

Case Study: Forest Park Pictures V. Universal Television

Law360, New York (July 09, 2012, 2:38 PM ET) -- The Second Circuit's recent decision in *Forest Park Pictures v. Universal Television Network Inc.*[1] found that the "Star Wars" actor Hayden Christensen's claim for breach of an implied contract was not preempted by the Copyright Act. Christensen had alleged that the USA Network series "Royal Pains" used, in breach of their implied contract, the idea he pitched to them for a television show about a "concierge" doctor to the rich and famous. He had claimed that there was an implied contract that he would be paid if his pitch was used and that USA Network breached that contract by failing to pay him for "Royal Pains."



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The decision aligns the Second Circuit with the Ninth Circuit on whether such idea theft claims are preempted, and is a decision that is likely to impact industries where ideas are frequently pitched. *Forest Park* does leave unanswered certain areas of New York law on the formation of breach of implied contracts, but, from a practical perspective, the decision will likely result in more of these types of claims being asserted in the Second Circuit and elsewhere.

The Coasts Align On Copyright Preemption

As the home to Hollywood and the movie industry, the Ninth Circuit has already had several occasions to opine on whether a breach of implied contract claim concerning an idea is preempted by copyright law. Indeed, the authors of this article have previously written about the importance of such decisions, including "[The IP You See, And The IP You Don't](#)" and "[Montz V. Pilgrim Films Revisited](#)."



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In the last two years, the Ninth Circuit decided *Benay v. Warner Bros. Entm't Inc.*, 607 F.3d 620 (9th Cir. 2010), and, en banc, *Montz v. Pilgrim Films & Television Inc.*, 649 F.3d 975 (9th Cir. 2011), which both reaffirmed that a breach of implied contract claim concerning an idea is not necessarily preempted by the Copyright Act.

Even before *Montz* and *Benay*, the Ninth Circuit established that the Copyright Act will not preempt a breach of implied contract claim if there was an implied agreement to sell those ideas in exchange for a payment.[2] In the Ninth Circuit's view, an agreement to pay for an idea is the "extra element" that makes it qualitatively different from the exclusivity rights protected by copyright.

Until *Forest Park*, the Second Circuit had not yet ruled on whether a breach of implied contract claim concerning an idea was preempted by the Copyright Act. In fact, based on the Second Circuit's prior decisions that determined certain quasi-contract claims were preempted[3], many thought the Second

Circuit would consider a breach of implied contract claim to be preempted by the Copyright Act as well.

But, as the Second Circuit explained in *Forest Park*, its prior decisions concerning copyright preemption of quasi-contract claims were distinguishable from the *Forest Park* claim as those claims concerned contracts implied-in-law, not a contract implied-in-fact.[4] The Second Circuit explained that claims of implied-in-law contract do not need to allege the existence of an actual agreement between the parties and thus are not materially different from a claim for copyright infringement, as they both depend upon nothing more than a claim of unauthorized use of the work. Contrastingly, a claim for an implied-in-fact contract is a true contract that arises from the tacit agreement of the parties and thus contains the “extra element” necessary to defeat a claim of copyright preemption.

Interestingly, not all district courts interpreted the Second Circuit’s prior decisions as an indication that an implied-in-fact contract claim should be preempted. In an unpublished 2006 decision by the Hon. Sidney H. Stein of the Southern District of New York, the court distinguished between a plaintiff’s quasi-contract claims and his breach of implied contract claims and found that the breach of implied contract claim was not preempted because it satisfied the “extra element” requirement.[5]

Unknowns In New York: The Next Battleground Issues

Under California law, a valid contract can have an “open price term” to be filled in later by industry standards.[6] Therefore, the fact that a price for the pitched idea was never agreed upon — or even discussed — will not prevent the plaintiff from proceeding with his/her breach of implied contract claim.

However, in *Forest Park*, the Second Circuit noted that it is unclear whether the same is true under New York law.[7] Since many of these lawsuits do not arise from facts that include an agreed upon price, establishing a bright line rule is something most parties will push for in the coming years. Until this area of New York law is further clarified, however, parties who are pitched ideas in New York may be able to deter some of the lawsuits where the plaintiff cannot allege that the parties agreed on a price.

Implications Of Forest Park

Now that the Second Circuit has stated that a breach of an implied agreement to pay for an idea is not preempted by copyright law, a likely result of the *Forest Park* decision will be an increase in these claims being brought in the Second Circuit and elsewhere, and a concomitant increase in the costs of litigating such claims.

