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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

AMPERSAND PUBLISHING
LLC,

Plaintiff,

v.

THE SANTA BARBARA
INDEPENDENT, INC.,

Defendant.

Case No. 2:06-cv-06837-ER-AJWx

MEMORANDUM DECISION

19 This matter came before the Court on Monday, October 29, 2007, at 10:00
20 a.m., on Plaintiff's Motion for Summary Adjudication and Defendant's Motion for
21 Summary Judgment. The Court has now reached the following CONCLUSIONS:

22 **I. EVIDENTIARY OBJECTIONS**

23 First, the Court notes that the parties have raised numerous evidentiary
24 objections to materials submitted by each side. With the exception of Defendant's
25 objections to statements made in paragraphs 11-26 of the Declaration of Samuel
26 Pryor made in support of Plaintiff's Request for Denial or Continuance of the
27 Motion for Summary Judgment, the Court declines to resolve any other evidentiary
28 objections, as it has otherwise only relied on undisputed evidence submitted by the

1 parties. Regarding Defendant's objections to paragraphs 11-26 of the Pryor
2 Declaration, the Court overrules all 16 objections.

3 **II. LEGAL STANDARD GOVERNING MOTIONS FOR SUMMARY JUDGMENT**

4 Summary judgment under Fed. R. Civ. Pro. 56 is appropriate when the
5 moving party can show that there are no genuine issues of material fact or that
6 there is an absence of evidence to support the non-moving party's case. Celotex
7 Corp. v. Catrett, 477 U.S. 317, 322 (1986); Anderson v. Liberty Lobby, 477 U.S.
8 242, 248 (1986) (holding that the test for summary judgment is whether a
9 reasonable finder of fact could return a verdict in favor of the non-moving party).
10 Once the moving party has established that no genuine issue of material fact exists,
11 the opposing party cannot rest on its pleadings. It must show the existence of a
12 genuine issue by presenting real, probative evidence of the facts. FTC v.
13 Publishing Clearing House, Inc., 104 F. 3d 1168, 1170 (9th Cir. 1997); Villarimo
14 v. Aloha Island Air, Inc., 281 F. 3d 1054, 1061 (9th Cir. 2002) (holding that there
15 is no genuine issue where the only "evidence" of a disputed fact is uncorroborated,
16 self-serving testimony). That evidence must be "such that a reasonable jury could
17 return a verdict for the non-moving party." Anderson, 477 U.S. at 248.

18 **A. ELEMENTS OF COPYRIGHT INFRINGEMENT**

19 Copyright infringement is established by demonstrating (1) ownership of a
20 valid copyright and (2) copying of the original elements of the protected work.
21 Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 361 (1991).
22 To prove copying, a plaintiff must show that the defendant had access to the
23 copyrighted work and that there is a substantial similarity between the copyrighted
24 work and defendant's work. Brown Bag Software v. Symantec Corp., 960 F.2d
25 1465, 1472 (9th Cir. 1992). Because Plaintiff owns the copyright in the
26 unpublished article ("Draft Article"), and Defendant copied and published the
27 Draft Article in its entirety on its website without permission from Plaintiff,
28 Defendant's Statement of Genuine Issues in Opposition to Plaintiff's Motion for

1 Summary Adjudication (“Def.’s Genuine Issues”), ¶ 21-27, the Court holds
2 Plaintiff has established a prima facie case of copyright infringement by
3 Defendant.

4 **B. FAIR USE DEFENSE**

5 Fair use is an affirmative defense to a copyright infringement claim and is a
6 mixed question of law and fact. Harper & Row Publishers, Inc. v. Nation Enters.,
7 471 U.S. 539, 560 (1985). It is proper to decide the issue at the summary judgment
8 phase if the material facts are undisputed and the only question is the proper legal
9 conclusion to be drawn from those facts. See e.g., Hustler Magazine, Inc. v. Moral
10 Majority, Inc., 796 F.2d 1148, 1151 (9th Cir. 1986) (“If there are no genuine issues
11 of material fact, or if, even after resolving all issues in favor of the opposing party,
12 a reasonable trier of fact can reach only one conclusion, a court may conclude as a
13 matter of law whether the challenged use qualifies as a fair use of the copyrighted
14 work.”). Defendants carry the burden of proof on the issue. American Geophysical
15 Union v. Texaco Inc., 60 F.3d 913, 918 (2d Cir. 1995).

16 17 U.S.C. § 107 codifies the fair use doctrine and lists four factors that must
17 be considered when determining whether the fair use defense may apply: (1) the
18 purpose and character of the use, including whether such a use is of a commercial
19 nature or is for nonprofit educational purposes; (2) the nature of the copyrighted
20 work; (3) the amount and substantiality of the portion used in relation to the
21 copyrighted work as a whole; and (4) the effect of the use upon the potential
22 market for, or value of, the copyrighted work. 17 U.S.C. § 107. There are no
23 “bright line” rules for applying § 107. Campbell v. Acuff-Rose Music, Inc., 510
24 U.S. 596, 577 (1994). The Court must tailor the fair use analysis to the specific
25 facts presented in each case. Id. at 577. No single fair use factor is dispositive, and
26 courts must balance the factors “to determine whether the public interest in the free
27 flow of information outweighs the copyright holder’s interest in exclusive control
28 over the work.” Hustler Magazine, 796 F.2d at 1151-52.

