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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.<sup>1</sup> The Court notes Defendant did not criticize, comment or critique the

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27           <sup>1</sup>Within 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.<sup>2</sup>

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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.

<sup>2</sup>The 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.<sup>3</sup> 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 <sup>3</sup> 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.

26 //

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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.”<sup>17</sup> 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.’”<sup>4</sup> 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           <sup>4</sup>The 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).<sup>5</sup>

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25 <sup>5</sup>Section 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 SEVERS 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. §§ 102<sup>6</sup> and 103;<sup>7</sup> and (2) if it does, the rights asserted

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26 <sup>6</sup>Section 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.<sup>8</sup> 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 <sup>7</sup>Section 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 <sup>8</sup>Section § 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.

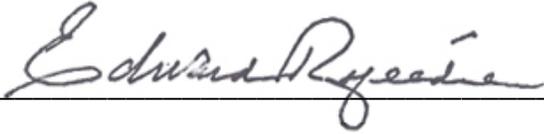
27 IT IS SO ORDERED.

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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



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EDWARD RAFEEDIE  
Senior United States District Judge