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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

ALAN U. SCHWARTZ, TRUSTEE OF THE TRUST UNDER ARTICLE THREE OF THE LAST WILL AND TESTAMENT OF TRUMAN CAPOTE DATED MAY 4, 1981,

Plaintiff,

v.

PARAMOUNT PICTURES CORPORATION, a Delaware corporation; and DOES 1 through 100, inclusive,

Defendants.

CASE NO.: 2:20-cv-11470-SB-JPR

Assigned To Hon. Stanley Blumenfeld, Jr.

(1) NOTICE OF MOTION AND MOTION OF PLAINTIFF ALAN U. SCHWARTZ, TRUSTEE OF THE TRUST UNDER ARTICLE THREE OF THE LAST WILL AND TESTAMENT OF TRUMAN CAPOTE DATED MAY 4, 1981 TO REMAND CASE TO SUPERIOR COURT

(2) MEMORANDUM OF POINTS AND AUTHORITIES

(3) DECLARATION OF EDWIN F. McPHERSON

Date: February 26, 2021
Time: 8:30 a.m.
Ctrm: 6C

TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD IN THE CAPTIONED ACTION:

PLEASE TAKE NOTICE that, on February 26, 2021, at 8:30 a.m., or as soon thereafter as the matter may be heard in the courtroom of the Hon. Stanley Blumenfeld, Jr., Judge of the United States District Court, located at 350 West 1st Street, Los Angeles, California 90012 - Courtroom 6C, Plaintiff Alan U. Schwartz, Trustee of the Trust Under Article Three of the Last Will and Testament of Truman Capote Dated May 4, 1981, will move this Court for an Order to remand this action to the Superior Court of the State of California, County of Los Angeles, pursuant to 28 U.S.C. Section 1447(c). Plaintiff will also move this Court for an award of attorneys' fees and costs relating to the wrongful removal.

This Motion is made on the grounds that no "federal question" jurisdiction lies with this Court as alleged in the Notice of Removal filed by Defendant Paramount, or otherwise.

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This Motion is made following the pre-filing conference required by Local Rule 7-3, which took place telephonically on December 21, 2020, and is based upon this Notice, the accompanying Memorandum of Points and Authorities, the accompanying Declaration of Edwin F. McPherson and exhibit thereto filed concurrently herewith, the pleadings and papers on file in this action of which this Court is requested to take judicial notice, and such oral and documentary evidence as may be presented at the hearing of this Motion.

Dated: January 19, 2021

Edwin F. McPherson
Pierre B. Pine
McPHERSON LLP

By: */s/ Edwin F. McPherson*
EDWIN F. McPHERSON
Attorneys for Plaintiff
ALAN U. SCHWARTZ,
TRUSTEE OF THE TRUST
UNDER ARTICLE THREE OF
THE LAST WILL AND
TESTAMENT OF TRUMAN
CAPOTE DATED MAY 4, 1981

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I. INTRODUCTION

A. PREFATORY STATEMENT

Plaintiff Alan U. Schwartz, Trustee of the Trust under Article Three of the Last Will and Testament of Truman Capote Dated May 4, 1981 (hereinafter the "Capote Trust") filed a single-cause of action complaint for declaratory relief in the Los Angeles Superior Court, seeking a judicial declaration that many of the *contractual* rights that it granted to Defendant Paramount Pictures Corporation (hereinafter "Paramount") in 1991 concerning Truman Capote's novella entitled "Breakfast at Tiffany's" have reverted to the Capote Trust because Paramount failed to produce a new film by a certain date. Paramount denies this claim, and alleges that its own interpretation of the agreement is that it was allowed to produce a film at any time – or never, and that there is nothing that the Capote Trust can do about it.

The obligation to produce a film and the date by which Paramount was to do so were not imposed by principles of *copyright* law; on the contrary, they were imposed solely by the 1991 agreement, and therefore must be determined by state *contractual* law. In fact, Paramount does not dispute this. In its own letter to counsel for the Capote Trust denying the claim, Paramount carefully (though erroneously) analyzed each provision of the 1991 agreement that governs the dispute, without even mentioning the word "copyright," except in its threat to seek attorneys' fees "pursuant to Section 505 of the Copyright Act."

Nevertheless, Paramount erroneously removed this matter to this Court, asserting that "federal question" subject matter jurisdiction exists because the complaint somehow "arises from" the Copyright Act. Paramount is incorrect. As more fully discussed below, the primary and controlling purpose – in fact, the only purpose – of the declaratory relief action is to adjudicate the parties' ***contractual*** rights under state law. The Capote Trust has not requested the Court to make any determinations under the Copyright Act or any federal law.

As such, this Court does not have "federal question" jurisdiction over the sole claim for declaratory relief because the claim is not premised on subject matter that is committed exclusively to federal jurisdiction. Because the Capote Trust's declaratory relief claim arises solely out of the parties' contract interpretation dispute, under California state law, and not in connection with the Copyright act, the matter should be remanded to the Los Angeles Superior Court forthwith.