1 **1. Purpose and Character of Use**

2 The first factor in § 107 is “the purpose and character of the use, including
3 whether such use is of a commercial nature or is for nonprofit educational
4 purposes.” 17 U.S.C. § 107(1). The Court must first determine whether the
5 unauthorized use is “transformative.” Campbell, 510 U.S. at 579 (stating the
6 “central purpose of this investigation is to see . . . whether the new work ‘merely
7 supersedes the objects’ of the original creation, or instead adds something new,
8 with a further purpose or different character, altering the first with new expression,
9 meaning or message; it asks in other words, whether and to what extent the new
10 work is ‘transformative.’”) (quoting Folsom v. Marsh, 9 F.Cas. 342, 348 (D.Mass.
11 1841)). “[T]he more transformative the new work, the less significance of other
12 factors, like commercialism, that may weigh against a finding of fair use.” Id.
13 Where the infringing work was copied verbatim from the copyrighted work—as it
14 was in this case—it will generally weigh against finding fair use under this factor
15 because “it may reveal a dearth of transformative character or purpose [and] a work
16 composed primarily of an original, particularly at its heart, with little added or
17 changed, is more likely to be a merely superseding use, fulfilling demand for the
18 original.” Campbell, 510 U.S. at 587-88.

19 Defendant asserts that it made transformative use of the Draft Article
20 because it used the article for the purpose of criticizing Plaintiff’s journalistic
21 ethics—that is, to attack Plaintiff’s decision to publish an article that reported a
22 different explanation for the resignations than the explanation contained in the
23 Draft Article—and not for the purpose of the reporting on the resignations
24 themselves.¹ The Court notes Defendant did not criticize, comment or critique the

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27 ¹Within the blog that included a hyperlink to the Draft Article, Welsh explained his
inclusion and use of the Draft Article as follows:

28 In addition, we are enclosing a copy of the article Scott Hadly wrote last Thursday

1 Draft Article itself. However, the Court finds that the context in which the Draft
 2 Article was published supports a finding of transformative use because the article
 3 was used to support an attack on Plaintiff’s publisher’s editorial judgment, and not
 4 solely to report on the resignations. Therefore, the Court finds Defendant’s use of
 5 the Draft Article to be transformative.

6 Though the Court finds Defendant’s publication of the Draft Article was
 7 transformative because it was published in the context of attacking the publisher of
 8 Plaintiff’s paper, such use for criticism or comment cannot exceed what is
 9 necessary to that purpose. Twins Peaks Prods., Inc. v. Publications Int’l, Ltd., 996
 10 F.2d 1366, 1375-76 (2d Cir. 1993) (holding the fact that defendant “detailed . . .
 11 the plots [of television series episodes] . . . far beyond identifying their basic
 12 outline for the transformative purposes of comment or criticism” weighed against
 13 fair use since the “abridgment . . . elaborate[d] in detail far beyond what is required
 14 to serve any legitimate [transformative] purpose.”). An individualized analysis and
 15 comparison between the purpose of the copying and the amount copied is required.
 16 Campbell, 510 U.S. at 586-87. Defendant asserts publication of the entire Draft
 17 Article was necessary to enable its readers to evaluate its criticism of Plaintiff’s
 18 editorial judgment.²

19
 20 announcing the resignation of five editors . . . Hadly had hoped that the *News-Press*
 21 might publish a news account of what happened, given that media outlets from around
 22 the world had done so. His piece would never see the light of the *News-Press* day.
 23 Instead readers were greeted by a soft-focus, feel-good, opus de mush by *News-Press*
 24 editorial page editor and now acting publisher Travis Armstrong, explaining that at the
 25 *News-Press*—as in any family—there are bound to be heated disagreements and that the
 26 editors in question left because they were unhappy with the paper’s increased focus on
 27 more and better local news. In this Thursday’s *News-Press*, McCraw dramatically shifted
 28 gears, describing what had been cast as a family disagreement to a passel of disgruntled
 ex-employees unable to use the paper for their own political purposes.

Declaration of Stanton L. Stein (“Stein Decl.”), Exh. 3.

²The cases Defendant relies upon to support its claim that it copied no more than
 necessary to achieve its transformative purpose are distinguishable. In Hustler Magazine, Inc. v.
Moral Majority, Inc., the plaintiff published an ad parody in his magazine, mocking Jerry

1 When determining this element, the Court finds persuasive the analysis
2 applied in Los Angeles Times v. Free Republic. 54 U.S.P.Q. 1453 (C.D. Cal.
3 2000). In that case, the Court held that the defendant’s verbatim postings onto its
4 website of plaintiff’s articles was not necessary to achieve its transformative
5 critical purpose of “facilitat[ing] discussion, criticism and comment by registered
6 visitors” because such a purpose could be achieved by posting a link to the articles
7 on Plaintiff’s websites or summarizing the text of the articles. Id. at 1463-64
8 (holding that verbatim posting of plaintiff’s articles exceeded the critical purpose,
9 in part, because providing commentary on “the fact that a particular media outlet . .
10 . approached [a particular] story from a particular angle can be communicated to a
11 large degree without posting a full text copy of the report.”). Further, the Court
12 notes that another competing paper in the Santa Barbara area, The Santa Barbara
13 Nexus, also addressed the account of events leading to the resignations as detailed
14 in the Draft Article, by summarizing the article’s contents and selecting particular

