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IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

July 27, 2011

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Alexander v. Murdoch, USDC S.D. New York, July 14, 2011

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- District court grants dismissal of copyright infringement claim against creators and producers of *Modern Family*, finding that no reasonable jury could find substantial similarity between plaintiff's pilot *Loony Ben* and ABC's *Modern Family*.

Pro se plaintiff Martin Alexander created and wrote a treatment and pilot script for a television sitcom entitled *Loony Ben*. *Loony Ben*, set in Los Angeles, California, tells the story of a 30-year-old handyman who suffers from various mental-physical problems and has two ex-wives—Bling, who is Asian, and Rosa, who is Latina. In 2009, *Modern Family* debuted on the ABC network. *Modern Family* is also set in Los Angeles, California, and follows the everyday lives of a large extended family with three distinct units, each episode dividing its time roughly equally between the three individual families. Plaintiff brought suit against the creators and producers of *Modern Family* for copyright infringement, contributory and vicarious copyright infringement, idea misappropriation, and defamation. Defendants filed a motion to dismiss, arguing that no reasonable jury could find substantial similarity between *Loony Ben* and *Modern Family*. The Magistrate judge issued a Report and Recommendation (R&R), advising that the district court grant defendants' motion to dismiss. The district court agreed and adopted the R&R in its entirety, dismissing plaintiff's complaint.

Initially, the court considered plaintiff copyright infringement claim. To establish a claim of copyright infringement, plaintiff must demonstrate that: (1) the defendant has actually copied the plaintiff's work; and (2) the copying is illegal because a substantial similarity exists between the defendant's work and the protectable elements of plaintiff's work. Noting that defendants conceded that plaintiff had a valid copyright for *Loony Ben* and that defendants had access to the plaintiff's treatment, the court focused on the issue of substantial similarity.

In comparing the protectable elements of both television shows, the court concluded that substantial similarity did not exist between *Loony Ben* and *Modern Family*. The court considered a variable list of characteristics, including plot, characters, total concept and feel, setting, format and pace.

With respect to the plot, the court rejected plaintiff's claim that both works involve children's birthday parties and things going wrong. Birthday parties are scenes à faire in family-focused situation comedies, stated the court, and thus do not enjoy copyright protection. Similarly, the court found that comedic devices shared by both works – such as characters driving



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recklessly or drinking alcohol – are common plot elements and are not subject to copyright protection. The remaining plot similarities noted by plaintiff, such as the fact that both works depict a character singing a sexually inappropriate song at a family gathering, were alleged at an overly abstract level of generality to establish substantial similarity.

The court also compared the totality of character attributes and traits and found that they were not substantially similar. Notably, the court held that no substantial similarity could be found between two characters – Ben and Phil – who shared only their sex and hair color. Although plaintiff argued that Ben and Phil both suffered from “Peterpanism,” the tendency of adult characters to act in childish ways, the court found that a character with this trait is not copyrightable, and, in any event, the means by which the characters act childishly manifested themselves in completely different ways in the two works.

Several of plaintiff’s attempts to make other character comparisons were untenable, according to the court, because they were not sufficiently developed. For instance, the court rejected the assertion that Rosa and Gloria were substantially similar characters because each is a “stunningly beautiful, fiery, temperamental, Latina mother, with a thick accent” because the character of Rosa had only eight lines of dialogue in the pilot script. While plaintiff suggested that Rosa be played by actress Sofia Vergara, and Gloria is actually played by Sofia Vergara in *Modern Family*, the court found this to be a coincidence and insufficient to establish substantial similarity.

Plaintiff also failed to persuade the court that the setting, format, pace, and total concept and feel of the works were substantially similar. The court concluded that the choice of Los Angeles as a setting is not in itself copyrightable. In further rejecting plaintiff’s contention that the works are both “fast-paced situation comedies that utilize slapstick humor and feature large, ensemble casts,” the court emphasized that: (1) *Modern Family* is significantly faster-paced than *Loony Ben*; (2) *Modern Family* uses a mock documentary format, whereas *Loony Ben* does not; and (3) *Loony Ben* focuses on one character – Ben – while *Modern Family* utilizes a true ensemble format. Finally, the court found that the total concept and feel of the works were not substantially similar because the focus of *Loony Ben* is not on the family, but on one character, while *Modern Family*, spreads its attention between the various members of the featured family and presents themes that are broadly applicable to the family as a whole.

