UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES—GENERAL

Case No. CV 17-9132-MWF(JCx) **Date: February 2, 2018**
Title: ISE Entertainment Corporation v. Gerald A. Longarzo, Jr., et al.

Present: The Honorable MICHAEL W. FITZGERALD, U.S. District Judge

Relief Deputy Clerk:	Court Reporter:
Cheryl Wynn	Not Reported
Attorneys Present for Plaintiff:	**Attorneys Present for Defendant:**
None Present	None Present

Proceedings (In Chambers): ORDER RE: DEFENDANTS' MOTION TO DISMISS PURSUANT TO FED. R. CIV. PROC. 12(b)(6) AND 12(b)(1) [8]

Before the Court is Defendants Gerald A. Longarzo, Jr.'s and Jeff Civillico's Motion to Dismiss Pursuant to Fed. R. Civ. Proc. 12(b)(6) and 12(b)(1), filed on December 27, 2017 (the "Motion"). (Docket No. 8). On January 8, 2018, Plaintiff ISE Entertainment Corporation ("ISE") filed an Opposition. (Docket No. 11). On January 16, 2018, Defendants filed a Reply. (Docket No. 13).

The Court has read and considered the papers filed in connection with the Motion and deems the matter appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78(b); Local Rule 7-15. The hearing scheduled for January 29, 2018 was therefore **VACATED**.

For the reasons set forth below, the Motion is **DENIED** as to ISE's DMCA section 512(f) claim, and it is **GRANTED *with leave to amend*** as to ISE's breach of contract, fraud, and declaratory relief claims.

I. FACTUAL AND PROCEDURAL BACKGROUND

On November 22, 2017, ISE filed a Complaint against Defendants in the Los Angeles County Superior Court. (Complaint, Docket No. 1-1). The Complaint contains the following allegations, which the Court accepts as true for present purposes:

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ISE, a Nevada corporation with its principal place of business in Las Vegas, is "the owner, creator and copyright holder of the television series, 'The Weekend in Vegas,' (the 'Program') which airs on the ABC Affiliate station in Las Vegas, Nevada, and was, until the actions of Defendants herein, available for download on Amazon.com." (*Id.* ¶¶ 1, 7).

Civillico, a Nevada resident, is the co-producer of the Program and appears on camera as the Program's host. (*Id.* ¶¶ 3, 9). On February 2, 2017, ISE and Civillico entered into a written "Deal Memo," a one-page document that ISE attached to its Complaint. (*Id.* ¶ 8, Ex. 1). The Deal Memo provided, *inter alia*:

> Company [ISE] and Co-Producer [Civillico] have established a business relationship through the production of the television series known as *The Weekend in Vegas*…
>
> …
>
> Co-Producer agrees that any work created during the course of business with Company is the original work and property of Company. Co-Producer further agrees that all rights, including copyrights, performance rights and publicity rights, belong to Company.

(*Id.* ¶ 8, Ex. 1).

On August 18, 2017, Amazon Video Direct ("Amazon Video") sent an email to "info@arttecusa.com" (apparently an email address associated with ISE), indicating that Amazon Video had received a complaint from Longarzo, a California resident and Civillico's attorney, concerning ISE's posting of Program episodes on the Amazon Video website. (*Id.* ¶¶ 2, 10-11, Exhs. 4, 6). Amazon Video's email said, in pertinent part:

> We've received a notice from a third party [Longarzo] claiming that the distribution of the following title [the

> Program] and/or its audio/video contents you submitted for sale through Amazon may not be properly authorized by the appropriate rights holder… As a result, we've suspended distribution of this title, pending further investigation. Below is the contact information for the third party who claims you infringed its rights [listing Longarzo's name and email address]. We expect that you'll compensate this party for any infringing copies sold.

(*Id.* Ex. 4).

ISE claims that Amazon Video's removal of the Program from its website was prompted by a notification of infringement that Longarzo submitted to Amazon Video pursuant to the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512, which ISE refers to as a "DMCA Notice." (Complaint ¶¶ 10-11). ISE claims that the "DMCA Notice is false and was false at the time it was filed," because Longarzo falsely "represented in the DMCA Notice, under penalty of perjury, that the Program infringed upon the copyright of … Civillico." (*Id.* ¶ 12).

On August 24, 2017, an attorney for ISE wrote a letter to Longarzo, contending that, pursuant to the Deal Memo, Civillico "holds no rights to any intellectual property of ISE regarding [the Program]," and demanding that Longarzo "immediately notify Amazon that your client's [Civillico's] claim is withdrawn." (*Id.* ¶ 13, Ex. 5). On August 29, 2017, Longarzo responded by email, contending that ISE was in breach of a verbal agreement to pay Civillico $1,000 per week and that the Deal Memo does not permit ISE to use Civillico's "name, image or likeness in connection with [his] on-camera services" absent authorization, and refusing to withdraw the Amazon Video claim. (*Id.* ¶ 14, Ex. 6).

