with a certain solution accelerator that helps make the RFID tracking system integrate or work well with other systems that are already used by clients in a particular industry.

GlobeRanger has subcontracted on several projects creating RFID programs for Department of Defense agencies and their suppliers. This case arises from one such contract. In 2007, GlobeRanger entered into a subcontract with Science Applications International Corporation (SAIC) to

build and implement a bundle of RFID technology for the Navy. The parties refer to this as the "Navy Solution." GlobeRanger installed "instances," which are fully-functioning versions of the Navy Solution, at three Navy bases. But the Navy then decided it wanted an enterprise-wide RFID system that could be run from a single location, rather than GlobeRanger's system that required servers at each location. After considering competing proposals from GlobeRanger and Software AG (a larger, more general software company), the Navy went with Software AG's proposal rooted in its "webMethods" software platform. The Navy ordered GlobeRanger to stop its subcontracting work and said it would convert the three existing instances to the enterprise-wide system.

Prior to receiving this Navy contract—termed RAVE (RFID Asset Visibility Enterprise)—Software AG had not implemented RFID for a client. While working on the Navy contract, Software AG accessed some of GlobeRanger's data, manuals, and software. GlobeRanger asserts that in doing so Software AG misappropriated trade secrets in its Navy Solution. Software AG maintains that any access and use were permissible, particularly in light of federal regulations that applied to GlobeRanger's work for the Navy.

B.

This litigation has a lengthy and messy history with both parties changing their view on whether this case should be in state or federal court. GlobeRanger initially brought suit in federal court. After Software AG objected that there was no subject matter jurisdiction, GlobeRanger voluntarily dismissed the case and refiled it in state court.

In its state court filing, GlobeRanger alleged misappropriation of trade secrets, conversion, unfair competition, civil conspiracy, and tortious interference. Software AG now thought the dispute belonged in federal court.

It removed the case, arguing that the Copyright Act completely preempted all of the state law claims except conspiracy.

Back in federal court, Software AG filed a Rule 12(b)(6) motion to dismiss on preemption grounds. GlobeRanger sought remand to state court, arguing that none of its claims were completely preempted and thus the court lacked jurisdiction. The district court denied the motion to remand, finding that the misappropriation of trade secrets and unfair competition claims were preempted. Soon thereafter it ruled that the tortious interference and conversion claims were also preempted. As that left no remaining tort to support the derivative conspiracy claim, the court granted Software AG's motion to dismiss in full.

That dismissal was appealed, resulting in a ruling from this court the meaning of which is perhaps the most contentious issue in this second appeal. There will be more to say about that decision later, but for now we can summarize *GlobeRanger I* as follows. A different panel of this court overturned the dismissal, holding that at least some of the factual allegations in the trade secret misappropriation claim were outside the subject matter of the Copyright Act and therefore not preempted. *GlobeRanger Corp. v. Software AG*, 691 F.3d 702, 709 (5th Cir. 2012) ("*GlobeRanger I*"). We also affirmed the denial of GlobeRanger's motion to remand based on actual (or possible—this is the source of the intense debate) preemption of the conversion claim. *Id.* at 709–10.

Although language in *GlobeRanger I* suggested that the district court could have found on remand with a more developed record that the conversion claim was not preempted because it involved subject matter outside the scope of copyright, *id.*, that issue was never reconsidered. Instead, less than a year after the remand, GlobeRanger dropped the conversion claim.

At the conclusion of discovery, Software AG moved for summary judgment on the merits of the remaining claims, without invoking its preemption defense. The district court granted summary judgment on the tortious interference claim and denied it on the trade secret misappropriation, unfair competition, and conspiracy claims. At a pretrial conference, GlobeRanger narrowed the case even more by dismissing its unfair competition claim. That left only the trade secret misappropriation and derivative conspiracy claim for trial.

The district court denied Software AG's motions for judgment as a matter of law. The jury found that Software AG misappropriated GlobeRanger's trade secrets and awarded $15 million in compensatory damages. It found that GlobeRanger did not prove malice, and so was not entitled to punitive damages, nor did it prove conspiracy. The district court denied post-trial motions for judgment as a matter of law, a new trial, and remittitur.

Software AG appeals on the following grounds: (1) the trade secret misappropriation claim is preempted by copyright law; (2) if this claim is not preempted, then the district court lacked jurisdiction; (3) if the court did have jurisdiction, GlobeRanger failed to prove its claim or its damages; (4) the trial court's damages award was erroneously calculated and excessive; and (5) the district court abused its discretion in formulating the jury charge.

II.

We turn first to the preemption and alternative jurisdictional arguments, both of which are subject to de novo review. *See Franks Inv. Co. v. Union Pac. R.R. Co.*, 593 F.3d 404, 407 (5th Cir. 2010) (preemption by federal

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