The court also granted dismissal of plaintiff’s remaining claims. Plaintiff failed to allege contributory and vicarious infringement, since there was no direct infringement. Because the idea giving rise to plaintiff’s misappropriation claim was fully expressed in the treatment, which was copyrighted in 2006, the court found that plaintiff’s idea misappropriation claim was preempted. Finally, plaintiff’s defamation claim asserted that because defendants allegedly made false and misleading statements suggesting that they were creators of *Modern Family*, rather than plaintiff, plaintiff was defamed. The court found that none of the statements identified plaintiff by name or implication, and accordingly dismissed plaintiff’s defamation claim.

Disney Enterprises, Inc., et al. v. Hotfile Corp., et al., USDC S.D. Florida, July 8, 2011



[Click here for a copy of the full decision.](#)

- District court dismisses plaintiff motion picture companies’ claim for direct copyright infringement against defendant file-sharing site and its operator on defendants’ motion to dismiss, but allows plaintiffs’ claim for secondary infringement to stand against both corporate and individual defendants.



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Plaintiffs, motion picture companies, filed suit against defendants, Hotfile Corp. and Anton Titov, the owner and operator of the file-sharing website Hotfile.com, alleging both direct and secondary infringement of copyrighted movies owned by plaintiffs. On defendants' motion to dismiss, the district court dismissed without prejudice plaintiffs' claim for direct infringement, finding the allegations that the website allows users to upload and download copyrighted material without direct or volitional conduct by defendants – although defendants did nothing to stop and even encouraged the massive infringement – were insufficient to state a claim against defendants for direct infringement. The court allowed plaintiffs' claim for secondary infringement, however. Plaintiffs had sufficiently pleaded allegations in support of their claim that defendants induced infringement of, committed contributory infringement of, and vicariously infringed upon the plaintiffs' copyrighted works. The court also found plaintiffs' allegations that individual defendant Titov manages Hotfile, adopted the business model leading to the massive infringement, personally refuses to implement technologies that could reduce the infringement, and that he has paid users to upload files, sufficient to state a claim against him for secondary infringement.

According to the complaint, the website allows peer-to-peer sharing of electronic files by allowing users to upload files to Hotfile's servers, receive links to those files and share those links with others, who can use the links to download the files. Defendants make a profit from the site in two ways. While anyone can use a Hotfile-generated link to download a file, users can pay to be members of the site and download more files and at much faster speeds than nonmembers. Hotfile also sells "hotlinks," links that third-party sites can post that, when clicked, automatically begins the download of the file, without ever directing the person who clicked the link to Hotfile.com.

To increase the number of members, Hotfile runs an "affiliate program" that pays users to upload the most popular content to its servers and asks that the users promote their links. Hotfile pays cash to users who upload files when the file is downloaded 1000 times, and the payment scheme rewards those who upload highly popular and large files more than those who upload highly popular but not-so-large files. If a nonmember clicks a link and joins as a member, Hotfile gives the person who uploaded the file a "credit." Third-party sites that post links directing users to Hotfile-hosted content also receive payment when a user who clicked on a link on the third-party site then becomes a Hotfile member. Defendant Titov designed Hotfile's business model and allegedly personally paid some of Hotfile's uploading users.

As plaintiffs alleged in their complaint, popular links generated big profits for Hotfile and the most popular links on the site are those that contain copyrighted materials and, as a result of their popularity, copyright-infringing files constitute the bulk of files downloaded through the site. Hotfile's business model encourages users to upload material with copyright protection, including the plaintiffs' films. Hotfile could easily correct the rampant infringement; it has the means to control the infringement, such as keyword filtering and audio fingerprinting.