On November 13, 2017, ISE's current counsel sent a letter to Longarzo (which is not attached to the Complaint), allegedly informing Longarzo that, "in the DMCA Notice, Longarzo knowingly misrepresented to Amazon.com that the Program was infringing, and demanded retraction or withdrawal of the DMCA Notice." (*Id.* ¶ 15).

Longarzo responded by email the next day, writing, *inter alia*, that "[t]he information in your letter is not accurate, but we thank you and Gary [principal of ISE] for your continued interest in Jeff [Civillico]." (*Id.* ¶ 15, Ex. 7).

In its Complaint, ISE asserts four claims for relief: (1) a claim for declaratory relief seeking "a judicial declaration of the rights and duties of the parties hereto with regard to who is the rightful owner of the copyright of the Program," against both Defendants; (2) "damages for false DMCA Notice" pursuant to 17 U.S.C. § 512(f), against both Defendants; (3) breach of contract, against Civillico; and (4) fraud, against both Defendants.

On December 20, 2017, Defendants removed the case from Superior Court. (*See* Notice of Removal, Docket No. 1). Defendants invoked this Court's federal-question jurisdiction with respect to ISE's claim for damages under the DMCA. The Motion followed.

II. PLEADING STANDARDS

"Dismissal under Rule 12(b)(6) is proper when the complaint either (1) lacks a cognizable legal theory or (2) fails to allege sufficient facts to support a cognizable legal theory." *Somers v. Apple, Inc.*, 729 F.3d 953, 959 (9th Cir. 2013). "Federal Rule of Civil Procedure 8(a)(2) requires only 'a short and plain statement of the claim showing that the pleader is entitled to relief,' in order to 'give the defendant fair notice of what the . . . claim is and the grounds upon which it rests . . . ." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)).

In ruling on the Motion under Rule 12(b)(6), the Court follows *Bell Atlantic* and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). "To survive a motion to dismiss, a complaint must contain sufficient factual matter . . . to 'state a claim to relief that is plausible on its face.'" *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570). The Court must disregard allegations that are legal conclusions, even when disguised as facts. *See id*. at 681 ("It is the conclusory nature of respondent's allegations, rather than their extravagantly fanciful nature, that disentitles them to the presumption of truth.");

Eclectic Properties E., LLC v. Marcus & Millichap Co., 751 F.3d 990, 996 (9th Cir. 2014). "Although 'a well-pleaded complaint may proceed even if it strikes a savvy judge that actual proof is improbable,' plaintiffs must include sufficient 'factual enhancement' to cross 'the line between possibility and plausibility.'" *Eclectic Properties*, 751 F.3d at 995 (quoting *Twombly*, 550 U.S. at 556–57) (internal citations omitted).

The Court must then determine whether, based on the allegations that remain and all reasonable inferences that may be drawn therefrom, the complaint alleges a plausible claim for relief. *See Iqbal*, 556 U.S. at 679; *Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc.*, 637 F.3d 1047, 1054 (9th Cir. 2011). "Determining whether a complaint states a plausible claim for relief is 'a context-specific task that requires the reviewing court to draw on its judicial experience and common sense.'" *Ebner v. Fresh, Inc.*, 838 F.3d 958, 963 (9th Cir. 2016) (quoting *Iqbal*, 556 U.S. at 679). Where the facts as pleaded in the complaint indicate that there are two alternative explanations, only one of which would result in liability, "plaintiffs cannot offer allegations that are merely consistent with their favored explanation but are also consistent with the alternative explanation. Something more is needed, such as facts tending to exclude the possibility that the alternative explanation is true, in order to render plaintiffs' allegations plausible." *Eclectic Properties*, 751 F.3d at 996–97; *see also Somers*, 729 F.3d at 960.

Fraud-based allegations are governed by Rule 9(b). "Rule 9(b) demands that, when averments of fraud are made, the circumstances constituting the alleged fraud be specific enough to give defendants notice of the particular misconduct so that they can defend against the charge[.]" *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1106 (9th Cir. 2003) (internal citations omitted). Under Rule 9(b), fraud allegations must include the "time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentations." *Swartz v. KPMG LLP*, 476 F.3d 756, 764 (9th Cir. 2007) (citing *Edwards v. Marin Park, Inc.*, 356 F.3d 1058, 1066 (9th Cir. 2004)). In other words, "[a]verments of fraud must be accompanied by 'the who, what, when, where, and how' of the misconduct charged." *Vess*, 317 F.3d at 1106. Such averments must be specific enough to "give defendants notice of the particular

misconduct . . . so that they can defend against the charge and not just deny that they have done anything wrong." *Id*. (quoting *Bly–Magee v. California*, 236 F.3d 1014, 1019 (9th Cir. 2001)).

