FILED CLERK, U.S. DISTRICT COURT **Priority** 1 KILED 2 **₫ᢒ⁴5**/JS-6 3 JS-2/JS-3 Scan Only OF CALIFORNIA CENTRAL DIST 4 ENTERED CLERK, U.S. DISTRICT COURT 5 THIS CONSTITUTES NOTICE OF ENTRY 6 AS REQUIRED BY FRCP, RULE 77(d). 7 CENTRAL DISTRICT DEPUTY UNITED STATES DISTRICT COURT 8 CENTRAL DISTRICT OF CALIFORNIA 9 BC-29752 10 Case No. CV 03-05961 DDP (VBKx) RAY ANTHONY WILLIAMS, 11 ORDER GRANTING PLAINTIFF'S MOTION Plaintiff, 12 TO REMAND AND DENYING PLAINTIFF'S REQUEST FOR ATTORNEY'S FEES AND 13 v. COSTS UNIVERSAL PICTURES; et al., [Motion filed on 09/19/03] Defendants. 15 16

This matter comes before the Court on the plaintiff's motion to remand the action to state court. After reviewing the materials submitted by the parties and hearing oral argument, the Court adopts the following Order.

#### I. Background

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In January 1995, the plaintiff Ray Anthony Williams ("Williams") completed a film feature script that he had solely created and been writing since January 1991. (First Amended Complaint ("FAC") ¶ 9.) The script focused on the sport of street 26 racing and the characters that are drawn to and participate in 27 street racing. (Id.) Williams wrote the story based upon his own 28 | personal experiences and the experiences of his parents,

whom were street racers in the 1960's. (Id.) Williams wrote the 2 script hoping it would be made into a motion picture, and that he would star in the motion picture. (Id.) On June 13, 2000, 3 | Williams registered the script in his name under the title "BET" 4 | with the Writers Guild of America. (Id.) 5 In early 2000, Williams was employed as a courier. (Id.  $\P$ 6 10.) As part of his route, Williams went regularly to the offices of the defendant Universal Pictures ("Universal") in Universal City, California, where he became acquainted with some Universal employees, including an assistant editor named Brett Carroll ("Carroll"). (Id.) Williams allegedly described and "pitched" the 11 BET script to Carroll. (Id.) Williams alleges he also told Carroll that he wanted to star in the motion picture, had acted (<u>Id</u>.) before, and was a member of the Screen Actors Guild. Williams alleges that, in addition to the BET script, he "verbally 16 communicated other elements" to Carroll which elements constitute a 17 \| "work of authorship." ( $\underline{Id}$ . \| 29.) Carroll allegedly told Williams that he was interested in the BET script, and Carroll agreed to 19 review and consider it. (Id. ¶ 10.) At Carroll's invitation, Williams gave Carroll a copy of the BET script. (Id.) 20 l About one week later, Carroll allegedly told Williams at 21 Universal's offices that he had read the BET script and wanted to shop it around. (Id.) Additionally, Williams alleges that Carroll 23 told him that Carroll could get the script to the right people, 24 including, without limitation, people at Universal for consideration as a motion picture. (Id.) Williams agreed that 26 Carroll could act on his behalf in this regard because he trusted 27

||Carroll to protect the confidentiality of the script and his interests. (Id.)

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Williams alleges that he reasonably believed that Carroll was acting on behalf of and as an employee or authorized representative of Universal when Carroll made the above representations and commitments to Williams. (Id. ¶ 11.) Based on his conversations with Carroll, Williams understood he was providing the BET script to Universal for the script's consideration as a potential project. (Id.) Williams also alleges that he disclosed the BET script to Carroll with the mutual understanding that he would be compensated for its use or exploitation. (Id.  $\P$  35.) However, Williams heard nothing about the BET script after having submitted it to Universal, and has not been compensated for its alleged use. (Id. ¶¶ 12, 37.)

