

1 October 2 and October 9, 2012.¹ For the reasons below, the motion to
2 strike is GRANTED as to the Foundation's two state-law claims², and
3 the Motion to Dismiss is GRANTED as to the remaining declaratory
4 judgment claim.

5 **FACTUAL ALLEGATIONS**

6 This case involves the rights to songs written or co-written by
7 Ray Charles, esteemed musician and songwriter. (Compl. ¶ 24.) During
8 the 1950s, Charles signed several Musicians Services Agreements with
9 Atlantic Records covering different periods of time. (Id. ¶ 25.)
10 These Musician Services Agreements stated among other provisions that
11 Charles was "hired as an employee" to record songs for Atlantic, that
12 the recordings "would be subject to Atlantic's approval," that
13 Atlantic "would have complete control over Ray Charles's and other
14 musicians' services," that Atlantic owned the recordings produced, and
15 that Charles would render services exclusively for Atlantic. (Id.)
16 In return, Charlie would receive an advance payment and royalties on
17 sales. (Id.)

18 In conjunction with Charles's "employment relationship" with
19 Atlantic, Charles was also employed by Progressive Music Publishing
20 Co. ("Progressive"), a company owned and controlled by Atlantic at the
21 time, to write songs which were then owned by Progressive, not
22

23 ¹The Court DENIES the Foundation's request for further oral
24 argument. Fed. R. Civ. P. 78; Local Rule 7-15.

25 ²The Foundation suggests that the Court defer ruling on this
26 matter until the resolution of the appeal in DC Comics v. Pacific
27 Pictures Corp., No. CV 10-3633 ODW (RZx) (C.D. Cal. filed on May 14,
28 2010). The request is denied as moot, as that case was decided on
January 10, 2013. DC Comics v. Pacific Pictures Corp., No. 11-56934,
2012 WL 120807 (9th Cir. Jan. 10, 2013) (unpublished disposition).
The Court has considered that decision herein.

1 Charles. (Id. ¶ 26.) As was customary in the music industry at the
2 time, Charles composed songs and recorded them for Atlantic, but
3 Progressive owned the copyrights to the underlying composition. (Id.)
4 Sometimes Progressive would memorialize its ownership in a "Standard
5 Uniform Songwriters Contract," which set forth Charles's entitlement
6 to domestic and foreign royalties. (Id. ¶ 27.) Progressive would
7 also register the songs with the Copyright Office and listed itself as
8 the copyright owner. (Id. ¶ 28.) Importantly, all the songs at issue
9 in this case "were written while Ray Charles was employed by Atlantic
10 and Progressive, and all those that were recorded and released, were
11 embodied on various albums on the Atlantic label." (Id.)

12 In 1980, Charles allegedly renegotiated the terms of his
13 agreement with Progressive's successor-in-interest over two categories
14 of songs: (a) songs that Charles had already assigned to Progressive;
15 and (b) published and unpublished compositions he had not previously
16 assigned to any publisher (the "1980 agreement"). (Id. ¶ 29, Ex. A.)
17 Under that agreement, Charles continued to receive royalties, as well
18 as a "significant cash payment." (Id. ¶ 30.) The Foundation does not
19 allege that the 1980 agreement changed the ownership of the songs.
20 (Id. ¶¶ 29-30.)

21 In 2002, Charles entered an agreement with each of his twelve
22 children, seven of whom are Defendants in this case. (Id. ¶ 31.)
23 This agreement was short and simple:

24 My father, Ray Charles Robinson, has told me
25 that he will set up an irrevocable trust for my
26 benefit, to be funded with \$500,000. This gift is
27 my entire inheritance from him and I understand
28 that I will not inherit anything further under my
father's estate plan and that I am waiving any
right to make a claim against his estate.

1 (Id. ¶¶ 31–32; Arredondo Decl., Ex. A.³). Eighteen months later,
2 Charles passed away and left all of his rights in his works to the
3 Foundation. (Id. ¶ 33.)

4 On March 30, 2010, Defendants served thirty-nine copyright
5 termination notices pursuant to the 1976 Copyright Act, 17 U.S.C. §
6 304(c)(5), on various individuals with interests in Charles’s works,
7 including Warner/Chappell Music (“Warner/Chappell”), successor-in-
8 interest to Progressive. (Id. ¶ 34.) Those notices seek to terminate
9 transfers that occurred prior to 1978, the effective date of the 1976
10 Copyright Act. (Id. ¶ 35, Ex. A.) However, because all of the same
11 songs subject to these termination notices were encompassed in the
12 1980 agreement, Defendants also served termination notices for those
13 transfers pursuant to § 203 of the Copyright Act, which provides for
14 termination of post-1978 transfers on similar terms as § 304(c). (Id.
15 ¶ 37.) These sections of the Copyright Act generally allow a majority
16 of an author’s children, if the author is dead, to terminate most
17 transfers or licenses of the author’s works, upon timely notice to the
18 transferee or licensee. Under § 304(c), the earliest date to
19 terminate any of the transfers was April 1, 2012, and the latest date
20 is September 28, 2019. (Id. ¶ 35, Ex. A.) As for the terminations
21 pursuant to § 203, the Foundation alleges that the earliest date for
22 termination is 2020, and that Defendants’ notices purporting to
23 terminate the transfers in 2015 are premature. (Id. ¶ 38.)

24
25 ³Although the Foundation did not attach the agreements to the
26 Complaint, it alleged the substance of them and bases its state-law
27 claims on them, so the Court may consider them here. See United
28 States v. Ritchie, 342 F.3d 903, 908 (9th Cir. 2003) (explaining that
in deciding a motion to dismiss the Court may consider documents to
which the complaint refers extensively or which form the basis of the
plaintiff’s claims in the complaint).