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16 Falwell. Defendants then sent out mailings to its members asking for a contribution to help
17 financially support Falwell’s anticipated lawsuit against Plaintiff. Some of these mailings
18 contained the parody, with some of the offensive words blackened out. 796 F.2d 1148 (9th Cir.
19 1986). The Hustler court found the use of the parody in the mailings to be transformative, as
20 “[t]here was no attempt to palm off the parody as that of the Defendants . . . but was instead
21 using the parody to make a statement about pornography and [Plaintiff].” Id. at 1153. Further,
22 the Court held the copying was not more than reasonably necessary because it was being used to
23 rebut derogatory information about Plaintiff that was contained within the original work, and the
24 public interest weighs in favor of allowing an individual defend himself. Id. at 1153. Unlike
25 Hustler, there is no concern that Defendant needs to defend itself from an unpublished article
26 whose contents don’t address Defendant at all. In Belmore v. City Pages, Inc., defendant
27 published plaintiff’s fable in full without permission, but included both introductory and follow-
28 up commentary critiquing and criticizing certain racist and inappropriate passages. The Belmore
court held defendant used this fable with a different purpose, adding new expression and
meaning because it used the fable for the purpose of commenting on and critiquing its contents.
Id. at 677-78. The Belmore court did not address whether such copying was more than necessary
to achieve that purpose. However, when evaluating the “amount and substantiality” factor of §
107, it noted verbatim publishing weighed against fair use, but the factor bore little weight
because verbatim publishing was necessary to achieve Plaintiff’s purpose in providing a detailed
criticism of the underlying message of the story itself. In the instant case, Defendant did not
critique the Draft Article, nor did it directly comment on its contents.

1 quotes from the Draft Article, without publishing it in its entirety.³ Pryor Decl.,
2 Exh. 9. The Court therefore finds that Defendant used more than was necessary to
3 accomplish its transformative purpose.

4 The “purpose and character” factor also requires the Court to determine
5 whether the allegedly infringing use is commercial or noncommercial. See e.g.,
6 Los Angeles News Service v. KCAL-TV Channel 9, 108 F.3d 1119, 1121 (9th Cir.
7 1997) (stating that use of a copyrighted work by a competing news agency is
8 commercial in nature because the competition for advertising dollars is dependent
9 on viewership). The Court finds the use is commercial because, regardless of
10 whether Plaintiff intended to publish the Draft Article, Defendant publishes
11 newspapers for profit in the Santa Barbara area and used Plaintiff’s copyrighted
12 work without permission on its website. Therefore, because the Court finds
13 Defendant published more of the Draft Article than necessary to achieve its
14 transformative purpose and used the article for a commercial purpose, the Court
15 finds the “purpose and character” factor weighs against a finding of fair use.

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17 ³ Defendant asserts its use is analogous to the fair use found in Bill Graham
18 Archives v. Dorling Kindersley, Ltd., where the Ninth Circuit held that a publisher of a
19 biographical book made fair use of seven copyrighted posters which were reproduced in the
20 book in reduced size. 448 F.3d 605, 615 (9th Cir. 2006). In that case, the Ninth Circuit found that
21 although the posters were published in their entirety, their reduced size fit their transformative
22 purpose of their use—“as historical artifacts to document and represent the actual occurrence of
23 Grateful Dead concerts events”—because the small size was “sufficient to . . . recognize the
24 historical significance of the posters [but was] inadequate to offer more than a glimpse of their
25 expressive value.” Id. 609-11. In this case, the hyperlink does not change, minimize or reduce
26 the Draft Article, it merely requires a reader to first click on a link before he or she could view
27 the article in its full original state. Defendant also relies on the holding of Sony v. Bleem, for
28 support. 214 F.3d 1022 (9th Cir. 2000). In that case, a manufacturer of console video games sued
for copyright infringement against a developer who posted “screen shots” from manufacturer’s
games in its advertisements. Id. at 1024. The Bleem court held that use of such screen shots to
provide a comparison between what games look like on a video game console as opposed to on a
personal computer through defendant’s emulator was transformative because it constituted
comparative advertising. Id. at 1026. Use of the screen shots was necessary because “there is no
other way to create a truly accurate comparison for the user.” Id. at 1030. Unlike the facts in
Bleem, where the defendant used a single screen shot from a copyrighted game to provide
comparison to its own screen shot, in this case Defendant used the entire verbatim Draft Article.

1 **2. The Nature of the Copyrighted Work**

2 The second factor the Court must consider is “the nature of the copyrighted
3 work.” 17 U.S.C. 107(2). Under this factor, the Court must consider whether the
4 work is primarily factual or creative in nature. Here, the Draft Article contains
5 primarily factual statements and quotations. This informational quality of the Draft
6 Article weighs in favor of fair use under this factor.