In June 2001, a motion picture called "Fast and The Furious" The motion was released to the general public. (Id. ¶ 13.) picture was produced and distributed by the defendants, Universal 18 and Neal H. Moritz, Inc. ("Moritz"). (Id.  $\P$  2-3.) Carroll is 19 credited as a first assistant editor. (Id. ¶ 19.) According to 20 Williams, "Fast and The Furious" incorporates substantial elements 21 from the BET script. For example, Williams alleges the motion picture involves street racing and contains characters, plot structure, and dialogue that are the same or similar to that depicted in the BET script. (Id.  $\P\P$  14-15.) Williams further 24 alleges that "Fast and The Furious" contains dialogue that appears to be taken verbatim from BET. (Id.)

On June 6, 2003, the defendants released a motion picture entitled "2Fast 2Furious," which was advertised as a sequel to "Fast and The Furious." ( $\underline{Id}$ . ¶ 17.) Williams alleges that "2Fast 2Furious," like "Fast and The Furious," is substantially similar to BET in plot, dialogue, story line and characters. ( $\underline{Id}$ .)

On June 16, 2003, Williams filed a lawsuit against the defendants in state court. On July 10, 2003, Williams filed a FAC alleging claims for: (1) misappropriation of trade secrets, California Civil Code § 3426.1; (2) violation of California Civil Code § 980; (3) breach of implied-in-fact contract; (4) and (5) unfair business practices, California Business and Professions Code § 17200 et seq.; (6) declaratory relief; (7) an accounting; and (8) injunctive relief. The defendants removed the action to federal court, arguing that Williams's claims are preempted by federal copyright law. Williams now moves to remand the action to state court on the ground that this Court lacks subject matter jurisdiction. Williams also seeks reimbursement for attorney's fees and costs incurred as a result of the removal.

### II. Discussion

### A. The Plaintiff's Motion to Remand

### 1. Legal Standard

Title 28 U.S.C. § 1447(c)<sup>1</sup> gives a federal court authority to remand a case to state court for lack of subject matter jurisdiction. Although the statutory language suggests that remand is mandatory if the federal court finds that subject matter jurisdiction is lacking, courts have held that "[i]t is generally within a district court's discretion either to retain jurisdiction

<sup>&</sup>lt;sup>1</sup> Title 28 U.S.C. § 1447(c) provides in relevant part that "[i]f at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded."

1 to adjudicate the pendent state claims or to remand them to state court." Harrell v. 20th Century Ins. Co., 934 F.2d 203, 205 (9th |Cir. 1991). A federal court "should consider and weigh in each 🖰 case, and at every stage of the litigation, the values of judicial economy, convenience, fairness, and comity in order to decide whether to exercise jurisdiction over a case brought in that court involving pendent state-law claims." Carnegie-Mellon Univ. v. Cohill, 484 U.S. 343, 350 (1988). When the balance of these factors indicates that a case properly belongs in state court (as when the federal law claims have dropped out of the lawsuit in its early stages and only state law claims remain) the federal court should decline to exercise jurisdiction. Id.

#### 2. Analysis

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The well-pleaded complaint rule "precludes a defendant from 15 removing a complaint to federal court purely based on a federal defense to the plaintiff's state law claims, 'even if the defense 17 is anticipated in the plaintiff's complaint, and even if both 18 parties concede that the federal defense is the only question truly 19 at issue.'" Firoozye v. Earthlink Network, 153 F. Supp. 2d 1115, 20 1119 (N.D. Cal. 2001) (quoting <u>Caterpillar</u>, <u>Inc. v. Williams</u>, 482 U.S. 386, 393 (1987)). The Supreme Court recognized that the rule usually applies to a defense of preemption as well. Caterpillar, 482 U.S. at 393.