1 In response to the termination notices, the Foundation brought
2 the pending federal declaratory judgment and state-law claims against
3 the Defendants. In the federal claim, the Foundation seeks a
4 declaration that the termination notices were ineffective and untimely
5 for various reasons, such as that (1) the compositions at issue are
6 excluded from the termination provisions because they were works made
7 for hire; (2) if the compositions were not works made for hire, then
8 the 1980 agreement constituted a renegotiation of the transfer of most
9 of the songs, satisfying the statutory right of termination; (3) the
10 notices pertaining to unpublished works are invalid because the right
11 of publication of those songs was not exercised within five years of
12 the 1980 agreement; (4) the 1980 agreement constituted a new transfer
13 and all termination deadlines should be calculated from that date; and
14 (5) the Court should determine which of the multiple termination
15 notices for each composition is operative, if any. (*Id.* ¶ 43) The
16 Foundation also asserts a declaratory judgment claim and breach of
17 contract and breach of the covenant of good faith and fair dealing
18 claims on the ground that the "serving [of] numerous termination of
19 transfer notices" were "claims against [Ray Charles's] estate" in
20 violation of the agreements signed by Defendants. (*Id.* ¶¶ 50, 54.)

21 Defendants have moved to strike the state claims pursuant to
22 California's anti-SLAPP⁴ statute, Cal. Code. Civ. P. § 425.16, and
23 have moved to dismiss all of the claims pursuant to Federal Rule of
24 Civil Procedure 12(b)(1) and (6).

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26
27 ⁴SLAPP stands for "strategic lawsuit against public
28 participation." *DC Comics v. Pac. Pictures Corp.*, ___ F.3d ___, ___,
2013 WL 119716, at *2 (9th Cir. Jan. 10, 2013).

MOTION TO STRIKE**A. Legal Standard**

California's anti-SLAPP statute allows a defendant to bring a special motion to strike any state-law claim that "aris[es] from any act of that person in furtherance of the person's right of petition or free speech under the United States Constitution or the California Constitution in connection with a public issue[.]" Cal. Code Civ. P. § 425.16(b). It was designed to discourage meritless cases brought for the sole purpose of "'chilling expression through costly, time-consuming litigation.'" Batzel v. Smith, 333 F.3d 1018, 1024 (9th Cir. 2003). The anti-SLAPP statute applies to any California state-law claim brought in federal court. Id. at 1025-26.

In order for a court to strike a state-law claim, it must make a two-part inquiry. Mindys Cosmetics, Inc. v. Dakar, 611 F.3d 590, 595 (9th Cir. 2010). "First, the defendant must make a prima facie showing that the plaintiff's suit 'arises from an act in furtherance of the defendant's rights of petition or free speech.'" Id. If a defendant carries the burden to show that the challenged claims fall within the anti-SLAPP statute, then the plaintiff must demonstrate a probability of prevailing on the merits of the claims. Id.

B. Discussion**1. Claims Based on Protected Activity**

Acts protected by the anti-SLAPP statute include "(1) any written or oral statement or writing made before a legislative, executive, or judicial proceeding, or any other official proceeding authorized by law, (2) any written or oral statement or writing made in connection with an issue under consideration or review by a legislative, executive, or judicial body, or any other official proceeding

1 authorized by law, (3) any written or oral statement or writing made
2 in a place open to the public or a public forum in connection with an
3 issue of public interest, or (4) any other conduct in furtherance of
4 the exercise of the constitutional right of petition or the
5 constitutional right of free speech in connection with a public issue
6 or an issue of public interest." Cal. Civ. Proc. Code § 425.16(e).

7 As relevant here, subsections (1) and (2) of section 425.16(e)
8 apply to "any cause of action against a person arising from any
9 statement or writing made in, or in connection with an issue under
10 consideration or review by, an official proceeding or body." Briggs
11 v. Eden Council for Hope & Opportunity, 19 Cal. 4th 1106, 1113
12 (1999).⁵ Courts have interpreted this provision to bar claims based
13 on communications made in the course of "official proceedings," but
14 exclude claims based on "ministerial" business communications. Mindys
15 Cosmetics, 611 F.3d at 596. For example, "official proceedings" can
16 include "an attempt to establish a property right under a
17 comprehensive federal statutory scheme," such as a trademark
18 application filed pursuant to the Lanham Act. See id. at 597. In
19 Mindys Cosmetics, an attorney filed a trademark application with the
20 U.S. Patent and Trademark Office (the "PTO") that resulted in a
21 lawsuit being filed against him for, among other claims, legal
22 malpractice, fraudulent concealment, and breach of fiduciary duty.
23 Id. at 594. The court held that the filing of a trademark application
24 was "more than merely a ministerial act connected with a business
25 transaction" because the statutory process of filing a trademark
26 application included a determination by the PTO that the filer is the

27 ⁵Defendants also argue that the Foundation's claims fall within
28 subsection (4), but the Court need not address that issue because it
finds that subsections (1) and (2) apply.

1 presumptive owner of a protectable mark. Id. at 597. That process
2 was similar to acts done in "official" proceedings that California
3 courts have found to fall within the anti-SLAPP statute, id. at 596,
4 such as the filing of a complaint with the SEC to solicit an
5 investigation, which was "'designed to prompt action by that agency,'" ComputerXpress, Inc. v. Jackson, 93 Cal. App. 4th 993, 1009 (2001);
6 the conducting of a hospital peer review procedure, which was required
7 under the California Business and Professions Code governing those
8 proceedings, Kibler v. N. Inyo Cnty. Hosp. Dist., 39 Cal. 4th 192,
9 199-200 (2006); and the conducting of an investigative audit by a
10 state auditor, which was "'government-sponsored and provided for by
11 statute,'" Braun v. Chronicle Publ'g Co., 52 Cal. App. 4th 1036, 1049
12 (1997).
13