7 However, when evaluating this second factor, “[t]he fact that a work is
8 unpublished is a critical element of its ‘nature’,” and “the scope of fair use is
9 narrower with respect to unpublished work.” Harper & Row, 371 U.S. at 564.
10 Absent extraordinary circumstances, the fact that a work is unpublished must be
11 accorded great weight when evaluating a claim of fair use. Id. at 555 (“Under
12 ordinary circumstances, the author’s right to control the first public appearance of
13 his undisseminated expression will outweigh a claim of fair use.”). Defendant
14 asserts that because Plaintiff never intended to publish the Draft Article, there is no
15 first publication value at stake. This argument is contrary to precedent. In Harper &
16 Row, the Supreme Court held “[p]ublication of an author’s expression before he
17 has authorized its dissemination seriously infringes the author’s right to decide
18 when and whether it will be made public.” Harper & Row, 471 U.S. at 551. The
19 Supreme Court further held “the author’s right to control the first public
20 appearance of his expression weighs against such use of the work before its
21 release. The right of first publication encompasses not only the choice of whether
22 to publish at all, but also the choices of when, where, and in what form first to
23 publish a work.” Id. at 564. Due to the unpublished nature of the Draft Article, the
24 Court holds the second factor under the fair use balancing test weighs against
25 finding fair use.

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28 **3. The Amount and Substantiality of the Portion Used in Relation to the**

1 **Copyrighted Work as a Whole**

2 The third factor the Court must consider is “the amount and substantiality of
3 the portion used in relation to the copyrighted work as a whole.” “While
4 ‘wholesale copying does not preclude fair use per se,’ copying an entire work
5 ‘militates against a finding of fair use.’” Worldwide Church of God v. Philadelphia
6 Church of God, Inc., 227 F.3d 1110, 1118 (9th Cir. 2000) (quoting Hustler
7 Magazine, 796 F.2d at 1155). For the reasons discussed during the Court’s analysis
8 of the first factor, the Court holds verbatim copying was not necessary to
9 accomplish Defendant’s transformative purpose, and thus the Court finds the
10 amount of copying in this case weighs against finding fair use.

11 **4. The Effect of the Use Upon the Potential Market for or Value of the**
12 **Copyrighted Work**

13 The fourth factor focuses on “the effect of the use upon the potential market
14 for or value of the copyrighted work.”¹⁷ U.S.C. § 107(4). The Court must “consider
15 not only the extent of market harm caused by the particular actions of the alleged
16 infringer, but also ‘whether unrestricted and widespread conduct of the sort
17 engaged in by the defendant . . . would result in a substantially adverse impact on
18 the potential market for the original.’”⁴ Campbell, 510 U.S. at 590 (quoting Nimmer
19 § 13.05[A][4], p. 13-102.61). The analysis must “take account not only of harm to
20 the original but also of harm to the market for derivative works.” Harper & Row,
21 471 U.S. at 568. The extent to which a work is transformative affects this factor:
22 the more transformative, the less likely it will have an adverse impact on the
23 market of the original. Kelly v. Arriba Soft Corp., 336 F.3d 811, 821 (9th Cir.
24 2003). Finally, the Court must also consider “the benefit the public will derive if
25 the use is permitted and the personal gain the copyright owner will receive if the

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27 ⁴The Ninth Circuit has focused on whether the infringing use: (1) diminishes or
28 prejudices potential sale of the work; (2) interferes with marketability of the work; or (3) fulfills
demand for the original. Hustler, 796 F.2d 1148, 1155-56.

1 use is denied.” Bill Graham Archives, 448 F.3d at 613.

2 In the instant case, Defendant published verbatim an unpublished article
3 copyrighted by Plaintiff, a direct competitor, on a website associated with its
4 newspaper. Defendant asserts that despite this appearance of usurpation, there was
5 no effect on the market value of the Draft Article because: (1) Plaintiff had no
6 intention of publishing the article; (2) its use of the Draft Article constituted
7 transformative use via its use as support for criticism and commentary of Plaintiff’s
8 editorial practices, and thus weighs against adverse impact on the Draft Article’s
9 market; and (3) the factual information contained within it had been previously
10 reported and thus had no value. The Court notes Plaintiff’s decision to not publish
11 the article does not prevent the existence of market harm. See Wolrdwide Church
12 of God, 227 F.3d at 1119 (holding “an author who had disavowed any intention to
13 publish his work during his lifetime was entitled to protection of his copyright,
14 first, because the relevant consideration was the ‘potential market’ and, second,
15 because he has the right to change his mind.”). Additionally, since the Court has
16 held Defendant copied more than necessary to achieve its transformative purpose,
17 the Court also finds this transformative use to not be great enough to conclude its
18 use could not possibly act as a substitute for the original. However, because the use
19 was transformative, the Court cannot presume market harm exists, despite
20 commercial use of the article. Campbell, 510 U.S. at 590 (holding “[n]o
21 ‘presumption’ or inference of market harm . . . is applicable to a case involving
22 something beyond mere duplication for commercial purposes.”).

