

Case No. 08-56954

En Banc Oral Argument Scheduled for December 16, 2010

In the
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

LARRY MONTZ, *et al.*,
Plaintiffs-Appellants,

v.

PILGRIM FILMS & TELEVISION, INC., *et al.*,
Defendants-Appellees.

On Appeal From a Judgment of the United States District Court for the
Central District of California
Case No. CV-7174FMC (MANx)
The Honorable David G. Campbell

**BRIEF OF AMICUS CURIAE THE MOTION PICTURE ASSOCIATION
OF AMERICA, INC. IN SUPPORT OF APPELLEE'S POSITION SEEKING
AFFIRMANCE**

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Dated: October 21, 2010

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INTEREST OF AMICUS

The Motion Picture Association of America, Inc. (the “MPAA”) is a not-for-profit trade association founded in 1922 to address issues of concern to the motion picture industry. The MPAA member companies include Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Walt Disney Studios Motion Pictures, Twentieth Century Fox Film Corporation, Universal City Studios LLLP, and Warner Bros. Entertainment Inc.¹ The MPAA’s members and their affiliates are the leading producers and distributors of filmed entertainment in the theatrical, television, and home entertainment markets. A critical part of the MPAA’s members’ business involves acquiring from third parties screenplays and other material for possible development and production of motion pictures and television programming. In engaging in these activities, the member companies rely upon a uniformly applied federal copyright law that encourages the dissemination of works of authorship by protecting expression, but not ideas. *See Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003) (“In addition to spurring the creation and publication of new expression, copyright law contains built-in First Amendment

¹ Because Universal City Studios LLLP (“Universal”) is an affiliate of Defendants/Appellees NBC Universal, Inc. and Universal Television Networks, Universal took no part in the drafting or filing of this brief.

accommodations. First, it distinguishes between ideas and expression and makes only the latter eligible for copyright protection.”) (citation omitted).

Section 301 of the Copyright Act of 1976, 17 U.S.C. §301, plays a crucial role in ensuring nationwide uniformity in the scope of protection afforded copyrighted works. That section preempts all state law causes of action that seek to vindicate rights equivalent to copyright. Among other things, section 301 ensures that state law does not impinge on free speech interests by affording copyright-like protection to ideas. Breach of implied-in-fact contract actions seeking to protect uncopyrightable ideas are especially prone to abuse, because prospective plaintiffs can, and often do, concoct onerous “implied” terms and conditions to which the parties never agreed. In addition, lawsuits based on state law claims that conflict with copyright violate the principles of section 301. Such suits are also costly and stifle creativity, all to the detriment of the ultimate consumer of expressive works. Amicus therefore has a strong interest in a case like this one, which affects the scope of preemption under the Copyright Act, 17 U.S.C. §301.

INTRODUCTION AND SUMMARY OF ARGUMENT

Plaintiffs/Appellants Larry Montz, *et al.* (“Montz”) alleges that without his permission, Defendants/Appellees used his ideas to produce the television series *Ghost Hunters*. Plaintiff sued for breach of implied-in-fact contract and breach of confidence. Both the district court and the panel held that Montz’s claims were preempted by section 301 of the Copyright Act of 1976, 17 U.S.C. §301, which preempts all legal and equitable rights in works of authorship that are equivalent to the exclusive rights enumerated in section 106 of the Copyright Act.²

A copyright owner “must be able to exercise rights which are inherently federal in nature without worrying that 50 separate states will burden those rights.” *See Wendt v. Host International, Inc.*, 197 F. 3d 1284, 1288 (9th Cir. 1999) (Kozinski, C.J., dissenting from order rejecting the suggestion for rehearing en banc). Section 301 “accomplish[es] the general federal policy of creating a uniform method for protecting and enforcing certain rights in intellectual property by preempting other claims.” *Endemol Entm’t B.V. v. Twentieth Television, Inc.*, 48 U.S.P.Q. 2d 1524, 1526 (C.D. Cal. 1998) (quotation marks omitted); *cf.* *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (state contract law

² The exclusive rights under copyright include the rights to reproduce, adapt, distribute to the public, publicly perform, and publicly display the copyrighted work. 17 U.S.C. §106.

preempted where “it stands as an obstacle to the accomplishment of the full purposes and objectives of Congress”) (quotation marks omitted). Accordingly, state law claims cannot be maintained to vindicate rights that (1) concern works of authorship that are within the subject matter of copyright and fixed within a tangible medium of expression (the “subject matter” prong); and (2) are equivalent to any of the exclusive rights of a copyright owner (the “equivalence” prong).