14 In contrast to acts done in "official" proceedings, ministerial
15 acts involving "primarily private transactions" do not trigger the
16 anti-SLAPP statute. Mindys Cosmetics, 611 F.3d at 597. In Blackburn
17 v. Brady, 116 Cal. App. 4th 670, 676-77 (2004), for example, the court
18 denied an anti-SLAPP motion directed at a claim based on statements
19 made during a Sheriff's auction because the "ministerial event of a
20 Sheriff's sale or auction simply does not concern an issue under
21 review or determine some disputed matter as contemplated under the
22 anti-SLAPP law"; it was merely a "business dealing or transaction."
23 Id. at 677. Similarly, in A.F. Brown Elec. Contractor, Inc. v. Rhino
24 Elec. Supply, Inc., 137 Cal. App. 4th 1118, 1129 (2006), the court
25 refused to strike claims for libel, slander, and unfair business
26 practices based on a supply company's filing of stop notices with a
27 school district against a contractor because the plaintiff "did not
28 request the district to commence any type of proceeding, or to make

1 any type of administrative or adjudicatory decision," even though the
2 stop notices required the school district to withhold part of the
3 funds due until a court could resolve the dispute. Id.; see also
4 Rouse v. Law Offices of Rory Clark, 465 F. Supp. 2d 1031, 1038 (S.D.
5 Cal. 2006) (finding that the recording of a lien with the Recorder's
6 Office was a "ministerial" communication that falls outside of the
7 anti-SLAPP statute); Garretson v. Post, 156 Cal. App. 4th 1508, 1523
8 (2007) (finding notice of a nonjudicial foreclosure sale was not done
9 in an official proceeding, but was "analogous to a business dealing or
10 transaction").

11 The parties have not identified any cases determining whether
12 termination notices under §§ 304(c)(5) and 203 filed with the
13 Copyright Office and served on licensees constitute acts done in a
14 "official proceeding" or simply ministerial acts.⁶ Defendants argue
15 that, like the trademark application in Mindys Cosmetics, the
16 termination notices are attempts to "establish a property right under
17 a comprehensive federal statutory scheme," so they fall within the
18 anti-SLAPP statute. The Foundation contends that the termination
19 notices are merely private ministerial acts like those in Blackburn
20 and A.F. Brown that do not require any action by the Copyright Office,
21 so they fall outside the anti-SLAPP statute. Defendants are correct.

22 The termination provisions under the Copyright Act are
23 "formalistic and complex, such that authors, or their heirs,

24 ⁶The Court rejects the Foundation's argument that its state-law
25 claims are not based on the filing of the termination notices, but
26 only on the servicing of the termination notices, which is a ministerial
27 act. (Compl. ¶¶ 50, 54.) Although the Foundation's complaint only
28 mentions the serving of the termination notices, the Copyright Act
requires that the termination notices be recorded with the Copyright
Office before they become effective, and Defendants followed that
procedure in this case. §§ 203(a)(4)(A), 304(c)(4)(A).

1 successfully terminating the grant to the copyright in their original
2 work of authorship" only do so "'against all odds.'" Siegel v. Warner
3 Bros. Entm't Inc., 542 F. Supp. 2d 1098, 1101-02 (C.D. Cal. 2008),
4 rev'd on other grounds sub nom., Larson v. Warner Bros. Entm't Inc.,
5 No. 11-55863, et al., 2012 WL 6822241 (9th Cir. Jan. 10, 2013⁷)
6 (unpublished disposition). To be effective, the termination notice
7 must be recorded with the Copyright Office before the effective date
8 of the termination and must "comply, in form, content, and manner of
9 service," with regulations promulgated by the Copyright Office. §
10 203(a)(4)(A), (B).

11 Importantly, the regulations grant authority to the Copyright
12 Office to review and reject the recordation of termination notices
13 that "in the judgment of the Copyright Office" are untimely. 37
14 C.F.R. § 201.10(f)(4) ("Notwithstanding anything to the contrary of
15 this section, the Copyright Office reserves the right to refuse
16 recordation of a notice of termination as such if, in the judgment of
17 the Copyright Office, such notice of termination is untimely."). The
18 regulations define when a notice is untimely:

19 Conditions under which a notice of termination
20 will be considered untimely include: the effective
21 date of termination does not fall within the five-
22 year period described in section 203(a)(3) or
23 section 304(c)(3), as applicable, of title 17,
24 United States Code; or the documents submitted
25 indicate that the notice of termination was served
26 less than two or more than ten years before the
27 effective date of termination. If a notice of
28 termination is untimely or if a document is
submitted for recordation as a notice of
termination on or after the effective date of
termination, the Office will offer to record the
document as a "document pertaining to copyright"
pursuant to § 201.4(c)(3), but the Office will not
index the document as a notice of termination.

⁷Westlaw appears to have erroneously reported the date of the
disposition as November 5, 2012.

1 Id.

2 While this process may be less extensive and involved than the
3 review procedure under the Lanham Act, see Mindys Cosmetics, 611 F.3d
4 at 597, it is certainly more than simply ministerial and involves more
5 than just a private business transaction. Timeliness, for example,
6 can be complicated – three separate termination provisions apply
7 depending on whether the transfer to be terminated occurred before
8 January 1, 1978, see § 304(c); after January 1, 1978, see § 203(a); or
9 before January 1, 1978, but the author’s right to terminate was
10 unexercised and expired by the time the Sonny Bono Copyright Term
11 Extension Act of 1998 was passed, see § 304(d). Indeed, in this case
12 the Foundation alleges that the termination notices directed at the
13 transfers in the 1980 agreement were premature because those transfers
14 cannot be terminated until 2020. (Compl. ¶ 38.) Similar to the
15 review undertaken by the PTO for trademark applications, the Copyright
16 Office’s timeliness review is a more involved and public process than
17 the Sheriff’s sale in Blackburn, which involved only a private
18 business dispute, or in A.F. Brown, which involved only the submission
19 of stop notices to a school district that did not commence any type of
20 proceeding or require an administrative or judicial decision.

