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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MARTIN POLL, LARRY COHEN,)
HOLLANE CORPORATION, LARCO)
CORPORATION,)
Plaintiffs,)
v.)
FOX ENTERTAINMENT GROUP,)
TWENTIETH CENTURY FOX, FOX)
FILMED ENTERTAINMENT,)
Defendants.)

CASE NO.: CV 03-6906 ABC (SHx)
ORDER DENYING DEFENDANTS' MOTION
TO DISMISS

On November 14, 2003, Defendants moved to dismiss Plaintiffs' state law claims for breach of implied contract and breach of confidence as preempted by the federal Copyright Act. Defendants' motion came on regularly for hearing on February 9, 2004. For reasons discussed below, Defendants' motion is hereby DENIED.

I. BACKGROUND

On September 25, 2003, Martin Poll, Larry Cohen, Hollane Corporation, and Larco Corporation¹ (collectively, "Plaintiffs") commenced this action for copyright infringement, breach of implied

¹ While Plaintiffs' caption names "Larco Corporation," Plaintiffs' papers refer to "Larco Productions, Inc."

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1 contract, and breach of confidence against Fox Entertainment Group,
2 Inc., Twentieth Century Fox, and Fox Filmed Entertainment
3 (collectively, "Fox" or "Defendants"). Hollane obtained a copyright
4 registration for *Cast of Characters* on October 23, 1995. (Compl. ¶
5 21.) Plaintiffs allege that Defendants copied Plaintiffs' screenplay
6 *Cast of Characters* to create the motion picture *The League of*
7 *Extraordinary Gentlemen*. (Compl. ¶¶ 27-32.)

8 According to Plaintiffs, they submitted *Cast of Characters* to Fox
9 on at least four occasions between 1993 and 1996. (Compl. ¶ 57.)
10 Plaintiffs allege that, based upon Poll's prior dealings with Fox, Fox
11 had a long-standing agreement or understanding with Poll that he
12 should submit to Fox any of his novels, manuscripts or screenplays for
13 proposed financing and distribution by Fox. (Compl. ¶ 56.) Fox
14 allegedly knew that Plaintiffs had invested substantial amounts of
15 time and money in developing *Cast of Characters* and thereafter
16 voluntarily received Plaintiffs' submission of the screenplay.
17 (Compl. ¶ 55.) Plaintiffs further allege that Fox voluntarily
18 accepted the disclosures knowing that it was expected, as a condition
19 of such submission, that Fox would finance the film and contract with
20 Poll to produce the film in accordance with custom in the industry.
21 (Compl. ¶ 58.) Based upon the course of dealings between Fox and
22 Plaintiffs, the parties agreed, without expressly reducing to writing,
23 that under no circumstances would Fox use the ideas contained in
24 Plaintiffs' screenplay for their own benefit without fairly
25 compensating Plaintiffs and distributing the film with Poll as
26 producer. (Compl. ¶¶ 61,62.)

27 In addition, the parties allegedly agreed, based upon their prior
28 course of conduct, that Fox would keep the concept of *Cast of*

1 Characters confidential. (Compl. ¶ 26.) Plaintiffs claim Fox
2 voluntarily received *Cast of Characters* in confidence with the
3 understanding that it was not to be disclosed to others and was not to
4 be used by Fox for purposes beyond the limits of the confidence
5 without Plaintiffs' permission. (Compl. ¶ 71.)

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6 On November 14, 2003, Defendants moved to dismiss Plaintiffs'
7 state law claims for breach of implied contract and breach of
8 confidence as preempted by the federal Copyright Act. The Court
9 received Plaintiffs' opposition on December 5, 2003, and Defendants'
10 reply on December 19, 2003.

11 II. LEGAL STANDARD

12 A Rule 12(b)(6) motion tests the legal sufficiency of the claims
13 asserted in the complaint. See Fed. R. Civ. P. 12(b)(6). Rule
14 12(b)(6) must be read in conjunction with Rule 8(a) which requires a
15 "short and plain statement of the claim showing that the pleader is
16 entitled to relief." 5A Charles A. Wright & Arthur R. Miller, Federal
17 Practice and Procedure § 1356 (1990). "The Rule 8 standard contains
18 'a powerful presumption against rejecting pleadings for failure to
19 state a claim.'" Gilligan v. Jamco Dev. Corp., 108 F.3d 246, 249 (9th
20 Cir. 1997). A Rule 12(b)(6) dismissal is proper only where there is
21 either a "lack of a cognizable legal theory" or "the absence of
22 sufficient facts alleged under a cognizable legal theory." Balistreri
23 v. Pacifica Police Dept., 901 F.2d 969, 699 (9th Cir. 1988); accord
24 Gilligan, 108 F.3d at 249 ("A complaint should not be dismissed
25 'unless it appears beyond doubt that the plaintiff can prove no set of
26 facts in support of his claim which would entitle him to relief").