This rule does not apply, however, in cases of "complete" federal preemption. See Franchise Tax Bd. v. Construction Laborers Vacation Trust, 463 U.S. 1, 24 (1983). Under the complete 27 preemption doctrine, where the preemptive force of a statute is 28 "extraordinary," the presence of a preemption defense under that

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statute converts "an ordinary state common law complaint into one stating a federal claim for purposes of the well-pleaded complaint rule." Metropolitan Life Ins. Co. v. Taylor, 481 U.S. 58, 65 (1987); Caterpillar, 482 U.S. at 393.2 Under such extraordinary statutes, a district court does "potentially possess subject matter jurisdiction over a removed complaint even where the federal question only arises in the context of a preemption defense." Firoozye, 153 F. Supp. 2d at 1120. If any state-law claim is preempted, the court has subject matter jurisdiction over the complaint and may permit the plaintiff to convert the preempted state-law claim to a federal claim arising under the preemptive statute. <u>Id.</u> 12

The Ninth Circuit established that a state-law cause of action is preempted by federal copyright law if (1) the work at issue comes within the subject matter of copyright; and (2) the state law |rights asserted are equivalent to rights within the general scope of copyright protection. Del Madera Props. v. Rhodes & Gardner, Inc., 820 F.2d 973, 976 (9th Cir. 1987) (overruled on other grounds); see also Kodadek v. MTV Networks, Inc., 152 F.3d 1209, 1213 (9th Cir. 1998); Valente-Kritzer Video v. Pinckney, 881 F.2d

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The Supreme Court has recognized "complete preemption" in cases arising under ERISA, claims under the Labor Management Relations Act, and cases involving certain tribal claims. 14B Charles Alan Wright, et al., Federal Practice & Procedure § 3722.1 (3d ed. 1998). Lower courts, however, have extended complete preemption analysis to copyright law. <u>Id.</u>; <u>see e.g.</u>, <u>Rosciszewski</u> <u>v. Arete Assoc.</u>, <u>Inc.</u>, 1 F.3d 225, 232 (4th Cir. 1993) (concluding from the broad language of § 301 of the Copyright Act and from its legislative history that Congress "clearly indicated that state-law claims which come within the subject matter of copyright law and which protect rights equivalent to any of the exclusive rights within the scope of federal copyright law . . . should be litigated only as federal copyright claims."); see also Firoozye, 153 F. Supp. 2d 1115; <u>Dielsi v. Falk</u>, 916 F. Supp. 985 (C.D. Cal. 1996).

772, 776 (9th Cir. 1989); Dielsi, 916 F. Supp. at 991; Firoozye,
153 F. Supp. 2d at 1123-24. Under this test, once it is determined
that the work at issue falls within the subject matter of
copyright, a court must analyze the elements of the state-law cause
of action to see if the right defined by state law may be abridged
by an act which, in and of itself, would infringe one of the
exclusive rights provided in § 106 of the Copyright Act. Firoozye,
153 F. Supp. 2d at 1125. In doing so, courts look for an "extra
element" that is required

in place of or in addition to the acts of reproduction, performance, distribution, or display in order to constitute a state-law cause of action, and the "extra element" required by state law changes the nature of the action so that it is qualitatively different from a copyright infringement claim.

Id.; see also Melville B. Nimmer & David Nimmer, 1 Nimmer on Copyright, § 1.01[B][1] at 1-13 (2002) ("[I]f under state law the act of reproduction, [etc.], will in itself infringe the state-created right, then such right is pre-empted. But if qualitatively other elements are required, instead of, or in addition to, the acts of reproduction, [etc.], . . . there is no pre-emption." (emphasis in original; footnotes omitted)).

Williams's original written film script, BET, is within the scope of subject matter of copyright, as defined in § 102 of the Copyright Act. See 17 U.S.C. § 102 (the subject matter of copyright encompasses "original works of authorship fixed in any

The Court notes that this doctrine "creates results that may conflict with the federal concerns motivating copyright law." <a href="Dielsi">Dielsi</a>, 916 F. Supp. at 992 n.3. The doctrine allows plaintiffs to avoid copyright preemption "even though the main focus of the action will be on the nature of the author's rights and the extent to which the defendant violated them . . . ." <a href="Id.">Id.</a>

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1 tangible medium of expression," including literary works); Worth v. 2 Universal Pictures, Inc., 5 F. Supp. 2d 816, 822 (C.D. Cal. 1997) (finding movie screenplays are encompassed within federal copyright); 1 Nimmer § 2.04[A] at 2-45. Therefore, the Court turns to the second prong of the test for preemption. The defendants contend that all of Williams's causes of action are preempted by federal copyright law. The Court addresses each cause of action in turn.