III. DISCUSSION

A. DMCA Claim

In connection with its DMCA claim, ISE alleges that when Longarzo "filed the DMCA Notice with Amazon.com, and certainly after he received [the August 24, 2017 and November 13, 2017 letters from ISE's lawyers], he could not have reasonably believed that [ISE] did not hold the copyright to the Program and everything in the Program that was the fruits of Civillico's services." (Complaint ¶ 20). "By filing the DMCA Notice … Longarzo, and … Civillico … knowingly misrepresented that the Program was infringing, in violation of 17 USC section 512(f), entitling [ISE] to damages for the removal or disabling of access to the Program." (*Id.* ¶ 21).

1. Overview of DMCA

"In 1998, Congress adopted the DMCA, 17 U.S.C. § 512, in part to address copyright concerns with user-driven media, such as the YouTube internet website" or other internet service providers ("ISPs") like Amazon Video. *Shropshire v. Canning*, No. 10-CV-01941-LHK, 2011 WL 90136, at *4 (N.D. Cal. Jan. 11, 2011). Section 512(c) sets forth a process by which an aggrieved owner of a copyrighted work can provide notice to an ISP that one of the ISP's users has exploited that work, via the ISP's website, without authorization. *See* 17 U.S.C. § 512(c)(3). Among other things, the copyright owner must provide written notification, sworn under penalty of perjury, that identifies both the infringed and infringing work, and that contains a "statement that the complaining party has a good faith belief that the use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law." *See id.* Once the ISP receives a "takedown notice" under section 512(c)(3), it can avoid liability for infringement if it – under what is commonly referred to as the DMCA's "safe harbor" mechanism – "responds expeditiously to remove, or disable

access to, the material that is claimed to be infringing or to be the subject of infringing activity." 17 U.S.C. § 512(c)(1)(C).

Section 512(g) sets forth the criteria that an ISP must satisfy to avoid liability to the ISP subscriber (*i.e.*, the allegedly-infringing party) whose content has been removed at the request of the copyright owner (*i.e.*, the allegedly-infringed party) under the "safe harbor" provision. Upon removing or disabling access to the subscriber's content, the ISP must: (1) "take[ ] reasonable steps to promptly notify the subscriber that it has removed or disabled access to the [allegedly-infringing] material"; (2) furnish to the copyright owner any "counter notification" (*i.e.*, a statement from the subscriber that its content is not actually infringing) it has received from the subscriber within ten days of receipt; and (3) "replace[ ] the removed material and cease[ ] disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice" *unless* the copyright owner informs the ISP that it has filed a lawsuit "to restrain the subscriber from engaging in infringing activity relating to the material on the [ISP's] system or network." 17 U.S.C. § 512(g).

The DMCA also provides protection for ISP subscribers whose content is removed as the result of fraudulent takedown notices. Pursuant to section 512(f), "[a]ny person who knowingly materially misrepresents ... that material or activity is infringing … shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, [or] as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing…" 17 U.S.C. § 512(f).

2. ISE has standing to bring a section 512(f) claim

Defendants first argue that ISE does not have standing to bring a section 512(f) claim because ISE never registered a copyright covering the Program and is therefore not a "copyright owner." Defendants rely upon section 411(a), which provides, in pertinent part, that "no civil action ***for infringement of the copyright*** in any United States work shall be instituted until preregistration or registration of the copyright

claim has been made in accordance with this title [*i.e.* with the Copyright Office]." 17 U.S.C. § 411(a) (emphasis added). ISE acknowledges that it has not obtained a registration pertaining to the Program. (Opp. at 7). But as ISE correctly points out, it is not suing for copyright infringement; it is suing for damages stemming from the allegedly fraudulent takedown notice that Defendants submitted to Amazon Video pursuant to the DMCA. Defendants' reliance on the section 411(a) registration requirement is misplaced.