Laws v. Sony Music Ent’m’t, Inc., 448 F.3d 1134, 1137-38 (9th Cir. 2006).

Montz does not dispute that his material falls within the subject matter of copyright, thus satisfying the subject matter prong. Rather, he contends that his implied-in-fact contract and breach of confidence claims are not equivalent to copyright under the equivalence prong. Citing *Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004), he asserts that his claims are merely of the type first recognized in California in *Desny v. Wilder*, 46 Cal. 2d 715, 299 P.2d 267 (1956), which permitted the plaintiff to pursue a claim for breach of promise to pay for an idea.

The panel rejected Montz’s argument, distinguishing *Grosso* and *Desny* on the grounds that in those cases, the plaintiffs offered their ideas for sale and the defendants accepted the ideas, agreeing to pay upon use. The panel concluded that the “implied promise to pay” in *Grosso* provided the extra element saving the plaintiff’s claim from preemption. In contrast, the panel correctly observed that in

this case, Montz alleged a different kind of implied agreement, in which the Appellees purportedly agreed not to *exploit* his work without his permission. Because the right to exploit is equivalent to the rights afforded by section 106 of the Copyright Act, Montz's claim was held to be preempted.

For the reasons discussed in the panel's opinion, in Appellees' brief, and below, the district court's finding of copyright preemption in this case is entirely consistent with *Grosso* and should be affirmed. More broadly, however, Amicus suggests that *Grosso* was wrongly decided and should thus not avail Montz in any event. Specifically, *Grosso* erred in holding that a bare allegation of breach of a "promise to pay" constitutes an extra element that is qualitatively different from a copyright claim.³ The MPAA therefore urges the Court to affirm the district court's order dismissing Montz's complaint and to disapprove *Grosso*.

³ As discussed in Part I.C, *infra*, the MPAA does not suggest here that properly alleged claims under *Desny v. Wilder* are preempted. Rather, Amicus submits that the *Grosso* opinion failed to appreciate the distinction between the claim before it and the facts of *Desny*.

ARGUMENT

I. MONTZ’S CLAIM IS PREEMPTED BECAUSE IT EFFECTIVELY ALLEGES A BREACH OF A CONTRACT NOT TO INFRINGE EXCLUSIVE RIGHTS UNDER COPYRIGHT

A. Section 301 of the Copyright Act Preempts Claims for Breach of Implied-in-fact Contracts Not to Use or Exploit a Work

A majority of courts and commentators recognize that, irrespective of whether some implied-in-fact contracts can survive copyright preemption, “if the promise was simply to refrain from copying the material or infringing the rights protected by copyright, then the promisor has promised nothing more than that which was already required under the federal copyright law.” *Kabehie v. Zoland*, 102 Cal. App. 4th 513, 526-27, 125 Cal. Rptr. 2d 721 (2002); *accord Wrench v. Taco Bell Corp.*, 256 F.3d 446, 457 (6th Cir. 2001) (“If the promise amounts only to refrain from reproducing, performing, distributing or displaying the work, then the contract claim is preempted.”); *Jacobsen v. Katzer*, 609 F. Supp. 2d 925, 933 (N.D. Cal. 2009) (“The breach of contract claim alleges violations of the exact same exclusive federal rights protected by Section 106 of the Copyright Act, the exclusive right to reproduce, distribute and make derivative copies. [¶]