21 The Foundation also cites two cases to argue that its state-law
22 claims are not based on the filing and serving of copyright
23 termination notices, but neither changes the Court’s conclusion. In
24 Duncan v. Cohen, No. C 08-2243 BZ, 2008 WL 2891065, at *1–3 (N.D. Cal.
25 July 22, 2008), the court denied an anti-SLAPP motion directed at
26 state-law claims because those claims were not based on the exercise
27 of free speech rights, but on alleged copyright infringement and a
28 contract over a movie, which does not create “restrictions on freedom

1 of speech as copyright protects only form of expression and not the
2 ideas expressed.'" Id. at *2. Likewise, in DC Comics v. Pacific
3 Pictures Corp., No. 11-56934, 2013 WL 120807 (9th Cir. Jan. 10, 2013)
4 (unpublished disposition), the plaintiff brought claims for
5 interference with contract and prospective economic advantage against
6 the defendants, including Marc Toberoff – Defendants' counsel here.
7 Although the case involved termination notices filed by certain heirs
8 at Toberoff's urging, the Ninth Circuit concluded that the
9 interference claims were not based on protected activity, even if "(1)
10 protected conduct may have been the ultimate motivation for, or
11 eventual result of, the repudiation, or (2) an attorney may have
12 induced that repudiation." Id. at *1. The court also concluded that
13 the unfair competition claim was not "based on" protected activity
14 because the settlement negotiations that led to the agreements at
15 issue were "merely the backdrop to – and not the basis of – the unfair
16 competition claim." Id. (citing In re Episcopal Church Cases, 45 Cal.
17 4th 467, 477–78 (2009)). Importantly, the court noted that it did not
18 decide "whether the filing of copyright termination notices would
19 constitute protected conduct under California's anti-SLAPP statute."
20 Id. at *1 n.1; see also DC Comics v. Pac. Pictures Corp., __ F.3d __,
21 __, 2013 WL 119716, at *1 (9th Cir. Jan. 10, 2013) (noting in
22 contemporaneous decision finding interlocutory jurisdiction that the
23 plaintiff also brought "various other claims under state and federal
24 law regarding the [defendants'] attempts to exercise termination
25 rights pursuant to the 1976 Copyright Act (claims that are not the
26 subject of this appeal).").

27 In contrast to these cases, the Foundation has not brought claims
28 based on copyright infringement or based upon any wrongful conduct

1 independent of the filing and serving of the termination notices;
2 rather, the Foundation expressly alleges that Defendants breached
3 their agreements with their father by taking advantage of the
4 Copyright Act's termination provisions to recapture the copyrights at
5 issue. This is not a case in which the termination notices form
6 merely a "backdrop" to state-law claims based on other, non-protected
7 activity. Thus, Defendants have carried their burden to demonstrate
8 that the Foundation's state-law claims are based upon acts that fall
9 within the anti-SLAPP statute.

10 2. Reasonable Probability of Success on the Merits

11 Because Defendants have demonstrated that the Foundation's
12 state-law claims for breach of contract and breach of the covenant of
13 good faith and fair dealing fall within the anti-SLAPP statute, the
14 Foundation must now demonstrate that it has a reasonable probability
15 of succeeding on the merits of those claims. See Batzel, 333 F.3d at
16 1024. "Reasonable probability" means only a "'minimum level of legal
17 sufficiency and triability,'" so the plaintiff need only "'state and
18 substantiate a legally sufficient claim.'" Mindys Cosmetics, 611 F.3d
19 at 598-99. In determining the probability of success, the Court
20 considers "'the pleadings, and supporting and opposing affidavits
21 stating the facts upon which the liability or defense is based.'" Id.
22 at 598 (quoting section 425.16(b)(2)).

23 The crux of the Foundation's state-law claims is that Defendants
24 breached their agreements with Ray Charles not to "make a claim
25 against his estate" by serving the termination notices on
26 Warner/Chappell Music. Taking the Foundation's factual allegations as
27 true, the Foundation has not demonstrated a probability of prevailing
28 on these claims.

1 First, Defendants' termination notices could not be considered
2 claims "against" Charles's estate because his estate went through
3 probate and was closed in 2006, long before Defendants sent the
4 termination notices in 2010. (Ervin Decl., Ex. I.) The agreements
5 were plainly directed at Charles's children's inheritance, given that
6 the two clauses that preceded the "claims against his estate" clause
7 provided that the \$500,000 was each child's "entire inheritance" and
8 that the children would not "inherit anything further under my
9 father's estate plan[.]" The agreement cannot plausibly be
10 interpreted to impose an indefinite future obligation on Defendants
11 not to take any action against assets that have gone through probate
12 and have been distributed to the Foundation as a beneficiary, now that
13 the estate is closed.

14 Second, if the Foundation is correct that Ray Charles created all
15 the compositions at issue as works made for hire for Atlantic and
16 Progressive, then Charles never owned any of the copyrights subject to
17 the termination notices, so they could not have been part of his
18 estate in the first place. As a result, any attempt by Defendants to
19 recapture ownership of the copyright interests held by Warner/Chappell
20 could not constitute claims against Charles's estate and therefore
21 could not have breached the agreement between Charles and Defendants.

22 Third, assuming alternatively that Defendants' termination
23 notices could be considered claims against Charles's estate because
24 the compositions at issue were not works made for hire and Charles
25 owned them when he died, the Copyright Act prevents the Court from
26 interpreting the agreements signed by Defendants as limiting their
27 statutory termination rights. The termination provisions in §§
28 203(a)(5) and 304(c)(5) "allow[] an author, if he is living, or his

1 widow and children, if he is not, to recapture . . . the rights that
2 had previously been transferred to third parties." Classic Media,
3 Inc. v. Mewborn, 532 F.3d 978, 983 (9th Cir. 2008); see also id. at
4 984–85. Importantly, this termination right is "inalienab[le]"
5 because, under the statute, "[t]ermination of the grant may be
6 effected notwithstanding any agreement to the contrary, including an
7 agreement to make a will or to make any future grant." Id. (citing §
8 304(c)(5); emphasis in original); id. at 984 (citing § 203(a)(5),
9 which uses identical language). Here, if the agreements are
10 interpreted to waive Defendants' rights to recapture the copyrights at
11 issue, then they are plainly "agreement[s] to the contrary" of the
12 Copyright Act's termination provisions and are unenforceable to that
13 extent.