Defendants argued – and the court agreed – that plaintiffs' complaint failed to state a cause of action for either direct copyright infringement. Citing *Religious Technology Center v. Netcom On-Line Communication Services*, 907 F. Supp. 1361 (N.D. Cal. 1995), and cases that followed it, the court noted that the standard in cases alleging that an internet company is infringing a plaintiff's copyright requires allegations beyond merely that the defendant gave users access to copyrighted material posted by others. Direct liability for copyright infringement requires more than mere ownership of the machine or system used by others to make illegal copies. Defendants must engage in some volitional act sufficiently close and causal to the illegal copying to conclude that they trespassed on the exclusive rights of the copyright owner. The court concluded that



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the complaint lacked the necessary allegations of volitional conduct by defendants. Plaintiffs alleged that the website allowed users to upload and download copyrighted material, but failed to state any volitional conduct from either defendant. While defendants allegedly encouraged the massive infringement, nothing in the complaint alleged that either defendant took direct, volitional steps to violate the plaintiffs' copyright – for example, by uploading copyrighted material.

The court rejected plaintiffs' argument that, *Netcom* notwithstanding, they had plead a claim for direct copyright infringement by alleging that defendants created a business plan that induced infringement. Many of the cases plaintiffs cited involved volitional acts by defendants. In others the courts explicitly recognized that their holdings did not apply in the case where a website merely uploads or downloads copyrighted material at the direction of a user.

The court specifically dismissed as incorrectly decided *Capitol Records, Inc. v. Mp3Tunes, LLC*, 2009 WL 3364036 (S.D.N.Y. Oct. 16, 2009), and *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009), two cases from the Southern District of New York upon which plaintiff relied. *Arista Records*, in which the court held that a policy encouraging infringement coupled with an ability – but refusal – to stop the massive infringement amounted to a volitional act, ignored the reasoning of *Netcom* and other cases following it that knowledge together with inducement, or supervision along with financial interest in the illegal copying, gives rise to secondary – not direct – liability for infringement. *Capitol Records*, in which the court held that a company's knowledge of massive infringement plausibly alleged volitional conduct, had no real analysis and simply cited cases as authority for its holding that the court in *Disney* had already determined failed to support the conclusion or, in the case of *Arista Records*, was wrongly decided.

The court also rejected plaintiffs' argument that *Netcom* and the other cases following it applied only to cases concerning the right to reproduce copyrighted material, not the right to distribute it, as in plaintiffs' suit. *Netcom* is not so limited – the court in that case considered the copyright holder's right to distribution in its analysis – and other courts have similarly applied *Netcom* where a defendant allegedly violated a copyright holder's right to distribute the material. The plaintiffs also contended that they alleged a volitional act in that hotfile.com makes additional copies once the copyrighted material is uploaded to the server, but the court disagreed, noting that courts have repeatedly held that the automatic conduct of software, unaided by human intervention, is not volitional.

While the court dismissed as insufficiently plead plaintiffs' claim for direct infringement, it let stand their claim for secondary infringement, finding that plaintiffs had properly plead that defendants had induced infringement of, had committed contributory infringement of, and had vicariously infringed plaintiffs' copyrighted works.

Citing Supreme Court precedent in *MGM Studios v. Grokster Ltd*, 545 U.S. 912 (2005), the court noted that defendants may be liable for inducing infringement if they distribute a device with the object of promoting its use for copyright infringement, shown by clear expression or affirmative steps to foster infringement. Plaintiffs alleged defendants use the hotfile.com website to promote copyright infringement and that defendants fostered this infringement by creating a structured business model that encouraged users to commit copyright infringement, as outlined in detail in the complaint, and therefore properly plead a claim for inducement.



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The complaint properly plead a claim for contributory infringement – where a defendant, with knowledge of the infringing acts of others, induces, causes, or materially contributes to the infringing conduct. The complaint alleged that, through their business model, defendants induced users to infringe the plaintiffs' copyright, that hotfile.com caused and contributed to this infringement, and that defendants knew of the massive infringement.

To allege a claim for vicarious infringement, plaintiff must allege that defendant profits from direct infringement while declining to exercise a right to stop or limit it. Plaintiffs' complaint sufficiently plead vicarious infringement in that it alleged that defendants have complete control over the servers that users employ to infringe, have the necessary technology to stop the infringement and refuse to stop the massive infringement, instead actually encouraging the infringement because it increases their profits. The court also noted that the complaint alleged specific "technological gizmos" and software that defendants could use to prevent the infringement.