23 Due to the factual and informational nature of the Draft Article, and its
24 transformative use as support for commentary on the journalistic practices of
25 Plaintiff, there is cognizable public benefit to the use. Further, the facts of the
26 events detailed in the Draft Article had been previously reported, Declaration of
27 Scott Hadly in Support of Defendant’s Motion for Summary Judgment (“Hadly
28 Decl.”), Exh. B, and the contents of the article itself had been previously

1 summarized, Pryor Decl., Exh. 9. These factors weigh against a finding of market
2 harm. Additionally, Plaintiff has not asserted any actual harm caused by the use.
3 However, the Ninth Circuit has held “actual present harm” need not be shown if
4 the court concludes that similar unauthorized uses, if generally allowed, “would
5 result in a substantially adverse impact on the potential market for the original
6 works.” Los Angeles News Service v. Reuters Television Intern., Ltd., 149 F.3d
7 987, 994 (9th Cir. 1998). Specifically, “[w]hat is necessary is a showing by a
8 preponderance of the evidence that some meaningful likelihood of future harm
9 exists.” Sony, 464 U.S. at 451. Here, if newspapers could use, verbatim, a
10 competitor’s unpublished work in a manner that exceeds what is necessary to
11 achieve an asserted transformative purpose, merely because the competitor chose
12 to not publish it, there is a likelihood of harm to unpublished articles in general if
13 this practice were to become widespread. Therefore, due to this likelihood of
14 future harm, the Court finds this factor weighs against fair use.

15 Because the Court finds all four factors under 17 U.S.C. § 107 weigh against
16 fair use, the Court GRANTS Plaintiff’s Motion for Summary Adjudication as to its
17 copyright infringement claim, and DENIES Defendant’s Motion for Summary
18 Judgment as to the claim.

19 **III. PLAINTIFF’S SECOND CAUSE OF ACTION FOR** 20 **MISAPPROPRIATION OF TRADE SECRETS**

21 Plaintiff’s second cause of action alleges misappropriation of trade secrets,
22 pursuant to California Civil Code § 3426, against Defendant for its acquisition and
23 use of the Draft Article and the acquisition of a second unpublished article
24 reporting on an arbitration proceeding Plaintiff initiated against its former editor
25 (“Arbitration Story”).

26 Pursuant to California Civil Code § 3426, to establish a claim for
27 misappropriation of trade secrets, a plaintiff must prove: (1) the existence of a trade
28 secret, and (2) the misappropriation of the trade secret. Cal. Civ. Code § 3426.1(b).

1 Under the California Uniform Trade Secrets Act, the term “trade secret” is defined
2 as “information, including a formula, pattern, compilation, program, device,
3 method, technique, or process, that: (1) Derives independent economic value,
4 actual or potential, from not being generally known to the public or to other
5 persons who can obtain economic value from its disclosure or use; and (2) Is the
6 subject of efforts that are reasonable under the circumstances to maintain its
7 secrecy.” Cal. Civ. Code 3426.1(d). Whether information is a trade secret is
8 ordinarily a question of fact. In re Providian Credit Card Cases, 116 Cal. Rptr. 833,
9 839 (Ct. App. 2002) . Information generally known to the public or to persons in
10 the relevant industry cannot constitute confidential or trade secret information. Id.

11 A. THE DRAFT ARTICLE

12 1. Existence of a Trade Secret

13 A plaintiff has the burden of identifying the trade secrets and showing they
14 exist. Imax Corp. v. Cinema Techs., Inc., 152 F.3d 1161, 1164 (9th Cir. 1998).
15 Further, the plaintiff must describe the subject matter of the trade secret with
16 sufficient particularity to separate it from matters generally known to the public or
17 to persons in the relevant industry. Id. at 1164-65.

18 Regarding the Draft Article, Defendant asserts there are no protectable trade
19 secrets because it merely contained facts and quotes about the July 6, 2006
20 resignations of Plaintiff’s journalists, which was public knowledge by the time it
21 posted the Draft Article on its website. Declaration of Scott Hadly (“Hadly Decl.”),
22 Exh. D. Plaintiff does not dispute this, but instead asserts the unpublished article,
23 itself, embodies confidential processes and information since it reflects its
24 reporter’s labors and ideas of how to investigate an issue, how to present it to the
25 public, and what sources are essential to the story. However, the Draft Article does
26 not, itself, explain or detail the investigative and reporting processes and
27 procedures Plaintiff uses when preparing a story, or how it determines what
28 sources to seek out and use. Further, to the extent it “embodies” such processes

1 because it is the actual product of such processes, the Court does not see how it
2 discloses these processes in a way any different than any other article Plaintiff
3 publishes and thus discloses to the general public. See Self-Directed Placement
4 Corp. v. Control Data Corp., 908 F.2d 462, 465 (9th Cir. 1990) (affirming
5 summary judgment where the district court found plaintiff's employment
6 counseling program was not a trade secret because alleged secret instruction
7 techniques were either a matter of public knowledge or completely disclosed to
8 students taking the course); Vacco Inds., Inc. v. Van Den Bergu, 6 Cal. Rptr. 2d
9 602, 611 (Ct. App. 1992) (stating "[i]f a so-called trade secret is fully disclosed by
10 the products produced by use of the secret then the right to protection is lost.").
11 Thus, the Court holds that there is no issue of material fact regarding the existence
12 of a trade secret. Accordingly, the Court GRANTS Defendant's Motion for
13 Summary Judgment on Plaintiff's second claim, for misappropriation of trade
14 secrets as it relates to the unauthorized acquisition and use of the Draft Article.