Accordingly, the breach of contract claim is preempted by federal copyright law....”); *Nichols Agency, Inc. v. Enchanted Child Care, Inc.*, 537 F. Supp. 2d 774, 783 (D. Md. 2008) (“In this case, the crux of [the] breach of contract claim appears to be that Celebree displayed its commercials without permission. ... This

allegation is substantively similar to that contained in the Copyright Act claim....”); *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1127 (N.D. Cal. 2001) (“a plaintiff seeking to establish that a defendant breached an implied-in-fact contract would also have to prove elements beyond unauthorized use, including that the defendant made an enforceable promise to pay and breached that promise”); 5 William Patry, *Patry on Copyright* § 18:26.50, at 18-89 (“Patry”) § 18:26.50, at 18-89 (“A mere promise not to infringe, whether in a contract or not, is not an extra element that qualitatively changes the nature of the action.”); 1 *Nimmer on Copyright* § 1.01[B][1][a], at 1-17 (“Nimmer”) (contract causes of action “at times may essentially allege nothing other than derogation of rights under copyright. Those instances are to be deemed pre-empted.”).

In this case, Appellant Montz alleges a breach of an agreement whereby he could control defendant’s exploitation of his material. *See* Appellants’ Opening Brief (Dkt. No. 6923947), at 4 (“The Defendants breached their implied agreement not to disclose, divulge or exploit the Plaintiffs’ ideas and concepts without the consent of the Plaintiffs, and to share with the Plaintiffs, the profits and credit for their idea and concepts by producing and broadcasting the Concept.”), *quoting* Complaint ¶ 48, ER 13-14. Under the authorities cited above, because Montz alleges that defendants-appellees without permission exploited material that falls

within the subject matter of copyright, his claims are equivalent to copyright and thus, as the district court held, preempted under section 301.

B. *Because Desny v. Wilder Involves A Contract for the Sale of an Idea Rather Than a Promise Not to Exploit, Desny Does Not Save Montz's Claims from Preemption*

Montz asserts that his claims are not preempted because they merely plead claims like those recognized in *Desny v. Wilder*, 46 Cal. 2d 715 (1956).⁴ In *Desny*, the plaintiff telephoned defendant's office with an idea for a motion picture. Defendant's secretary insisted that the plaintiff disclose the project, after which the secretary asked plaintiff to prepare a synopsis. The plaintiff prepared the document and read it to the secretary over the phone. During this conversation, plaintiff expressly stated that defendants could use the story only if they agreed to pay the reasonable value of it. He also said that he wanted to "sell" the story.

⁴ Amicus notes that *Desny* was not a copyright preemption case. Rather, it was decided under the Copyright Act of 1909, which had no provision similar to section 301 of the Copyright Act of 1976. *See* 1 Nimmer § 1.01[B], at 1-8 ("Section 301, along with the rest of the current Act, did not become effective until 1978. Manifestly, Section 301 cannot address the status of pre-emption under prior law."). Before the effective date of the current Copyright Act, federal copyright law applied only to published works. State law afforded protection to unpublished works. State law and federal copyright law therefore co-existed. *See* 1 Nimmer § 1.01[B], at 1-8 (Section 2 of the 1909 Act was the only provision of prior law dealing with pre-emption; it provided that there was no pre-emption as to unpublished works."). The 1976 Act protects all original works of authorship, published or unpublished, fixed in a tangible medium expression. 17 U.S.C. § 102(a). As a result, Congress enacted section 301 to preempt state laws equivalent to copyright.

Defendant's secretary responded that if defendants used the story, they would pay for it. 46 Cal. 2d at 726-27. When defendants produced a motion picture allegedly using plaintiff's idea, he sued for breach of an implied contract. *Id.*

The parties in *Desny* clearly entered into an implied agreement for the *unrestricted sale* of an idea, for which the plaintiff was to be paid the reasonable value upon use. In contrast, Montz here alleges that the defendants agreed not to exploit his work without his consent. Under the great weight of authority, this is not a *Desny* claim, but rather a disguised copyright claim.