14 The Foundation claims that the agreements cannot be considered
15 "agreement[s] to the contrary" of the termination provisions because
16 those agreements do not expressly prevent Defendants from
17 "effect[ing]" the termination of the grants at issue; instead,
18 Defendants are free to terminate the grants – they will just be liable
19 to the Foundation for at least \$500,000 for breaching the agreements.
20 (Compl. ¶ 51.)⁸ The Foundation most prominently relies on the
21 Copyright Act's use of the word "effected" and distinguishes cases
22 like Classic Media, which involved an assignment of rights that
23 precluded the plaintiff from exercising her statutory termination
24 rights, see 532 F.3d at 986, and Marvel Characters, Inc. v. Simon, 310

25 _____
26 ⁸Not only is the Foundation seeking \$3,500,000 in damages based
27 on the amount Ray Charles paid the seven Defendants, but it is also
28 seeking a constructive trust over all "funds, assets, revenues, and
profits" Defendants might receive from the compositions at issue.
(Compl. at 21, ¶¶ 2–3.)

1 F.3d 280, 292 (2d Cir. 2002), which involved an agreement that
2 retroactively deemed a work as a work made for hire that eliminated
3 the statutory termination rights. But forcing statutory heirs to
4 choose between incurring a penalty for breaching an agreement or
5 abandoning statutory termination rights is just a more creative way of
6 preventing the exercise of termination rights in the first place. 3
7 Melville B. Nimmer & David Nimmer, Nimmer on Copyright §
8 11.07[E][2][b][ii], [3] (2012) (explaining how penalties operate as
9 "agreements to the contrary"). As a result, the Foundation has no
10 probability of prevailing on its breach of contract claim.⁹

11 The Foundation also has no probability of prevailing on its
12 breach of the covenant of good faith and fair dealing claim. The
13 implied covenant is implied "as a supplement to the express
14 contractual covenants, to prevent a contracting party from engaging in
15 conduct which (while not technically transgressing the express
16 covenants) frustrates the other party's rights to the benefits of the
17 contract." Los Angeles Equestrian Ctr., Inc. v. City of Los Angeles,

18 ⁹Although extensively discussed by the Foundation, neither Milne
19 ex rel. Coyne v. Stephen Slesinger, Inc., 430 F.3d 1036 (9th Cir.
20 2005) nor Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193 (2d Cir.
21 2008) is relevant here. Both cases found that agreements
22 renegotiating licenses were not "agreements to the contrary" under the
23 Copyright Act, so they could preclude later exercise of termination
24 rights. See Milne, 430 F.3d at 1044-45; see also Steinbeck, 537 F.3d
25 at 203. The Foundation does not argue that the agreements at issue
26 here somehow fit within that narrow factual scenario. See Mewborn,
27 532 F.3d at 987 (noting that Milne involved "quite a distinct factual
28 scenario with very different statutory implications"). Similarly, the
Foundation's invocation of Ray Charles's testamentary intent is
unpersuasive because the intent of the author is irrelevant under the
termination provisions of the Copyright Act. See Larry Spier, Inc. v.
Bourne Co., 953 F.2d 774, 778 (2d Cir. 1992) (finding that the intent
of an author in executing a will is irrelevant under § 304(c) because,
"[i]f the author's intent were the paramount concern of the statute,
then no termination of any kind would be allowed because most authors
presumably 'intend' to make the assignment that is the very object of
Section 304(c)'s termination provisions.").

1 17 Cal. App. 4th 432, 447 (1993) (internal quotation marks omitted;
2 emphasis in original). Therefore, “[i]f there exists a contractual
3 relationship between the parties . . . the implied covenant is limited
4 to assuring compliance with the express terms of the contract, and
5 [it] cannot be extended to create obligations not contemplated in the
6 contract.” Id. (internal quotation marks omitted). “If the
7 allegations do not go beyond the statement of a mere contract breach
8 and, relying on the same alleged acts, simply seek the same damages or
9 other relief already claimed in a companion contract cause of action,
10 they may be disregarded as superfluous as no additional claim is
11 actually stated.” Careau & Co. v. Sec. Pac. Bus. Credit, Inc., 222
12 Cal. App. 3d 1371, 1395 (1990). Here, the Foundation’s breach of the
13 covenant claim is coextensive with its breach of contract claim and
14 seeks the same damages. (See Compl. ¶¶ 54–55.) Therefore, as with
15 its breach of contract claim, the Foundation has no probability of
16 prevailing on this claim.

17 3. Conclusion and Attorney’s Fees

18 Defendants have demonstrated that the Foundation’s state-law
19 claims are based on protected activity, thereby falling within the
20 anti-SLAPP statute, and the Foundation has failed to demonstrate any
21 probability of prevailing on those claims. Because Defendants have
22 prevailed on their anti-SLAPP motion, attorney’s fees are mandatory
23 and the Court awards them. Cal. Code Civ. P. § 425.16(c); Ketchum v.
24 Moses, 24 Cal. 4th 1122, 1131 (2001).

25 **MOTION TO DISMISS**

26 Because the Foundation’s state-law claims must be dismissed
27 pursuant to the anti-SLAPP statute, the Foundation’s only remaining
28 claim is for declaratory judgment invalidating the termination

1 notices.¹⁰ Some review of the parties' contentions on this claim is
2 warranted. In their motion, Defendants originally challenged this
3 claim on the grounds that the Foundation is merely asserting the
4 rights of third-party Warner/Chappell and does not meet the prudential
5 standing requirements to do so. The Foundation responded by arguing
6 that it was asserting its own interests because its receipt of
7 royalties from the transfers to Warner/Chappell rendered it a
8 "beneficial owner" with standing under the Copyright Act.¹¹ In reply,
9 Defendants argued that the Foundation could not be a "beneficial
10 owner" even if it receives royalties because it has alleged that the
11 compositions at issue were works made for hire. See Warren v. Fox
12 Family Worldwide, Inc., 328 F.3d 1136, 1144-45 (9th Cir. 2003)
13 (holding that author of work made for hire was not "beneficial owner"
14 with standing to assert infringement claim, even if receiving
15 royalties).