Finally, the court rejected defendants' argument that plaintiffs had failed to plead sufficient allegations to maintain a claim against individual defendant Anton Titov. Plaintiffs alleged that Titov manages Hotfile, that he adopted the business model leading to the massive infringement, that he refuses to implement the technologies that could stop the infringement, and that he has paid users to upload files. The court concluded that, at the pleading stage, this suffices to show that he has the ability to supervise the infringing activity and a financial interest in that activity.

Ousley v. Krasnow, California Court of Appeal, July 19, 20112011 (NOT TO BE PUBLISHED IN OFFICIAL REPORTS)

 [Click here for a copy of the full decision.](#)

- Court of appeals affirms summary judgment in favor of defendant on plaintiff's breach of implied contract and breach of confidence claims, finding no evidence to support the inference that plaintiff's disclosure to defendant of concept for a television Bingo show was made based on a mutual understanding with defendant that the concept was confidential or that its disclosure was predicated on a promise to pay for any subsequent use.

Plaintiff, Mike Ousley, a television producer, brought suit against a number of defendants, including claims against defendant Stuart Krasnow, an independent television executive producer, for breach of implied contract and breach of confidence. Plaintiff alleged he created, developed and sought to market the concept for a national Bingo television show and that he "pitched" the concept to defendant at a conference at which defendant was a keynote speaker, and that, based on defendant's statements during his speech and the subsequent conversation, that defendant impliedly agreed not to divulge, use, or exploit the concept, except upon paying compensation to plaintiff. More than two years later, American Broadcasting Companies, Inc., Game Show Network, and Andrew Glassman, and Glassman Media, Inc., produced and broadcast a television program called National Bingo Night that plaintiff alleges was derived from his concept – but without having paid him any compensation.

Plaintiff asserted that he provided – and defendant accepted – written materials about the concept during a five-minute conversation after the end of defendant's presentation at the conference, and that defendant said that he would read the treatment on the plane. Plaintiff did not raise the subject of confidentiality or request an agreement for payment for using his idea. He alleged that defendant stated he would be in touch, but plaintiff made no effort to contact Krasnow after the



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conference. Krasnow gave deposition testimony that while he attended the conference and spoke to attendees after his presentation, he did not recall speaking to plaintiff or receiving his written materials.

Defendant Glassman was credited as the creator and executive producer of the game show television series *National Bingo Night*, which aired on ABC in 2007. After six episodes, ABC did not renew the program, but a new version of the show called *Bingo America* ran on GSN with Glassman as creator and executive producer. Glassman and others presented evidence that he conceived the idea for those bingo programs without any knowledge or involvement of Ousley or his concept. Krasnow had no involvement in the creation, development, or production of *National Bingo Night* or *Bingo America*, nor did he receive any screen credit or compensation for those shows. At the time that plaintiff allegedly pitched the concept to defendant, Krasnow was under contract to NBC as an executive producer and had no authority to buy television programming ideas.

The connection between Krasnow and Glassman is that they had worked together on other television shows, although the evidence is unclear whether they were working together on a show at the time that plaintiff alleges that he pitched the idea to Krasnow, and that the two had traveled together on business. The evidence is unclear whether the two traveled together to Hawaii after the conference at which defendant presented and plaintiff allegedly pitched his concept. Krasnow testified that he would not have shared the concept with Glassman, however.

The lower court granted summary judgment in favor of Krasnow on plaintiff's breach of implied contract and breach of confidence, finding no triable issues of fact as to the elements of the two causes of action, including the absence of evidence that plaintiff communicated to defendant that disclosure of his idea for a bingo-for-television program was conditioned on the mutual understanding that it was for sale or that its disclosure was based on a mutual understanding of confidentiality. Plaintiff appealed, asserting that summary judgment was improperly granted as to both causes of action because the evidence raised genuine issues of material fact as to the existence of an implied-in-fact contract. After de novo review, the court of appeals affirmed the decision of the lower court, finding no evidence to support a reasonable inference that plaintiff's disclosure of his television Bingo concept was made upon a mutual understanding with Krasnow that the concept was confidential or that his disclosure was predicated on a promise to pay for any subsequent use.