27 The Court must accept as true all material allegations in the
28 complaint, as well as reasonable inferences to be drawn from them.

1 See Pareto v. F.D.I.C., 139 F.3d 696, 699 (9th Cir. 1998). Moreover,
2 the complaint must be read in the light most favorable to plaintiff.
3 See id. However, the Court need not accept as true any unreasonable
4 inferences, unwarranted deductions of fact, and/or conclusory legal
5 allegations cast in the form of factual allegations. See, e.g.,
6 Western Mining Council v. Watt, 643 F.2d 618, 624 (9th Cir. 1981).

7 Moreover, in ruling on a 12(b)(6) motion, a court generally
8 cannot consider material outside of the complaint (e.g., those facts
9 presented in briefs, affidavits, or discovery materials). See Branch
10 v. Tunnell, 14 F.3d 449, 453 (9th Cir. 1994). A court may, however,
11 consider exhibits submitted with the complaint. See id. at 453-54.
12 Also, a court may consider documents which are not physically attached
13 to the complaint but "whose contents are alleged in [the] complaint
14 and whose authenticity no party questions." Id. at 454. Further, it
15 is proper for the court to consider matters subject to judicial notice
16 pursuant to Federal Rule of Evidence 201. Mir, M.D. v. Little Co. of
17 Mary Hospital, 844 F.2d 646, 649 (9th Cir. 1988).

18 III. DISCUSSION

19 Defendants contend that Plaintiffs' state law claims are
20 preempted by the federal Copyright Act, 17 U.S.C. §§ 101-1101. Under
21 section 301 of the Copyright Act, states are expressly prohibited from
22 legislating in the area of copyright law.² In order for preemption to
23

24 ² Section 301 preempts "all legal or equitable rights that are
25 equivalent to any of the exclusive rights within the general scope of
26 copyright as specified by section 106 in works of authorship that are
27 fixed in a tangible medium of expression and come within the subject
28 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
(continued...)

1 occur, however, two conditions must be satisfied. First, the work on
2 which the state claim is based must come within the subject matter of
3 copyright. Second, the state cause of action must protect rights that
4 are qualitatively equivalent to copyright protection. See Del Madera
5 Prop. v. Rhodes & Gardner, Inc., 820 F.2d 973, 976 (9th Cir. 1987)
6 (overruled on other grounds).

7 Plaintiffs concede that the screenplay and ideas³ fall within the
8 subject matter of copyright. (Opp'n at 12:14.) Therefore, the
9 Court's discussion focuses on the second prong of the preemption test,
10 and addresses each of the state claims in turn.

11 **A. Breach of Implied Contract**

12 To satisfy the "equivalent rights" part of the preemption test,
13 Plaintiffs' breach of implied contract claim must be equivalent to
14 rights within the general scope of copyright as specified by section
15 106 of the Copyright Act. Section 106 provides a copyright owner with
16 the exclusive rights of reproduction, preparation of derivative works,
17 distribution, and display. 17 U.S.C. § 106. A right that is
18 equivalent to copyright is one that is infringed by the mere act of
19 reproduction, performance, distribution, or display.⁴ "To survive
20

21 ²(...continued)
work under the common law or statutes of any State."

22
23 ³ The Court notes that Plaintiffs will not be allowed to plead
24 both infringement of the screenplay and breach of an implied contract
25 based on ideas. See Endemol Entertainment B.V. v. Twentieth
26 Television, Inc., 48 U.S.P.Q. 2d 1524, 1526 (C.D. Cal. 1998)
(concluding that plaintiff could not assert one claim under federal
law for the infringement of expression and a second claim for ideas
under a state law theory).

27 ⁴ A leading treatise explains: "[I]f under state law the act of
28 reproduction, performance, distribution, or display, no matter whether
(continued...)

1 | preemption, the state cause of action must protect rights which are
2 | qualitatively different from the copyright rights." Del Madera, 820
3 | F.2d at 977 (citation omitted). This inquiry is fact-specific and
4 | asks whether the plaintiff's state cause of action has an "extra
5 | element" which changes the nature of the rights protected. Id.;
6 | Chesler/Perlmutter Prods., Inc. v. Fireworks Entertainment, Inc., 177
7 | F. Supp. 2d 1050, 1058 (C.D. Cal. 2001).

8 | Defendants argue that Plaintiffs' contract claim fails to add an
9 | "extra element" because Plaintiffs "never allege an explicit written
10 | or oral agreement, and never allege that the parties expressly agreed
11 | to any specific terms beyond their implicit understanding." (Mot. at
12 | 1:24-26.) The Court finds that Plaintiffs have alleged an implied-in-
13 | fact contract with rights which are qualitatively different from
14 | copyright rights. Defendants allegedly promised to compensate
15 | Plaintiffs and contract with Poll to produce the film if Defendants
16 | chose to use Plaintiffs' screenplay. Therefore, Plaintiffs' contract
17 | claim is not preempted by the Copyright Act.