Turning to the language of the statute at issue, section 512(f) provides that anyone who knowingly submits a false takedown notice to an ISP "shall be liable for any damages, including costs and attorneys' fees, incurred by the ***alleged infringer***, by any copyright owner or copyright owner's authorized licensee, or by a service provider…" 17 U.S.C. § 512(f) (emphasis added). Defendants home in on the phrase "copyright owner" and ignore the other groups that may recover damages under section 512(f), including alleged infringers, arguing that, "[i]n order to have standing to bring a claim under 17 U.S.C. § 512(f), a plaintiff must be a valid copyright owner." (Mot. at 4).

Defendants rely upon two district court opinions to support their argument that only copyright owners in possession of a copyright registration may bring a section 512(f) claim. Neither are availing.

First, Defendants cite *Shropshire v. Canning*. (Mot. at 4; Reply at 3-4). In that case, the plaintiff (the performer of "Gramma Got Run Over by a Reindeer"), sued the defendant, an individual who had adapted the song in a YouTube video, for copyright infringement and for damages under section 512(f), based upon the defendant's allegedly fraudulent DMCA counter-notice to YouTube (which resulted in the video being reposted pursuant to section 512(g)). *Shropshire*, 2011 WL 90136, at *1-2. The defendant argued, *inter alia*, that the plaintiff lacked standing to bring a section 512(f) claim because a third-party had been given a license to administer the copyright. *Id.* at *5. In rejecting that argument, the district court held that, "[u]nder Section 512(f), 'any copyright owner' injured by a misrepresentation in a DMCA counter-notice may bring suit for damages," and "Plaintiff is such a copyright owner, and thus has standing to bring a DMCA misrepresentation claim." *Id.* The district court in *Shropshire* simply

acknowledged that copyright owners may bring a section 512(f) claim and held that the plaintiff was copyright owner; it did not hold that copyright owners are the ***only*** ones who can bring a section 512(f) claim as Defendants suggest.

Second, Defendants cite *Schenck v. Orosz*, No. 3:13-CV-0294, 2013 U.S. Dist. LEXIS 160690 (M.D. Tenn. Nov. 7, 2013). (Reply at 4). In that copyright infringement action, the plaintiffs had submitted a DMCA takedown notice to an ISP hosting the defendant's allegedly infringing work prior to filing the lawsuit. *Schenck*, 2013 U.S. Dist. LEXIS 160690, at *7-8. Two days after plaintiffs submitted the takedown notice, the defendant submitted a counter-notice pursuant to section 512(g)(3), arguing that plaintiff's takedown notice was the result of mistake or misidentification and requesting that its content not be removed. *Id.* at *8. Less than two weeks later, the plaintiff filed the lawsuit (within the 14-day window provided by section 512(g)(2)(C)), and the ISP did not re-post the defendant's content. *Id.*

The plaintiffs in *Schenck*, in a rush to file within the 14-day window imposed by the DMCA (*i.e.*, to prevent the ISP from re-posting the allegedly-infringing work), filed their copyright infringement lawsuit prior to registering their work. *Id.* at *20-26. They "argue[d] that, when an unregistered copyright owner challenges infringing online material under the DMCA and receives a counter-notification, applying the registration approach [*i.e.*, the section 411(a) registration requirement] has unfair effects." *Id.* at *26. While the district court recognized the tension between the DMCA's 14-day window to file a lawsuit and the registration requirement, it held that, "[u]nder the circumstances presented, and in the absence of a persuasive alternative construction of the DMCA and § 411(a), … the DMCA does not displace § 411(a)'s registration requirement…" *Id.* at *32-33. Unlike the plaintiffs in *Schenck*, ISE has not rushed to file a copyright infringement lawsuit in response to a counter-notice prior to registering its copyright; it has filed a lawsuit seeking damages under section 512(f) based upon Defendants' allegedly wrongful takedown notice to Amazon Video. *Schenck* is thus not helpful to Defendants' argument.

Based upon the plain language of the statute – which provides that an "alleged infringer," among others, may recover damages when it is harmed by a fraudulent takedown notice – and the lack of any authority supporting Defendants' position, the

Court concludes that neither copyright ownership nor registration are prerequisites to bringing a section 512(f) action. As an "alleged infringer," ISE has standing to sue under section 512(f).

3. ISE has stated a viable section 512(f) claim

In addition to ISE's standing, Defendants' attack the sufficiency of the section 512(f) claim.

First, Defendants argue that ISE attached to its Complaint the notification it received from Amazon Video and erroneously referred to it as a "DMCA Notice," as if it were the takedown notice that ISE alleges Longarzo submitted that prompted Amazon Video to remove the Program, and that ISE failed to attach Longarzo's actual takedown notice. (Mot. at 5; Reply at 4). In response, ISE states that it is not currently in possession of Longarzo's alleged takedown notice and acknowledges that it rather sloppily referred to the email notification that it received from Amazon Video (Complaint Ex. 4) as a "DMCA Notice." (Opp. at 8-10). Relatedly, Defendants argue that, because ISE is not in possession of Longarzo's communication to Amazon Video, it has not plausibly alleged that Amazon Video removed the Program as a result of a DMCA takedown notice, rather than some other reason entirely unrelated to copyright or the DMCA. (*See* Mot. at 6-7; Reply at 4-6).