This Court itself has recognized the difference between a *Desny*-type implied-in-fact contract for the sale of an idea, on the one hand, and an implied-in-fact contract not to use an idea, on the other. In *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), the Court stated:

Landsberg argues that the contract was not for the use of his manuscript, but for S & R's refraining from using it *without his permission*. He argues in effect that the contract requires both compensation and *permission to use* his manuscript. The district court's findings are consistent with this understanding of the contract terms... Landsberg was therefore entitled under the terms of the implied contract to more than the fair value of S & R's use. *He was entitled to deny S & R permission to use it at all, and to exploit his work through another means.*

Id. at 1198 (emphasis added).⁵

The distinction between Montz’s allegations here and a true *Desny*-type claim has great significance for the MPAA’s members. As this court has recognized, a plaintiff who brings a *Desny* claim can recover only the fair value of the use of the idea at the time that the parties enter into the contract. *Landsberg*, 802 F.2d at 1198. In contrast, claims for breach of an agreement not to exploit a work without the plaintiff’s consent almost invariably entail claims for alleged loss of the right to exploit the work, lost profits, defendant’s profits, loss of credit, and loss of the ability to participate in the production and distribution of the work.⁶ Such damage claims are not only costly, time-consuming, and difficult to assess, but also essentially seek federal copyright remedies. For example, while under a true *Desny*-type claim a plaintiff can recover only the fair value of the idea and not

⁵ Amicus emphasizes that *Landsberg* cannot save Montz’s claims from preemption. Indeed, if the current Copyright Act had been in effect when *Landsberg* was decided, the plaintiff’s claims in that case would have been preempted. But *Landsberg* was decided under the Copyright Act of 1909, which as noted above contained no provision analogous to section 301 of the current act. *See Landsberg v Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 487 (9th Cir. 1984) (noting that the parties’ interaction took place in 1972; thus, Landsberg’s “claim states a cause of action arising from ‘undertakings commenced before January 1, 1978.’”).

⁶ *See Landsberg*, 802 F.2d at 1197-98 (describing the damages sought by plaintiff and noting that such damages are not available in *Desny* claims).

profits (*Landsberg*, 802 F.2d at 1198), the recovery of the defendants' profits is a characteristic copyright remedy. *See* 17 U.S.C. §504(b).

The district court's holding that Montz's claims are preempted furthers the policies of the Copyright Act by ensuring that state law does not give mere ideas copyright-like protection. Amicus urges that the district court's ruling be affirmed.

C. *Grosso v. Miramax Is Distinguishable From the Instant Case, and in any Event Was Wrongly Decided and Should Be Disapproved*

Montz similarly relies on *Grosso v. Miramax*, 383 F.3d 965, for the proposition that his breach of contract and breach of confidence claims are not preempted. This reliance is misplaced.

In *Grosso*, the plaintiff sued defendant Miramax and others for, among other things, breach of an implied-in-fact contract. Grosso broadly alleged that he submitted his script to defendants "with the understanding and expectation, fully and clearly understood by Defendants that Plaintiffs would be reasonably compensated for its use by Defendants." *Id.* at 967. Relying on section 301 of the Copyright Act, the district court granted defendants' motion to dismiss the breach of implied contract claim on federal copyright preemption grounds, holding that the allegation of a promise to pay upon use of the idea was equivalent to copyright.

The *Grosso* panel reversed. With virtually no analysis and without even mentioning the expanding body of district court case law regarding preemption of

breach of implied-in-fact contract claims,⁷ the *Grosso* court held that the plaintiff had stated a claim under *Desny v. Wilder*. The *Grosso* panel further concluded that the allegation of an implied promise to pay plaintiff the reasonable value of the material disclosed constituted a qualitatively different extra element under the equivalency prong that saved the plaintiff's claim from preemption. *Id.* at 968.

Grosso should not avail Montz for two reasons. First, as discussed above, to the extent that the plaintiff in *Grosso* truly pled a *Desny*-type claim, the case is inapposite. Montz has not pled a *Desny* claim, but rather a claim for breach of an implied promise not to exploit his work, the archetype of a preempted claim.