15 **B. THE ARBITRATION STORY**

16 Regarding the Arbitration Story, Defendant has moved for summary
17 judgment based solely on the ground that it could not have misappropriated the
18 Arbitration Story or confidential information related to the story because it never
19 actually obtained a copy of the story. Plaintiff acknowledges it cannot offer any
20 evidence to support its misappropriation claim based on the unauthorized
21 acquisition of the Arbitration Story, but moves the Court to either deny
22 Defendant's motion or delay its ruling on this issue until it has been able to
23 complete discovery, pursuant to Fed. R. Civ. Pro. 56(f).⁵

24
25 ⁵Section 56(f) states, in pertinent part,

26
27 Should it appear from the affidavits of a party opposing the motion that the party
28 cannot for reasons stated present by affidavit facts essential to justify the party's
opposition, the court may refuse the application for judgment or may order a
continuance to permit affidavits to be obtained or depositions to be taken or

1 Rule 56(f) permits a court to stay a summary judgment motion to permit
2 adequate discovery of facts “essential to justify [the] opposition” to the motion for
3 summary judgment. Id. The party opposing the summary judgment motion must
4 submit an affidavit specifying what information is sought and how such would
5 prevent summary judgment. Tatum v. City and County of San Francisco, 441 F.3d
6 1090, 1100 (9th Cir. 2006). Where facts necessary to oppose summary judgment
7 are in possession of the moving party, a continuance under Rule 56(f) should be
8 granted. See Costlow v. U.S., 552 F.2d 560, 564 (3d Cir. 1977) (“[W]e have said
9 that where the facts are in possession of the moving party a continuance of a
10 motion for summary judgment for purposes of discovery should be granted almost
11 as a matter of course.”). Here, Plaintiff has submitted a declaration asserting that it
12 has been unable to fully investigate Defendant’s alleged acquisition of the
13 Arbitration Story because a key witness, Nicholas Welsh, and Defendant, itself,
14 have asserted the reporter’s privilege regarding what source or sources provided
15 Welsh information about the unpublished Arbitration Story. Pryor Decl. at ¶ 13-17,
16 25. Plaintiff asserts resolution of this issue in its favor will yield the determinative
17 facts to resolve this cause of action. However, because Plaintiff has failed to
18 identify any specific facts it seeks to obtain from Defendant, it has failed to satisfy
19 the Rule 56(f) standard, and the request to stay determination of this issue pursuant
20 to Rule 56(f) is denied.

21 However, in lieu thereof, the Court SEVERES and STAYS its determination
22 regarding Plaintiff’s allegation of misappropriation of trade secrets as related to the
23 Arbitration Story and related confidential information pending resolution, before
24 the magistrate judge, of Plaintiff’s anticipated Motion to Compel discovery
25 responses and deposition questions that Welsh and Defendant refused to answer
26 due to their assertion of the reporter’s privilege. Parties are ordered to notify the

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discovery to be had or may make such other order as is just.

1 Court of the ruling on that motion not later than 7 days after entry of its order.

2 **III. PLAINTIFF’S THIRD CAUSE OF ACTION FOR UNFAIR BUSINESS**
 3 **COMPETITION PURSUANT TO CAL. BUS. & PROF. CODE §§ 17200, ET SEQ.;**
 4 **FOURTH CAUSE OF ACTION FOR INTENTIONAL INTERFERENCE WITH**
 5 **PROSPECTIVE ECONOMIC ADVANTAGE AND CONTRACT; AND FIFTH CAUSE**
 6 **OF ACTION FOR NEGLIGENT INTERFERENCE WITH PROSPECTIVE**
 7 **ECONOMIC ADVANTAGE AND CONTRACT.**

8 Defendant has moved for summary judgment on Plaintiff’s third, fourth and
 9 fifth causes of action—unfair business competition pursuant to Cal. Bus. & Prof.
 10 Code §§ 17200, intentional interference with prospective economic advantage and
 11 contract, and negligent interference with prospective economic advantage and
 12 contract, respectively—on three grounds: (1) the sections of each of the three claims
 13 based upon the unauthorized acquisition and use of the Draft Article are preempted
 14 by Federal Copyright law; (2) all three, in their entirety, are preempted by the
 15 California Uniform Trade Secrets Act; and (3) Defendant is entitled to judgment as
 16 a matter of law since Plaintiff has failed to demonstrate any genuine issues of
 17 material fact exist to support the claims.

18 **A. FEDERAL COPYRIGHT PREEMPTION**

19 Summary judgment is appropriate where a state law claim is preempted by
 20 the federal Copyright Act. Laws v. Sony Music Entertainment, Inc., 448 F.3d
 21 1134, 1146 (9th Cir. 2006) (affirming district court’s grant of summary judgment
 22 because state law claims of right of publicity were preempted by the federal
 23 Copyright Act). To establish preemption under the Copyright Act, pursuant to 17
 24 U.S.C. § 301, the state law claim must satisfy a two part test: (1) the “subject
 25 matter” of the state law claim falls within the subject matter of copyright as
 26 described in 17 U.S.C. §§ 102⁶ and 103;⁷ and (2) if it does, the rights asserted

26 ⁶Section 102 states, in pertinent part,

27 (a) Copyright protection subsists, in accordance with this title, in original works
 28 of authorship fixed in any tangible medium of expression, now known or later
 developed, from which they can be perceived, reproduced, or otherwise

1 under state law are equivalent to the rights contained in 17 U.S.C. § 106.⁸ Laws,
2 448 F.3d at 1137-38.