Defendants cite the requirements with which a DMCA takedown notice must comply under section 512(c)(3) – *e.g.*, in writing; contains a physical or electronic signature; identifies both the infringed and infringing works; contact information for the complaining party; etc. – and argue that ISE's section 512(f) claim fails because ISE has not specifically pled that Longarzo's communication with Amazon Video complied with each of these requirements. Defendants cite no authority to support such a stringent pleading requirement and the Court has not located any. It would make little sense to require a plaintiff suing under section 512(f) to plead – consistent with Rule 11 – what the *defendant* did or did not include in their communications with an ISP where the plaintiff has only received notification that the ISP has removed content at the defendant's request but not the defendant's request itself.

Defendants further argue that because the email ISE received from Amazon Video does not specifically reference anything about "copyright," and because Amazon Video permits requests to remove content based upon "copyright concerns," "trademark concerns," "patent concerns," and "***other concerns***," ISE has no basis to allege that Longarzo sent Amazon Video a takedown notice under the DMCA, as opposed to a request to remove the Program for some other unspecified reason, and therefore no viable section 512(f) claim. (*See* Mot. at 5; Reply at 4-5). Amazon Video's email to ISE says that it had removed the Program at Longarzo's request because distribution of the Program "through Amazon may not be properly authorized by the appropriate ***rights holder***" and provided the "contact information of the third party [Longarzo] who claims you ***infringed its rights***." Defendants make no attempt to explain what "rights" Amazon Video may have been referring to if not copyrights. If Longarzo did in fact request that Amazon Video remove the Program for some reason unrelated to copyright or the DMCA, Defendants can quite easily move for summary judgment on ISE's section 512(f) claim by providing ISE and the Court with copies of its communications with Amazon Video and arguing that the DMCA is not implicated.

For the time being, construing all reasonable inferences that can be drawn from the Complaint and its exhibits in ISE's favor, ISE has plausibly alleged that Amazon Video was prompted to remove the Program by a DMCA takedown notice, rather than for some other unspecified reason.

Second, Defendants argue that ISE has failed to adequately allege that Defendants acted with the requisite mental state to be liable under section 512(f). Again, pursuant to section 512(f), "[a]ny person who ***knowingly materially misrepresents*** ... that material or activity is infringing … shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer…" 17 U.S.C. § 512(f) (emphasis added). Ultimately, in order to prevail on its section 512(f) claim, ISE will need to establish that Defendants had actual (*i.e.*, subjective) knowledge that their representations to Amazon Video regarding the parties' respective rights in the Program were false. *See Rossi v. Motion Picture Ass'n of America Inc.*, 391 F.3d 1000, 1005 (9th Cir. 2004) ("A copyright owner cannot be liable simply because an unknowing mistake is made, even if the copyright owner acted

unreasonably in making the mistake… Rather, there must be a demonstration of some actual knowledge of misrepresentation on the part of the copyright owner.") (internal citations omitted).

While ISE may struggle to produce evidence of subjective bad faith as the case progresses, the Complaint contains sufficient allegations of Defendants' actual knowledge of misrepresentation to survive the present Motion. ISE alleges that it and Civillico executed the Deal Memo, pursuant to which Civillico "agree[d] that any work created during the course of business with [ISE] is the original work and property of [ISE]," and that "all rights, including copyrights, performance rights and publicity rights, belong to [ISE]." It alleges that, notwithstanding the Deal Memo, Civillico and Longarzo (an attorney), submitted a DMCA takedown notice to Amazon Video. It alleges that, even after ISE's attorney notified Longarzo of ISE's rights in the Program under the Deal Memo on more than one occasion, Longarzo refused to withdraw the takedown notice. That is enough to survive a motion to dismiss. *See Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1156 (N.D. Cal. 2008) ("Although the Court has considerable doubt that Lenz will be able to prove that Universal acted with the subjective bad faith required by *Rossi*, and following discovery her claims well may be appropriate for summary judgment, Lenz's allegations are sufficient at the pleading stage.").

In sum, ISE has standing to bring a section 512(f) claim and has stated a viable section 512(f) claim. Accordingly, Defendants' Motion is **DENIED** with respect to ISE's DMCA section 512(f) claim for relief.