#### Misappropriation of Trade Secrets a.

Williams alleges that he possessed a trade secret, i.e., the 11 BET script, and that he shared it with Universal on the condition that Universal hold it in confidence. (FAC  $\P$  21.) Williams 13 further alleges that Universal disclosed the BET script, and the circumstances under which Universal obtained it, to the other 15 defendants without his consent in violation of California Civil 16 Code § 3426.1(b)(2). (Id.) Finally, Williams alleges that the 17 defendants to whom Universal disclosed the trade secret 18 misappropriated it through their acceptance and use of it in violation of § 3426.1(b)(2)(B). (Id. ¶ 23.) 19 |

According to a leading treatise, "[a]ctions for disclosure and exploitation of trade secrets require a status of secrecy, not required for copyright, and hence, are not preempted." 1 Nimmer § 1.01(B)(1)(h) at 1-42. If the state law does not require secrecy, 24 | however, "the element distinguishing the state right from copyright 25 would appear to evaporate, causing the state right thereby to be 26 pre-empted." Id. Under California law, to qualify for trade 27 secret protection, information must derive its economic value "from 28 not being generally known to the public or to other persons who can obtain economic value from its disclosure or use" and must be the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Cal. Civil Code § 3426.1(d).

Because Williams alleges that Universal breached a duty to keep the BET script confidential, an element not required for copyright, the Court finds that the cause of action is qualitatively different from a copyright infringement claim, and therefore is not preempted.

# b. Violation of California Civil Code § 980

## Williams alleges:

In addition to the BET script, Plaintiff verbally communicated other elements the [sic] Mr. Carroll which elements constitute a work of authorship as defined in [California] Civil Code § 980. The conduct of defendants identified above constituted a violation of plaintiff's rights under Civil Code § 980 because said defendants improperly took and used for profit significant and substantial portions of the verbally communicated elements.

(FAC  $\P\P$  29, 30 (emphasis added).) Section 980(a)(1) provides in relevant part:

The author of any original work of authorship that is not fixed in any tangible medium of expression has an exclusive ownership in the representation or expression thereof as against all persons except one who originally and independently creates the same or similar work.

Cal. Civil Code § 980(a)(1). A reading of the FAC reveals that
Williams alleges that he communicated to Carroll elements other
than the BET script and that such elements constitute an original
work of authorship not fixed in any tangible medium of expression.
Because § 980(a)(1), unlike the Copyright Act, protects works of
authorship that are not fixed in any tangible medium of expression,
the Court finds that this cause of action relates to a work that

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falls outside the subject matter of copyright, and therefore is not preempted by federal copyright law. See Trenton v. Infinity Broad. Corp., 865 F. Supp. 1416, 1427 (C.D. Cal. 1994) ("[T]he statute [S 980(a)(1)] steers clear of any legal or equitable rights created under federal law, and thereby avoids federal preemption under 17 U.S.C. § 301(a)").

### Breach of Implied-in-Fact Contract C.

Williams contends that an implied-in-fact contract existed between him and Universal when Williams disclosed the BET script to Carroll, because such disclosure was conditioned upon Universal's agreement to pay Williams for the script's use or exploitation. (FAC  $\P$  10, 35.) Williams contends that Universal breached this implied contract by failing to compensate Williams and failing to give him appropriate writer's credit for any production based on (Id. ¶ 37.) The defendants contend this claim is no 15 his ideas. more than a claim for infringement of exclusive rights under the Copyright Act, as the claim is based on the unauthorized copying and use of the ideas in Williams's script. (Opp. at 11-14.)