Under the seminal California Supreme Court decision *Desny v. Wilder*, to establish an implied-in-fact contract, the plaintiff must show: that he prepared the work, that he disclosed the work to an offeree for sale, that under all circumstances attending disclosure the offeree voluntarily accepted the disclosure knowing the conditions on which it was tendered (i.e., the offeree must have the opportunity to reject the attempted disclosure if the conditions were unacceptable) and the reasonable value of the work.

Plaintiff argued the evidence supported a reasonable inference of an implied agreement based on the circumstances preceding and attending his disclosure, together with the conduct of the offeree – Krasnow – acting with knowledge of the circumstances. Specifically, plaintiff pointed to the following as asserting sufficient evidence to support the reasonable inference that Krasnow understood plaintiff was making an offer and expected compensation for subsequent use: (1) he made his "pitch" to defendant in the context of the conference, which had a "pitch pit" component; (2) defendant effectively solicited offers for programming ideas when he stated to the audience during his presentation that he was "always looking



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for projects and ideas"; and (3) Krasnow told plaintiff that he was interested in the bingo-for-television idea, took his business plan, and said they would be in touch.

The court of appeals disagreed, finding that, even taking the evidence in the light most favorable to plaintiff, it fell "far short" of showing communication of an offer to sell, much less of a mutual understanding to that effect, or of a voluntary acceptance of the implicit terms of nondisclosure and compensation for use. The fact that the conference was intended to draw participants who hoped to sell their ideas did not support a reasonable inference that defendant, by being a speaker, had any intention to solicit ideas. Defendant not only presented strong evidence to the contrary, but his presentation was not advertised as having anything to do with solicitations – and the conference included a "Pitch Pit" session that specifically offered participants the opportunity to sell their ideas, scheduled for a different day and in which Krasnow had no involvement. Defendant's statement about "looking for ideas" in his speech could not reasonably be interpreted as soliciting ideas from participants, and without any indication from the circumstances and nature of his presentation that he was inviting business offers, defendant's expression of general interest to plaintiff in the course of greeting him and others after the presentation did not support a reasonable inference that defendant understood he was receiving an offer, much less that he implicitly accepted one based on unstated commercial terms. In addition, plaintiff's evidence concerning his own perceptions and understandings could not serve to create a disputed issue of material fact without evidence that this information was communicated to defendant. Without substantial evidence to support a reasonable inference of a commercial solicitation of the concept of bingo for television, or of defendant's voluntarily acceptance of the idea with knowledge that plaintiff had tendered it for a price, summary judgment in defendant's favor was appropriate.

The court concluded that plaintiff's claim for breach of confidence failed for similar reasons – a lack of evidence that defendant had actual knowledge that plaintiff was disclosing his concept on the condition of confidentiality.

A claim for breach of confidence is based on an understanding between the parties that an idea is offered upon a condition of confidentiality. Plaintiff must establish defendant's actual knowledge of the condition of confidentiality by actual notice – merely showing that defendant should have known of the confidential nature of the disclosure is insufficient – and knowledge of the confidential nature of information must also precede its disclosure.

Plaintiff asserted that defendant's statements and actions in response to his pitch, interpreted in light of the surrounding circumstances during their conversation after defendant's presentation, together supported a reasonable inference of a mutual understanding that plaintiff conveyed his television bingo concept upon a condition of confidentiality. The court disagreed, finding no evidence that plaintiff mentioned or implicitly referred to confidentiality at any time during his short, unsolicited pitch. Their discussion did not take place within the conference session reserved for the purpose of pitching ideas, and defendant's expressions of interest were entirely vague as to the existence of any commercial purpose or confidentiality preconditions. Plaintiff sought to rely on evidence as to his own expectations concerning confidentiality, but never communicated those thoughts to defendant, and nothing concerning an understanding of confidence can be inferred from defendant's conduct. The evidence did not raise a triable issue of fact as to the existence of an essential element of breach of confidence—an understanding between the parties that the confidential nature of the information will be maintained.



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