Recent cases from the Ninth Circuit demonstrate this likely result. For example, in *Benay*, the Ninth Circuit stated that the standard for “substantial similarity” concerning a breach of implied contract claim is not the same as the standard for “substantial similarity” concerning a copyright claim.[8] As a result, litigating a copyright and a breach of implied contract claim in the Ninth Circuit requires separate proofs and discovery. If the Second Circuit takes the same approach as the Ninth Circuit in *Benay*, sufficiently knowing the facts and law to litigate a copyright claim will not be enough to also prosecute or defend against a breach of implied contract claim.

Due to the potentially different standards, some plaintiffs will be able to proceed with their breach of implied contract claim even after a copyright claim has been defeated. In such circumstances, an ability to quickly dismiss a copyright claim could be a halfhearted victory if the breach of implied contract claim remains undefeated until the close of discovery or later.

The significance of *Forest Park* is even greater in light of the Second Circuit’s decision in *Peter F. Gaito Architecture LLC v. Simone Dev. Corp.*, 602 F.3d 57 (2d Cir. 2010). In *Gaito*, the Second Circuit determined that defendants can move for dismissal of copyright claims if a comparison of the original and alleged infringing works, without the aid of discovery, can resolve the critical question of substantial

similarity.[9]

Although Gaito does not impact meritorious cases in which substantial similarity exists, it has aided many defendants in quickly discarding of meritless copyright claims prior to engaging in potentially costly discovery. Whether Gaito applies by analogy to a related breach of implied contract claim concerning an idea has yet to be decided, but even if defendants can move to dismiss both claims on substantial similarity grounds, if the Second Circuit follows Benay, dismissal of both claims will be far more difficult.

Moreover, even if a breach of implied contract claim does not outlast a simultaneously asserted copyright infringement claim, it is always more expensive to litigate both claims than it would be to only litigate one. Instead of merely having to argue the breach of implied contract claim is preempted, arguments will now concern additional pieces of evidence that might have been irrelevant to the copyright claim alone.

Before The Pitch: “Preempting” Claims Through Express Agreement Or A Submissions Policy

Parties can take steps to avoid the potential additional costs that litigating a breach of implied contract claim can bring for both plaintiffs and defendants. One obvious solution is to have in place prior to any pitch being given or received a written agreement or policy that explicitly deals with idea submissions. The terms of that agreement or policy should specifically lay out the expectations of the parties with respect to payment and with respect to the application (or nonapplication) of any industry norms.

Those terms should also include express language rejecting that any agreement can be implied concerning any ideas later disclosed between the parties. Additionally, since it is state law that will govern a breach of implied contract claim, it is also important to carefully select the law that will apply to any dispute between the parties concerning a pitch.

If either side is unwilling to accept such terms in advance of a pitch, at least both sides have some clarity on where they stand and can decide whether a pitch should proceed in light of this and in light of the possibility, as Forest Park illustrates, that a breach of an implied contract claim may not be preempted by the Copyright Act.

Although Forest Park did not address the issue of what is needed under New York law to create a binding implied-in-fact contract, it does make clear that both under Second Circuit and the Ninth Circuit law, there are instances where a breach of implied contract claim concerning the presentation of an idea will not be preempted by the Copyright Act. Accordingly, the prudent course to take for parties that are often involved in such pitches is to have an upfront express agreement or policy that addresses the submissions of ideas to avoid the uncertainties that surround a possible finding that there was an enforceable implied contract created between the parties.

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[1] ___ F.3d ___, (2d Cir. June 26, 2012).

[2] *Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004).

[3] See e.g., *Briarpatch Ltd. v. Phoenix Pictures Inc.*, 373 F.3d 296 (2d Cir.2004) (unjust enrichment preempted); *Fin. Info. Inc. v. Moody's Investors Serv. Inc.*, 808 F.2d 204, 208 (2d Cir.1986) (idea misappropriation preempted); *Harper & Row, Publishers Inc. v. Nation Enters.*, 723 F.2d 195, 200 (2d Cir.1983) (conversion claim preempted), rev'd on other grounds, 471 U.S. 539, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985).

[4] *Forest Park*, at *4-5.

[5] Hearing Transcript for *O'Keefe v. Ogilvy & Mather Worldwide Inc.*, 06-Civ-6278, 16:17-20:6 (S.D.N.Y. Apr. 11, 2007) (unpublished).

[6] *Forest Park*, at *7 (citing *Whitfield v. Lear*, 751 F.2d 90, 93 (2d Cir. 1984); & *Television Inc.*, 649 F.3d 975 (9th Cir. 2011)).

[7] *Id.*

[8] *Benay*, 607 F.3d at 631.

[9] *Gaito*, 602 F.3d at 63-65.

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