More significantly, however, Amicus submits that *Grosso* was erroneously decided. Contrary to the court's conclusion in *Grosso*, "a mere promise not to

⁷ See, e.g., *Chesler/Perlmutter Prods., Inc. v. Fireworks Entm't, Inc.*, 177 F. Supp. 2d 1050, 1058-59 (C.D. Cal. 2001); *Entous v. Viacom Intern'l, Inc.*, 151 F. Supp. 2d 1150, 1159-60 (C.D. Cal. 2001); *Idema v. Dreamworks, Inc.*, 162 F. Supp. 2d 1129, 1191 (C.D. Cal. 20010); *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1061 (C.D. Cal. 2000); *Metrano v. Fox Broadcasting Co., Inc.*, 2000 WL 979664, 2000 U.S. Dist. LEXIS 7662 (C.D. Cal. Apr. 24, 2000); *Endemol Entm't B.V. v. Twentieth Television, Inc.*, 48 U.S.P.Q. 2d 1524, 1526 (C.D. Cal. 1998); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 819-22 (C.D. Cal. 1997); see also *Kabehie v. Zoland*, 102 Cal. App. 4th 513, 526-27, 125 Cal. Rptr. 2d 721 (2d Dist. 2002); *Rokos v. Peck*, 182 Cal. App. 3d 604, 227 Cal. Rptr. 480 (2d Dist. 1986). See also Allison S. Rohrer, *Grosso v. Miramax Films Corp. The Ninth Circuit Deals a Wild Card*, 22 COMMUNICATIONS LAWYER 19, 22 (2005) ("Rohrer") ("The *Grosso* court undermines numerous district court decisions within the Ninth Circuit – decisions that have been driving this area of the law for the past several years...").

accept the benefit of a copyrighted work without paying for that benefit is insufficient to avoid preemption...” See 5 Patry §18:27, at 18-90;⁸ see also cases cited *supra*, note 7. This is so because the plaintiff in *Grosso* sought recompense not for conveying the idea to the defendants (or for providing services in conveying the idea), but rather for the post-conveyance *use* of the idea. As Patry notes in his criticism of *Grosso*, the plaintiff in that case sought damages for “the use [of plaintiff’s idea] in a screenplay alleged to have been substantially similar to the plaintiff’s. Such claims are preempted.” 5 Patry § 18:28, at 18-98. Cf. *Del Madera, v. Rhodes And Gardner, Inc.*, 820 F.2d 973, 977 (9th Cir. 1987) (“[A]n implied promise not to use or copy materials within the subject matter of copyright is equivalent to the protection provided by section 106 of the Copyright Act.”). In short, the allegations in *Grosso* were analogous to Montz’s claims in this case – breach of an implied promise not to exploit an idea.⁹ As such, just as Montz’s

⁸ In his treatise, Patry challenges the contrary view expressed in *Nimmer on Copyright*. See Patry § 18:27, at 18-90.

⁹ The *Grosso* opinion inexplicably relied on *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), for the proposition that the claim before it was not preempted. This, too, was error. *Landsberg* did not address the question of copyright preemption at all, nor could it have. As noted above, *Landsberg* was decided under the prior Copyright Act and so had no occasion to consider the broad preemption provisions of section 301 of the current act.

claims are preempted, the *Grosso* panel should have found the breach of implied contract claim at issue there preempted.

Industry practice underscores *Grosso*'s erroneous construction of the complaint in that case. Ordinarily, aspiring writers and producers submit their material to a number of different production companies.¹⁰ If one of those companies agrees to enter into a deal to produce the project, it will most often obtain exclusive rights from the writer or producer.¹¹ Under such circumstances, it would strain credulity to believe that the person submitting the materials would stand by and allow a second company that had also received the materials to use the idea upon payment. Indeed, the idea of concurrent use is antithetical to the concept of exclusivity.

For example, suppose that after the plaintiff in *Grosso* had purportedly submitted his script to Miramax, he had entered into an agreement with another production company to produce his screenplay. Had Miramax thereafter used his idea and tendered payment for the reasonable value, *Grosso* would have undoubtedly objected, because Miramax's use would have interfered with the

¹⁰ Montz himself alleges that he presented his material to at least twenty people at various companies, including companies other than Appellees. E.R. 6 ¶ 18.

