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9th Circuit: California Idea-Submission Claims Not Preempted by Copyright Act

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The 9th Circuit giveth and the 9th Circuit taketh away. Last year, a three-judge panel of the U.S. Court of Appeals for the 9th Circuit breathed life into copyright preemption as a defense to idea-submission claims under California law, affirming a district court's order dismissing breach of implied-in-fact contract and breach-of-confidence claims against NBC Universal and other defendants. *Montz v. Pilgrim Films*, 606 F.3d 1153 (9th Cir. 2010).

On May 4, 2011, however, an en banc panel of the 9th Circuit reversed in a 7-4 decision that echoed and arguably expanded the court's 2004 holding in *Grosso v. Miramax Film* (383 F.3d 965) that the Copyright Act does not preempt breach of implied-in-fact contract claims under California law. *Montz v. Pilgrim Films*, No. 08-56954 (en banc).

Although the opinion largely restores the state of the law that existed between 2004 and 2010 in the 9th Circuit, it may encourage production companies, networks, studios, and others to be more aggressive in obtaining submission releases, especially from individuals with limited entertainment industry experience.

Background

Plaintiff Larry Montz had pitched NBC (and others) a concept for a reality-style television program that would follow two paranormal investigators who search for evidence of ghosts. At the pitch meeting, Montz provided scripts, videos, and other materials embodying the concept. In 2006, NBCU's Syfy network launched "Ghost Hunters," a reality show produced by Pilgrim Films that featured a team of paranormal investigators.

Montz subsequently sued NBCU, Pilgrim, and others for copyright infringement, breach of implied contract, and breach of confidence. Instead of alleging a typical *Desny*-style implied-contract claim based on a mutual expectation that he would be compensated and credited by NBC for any use of his idea, Montz instead alleged that he expressly conditioned the disclosure of his idea on an expectation that he would partner with NBC on the production and would receive a share of any profits.

The late Judge Florence-Marie Cooper of the U.S. District Court for the Central District of California dismissed Montz's claims, concluding that the state-law claims were preempted by federal copyright law.

9th Circuit decisions

A three-judge panel of the 9th Circuit agreed, distinguishing the court's earlier decision in *Grosso* on the grounds that Montz had offered to partner with NBC on the production, rather than offering his idea for sale.

The 9th Circuit reheard the case en banc and reversed, reviving both the implied-in-fact contract and breach-of-confidence claims.

Writing for the majority, Judge Mary Schroeder, who also authored *Grosso*, examined *Desny* and other state-court authorities and held that Montz's claims were not preempted. According to the majority, the fact that Montz allegedly expected to form a partnership with NBC to develop and produce his idea, rather than simply to receive payment for the idea, was irrelevant. "We see no meaningful difference," the majority explained, "between the conditioning of use on payment in *Grosso* and conditioning use in this case on the granting of a partnership interest in the proceeds of the production. Montz, as did the plaintiffs in *Desny* and *Grosso*, has alleged he revealed his concept to defendants reasonably expecting to be compensated, if his concept was used." The majority held that this expectation of compensation—regardless of form—constituted the extra element necessary to overcome preemption.

The majority reached the same conclusion as to the breach-of-confidence claim, holding that the duty of trust or confidential relationship between the parties creates an extra element not required for a copyright claim. The majority suggested that its holding "recognizes the gap that would otherwise exist between state contract law and copyright law in the entertainment industry," and offers some protection for those who create concepts and ideas that cannot be protected by copyright.

Dissenting opinions

In dissent, Judge Diarmuid O'Scannlain (who authored the original three-judge opinion) focused on Montz's allegation that he expected to partner with the defendants to develop and produce the program (and presumably to retain some creative control). "Where a copyright owner authorizes the use of his work, but does not receive the consideration he was promised"—in other words, payment for use of his work—Judge O'Scannlain declared that the owner "has a contract claim[.]" But "where a copyright owner does not authorize the use of his work, but, nonetheless, someone uses it to produce a substantially similar work, he has a copyright claim."

In Judge O'Scannlain's view, Montz did not authorize the defendants' alleged use of his concept, and thus had a copyright claim, not a contract claim. Judge O'Scannlain cautioned that the majority opinion effectively grants broader rights than those available under the Copyright Act because "California implied contract law does not require as strict a showing of substantial similarity as federal copyright law."

In a separate dissent, Judge Ronald Gould observed that "[t]here is no virtue in permitting a supplemental state law jurisdiction that in substance expands federal

copyright law. Studio and network ventures need stable law that does not unsettle expectations. The majority's decision, however, will lead to uncertainty by making state law—with its ambiguity, variability, and volatility—available to litigants who bring nebulous state law claims that in substance assert rights in the nature of copyright."

Where the case may go from here

NBCU and the other defendants reportedly may petition for certiorari. If they do, they may point to a May 10, 2011, decision from the Southern District of New York, which applied 2nd Circuit authority to find that the Copyright Act preempted a breach of implied-in-fact contract claim based on the defendants' alleged use of the plaintiffs' concept for a television series. *Forest Park Prods. v. Universal Television Network*, Case No. 1:10-cv-05168-CM.

This potential conflict between the 2nd and 9th Circuits, which hear the majority of the idea-submission cases in the federal courts, may increase the prospects that the U.S. Supreme Court eventually might take up this issue.

In the meantime, the 9th Circuit's en banc opinion will make it more difficult for defendants to defeat idea-submission claims on a motion to dismiss or demurrer, and thus may encourage even more litigation. In response, companies targeted by these claims may become more aggressive about requiring persons who are pitching concepts to execute submission releases.