3 **1. The “Subject Matter” Element**

4 A work will fall within the subject matter of the Copyright Act where it is a
5 “literary work.” 17 U.S.C. § 102. As to each of the three causes of action, to the
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7 communicated, either directly or with the aid of a machine or device. Works of
8 authorship include the following categories:

9 (1) literary works;

10 ⁷Section 103 states, in pertinent part,

11 (a) The subject matter of copyright as specified by section 102 includes
12 compilations and derivative works, but protection for a work employing
13 preexisting material in which copyright subsists does not extend to any part of the
14 work in which such material has been used unlawfully.

15 (b) The copyright in a compilation or derivative work extends only to the material
16 contributed by the author of such work, as distinguished from the preexisting
17 material employed in the work, and does not imply any exclusive right in the
18 preexisting material. The copyright in such work is independent of, and does not
19 affect or enlarge the scope, duration, ownership, or subsistence of, any copyright
20 protection in the preexisting material.

21 ⁸Section § 106 states, in pertinent part,

22 Subject to sections 107 through 122, the owner of copyright under this title has
23 the exclusive rights to do and to authorize any of the following:

- 24 (1) to reproduce the copyrighted work in copies or phonorecords;
25 (2) to prepare derivative works based upon the copyrighted work;
26 (3) to distribute copies or phonorecords of the copyrighted work to the public by
27 sale or other transfer of ownership, or by rental, lease, or lending;
28 (4) in the case of literary, musical, dramatic, and choreographic works,
pantomimes, and motion pictures and other audiovisual works, to perform the
copyrighted work publicly;
(5) in the case of literary, musical, dramatic, and choreographic works,
pantomimes, and pictorial, graphic, or sculptural works, including the individual
images of a motion picture or other audiovisual work, to display the copyrighted
work publicly; and
(6) in the case of sound recordings, to perform the copyrighted work publicly by
means of a digital audio transmission.

1 extent each is predicated on Defendant's acquisition and use of the Draft Article,
2 the claim falls within the subject matter of the Copyright Act because the Draft
3 Article is a literary work. Thus, this element of the test is satisfied.

4 **2. The "Equivalency" Element**

5 To satisfy the "equivalent rights" element of the preemption test, the rights
6 granted under state law "must be equivalent to rights within the general scope of
7 copyright as specified by section 106 of the Copyright Act [which] provides a
8 copyright owner with the exclusive rights of reproduction, preparation of
9 derivative works, distribution and display." Laws, 448 F.3d at 1143 (quoting Del
10 Madera Props. v. Rhodes & Gardner, 820 F.2d 973, 977 (9th Cir. 1987), overruled
11 on other grounds, Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994)). A claim is not
12 "equivalent" where it is "qualitatively different" due to an extra element that
13 changes the nature of the action. Id. See also 1 Nimmer on Copyright (2007) §
14 1.01. "[I]n essence, a right that is 'equivalent to copyright' is one that is infringed
15 by the mere act of reproduction, performance, distribution, or display. The fact that
16 the state-created right is either broader or narrower than its federal counterpart will
17 not save it from pre-emption." Id. at § 1.01[B](1).

18 **a. Unfair Business Competition**

19 Where the essence of an unfair business competition claim is derived from
20 alleged unauthorized use of a copyright claim, the "equivalency" requirement is
21 met. Fisher v. Dees, 794 F.2d 432, 440 (holding that state law cannot encroach on
22 federal copyright laws via unfair competition laws where those laws would clash
23 with federal objectives); see also Motown Record Corp. v. George A. Hormel &
24 Co., 657 F.Supp 1236, 1239-40 (C.D. Cal 1987). In the First Amended Complaint,
25 Plaintiff asserts Defendant violated California Business & Professions Code §§
26 17200, et seq. due to Defendant's acquisition and use of the Draft Article in the
27 following respects: copyright infringement; misappropriation of trade secrets;
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1 improper possession of the article that it obtained unlawfully. Plaintiff's claim also
2 incorporates all the allegations of the first claim for copyright infringement. It is
3 clear from the First Amended Complaint that the essence of this claim is derived
4 from the alleged unauthorized use of a copyrighted work. Therefore, the Court
5 holds that Plaintiff's third cause of action for unfair business competition, to the
6 extent it is based on the acquisition and use of the Draft Article, is preempted by
7 the federal Copyright Act.

8 b. Intentional Interference with Prospective Economic
9 Advantage and Contract

10 Where an intentional interference claim is based upon unauthorized
11 publication of a copyrighted work, the equivalence requirement is met. Harper &
12 Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, 201 (2d Cir. 1983), rev'd
13 on other grounds, 471 U.S. 539 (1985). Plaintiff's Complaint alleges that
14 Defendant was aware of, and intentionally interfered with, its economic
15 relationships with various third parties—specifically its customers and prospective
16 customers—through certain conduct. To the extent this claim is based on
17 Defendant's conduct relating to the alleged improper disclosure and publication of
18 the Draft Article, it is qualitatively the same as the copyright claim. The fact that
19 this allegation includes the additional allegations of awareness and intent, which
20 are not part of a copyright claim, does not change the claim's quality because such
21 elements “merely [go] to the scope of the right [under the Copyright Act].” Id. at
22 201. Further, although Plaintiff asserts these claims do not relate to violation of its
23 Draft Article copyright, but rather to protect the contractual obligation of its
24 employees to maintain the confidentiality of prepublication drafts, the cause of
25 action is silent as to any such claim. Therefore, the Court holds § 301 of the
26 Copyright Act preempts Plaintiff's intentional interference cause of action as it
27 relates to the Draft Article.