According to a leading treatise, the plaintiff's implied contract claim should not be preempted because the implied promise on the part of the defendants is an additional element beyond any of the exclusive rights under copyright law. 4 Nimmer § 16.04[C] at 16-25.4 However, the Ninth Circuit has not directly addressed

At least one court has disagreed with this reading of the treatise. See Endemol Entm't v. Twentieth Television Inc., 48 U.S.P.Q. 2d 1524, 1528 (C.D. Cal. 1998) (citing Nimmer for the proposition that "implied contracts as a species of quasi contract 'should be regarded as an "equivalent right" and pre-empted'"). The Court believes that the Endemol court reached its conclusion only by conflating quasi contract with implied-in-fact contracts, a (continued...)

this issue and the district courts do not appear to be in complete agreement. This Court agrees with the reasoning of those district courts that have found that a state-law claim for breach of and implied contract is not preempted by the Copyright Act where the plaintiff alleges that the defendants promised to pay for the use of the plaintiff's work. See, e.g., Groubert v. Spyglass Entm't Group, No. CV 02-01803, 2002 U.S. Dist. LEXIS 17769, \*10-13 (C.D. Cal.); Firoozye, 153 F. Supp. 2d at 1126-27; Katz Dochermann & Epstein, Inc. v. HBO, 1999 U.S. Dist. LEXIS 3971, \*11 (S.D.N.Y. 1999).5

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<sup>4 (...</sup>continued)

distinction the treatise seeks to maintain. See 1 Nimmer § 1.01[B][1][g] at 1-38 (claims for "unjust enrichment or quasi contract" should be preempted (emphasis in original)); 4 Nimmer § 16.03 at 16-10 (quasi contracts are obligations created in by law for reasons of justice; an implied in fact contract "on the other hand is a consensual agreement presenting the same elements as are found in an express contract except that in an implied in fact contract the promise is not expressed in words but is rather implied from the promisor's conduct."); 4 Nimmer § 16.04[C] at 16-25 (contract claim should not be preempted because of the additional element of "a promise (express or implied) upon the part of the defendant." (emphasis added)); see also Firoozye, 153 F. Supp. 2d at 1126-28 (finding that implied-in-fact contract claim was not preempt but claim for unjust enrichment was: "an action based on a contract implied in law [quasi contract] requires no extra element in addition to an act of reproduction, performance, distribution or display, whereas an action based on a contract implied in fact requires the extra element of a promise to pay for the use of the work which is implied from the conduct of the parties." (quoting Wrench v. Taco Bell Corp., 256 F.3d 446, 458-59 (6th Cir. 2001)).

on the ground that preemption has been found where the case involved the mere submission of the subject work or fruitless negotiations. Chesler/Perlmutter Prods., Inc. v. Fireworks Entm't Inc., 177 F. Supp. 2d 1050, 1059 (C.D. Cal. 2001) (Collins, J.). According to this case, where the plaintiff has alleged that the parties reached an actual agreement and that the relationship continued after the agreement was reached, the "extra element" requirement is met for an implied contract claim. Id. The instant case appears to present a situation where the plaintiff alleges (continued...)

Where a breach of implied contract claim merely asserts and promise not to use the plaintiff's work without his permission that alone is not enough to be an "extra element" to overcome preemption. See Firoozye, 153 F. Supp. 2d at 1127. However, as the Firoozye court put it,

A promise to pay for a work constitutes an extra element such that a breach of contract claim is not preempted by section 301. "It is not the use of the work alone but the failure to pay for it that violates the contract and gives rise to the right to recover damages . . . . extra element is the promise to pay. This extra element does change the nature of the action so that it is qualitatively different from a copyright infringement claim . . .."

Id. (quoting Wrench, 256 F.3d at 456).

The required elements for a claim of breach of an implied contract under California law are different from those required for 14 a claim of copyright infringement. Williams has a burden "to prove 15 elements beyond unauthorized use, including that the defendant made 16 an enforceable promise to pay and breached that promise." Id. 17 is "because many breach of contract claims allege that a defendant 18 breached a promise to pay the plaintiff for its use of the work, 19 the vast majority of contract claims will presumably survive

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<sup>(...</sup>continued) that an agreement was reached. (See FAC,  $\P$  35 (indicating that the specific terms of alleged implied agreement included compensation and writer's credit)); cf. Worth v. Universal Pictures, Inc., 5 F. Supp. 2d 816, 819 (C.D. Cal. 1997) (finding preemption where the plaintiffs apparently had simply submitted scripts and later, without any negotiations with studios, claimed that their idea for a screenplay had been stolen and made into a movie); see also Endemol, 48 U.S.P.Q. 2d at 1527 (Collins, J.) (limiting finding that implied contract claim was preempted to the facts of the case, as the relevant case law "illustrates that the ruling in these cases[] can only be appreciated within the factual contexts of each case").