B. Breach of Contract Claim

In connection with its breach of contract claim, ISE alleges that Civillico received consideration for his services under the Deal Memo (a 5% equity stake in ISE) and that ISE satisfied all of its obligations under the Deal Memo. (*See* Complaint ¶¶ 25-26, Ex. 1). ISE alleges that, on August 18, 2017, Civillico "breached the Deal Memo by ***using clips from the Program on his website*** without authorization, ***violating the confidentiality clause*** of the Deal Memo, and by repudiating the contract, entitling [ISE] to rescind the corporate shares granted [Civillico] pursuant to the Deal

Memo, and further breached the Deal Memo by ***filing the DMCA Notice*** through his agent, Defendant Longarzo, and by ***claiming ownership of the Program's copyrights and interfering with the distribution of the Program***, in breach of the last clause of the Deal Memo." (*Id.* ¶ 27) (emphasis added).

Defendants do not attack the adequacy of ISE's pleading of a breach of contract claim. Instead, Defendants argue that ISE's breach of contract claim is preempted by the Copyright Act.

State law claims are preempted by the Copyright Act if two questions are answered in the affirmative: (1) Does "the 'subject matter' of the state law claim fall[ ] within the subject matter of copyright as described by 17 U.S.C. §§ 102 and 103[?]"; and (2) "[A]ssuming that it does, … [are] the rights asserted under state law … equivalent to the rights contained in 17 U.S.C. § 106, which articulates the exclusive rights of copyright holders[?]" *Laws v. Sony Music Entertainment, Inc.*, 448 F.3d 1134, 1137-38 (9th Cir. 2006) (internal citations omitted).

The parties do not dispute that the "subject matter" of ISE's breach of contract claim – the Program – falls within the subject matter of the Copyright Act, which includes, *inter alia*, "motion pictures and other audiovisual works" and derivative works thereof. *See* 17 U.S.C. §§ 102(a)(6), 103; *Cf. Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 979 (9th Cir. 2011) ("For preemption purposes, ideas and concepts that are fixed in a tangible medium fall within the scope of copyright."). But they reach different conclusions with respect to the second prong of the preemption test: Defendants argue that the rights ISE asserts in connection with its breach of contract claim are equivalent to the rights protected under section 106 of the Copyright Act; ISE argues that its asserted contractual rights under the Deal Memo and its rights under the Copyright Act are not entirely equivalent.

To survive Copyright Act preemption under the second prong, "a state cause of action must assert rights that are qualitatively different from the rights protected by copyright." *Montz*, 649 F.3d at 980. The Copyright Act endows authors of copyrightable works with the rights to, *inter alia*, reproduce, distribute, publicly perform, and publicly display that work. *See* 17 U.S.C. § 106. The key question is

thus whether or not ISE, through its breach of contract claim, is asserting any rights that are qualitatively different from the rights set forth in section 106. *See, e.g.*, *Groubert v. Spyglass Entertainment Group, LP*, No. CV 02-1803-SVW (JTLx), 2002 WL 2031271, at *3 (C.D. Cal. July 23, 2002) ("In order to determine whether the breach of implied contract claim is preempted, the Court must look to the rights actually created by the alleged contract, and then determine whether any of those rights differ from the prohibition of unauthorized reproduction, performance, distribution, or display of work protected under copyright law.").

As noted above, ISE alleges that Civillico breached the Deal Memo in four substantive ways: (1) "using clips from the Program on his website"; (2) "violating the confidentiality clause of the Deal Memo"; (3) "filing the DMCA Notice"; and (4) "claiming ownership of the Program's copyrights and interfering with the distribution of the Program." While it is not clear from the Complaint how Civillico may have breached the Deal Memo's "confidentiality clause," ISE explains in its Opposition that he did so by "using clips from the program without authorization." (Opp. at 14). To simplify things, Civillico's alleged breaches are thus making unauthorized use of Program clips, filing the DMCA Notice, and interfering with ISE's distribution rights. Assuming ISE has a protectable copyright interest in the Program, each of these alleged breaches would interfere with rights conferred by section 106 of the Copyright Act – *e.g.*, reproduction, distribution, public performance, and public display. In connection with its breach of contract claim, ISE has thus not asserted any "rights that are qualitatively different from the rights protected by copyright." *Montz*, 649 F.3d at 980.