28 c. Negligent Interference with Prospective Economic Advantage and

1 Contract.

2 Finally, Plaintiff's fifth cause of action for negligent interference with
3 prospective economic advantage and contract as it relates to the Draft Article is
4 also preempted. In the First Amended Complaint, Plaintiff explicitly states the
5 claim that Defendant negligently caused economic harm to its relationships with
6 third parties is based, in part, on "the improper disclosure of the Draft Article" and
7 "the improper publication of the Draft Article." Compl. at ¶ 71. Thus, the Court
8 holds § 301 of the Copyright Act also preempts Plaintiff's negligent interference
9 cause of action as it relates to the Draft Article.

10 Therefore, the Court GRANTS Defendant's Motion for Summary Judgment
11 on Plaintiff's third, fourth, and fifth causes of action to the extent they assert
12 liability based on the unauthorized acquisition and use of the Draft Article.

13 **B. PREEMPTION UNDER THE CALIFORNIA UNIFORM TRADE SECRETS ACT.**

14 Defendant also moves for summary judgment on Plaintiff's third, fourth, and
15 fifth causes of action the grounds that they are entirely preempted by the California
16 Uniform Trade Secrets Act ("CUTSA"). Pursuant to California Civil Code §
17 3426.7, the CUTSA states it "does not supercede any statute relating to
18 misappropriation, or any statute otherwise regulating trade secrets" and "does not
19 affect (1) contractual remedies [or] (2) other civil remedies that are not based upon
20 misappropriation of a trade secret." Cal. Civ. Code § 3426.7

21 The Court notes neither the Ninth Circuit nor the California courts have
22 addressed this preemption issue. See City Solutions v. Clear Channel Commc'ns.,
23 Inc., 365 F.3d 835, 838 (9th Cir. 2004) (upholding a jury verdict that held in favor
24 of a plaintiff on the unfair competition claim but against the plaintiff on the
25 CUTSA claim, but not addressing the preemption issue). However, the district
26 courts have held that unfair competition and common law claims are preempted by
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1 the CUTSA where they share the same common nucleus of operative facts as the
2 claim for misappropriation of trade secrets. Where such claims have facts distinct
3 from those underlying a claim for misappropriation of trade secrets, they are not
4 preempted. See Digital Envoy, Inc. v. Google, Inc., 370 F.Supp.2d 1025, 1034
5 (N.D. Cal. 2005) (holding that an unfair competition claim made pursuant to Cal.
6 Bus. & Prof. Code §§ 17200, et seq. was preempted by the CUTSA because relies
7 on the same operative facts to the misappropriation of trade secrets claim, relying
8 on the reasoning that “there would be no need for the inclusion of [§ 3426.7] in
9 California’s statutory scheme unless the UTSA preempted other claims based on
10 misappropriation.”); Accuimage Diagnostics Corp. v. Terarecon, Inc., 260
11 F.Supp.2d 941, 954 (N.D. Cal. 2003) (holding plaintiff’s common law claim for
12 misappropriation of trade secrets was preempted by the CUTSA); Callaway Golf
13 Co. v. Dunlop Slazenger Group Americas, Inc., 318 F.Supp.2d. 216, 219-20 (D.
14 Del. 2004) (applying California law and concluding “that CUTSA preempts
15 common law claims that ‘are based on misappropriation of a trade secret.’”) (quoting Cal. Civ. Code § 3426.7).

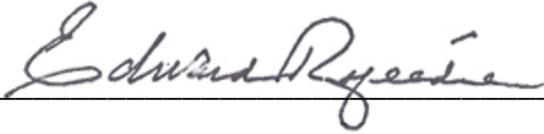
17 First, the Court notes it does not need to address whether these three causes
18 of action are preempted by the CUTSA as they relate to the Draft Article, because
19 it has held they are preempted by the federal Copyright Act. Second, the Court
20 holds the remaining allegations of Plaintiff’s third, fourth and fifth causes of action
21 are entirely preempted by the CUTSA because they assert the same nucleus of
22 operative facts that support Plaintiff’s second cause of action for misappropriation
23 of trade secrets pursuant to the CUTSA: the unauthorized acquisition of the
24 Arbitration story and confidential information related thereto. Therefore, the Court
25 GRANTS Defendant’s Motion for Summary Judgment as to the third, fourth and
26 fifth causes of action.

27 IT IS SO ORDERED.
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1 IT IS FURTHER ORDERED that the Clerk of the Court shall serve, by United
2 States mail or by telefax or by email, copies of this Order on counsel in this matter.

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Dated: November 19, 2007



EDWARD RAFEEDIE
Senior United States District Judge