¹¹ See generally D. Biederman, et al., LAW AND BUSINESS OF THE ENTERTAINMENT INDUSTRIES (5th ed. 2007), at p.856-58 (describing the traditional pattern of deal-making in the television industry, whereby studios acquire rights to television shows from writers).

contracting company's exclusive right to produce the project. Properly interpreted, therefore, the vague and general implied contract claim in *Grosso* was, like the claims in the instant case, tantamount to a claim of *unauthorized* use, making it preempted under section 301 of the Copyright Act for the same reasons that Montz's claims are preempted here. *Del Madera*, 820 F.2d at 977.

Neither did *Grosso* correctly hold that the plaintiff before it had pled a *Desny* claim. The clear evidence in *Desny* showed that the plaintiff intended to "sell" his idea to defendants in exchange for defendants' promise to pay upon use, without restriction on defendants' ability to use the idea. In contrast, the vague and conclusory allegations in *Grosso* pled nothing more than a claim of unauthorized use and exploitation. Unlike in *Desny*, there was certainly no clear indication in *Grosso* that the plaintiff intended to permit his idea to be used without restriction so long as defendants paid him for it.¹²

¹² In *Desny*, moreover, the parties engaged in significant interaction and negotiations. Courts have found such interaction significant in deciding whether or not a breach of implied contract claim is preempted. See *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 449-51, 457-59 (6th Cir. 2001) (rejecting suggestion that all state law contract claims survive preemption, but finding a non-preempted implied-in-fact contract claim based on repeated solicited submissions and extensive meetings and communications over many months); *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1126-27 (N.D. Cal. 2001) (finding no preemption where plaintiff emailed a price list to defendant, and defendant asked for justification for the price list, indicated it was satisfactory, and stated that plaintiff would be paid); Rohrer, at 21 ("For the plaintiff in *Desny*, it was *not until actual contractual terms were discussed* during the second telephone call that an implied contract arose.")

(...continued)

While even in 2004 *Grosso*'s pleadings should have been found inadequate to state a non-preempted claim, under current law they would be manifestly deficient. See *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007) (complaint must plead "enough facts to state a claim to relief that is plausible on its face"); *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009) ("A claim has facial plausibility when the pleaded factual content allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."). At best, therefore, *Grosso* should be considered an artifact of an era when pleading standards were less stringent.¹³

In short, *Grosso* was erroneously decided and cannot support Montz's claim in this case. Amicus respectfully urges that the judgment of the district court be affirmed and that *Grosso* be disapproved.

(...continued)

(emphasis added). The complaint in *Grosso* contained no such allegations of interaction and negotiation.

¹³ On June 9, 2010, a panel of this Court decided *Benay v. Warner Bros. Entm't, Inc.*, 607 F.3d 620 (9th Cir. 2010). *Benay* held, *inter alia*, that plaintiff's breach of contract claim was not preempted. *Id.* at 629. Because *Benay* is not at issue here, the MPAA takes no position on what effect, if any, disapproving *Grosso* would have on that case.

II. PRACTICAL CONSIDERATIONS: PERMITTING MONTZ’S LAWSUIT TO GO FORWARD WOULD ADVERSELY AFFECT, NOT ONLY THE MPAA’S MEMBERS, BUT ALSO CONSUMERS AND CREATORS OF EXPRESSIVE WORKS

Proponents of a broad, non-preempted body of state implied contract law argue that such claims are necessary to prevent “idea theft” in the entertainment industry. Such an approach ignores the realities surrounding most idea submission claims and disregards the federal policy behind preemption of state laws that purport to protect uncopyrightable ideas.