16 At oral argument, the Court tentatively agreed with Defendants
17 that the Foundation did not have standing under Warren because it
18 alleged that the compositions were works made for hire. However, the
19 Foundation argued that it alternatively alleged that the compositions
20 were not works made for hire, and therefore as a beneficial owner it
21 had standing to challenge the termination notices. The Court then
22 ordered the parties to brief two issues: (1) assuming the compositions
23 were not works made for hire, "does the Foundation have standing under
24 the Copyright Act to challenge the termination notices under §§ 304(c)

25 ¹⁰To the extent the Foundation's declaratory judgment claim also
26 seeks a declaration that Defendants breached their agreements, it must
be dismissed for the reasons already explained.

27 ¹¹A "beneficial owner" is "an author who had parted with legal
28 title to the copyright in exchange for percentage royalties based on
sales or license fees." Warren v. Fox Family Worldwide, Inc., 328
F.3d 1136, 1144 (9th Cir. 2003) (internal quotation marks omitted).

1 and 203 as a 'grantee' of an 'exclusive or nonexclusive grant of a
2 transfer or license' of any right under the copyrights?"; and (2) "can
3 the Foundation allege facts to support a claim that the works were not
4 works made for hire consistent with [Federal Rule of Civil Procedure]
5 11?" (Docket No. 31.)

6 In its supplemental brief, the Foundation argued that (1) §
7 501(b) of the Copyright Act creates a "zone of interests" for
8 "beneficial owners" of copyright interests to sue for infringement,
9 which extends to beneficial owners challenging termination notices
10 under §§ 304(c) and 203; (2) even if § 501(b)'s zone of interests does
11 not extend to §§ 304(c) and 203, the Foundation's interests fall
12 within the "zone of interests" the termination provisions sought to
13 protect; and (3) if it were required to, it could allege facts to
14 support its alternative theory without violating Rule 11. In
15 response, Defendants argued that (1) standing under § 501(b) for
16 "beneficial owners" does not extend to §§ 304(c) and 203; (2) the
17 Foundation does not otherwise have standing under §§ 304(c) or 203 to
18 challenge termination notices because its interests fall outside the
19 "zone of interest" of §§ 304(c) and 203; and (3) in any case, the
20 Foundation cannot amend its claims to assert its alternative theory
21 without violating Rule 11.

22 As explained below, the Court finds that the Foundation's
23 interests do not fall within the "zone of interests" the termination
24 provisions were meant to protect, and it lacks third-party standing to
25 assert the interests of Warner/Chappell. The Court therefore need not
26 address the parties' disagreement over whether the Foundation can
27 amend its complaint to allege that the compositions at issue were not
28 works made for hire.

1 **A. Legal Standard**

2 Dismissal is appropriate under Rule 12(b)(1) when the court lacks
3 subject matter jurisdiction over the claim. Fed. R. Civ. P. 12(b)(1).
4 A Rule 12(b)(1) motion may attack the plaintiff's standing under the
5 Copyright Act. See Warren, 328 F.3d at 1140. Although lack of
6 subject matter jurisdiction is an affirmative defense, the burden of
7 proof in a 12(b)(1) motion is on the party asserting jurisdiction, and
8 the court will presume a lack of jurisdiction until the pleader proves
9 otherwise. Kokkonen v. Guardian Life Ins. Co. of Am., 511 U.S. 375,
10 377 (1994); Stock West, Inc. v. Confederated Tribes, 873 F.2d 1221,
11 1225 (9th Cir. 1989). However, "at this stage of the pleading, [the
12 plaintiff] need only show that the facts alleged, if proved, would
13 confer standing upon him." Warren, 328 F.3d at 1140.

14 **B. Discussion**

15 Standing implicates both the constitutional "case or controversy"
16 requirement, as well as a number of "prudential" limitations. See
17 Warth v. Seldin, 422 U.S. 490, 499-500 (1975). Constitutional
18 standing consists of "an injury in fact that is fairly traceable to
19 the challenged conduct and has some likelihood of redressability."
20 McCollum v. Cal. Dep't of Corr. & Rehab., 647 F.3d 870, 878 (9th Cir.
21 2011). One prudential standing requirement is that "a plaintiff's
22 grievance must arguably fall within the zone of interests protected or
23 regulated by the statutory provision or constitutional guarantee
24 invoked in the suit." Bennett v. Spear, 520 U.S. 154, 162 (1997).
25 Another prudential limitation is the limit on third-party standing:
26 "[i]n the ordinary case, a litigant must assert his or her own legal
27 rights and interests, and cannot rest a claim for relief on the legal
28 rights or interests of third parties." Powers v. Ohio, 499 U.S. 400,

1 410 (1991). Finally, a plaintiff asserting a claim under the
2 Copyright Act must be statutorily authorized to bring the claim. See
3 Warren, 328 F.3d at 1140.

4 1. Constitutional Standing

5 Defendants have not challenged the Foundation's constitutional
6 standing and the Foundation has at least plausibly alleged that it
7 exists here. The Foundation alleges that it is entitled to royalties
8 from the copyrights at issue (Compl. ¶¶ 5, 11, 33) and Defendants'
9 termination notices threaten to "adversely affect these royalty
10 payments thus injuring The Foundation" (id. ¶ 5). If the Foundation
11 prevails, the termination notices would be rendered ineffective, and
12 the risk that the Foundation would lose those royalties would be
13 eliminated. That is sufficient to allege injury, causation, and
14 redressability as required for constitutional standing.

