Litigation Alert

Ninth Circuit Confirms Viability of "*Desny*" Claim Based On Promise To Pay For Use Of An Idea

JENNIFER LLOYD KELLY AND MARYBETH MILIONIS

FENWICK & WEST LLP

Summary

On May 4, 2011, the Ninth Circuit, sitting *en banc*, confirmed that copyright law does not preempt implied-in-fact contract claims based on a bilateral expectation that the defendant would compensate the plaintiff for the use of his or her idea. *Montz v. Pilgrim Films & Television, Inc.*, No. 08-56954, 2011 U.S. App. LEXIS 9099 (9th Cir. May 4, 2011). Further, it held there was no meaningful difference, for purposes of the preemption analysis, between a promise to pay for such use and a promise to enter into a partnership to share the proceeds derived from such use.

Background of the Case

As alleged in the complaint, plaintiffs pitched their idea to the defendant for a reality television show, in which paranormal investigators traveled the country investigating paranormal activity. Their presentation included television screenplay treatments, video and other production materials. The studio defendants passed on the idea. Several years later, defendants launched a new series based on the same concept.

In 2006, plaintiffs filed suit asserting claims for copyright infringement, breach of implied contract and breach of confidence. The complaint alleged that the plaintiffs had disclosed their concept for a reality show to defendants in confidence, pursuant to the custom and practice of the entertainment industry, for the express purpose of offering to partner with the defendants in the production, broadcast and distribution of a show based on the concept. They further alleged that they justifiably expected to receive a share of any profits and credit that might be derived from exploitation of their idea.

The defendants moved to dismiss the complaint. The copyright claim was found to be sufficient. However, the district court (Judge Florence-Marie Cooper) dismissed the state law claims on the basis that they were preempted by Section 301(a) of the Copyright Act.

Plaintiffs later stipulated to the dismissal of the copyright claim and, with nothing left to adjudicate, the district court entered judgment in favor of the defendants. This appeal followed.

The Ninth Circuit's Decision

Initially the district court's dismissal of the state law claims was affirmed by a three-judge panel of the Ninth Circuit. For an analysis of the earlier three-judge panel's decision visit [http://www.fenwick.com/docstore/Publications/Litigation/Litigation_Alert_06-10-10.pdf]. The Court subsequently agreed to rehear the matter *en banc* and, in a 7-4 decision, reversed the district court. It held that plaintiffs' state law claims were not preempted because they "assert[ed] rights that are qualitatively different from the rights protected by copyright...because they require proof of such an extra element." Slip op. at 5923-24.

The Court first decided that plaintiffs' claims fell within the scope of the subject matter of the Copyright Act, which it recognized "is broader than the protections it affords." *Id.* at 5922. Although copyright law ordinarily only protects the expression of ideas, by the time this case reached the Ninth Circuit the issues were limited to the use of the idea, alone, and not the exploitation of any particular expression of that idea. Nevertheless, because the idea had been fixed in a tangible medium of expression—the teleplays, videos and other materials provided by plaintiffs during the pitch sessions—this case fell within the scope of the Copyright Act.

Having answered that initial question in the affirmative, the Court then decided that plaintiffs' claims were not preempted by copyright law. Specifically, the plaintiffs had properly alleged a so-called "*Desny* claim." In 1956, the California Supreme Court in *Desny v. Wilder*, 299 P.2d 257 (1956), recognized that writers have an implied contractual right to receive compensation for materials submitted to producers when there was a mutual understanding that the writer would be compensated if the material was used. Later, the Ninth Circuit held that a *Desny* implied contract claim was not preempted in *Grosso v. Miramax Film Corp*., 383 F.3d 965 (9th Cir. 2004). As the Court explained in *Grosso*, "the contractual claim requires that there be an expectation on both sides that use of the idea requires compensation, and that such bilateral understanding of payment constitutes an additional element that transforms a claim from one asserting a right exclusively protected by federal copyright law, to a contractual claim that is not preempted by copyright law." Slip op. at 5917.

It is this "bilateral expectation" of compensation that provides the necessary extra element to insulate *Desny*-type claims from preemption challenges. Moreover, the distinct focus of contract and copyright law underscores that the one does not necessarily subsume the other: contracts provide for personal rights between a limited number of parties, whereas copyright confers "a right against the world." Thus "[t]he rights protected under federal copyright law are not the same as the rights asserted in a *Desny* claim" (id. at 5924) and the purpose of the contract is to protect a plaintiff's "right[] to his ideas beyond those already protected by the Copyright Act." *Id*. at 5925 (internal citations omitted).

With respect to the breach of confidence claim, the Court also found it was not preempted. The extra element distinguishing that claim from ones preempted by the Copyright Act was the assertion that a duty of trust existed between the parties.

Implications

This decision confirms that creative concepts and ideas will not fall into the gap between the preemptive scope of copyright law and the protection conferred by the Copyright Act on concrete expressions of ideas and concepts. So long as writers and other creators can allege a mutual expectation that they would be paid or otherwise compensated in some manner for their ideas, they can bring contract based claims regardless of whether they can state a claim for copyright infringement. And while the bulk of cases addressing preemption and *Desny*-type claims have focused primarily on Hollywood, it is likely that this analysis will be applied in a wide range of fields where fixed, creative concepts are shared before a business relationship is formalized.

For further information, please contact:

Jennifer Lloyd Kelly, Partner, Litigation Group
jkelly@fenwick.com, 415.875.2426

Marybeth Milionis, Associate, Litigation Group
mmilionis@fenwick.com, 415.875.2313