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1 scrutiny' under a section 301 preemption analysis." Id. (citing 1 Nimmer § 1.01[B][1][a] at 1-22).

In the case at hand, Williams alleges the defendants impliedly promised to compensate him for the use of his BET script. His claim is not merely for the unauthorized use of his 5 35.) 6 copyrighted work, which would be exclusively actionable under § 106 of the Copyright Act, but also for a lack of compensation and 8 credit pursuant to an implied contract between the parties. The 9 Court, therefore, finds that there is an "extra element" sufficient 10 to preclude preemption of the plaintiff's breach of implied contract claim.

# <u>Unfair Competition Under California Law</u>

Williams alleges, in both his individual capacity (fourth cause of action) and on behalf of the People of the State of California (fifth cause of action), that the defendants violated California Business & Professions Code § 17200 by receiving the "benefits of monies unfairly and/or unlawfully obtained," and by |not properly giving him credit for significant portions of the . motions pictures. (FAC  $\P$  43, 44, 51.) As a result, Williams contends he has suffered, and will continue to suffer, substantial economic harm unless the defendants properly give him full credit ||for any parts of his work that were incorporated into the motion (Id.  $\P$  44.) He further alleges that, because he has not pictures. been given proper credit, the movie-watching public is being (Id. ¶ 51.) The defendants argue that the plaintiff's claim is based on the alleged violation of his rights protected 27 under copyright law and, therefore, is preempted. (Opp. at 15.)

The Ninth Circuit has found preemption where an alleged violation of § 17200 is premised upon the violation of exclusive rights under the Copyright Act. See, e.g., Kodadek, 152 F.3d at 1212-13. In at least some cases where § 17200 is based on fraud or misappropriation, however, courts have found no preemption by copyright law because such claims come from acts beyond the scope of copyright protection. See, e.q., Summit Mach. Tool Mfq. Corp. v. Victor CNC Sys., 7 F.3d 1434, 1441 (9th Cir. 1993) (finding state unfair competition laws which seek to prevent reverse palming 10 off are not preempted by federal law); Shaw v. Lindheim, 919 F.2d 11 | 1353, 1364 (9th Cir. 1990) (no preemption where bodily appropriation is shown); Salim v. Lee, 202 F. Supp. 2d 1122, 1127 (C.D. Cal. 2002) (unfair competition claim not preempted to the extent it alleges reverse passing off under state law); Firoozye, 15 153 F. Supp. 2d at 1131 (denying defendants' motion to dismiss unfair competition claim to the extent the claim relied on misrepresentation and misappropriation of trade secret claims).

Here, if Williams had alleged unfair competition based solely 19 on violations of the exclusive rights provided in § 106 of the Copyright Act, that claim would be preempted. However, in his unfair competition causes of action, Williams reiterates prior paragraphs including those alleging misappropriation of trade secrets by the defendants. The Court finds that because the plaintiff's claim for unfair competition is based on other claims which, as stated above, are not preempted by copyright law, it likewise is also not preempted.

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# Claims Six (Declaratory Relief), Seven (An) 1 e. Accounting), and Eight (Injunctive Relief) 2 The causes of action requesting declaratory relief, an 3 accounting, and an injunction request particular forms of relief for the previous causes of action. Because claims six through eight arise from claims that are not preempted, the Court finds that claims six through eight also are not preempted. 7 The Plaintiff's Request for Attorney's Fees and Costs 8 The Court denies the plaintiff's request for an award of 9 attorney's fees and costs incurred as a result of the removal. 10 l III. Conclusion 11 Based on the foregoing, the Court grants the plaintiff's 12 motion to remand the entire action to state court, and denies the plaintiff's request for an award of attorney's fees and costs. 15 IT IS SO ORDERED. 16 17 18 **PREGERSON** United States District Judge 20 21 22 23 24 25 26 27