15 2. Statutory Standing and the "Zone of Interests" Test

16 The Foundation devotes a significant portion of its supplemental
17 brief to arguing that its claims fall within the "zone of interests"
18 protected by the Copyright Act and therefore it has prudential
19 standing to challenge the validity of the termination notices. This
20 test is "'not meant to be especially demanding'" and is satisfied
21 unless the plaintiff's "'interests are so marginally related to or
22 inconsistent with the purposes implicit in the statute that it cannot
23 reasonably be assumed that Congress intended to permit the suit.'"
24 Thinket Ink Info. Resources, Inc. v. Sun Microsystems, Inc., 368 F.3d
25 1053, 1059 (9th Cir. 2004).

26 Because prudential standing requirements like the "zone of
27 interests" test "can be modified or abrogated by Congress," the "zone
28 of interests" depends on the scope of the statute at issue. Bennett,

1 520 U.S. at 162-63; see also Clarke v. Sec. Indus. Ass'n, 479 U.S.
2 388, 394 n.7 (1987) ("Congress can, of course, resolve the question
3 [of standing] one way or another, save as the requirements of Article
4 III dictate otherwise." (alteration in original)). Therefore, in
5 determining whether a plaintiff's grievance "arguably falls within the
6 zone of interests protected or regulated by the statutory provision or
7 constitutional guarantee invoked in the suit," Bennett, 520 U.S. at
8 162, the Court must presume that "Congress legislates against the
9 background of [the] prudential standing doctrine, which applies unless
10 it is expressly negated," id. at 163, and must analyze the statute's
11 provisions at issue to determine whether they "negate[] the zone-of-
12 interests test," id. at 164.

13 The statutory provisions at issue here are §§ 304(c) and 203, the
14 Copyright Act's termination provisions.¹² Those sections do not
15 define who may challenge termination notices, although, by their
16 terms, they only contemplate that certain parties will be involved in
17 the termination process. For example, if the author executed the
18 transfer sought to be terminated – as in this case – then upon his
19 death his "termination interest is owned, and may be exercised" by his
20 widow, his surviving children and grandchildren, or under some
21 circumstances, by his executor or trustee, if the widow and children
22 are dead. § 304(c)(2); see also § 203(a)(2). On the other side of

23 ¹²"Zone of interests" cases frequently arise in challenges to
24 agency action under the Administrative Procedures Act ("APA"), and the
25 Supreme Court has cautioned that "the breadth of the zone of interests
26 varies according to the provisions of law at issue, so that what comes
27 within the zone of interests of a statute for purposes of obtaining
28 judicial review of administrative action under the generous review
provisions of the APA may not do so for other purposes." Bennett, 520
U.S. at 163 (internal quotation marks omitted). In this case the
"zone of interests" inquiry turns on the interests served by §§ 304(c)
and 203.

1 this "termination interest" is the recipient of the termination
2 notices, i.e., the "grantee" or its successors of the transfer to be
3 terminated, and "[t]he termination shall be effected by serving an
4 advance notice in writing upon the grantee or the grantee's successor
5 in title." § 304(c)(4); see also 37 C.F.R. § 201.10(d) (requiring
6 service on each grantee or successor whose rights are being
7 terminated). The plain language of these sections therefore indicate
8 that only authors, statutory heirs owning a termination interest, and
9 grantees of transfers and their successors fall within the "zone of
10 interests" Congress contemplated in enacting these provisions.

11 The Foundation contends that, as a "beneficial owner" of the
12 compositions at issue that can sue for infringement under § 501(b) of
13 the Copyright Act, it must fall within the "zone of interests"
14 Congress contemplated under the Copyright Act and should be permitted
15 to challenge the termination notices under §§ 304(c) and 203. That
16 interpretation suffers from several flaws. First, if the Foundation
17 were to demonstrate that the compositions at issue were works made for
18 hire not subject to termination under §§ 304(c) and 203 – as it
19 alleges at length in its Complaint – then the Foundation would not be
20 a beneficial owner able to sue under § 501(b). See Warren, 328 F.3d
21 at 1144. If it has no standing under § 501(b), then it would make no
22 difference if the "zone of interests" created by § 501(b) to protect
23 beneficial owners extended to §§ 304(c) and 203.

24 Second, assuming the compositions were not works made for hire,
25 the Foundation's argument under § 501(b) improperly rewrites that
26 section into a catch-all standing provision that applies to the entire
27 Copyright Act. Section 501(b) expressly confers on beneficial owners
28 standing to sue for infringement, whereas §§ 304(c) and 203 do not

1 mention beneficial owners at all; instead, they apply to authors,
2 statutory heirs, and grantees of transfers and their successors. By
3 including beneficial owners in § 501(b) but omitting them from §§
4 304(c) and 203, Congress must have intended to exclude them from the
5 termination sections. See Silvers v. Sony Pictures Entm't, Inc., 402
6 F.3d 881, 885 (9th Cir. 2005) (en banc) (explaining that the doctrine
7 of expressio unius est exclusio alterius carries with it "a
8 presumption that when a statute designates certain persons, things, or
9 manners of operation, all omissions should be understood as
10 exclusions."). Indeed, the Ninth Circuit in Silvers explained that §
11 501(b) was "carefully circumscribed," and because "[c]opyright is a
12 creature of statute, [the court] will not lightly insert common law
13 principles that Congress has left out." Id. Because Congress took
14 care to include beneficial owners in § 501(b), it must have also
15 purposefully excluded beneficial owners from §§ 304(c) and 203.¹³

16 Even if the Foundation might sue for infringement but not to
17 invalidate the termination notices in the scenario in which they are
18 not works made for hire, that outcome is not so unusual as to compel a
19 different conclusion. As Defendants note, in an infringement suit,
20 the interests of a beneficial owner and a legal owner of a copyright
21 are usually aligned – both parties would want to prevent illegal
22 copying of the work. But after receiving termination notices, the
23 grantee might be more interested in maintaining an amicable

24 ¹³The Court rejects the Foundation's argument that a passing
25 reference to "any party" in the regulations implementing §§ 304(c) and
26 203 alters the plain text of those sections to allow a beneficial
27 owner of a copyright to challenge a termination notice. See 37 C.F.R.
28 § 201.10(f)(6) ("Recordation of a notice of termination by the
Copyright Office is without prejudice to any party claiming that the
legal and formal requirements for issuing a valid notice have not been
met, including before a court of competent jurisdiction.").