18 | **B. Breach of Confidence**

19 | Unlike a claim for breach of an implied contract, a claim for
20 | breach of confidence is not based upon a consensual agreement between
21 | the parties. Instead, "this cause of action recognizes 'an obligation
22 |

23 | _____
24 | ⁴(...continued)

25 | the law includes all such acts or only some, will in itself infringe
26 | the state-created right, then such right is pre-empted. But if
27 | qualitatively other elements are required, instead of, or in addition
28 | to, the acts of reproduction, performance, distribution, or display,
in order to constitute a state-created cause of action, then the right
does not lie 'within the general scope of copyright and there is no
preemption.'" 1 Melville B. Nimmer & David Nimmer, Nimmer on
Copyright, § 1.01[B][1], 13.

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1 | in law where in fact the parties made no promise. It is not based
2 | upon apparent intentions of the involved parties; it is an obligation
3 | created by law for reasons of justice.'" Entertainment Research Group,
4 | Inc. v. Genesis Creative Group, Inc., 122 F.3d 1211, 1227 (9th Cir.
5 | 1997) (citing Fink v. Goodson-Todman Enter., Ltd., 9 Cal.App.3d 996,
6 | 1010) (1970)). However, like the contract claim, Plaintiffs' breach
7 | of confidence claim must include an "extra element" beyond
8 | unauthorized use or duplication to survive preemption. If the action
9 | depends on nothing more than the authorized use of Plaintiffs' work,
10 | then it is preempted.

11 | To prevail on a claim for breach of confidence under California
12 | law, a plaintiff must demonstrate that: (1) the plaintiff conveyed
13 | "confidential and novel information" to the defendant; (2) the
14 | defendant had knowledge that the information was being disclosed in
15 | confidence; (3) there was an understanding between the defendant and
16 | the plaintiff that the confidence be maintained; and (4) there was a
17 | disclosure or use in violation of the understanding. Id. (citations
18 | omitted). Because Plaintiffs' allegations are premised upon a duty
19 | of confidentiality, Plaintiffs' breach of confidence claim is
20 | qualitatively different from a copyright claim. See Groubert, 63
21 | U.S.P.Q.2d at 1768; Berkla v. Corel Corp., 66 F. Supp. 2d 1129, 1151
22 | (E.D. Cal. 1999); Brignoli, 645 F. Supp. at 1205; Balboa Ins. Co. v.
23 | Trans Global Equities, 218 Cal.App.3d 1327, 1351 (1990).
24 | Specifically, in addition to unauthorized use, the Plaintiffs must
25 | show that the Defendants knew they received confidential information
26 | and disclosed the information despite the parties' understanding that
27 | they not do so. The rights protected by this claim stem from the
28 | destruction of the confidential relationship, not merely the use of

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1 Plaintiffs' work.

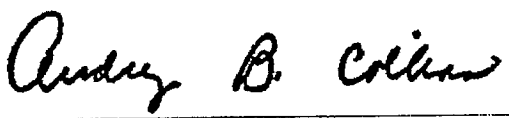
2 Defendants argue that the substance of the allegations
 3 supporting the existence of a "confidential relationship" in this
 4 case is no different than the preempted breach of confidence claim in
 5 Idema v. Dreamworks, Inc., wherein the plaintiff alleged only that
 6 the defendant breached an "understood" confidence. 162 F. Supp. 2d
 7 at 1190. The Court finds the cases distinguishable. In this case,
 8 Plaintiffs claim Fox voluntarily received *Cast of Characters* in
 9 confidence with the understanding that it was not to be disclosed to
 10 others and was not to be used by Fox for purposes beyond the limits
 11 of the confidence without Plaintiffs' permission. (Compl. ¶¶ 68-71.)
 12 Furthermore, Plaintiffs have sufficiently alleged that the parties
 13 had an established relationship and course of conduct. (Compl. ¶
 14 26.) A confidential relationship can be inferred from these
 15 allegations. Faris v. Enberg, 97 Cal.App.3d 309, 323 (1979) (a
 16 confidential relationship can be inferred from proof of a particular
 17 relationship such as partners, joint adventurers, principal and agent
 18 or buyer and seller) (citations omitted). Therefore, Plaintiffs'
 19 breach of confidence claim is not preempted.

20 IV. CONCLUSION

21 For the foregoing reasons, Defendants' motion to dismiss is
22 hereby DENIED.

23 SO ORDERED.

24 DATED: 2/18/04

25 

26
27 AUDREY B. COLLINS
28 UNITED STATES DISTRICT JUDGE