The Ninth Circuit and other district courts have held that a breach of contract claim is not preempted where the plaintiff is seeking payment for his or her contributions to the defendant's copyrighted work, as a demand for payment is an "extra element" that brings a breach of contract claim outside the ambit of the Copyright Act. *See id.* ("Contract claims generally survive preemption because they require proof of such extra element… The extra element, the implied agreement of payment for use of a concept, is a personal one, between the parties."); *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 968 (9th Cir. 2004) ("In *Del Madera* [*Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987)], we held that a claim for unjust

enrichment was equivalent to a claim for copyright infringement, and thus preempted, because the claim lacked an extra element – the bilateral expectation of compensation. Here, Grosso has alleged the extra element is present. Therefore, his claim for breach of an implied-in-fact contract is not preempted by the Copyright Act, because it alleges an extra element that transforms the action from one arising under the ambit of the federal statute to one sounding in contract."); *Groubert*, 2002 WL 2031271, at *4 (breach of implied contract claim not preempted by Copyright Act where the plaintiff "contend[ed] that the alleged contract required Disney and Touchstone to provide just and fair compensation to Plaintiff in the event that Defendants elected to create a motion picture based upon the idea, pitch, and/or treatment that he provided to them").

ISE relies upon this line of cases, in which breach of contract claims are premised upon a right to payment, to argue that its breach of contract claim is not preempted. ISE makes the following somewhat strained argument:

> In the case at hand, the breach of contract count incorporates paragraph 14 of the complaint, which alleges that Defendant Longarzo contended that Plaintiff was in breach of the Deal Memo and had 'no right to exploit the result and proceeds of Defendant Civillico's producing services' as justification for blocking [ISE's] distribution [of the Program]. This implies a claim of compensation from the Deal Memo, as was the case in *Montz*, as it appears the Defendants are arguing that Civillico had a reasonable expectation of compensation for the use of his services as co-producer of the [P]rogram… The issues of whether or not Plaintiff or Defendants were in breach of the Deal Memo, and whether Civillico has the right to restrict distribution of the [P]rogram for compensation therefore, are not preempted by copyright law.

(Opp. at 14).

ISE's argument might make sense if it pertained to a (currently nonexistent) breach of contract claim that Civillico was asserting against ISE pursuant to which

Civillico was seeking payment for his contributions to the Program. But ISE has not cited, and the Court has not located, any authority suggesting that a breach of contract claim premised upon a defendant's interference with the plaintiff's rights under the Copyright Act is not preempted due to the fact that the defendant has justified his interference with the plaintiff's rights by arguing that the plaintiff failed to pay him under a contract. The Court is unpersuaded by this tortuous theory of non-preemption.

In sum, the subject matter of ISE's breach of contract claim falls within the subject matter of the Copyright Act, and the rights ISE asserts in connection with its breach of contract claim are equivalent to rights conferred by the Copyright Act. ISE's breach of contract claim, as currently pled, is thus preempted by the Copyright Act.

Accordingly, the Motion is **GRANTED *with leave to amend*** as to ISE's breach of contract claim.

C. Fraud Claim

In connection with its fraud claim, ISE alleges, *inter alia*, that Defendants' "representations … in the DMCA Notice [*i.e.*, the DMCA takedown notice that Longarzo submitted to Amazon Video] … were false" because "[t]he true facts were that [ISE], and only [ISE] is the holder of the Copyright to the Program and all the fruits of Defendant Civillico's services as Co-Producer of the Program." (Complaint ¶ 30). ISE alleges that, "[a]s a proximate result of the Defendant's [sic] fraud and deceit, [ISE] has suffered damages due to the removal of the Program from Amazon.com…" (*Id.* ¶ 32).

Under California law (which both parties assume applies), a fraud claim must contain the following elements: "(a) misrepresentation (false representation, concealment, or nondisclosure); (b) knowledge of falsity (or 'scienter'); (c) intent to defraud, i.e., to induce reliance; (d) justifiable reliance; and (e) resulting damage." *Lovejoy v. AT&T Corp.*, 92 Cal. App. 4th 85, 93, 111 Cal. Rptr. 2d 711 (2001). Moreover, the misrepresentation must be made to the plaintiff (rather than some third party) and the plaintiff (rather than some third party) must have relied upon the misrepresentation to his detriment. *See Maddux v. Philadelphia Life Ins. Co.*, 77 F.

Supp. 2d 1123, 1132 (S.D. Cal. 1999) ("A plaintiff may not generally maintain an action for fraud unless plaintiff was the person to whom the alleged misrepresentations were directed."); *Pulver v. Avco Financial Services*, 182 Cal. App. 3d 622, 640, 227 Cal. Rptr. 491 (1986) ("the plaintiff is the person to whom the representation must have been made, and it is the plaintiff who must have relied on the misrepresentation to his damage.").