1 relationship with the statutory heirs to facilitate renegotiations of
2 the grants at issue, rather than to challenge the terminations.
3 Congress even acknowledged this interest by allowing the grantee to
4 enter a new grant before the effective date of the termination when
5 all others must wait until after that date. § 304(c)(6)(D). Thus,
6 there is no indication that the Foundation falls within the "zone of
7 interests" under §§ 304(c) and 203 because it is a beneficial owner
8 with standing to sue for infringement under § 501(b).

9 The Foundation also argues that, even if the standing provision
10 in § 501(b) does not extend to §§ 304(c) and 203, the Foundation's
11 interests in continued royalties fall within the "zone of interests"
12 protected by the termination provisions. But the loss of royalties is
13 the potential harm to the Foundation, and the "zone of interests"
14 doctrine "turns on the interest sought to be protected, not the harm
15 suffered by the plaintiff." City of Los Angeles v. Cnty. of Kern, 581
16 F.3d 841, 848 (9th Cir. 2009) (emphasis in original). As outlined
17 above, the interests protected by §§ 304(c) and 203 are the rights of
18 authors and statutory heirs to recover ownership of previously
19 transferred copyright interests, and, to a lesser extent, the rights
20 of a grantee or its successor in preserving or renegotiating the
21 transfer. See Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 778 (2d
22 Cir. 1992) (finding it "evident from the plain language of Section
23 304(c) that the purpose of the statute is to protect the property
24 rights of widows and children in copyrights," even if the author
25 intended to provide for someone else by will); see also Fred Ahlert
26 Music Corp. v. Warner/Chappell Music, Inc., 155 F.3d 17, 25 (2d Cir.
27 1998) (explaining that the termination provisions were "designed to
28 protect the interests of authors and their heirs and to maximize their

1 ability to exploit the value of [the copyrighted works] during the
2 extended renewal term"). The Foundation is not asserting any of those
3 interests here. Indeed, because the Foundation is not a grantee of
4 the rights to be terminated or its successor, Congress did not even
5 require the statutory heirs to provide it with statutory notice of the
6 termination, let alone give it a seat at the table during the
7 termination process. The Foundation's claims therefore fall outside
8 the "zone of interests" to be protected under §§ 304(b) and 203.¹⁴

9 3. Third-Party Standing

10 Lacking standing to assert its own interests, the Foundation is
11 really only asserting Warner/Chappell's interests in the termination
12 notices. (Compl. ¶ 39 (alleging that the termination notices are void
13 so "the proper copyright ownership . . . should continue to rest with
14 Warner/Chappell Music.")) Third-party standing exists only when
15 three criteria are satisfied: (1) an "injury in fact" that creates a
16 "sufficiently concrete interest" in the outcome of the dispute; (2) a
17 close relationship to the third party; and (3) the third party's
18 inability to protect its own interests. Powers, 499 U.S. at 410-11.

19 The Foundation has not shown that it has a close relationship
20 with Warner/Chappell or that Warner/Chappell cannot protect its own
21 interests under the Copyright Act. Tellingly, Warner/Chappell has not
22 challenged the validity of the termination notices, which it received
23 almost three years ago (Compl. ¶ 34), suggesting that this is not a
24 case in which the Foundation's "interests are aligned with those of

25 ¹⁴The Foundation claims that it would have standing to assure
26 that the terminations do not affect foreign rights or rights in
27 derivative works, which are exempted from termination, see §§
28 203(b)(1) & (5), 304(c)(6)(A) & (E), or rights not subject to the
grant to be terminated. That argument begs the fundamental question
here – whether the Foundation's claims fall within the "zone of
interests" protected by the termination provisions.

1 the party whose rights are at issue" or that it "has a sufficiently
2 close connection to [Warner/Chappell] to assert claims on that party's
3 behalf." Pony v. Cnty. of Los Angeles, 433 F.3d 1138, 1147 (9th Cir.
4 2006). The Foundation also has not shown that Warner/Chappell is
5 unable to assert its own interests here, if it so chooses. Thus, the
6 Foundation does not have standing to assert Warner/Chappell's
7 interests in seeking to invalidate the termination notices.

8 **CONCLUSION**

9 The Court GRANTS Defendants' Motion to Strike and STRIKES the
10 Foundation's state-law claims. The Court also GRANTS Defendants'
11 motion to dismiss the Foundation's federal claim for lack of standing.
12 Because all of the flaws identified are legal, any amendment would be
13 futile and leave to amend is DENIED. See Reddy v. Litton Indus.,
14 Inc., 912 F.2d 291, 296 (9th Cir. 1990). **Defendants are ORDERED to**
15 **lodge a proposed judgment dismissing this case with prejudice within**
16 **10 days of the date of this Order.** Moreover, because attorney's fees
17 are mandatory under the anti-SLAPP statute, Defendants' request for
18 attorney's fees is GRANTED. Defendants are ORDERED to file an
19 application for fees no later than **February 11, 2013**. The Foundation
20 may respond **no later than February 18, 2013**, and Defendants may reply
21 **no later than February 25, 2013**. Once briefing is completed, the
22 Court will take the matter under submission.

23 **IT IS SO ORDERED.**

24 **DATED: January 25, 2013**

Audrey B. Collins

25 **AUDREY B. COLLINS**
26 **UNITED STATES DISTRICT JUDGE**