William Patry notes that federal preemption plays an important role in connection with idea submission cases “due to the imprecise, flimsy, and frequently fabricated bases for the existence of implied contracts.” 5 Patry ¶18:28, at 18-94 – 18-95. This is particularly true of breach of implied-in-fact contract claims brought under California law, because numerous California courts hold that a plaintiff can state a claim for breach of implied-in-fact contract even where the idea is neither novel nor concrete. *See, e.g., Rokos v. Peck*, 182 Cal. App. 3d 604, 614, 227 Cal. Rptr. 480 (1986).¹⁴ This law encourages plaintiffs to file lawsuits based even on the most banal, abstract ideas.

¹⁴ New York requires that an idea be “novel,” potentially an “extra element” under section 301’s equivalency prong that does not exist under California law. *See Ferber v. Sterndent Corp.*, 51 N.Y.2d 782, 433 N.Y.S.2d 85, 412 N.E.2d 1311 (1980); *Bram v. Dannon Milk Prods., Inc.*, 33 A.D.2d 1010, 307 N.Y.S.2d 571 (1st (...continued)

Amicus will identify two situations in which plaintiffs frequently file lawsuits bringing breach of implied contract claims that merely seek copyright-like protection for abstract ideas. The first is where a plaintiff makes a conclusory allegation of a breach of an implied promise to pay upon use of an idea, but fails to allege specific facts that would bring the claim within *Desny v. Wilder*. For the reasons discussed above, such lawsuits are merely disguised copyright infringement claims that seek to protect an uncopyrightable idea. This was the scenario in *Grosso*, in which the plaintiff broadly claimed that the defendants both infringed the copyright in his script by taking copyrightable expression, and also breached an implied contract because they took a noncopyrightable idea from the same script, because both works were about poker.¹⁵

The subsequent history of *Grosso* shows why plaintiff's breach of implied contract allegation was merely a disguised copyright claim. After the case was remanded to the state court, the parties engaged in significant and lengthy discovery and motion practice. The state court then granted defendants' motion for

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Dep't 1970). *See also Lehman v. Dow Jones & Co.*, 783 F.2d 285, 300 (2d Cir. 1986) (noting New York's novelty requirement and distinguishing California law).

¹⁵ In affirming summary judgment on the copyright claim, the *Grosso* panel noted that the only similarity between the works under the extrinsic test of substantial similarity was the poker setting and unprotectable poker jargon. Clearly, therefore, in his breach of contract claim, the plaintiff in *Grosso* sought protection of a common idea. 383 F.3d at 967.

summary judgment on the grounds that there was no implied-in-fact contract between plaintiff Grosso and the defendants. *See Grosso v. Miramax Film Corp.*, 2007 Cal. App. Unpub. LEXIS 7326, at *13-27 (Cal. Ct. App. 2d Dist. Sept. 10, 2007) (no evidence of a contract because Grosso had no contact with Miramax's alleged agent, and because "no circumstances preceding or attending the disclosure show an implied promise by Gotham or Miramax to pay"). In other words, in the end, it turned out that the plaintiff in *Grosso*, simply by alleging the existence of a contract, sought state law protection for an uncopyrightable idea – the very reason that the claim should have been found to have been preempted in the first place.

While defendants ultimately prevailed in *Grosso*, they did so only after burdensome and costly judicial proceedings.¹⁶ Because Congress enacted section 301 of the Copyright Act to bar state law claims that try to protect ideas, the preemption doctrine serves an important gate-keeping function that minimizes the kind of protracted state court litigation that occurred in *Grosso*.

¹⁶ *See* Allison S. Rohrer, *Grosso v. Miramax Film Corp. May Prove To Be No Boon For Writers*, 25 COMM. LAWYER 4, 4 (Summer 2007) ("Although the effects of *Grosso* have not yet fully played out in the courts, the California Court of Appeal wrote the final chapter in the actual *Grosso* case on September 10, 2007, *eight years* after Jeff Grosso originally filed the complaint. The court concluded that Grosso could not establish the threshold element of his claim, i.e., the existence of an implied contract.") (emphasis added).