ISE's fraud claim is entirely premised upon allegedly false statements that Longarzo made to Amazon Video, not to ISE. Citing *Wolf v. Mitchell, Silberberg & Knupp*, 76 Cal. App. 4th 1030, 90 Cal. Rptr. 2d 792 (1999), a case involving claims by a trust beneficiary that attorneys for the trustee assisted the trustee in looting trust assets, ISE argues that it "has standing to sue for fraudulent representations made in the DMCA notice to Amazon.com, which result in injury to [ISE]." (Opp. at 14). The Court fails to see any meaningful similarities between an ISP user asserting a fraud claim against a party who issued a false DMCA takedown notice to the ISP and a trust beneficiary suing a trustee's attorneys for assisting in looting trust assets, and ISE has not explained what those similarities might be.

In sum, ISE's fraud claim is nonviable because it is premised entirely upon alleged misrepresentations that Defendants made to *Amazon Video* (not ISE) and that *Amazon Video* (not ISE) relied upon in removing the Program.

Accordingly, the Motion is **GRANTED *with leave to amend*** as to ISE's fraud claim.

D. Declaratory Relief Claim

In connection with its declaratory relief claim, ISE alleges that "[a]n actual controversy has arisen and now exists between Plaintiff and Defendants, whereby Plaintiff contends that it owns the copyright to the Program, and everything in the Program that was the fruits of Defendant Civillico's services, including his performance as the host and his image and likeness, and that, in the Deal Memo Civillico clearly agrees that Plaintiff holds the copyright to the Program." (Complaint ¶ 16). Defendants, on the other hand, "contend that, despite the terms of the Deal

Memo, Plaintiff has no right to use Defendant Civillico's likeness or image, which are the fruits of his services as Co-Producer." (*Id.*). "Plaintiff desires a judicial declaration of the rights and duties of the parties hereto with regard to who is the rightful owner of the copyright on the Program." (*Id.* ¶ 17).

Defendants argue that their Motion should be granted with respect to ISE's declaratory relief claim because declaratory relief is not an independent claim, but rather a form of relief, and because the declaratory relief claim is duplicative of ISE's other claims. (*See* Mot. at 7-9; Reply at 6-8).

To the extent that the Court treats ISE's state court declaratory relief claim, post-removal, as a claim for relief under the Declaratory Judgment Act, "[i]t is well-established that the Declaratory Judgment Act 'does not create an independent cause of action.'" *Del Monte Int'l GmbH v. Del Monte Corp.*, 995 F. Supp. 2d 1107, 1124 (C.D. Cal. 2014) (quoting *Chevron Corp. v. Camacho Naranjo*, 667 F.3d 232, 244-45 (2d Cir. 2012)); *see also Saterbank v. National Default Servicing Corp.*, No. 15cv956-WQH-BGS, 2016 WL 4430922, at *15 (S.D. Cal. Aug. 22, 2016) ("A claim for declaratory relief is not a stand-alone claim."). Nor may a plaintiff, through a declaratory relief claim, seek resolution of issues that will necessarily be decided in connection with her other substantive claims. *See Lai v. Quality Loan Service Corp.*, No. CV 10-2308 PSG (PLAx), 2010 WL 3419179, at *3 (C.D. Cal. Aug. 26, 2010) (the purpose of a declaratory relief claim "is to afford a new form of relief where needed and not to furnish a litigant with a second cause of action for the determination of identical issues") (internal quotation marks and citations omitted). "Accordingly, a federal court may decline to consider a claim for declaratory relief where the substantive lawsuit will resolve the issues raised by the claim for declaratory relief." *Tirabassi v. Chase Home Finance, LLC*, No. CV 14-08790 BRO (SSx), 2015 WL 1402016, at *10 (C.D. Cal. March 24, 2015).

ISE's only presently viable substantive claim is its DMCA section 512(f) claim. In order to resolve that claim, the Court or a jury will need to determine whether Defendants made misrepresentations about the parties' respective rights in the Program in their communications with Amazon Video, and thus who has what rights in the Program. Thus, "the substantive lawsuit will resolve the issues raised by the claim for

declaratory relief." *Id*. The Court therefore declines to entertain ISE's declaratory relief claim.

Accordingly, the Motion is **GRANTED *with leave to amend*** as to ISE's claim for declaratory relief.

IV. CONCLUSION

For the reasons set forth above, the Motion is **DENIED** as to ISE's DMCA section 512(f) claim, and it is **GRANTED *with leave to amend*** as to ISE's breach of contract, fraud, and declaratory relief claims.

To the extent ISE elects to file a First Amended Complaint, it shall do so by no later than **February 26, 2018.**

IT IS SO ORDERED.