Section 301's gate-keeping function is especially important in California, which, unlike New York, does not require a plaintiff to prove novelty of the claimed ideas as a condition of prevailing on a breach of contract claim. This problem is particularly acute when considering a second variant of oppressive and baseless implied-in-fact contract claims, namely those that arise out of the multitude of script submissions that companies like Amicus' members receive each year.¹⁷ Each script inevitably contains countless ideas, none of which is entitled to federal copyright protection, because ideas are unprotectable. Often a studio will produce a motion picture that differs completely in expression from an earlier submitted script, but which coincidentally – and usually unbeknownst to the studio until a claim is asserted – shares one or more similar unprotectable ideas with the previously submitted script. Given the number of scripts that Amicus' member companies receive, coupled with the number of ideas in each script, such coincidences are frequent and inevitable. Copyright law's idea-expression dichotomy encourages the free use of ideas. *See Eldred v. Ashcroft*, 537 U.S. at 219. And yet, the person who submitted the earlier script often claims breach of implied contract merely on the basis that the submission created an implied

¹⁷ By way of example, Twentieth Century Fox has, for the last five years, received, on average, more than nine new scripts for proposed feature motion pictures *every business day*.

contract under state law and that ideas in the earlier submission were allegedly used in the later motion picture or television show, without permission or payment. Such claims are susceptible to the type of imprecise, flimsy, or even fabricated state law claims that Section 301 was designed to prevent.

Other significant policy concerns support affirmance in this case. As explained above, damages in true *Desny* claims are limited to the idea's reasonable value, which is more or less quantifiable. By contrast, claimants – like Montz here – who allege unauthorized use of their ideas almost invariably seek copyright-like damages for loss of the right to exploit an idea, lost credit, lost profits, and defendant's profits. Such damages are extremely difficult to quantify. These damages claims are also easy to manipulate, because plaintiffs can allege “implied” terms and conditions to which the defendant never agreed.

Allowing broad claims like those in the instant case have the paradoxical effect of stifling fledgling creators of expressive works. Higher risks of frivolous law suits with unquantifiable damage claims tend to cause companies like Amicus' members to tighten submission policies. *See Note: Whose Idea Is It Anyway? Protecting Idea Purveyors And Media Producers After Grosso v. Miramax*, 23 CARDOZO ARTS & ENT. L.J. 507, 526-27 (2005) (“Rather than leveling the playing field between producers and idea purveyors, these provisions all serve to reduce the idea purveyor's bargaining power by limiting both remedies and damages for

idea theft.”); Shannon M. Awsumb, *“Idea Theft” Claims Post-Grosso: Did Grosso Really Change Anything?*, 24 ENT. & SPORTS LAW 1, 10 (Fall 2006) (“It is also undeniable that Grosso has complicated the relationship between writers and studios, further limiting the willingness of studios to consider unsolicited ideas or pitches out of fear that the studio could unintentionally enter into an implied contract with the screenwriter.”). As a result, creators without an existing relationship with a studio have a more difficult time submitting their work.

Finally, if Montz were permitted to go forward with his state law claims, he would effectively have a copyright monopoly in an idea, an eventuality that is antithetical to the Copyright Act and to concepts of free speech. As noted above, it is industry practice for individuals to submit projects to multiple companies. Montz himself allegedly did so. By these multiple submissions to the producers of a particular genre (*e.g.*, children’s programming, reality television, crime drama), a plaintiff could essentially claim to occupy the field for a particular idea; in this case, for any reality show about a paranormal investigator. In short, a holding affirming the judgment of the district court will actually encourage innovation and the broader dissemination of expressive works.

CONCLUSION

For the foregoing reasons, Amicus urges the Court to affirm the judgment of the district court.

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CERTIFICATE OF SERVICE VIA CM/ECF

I hereby certify under penalty of perjury that on October 21, 2010, I electronically filed the foregoing document entitled **BRIEF OF AMICUS CURIAE THE MOTION PICTURE ASSOCIATION OF AMERICA, INC. IN SUPPORT OF APPELLEE'S POSITION SEEKING AFFIRMANCE** with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the Court's CM/ECF system.

All participants in the case are registered CM/ECF users and service will be accomplished by the appellate CM/ECF System.

October 21, 2010

s/ Robert H. Rotstein

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