B. STATEMENT OF FACTS

1. The Complaint

On November 4, 2020, the Capote Trust sued Paramount in the Los Angeles Superior Court. (Dkt. 1, at 16-33.) In its Complaint, the Capote Trust alleged a single cause of action for declaratory relief, based entirely on California law, seeking the state court's resolution over the parties' disagreement over the ***interpretation of a contract***. (Dkt. 1, at 32:3-16.)

In a nutshell, the complaint alleges the following:

Truman Capote ("Capote") wrote a novella entitled "Breakfast at Tiffany's" (the "Work")," which was the basis for the renowned 1961 film of the same name (the "Film"). (Dkt. 1, at 16:25-28; 19:24-25.) Upon Capote's death in 1984, any and all rights that Paramount owned in connection with the Work reverted to the Capote Estate, and were transferred to the Capote Trust. (Dkt. 1, at 17:1-3; 6:3-8:26.)

In 1991, the Capote Trust and the Capote Estate optioned certain rights with respect to the Film to Paramount through an "Option Agreement, Assignment of Copyright and Settlement Agreement" (the "1991 Agreement"). (Dkt. 1, at 17:4-6; 26:18-20.) The 1991 Agreement purported to resolve the parties' *prior* dispute over the ownership of rights following Capote's death in 1984, and was entered into shortly after the U.S. Supreme Court's decision in *Stewart v. Abend*, 495 U.S. 207 (1990), which held that: "if the author [of a story upon which a motion picture or other derivative work is based] dies before the renewal period, then the assignee may continue to use the original

work only if the author's successor transfers the renewal rights to the assignee . . . ." (Dkt. 1, at 22:4-23:21; *see also* Dkt. 1, at 65 (1991 Agreement reciting Paramount's "desire to settle" actions "arising by virtue of the death of Capote").) Paramount thus settled the dispute by *conceding* that the Capote Trust owned certain rights after Capote's death, and that Paramount required a ***contract*** to re-obtain them. (*Id.*)

The Complaint further alleges that the 1991 Agreement provides that, if a motion picture was not produced within a certain amount of time, certain rights (specifically enumerated in the Agreement) would revert back to the Capote Trust. (Dkt. 1, at 17:6-7; *see also* 26:20-28:15 (describing terms of 1991 Agreement in detail).) The Capote Trust's primary concern in entering into the 1991 Agreement was for the valuable property to be exploited properly, and *actually* produced and distributed by a date certain. (Dkt. 1, at 23:27-24 :17.)

Paramount further represented that it intended to commence production soon after the agreement was signed, and entered into a separate agreement with an "A-List" producer for a remake. (Dkt. 1, at 25:4-17.) The Capote Trust did not intend to allow Paramount an open-ended perpetual (contractual) right to produce a remake or sequel without actually *producing* that motion picture. (Dkt. 1, at 25:18-21.) The parties' pre-agreement negotiations and post-agreement correspondence further recognized this intent. (Dkt. 1, at 25:27-26:15, 28:24-29:4.) Paramount did not produce a motion picture within the stated period, as required. Thus, as of August 14, 2003, pursuant to the contract, certain rights have reverted back to the Capote Trust, and Paramount has no remaining rights to the Work, other than to continue to exploit the original Film. (Dkt. 1, at 17:8-10, 28:20-22.)

Paramount disputes this (contractual) interpretation. Paramount now claims that no (contractual) reversion occurred, that it had the right, but *not the obligation*, to produce a film, and that it purchased that right, in accordance with the 1991 Agreement, for $300,000.00. (Dkt. 1, at 17:11-12.)

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Paramount did not expressly claim any of these rights until last year. In 2020, the Capote Trust explored making further production(s) based on Capote's original work, and obtained bids for a television series with significant compensation. Paramount suddenly claimed, after almost three decades, that it had done a "deep dive" into the parties' (contractual) rights, and had determined that Paramount and the Capote Trust shared in the television rights. Paramount demanded that the Capote Trust cease and desist from engaging in any further discussions or negotiations with any third parties except for Paramount. (Dkt. 1, at 29:3–30:2.)

Then, after the Capote Trust extensively negotiated a further agreement to have Paramount produce a television series, Paramount suddenly terminated all (contract) discussions and took the erroneous position that Paramount had the unfettered and perpetual right to produce (or not produce) a feature film based on Capote's Work, to the exclusion of the Capote Trust, notwithstanding Paramount's complete inaction since 1994, and notwithstanding the August 14, 2003 (contractual) reversion of all rights to the Capote Trust, other than rights to distribute the original Film. (Dkt. 1, at 30:4–31:28.)

The parties' dispute over the interpretation of the 1991 Agreement, as it pertains to the rights relating to the Work, led to, and is the basis for, the Declaratory Relief action. In that cause of action, the Capote Trust asserts that an actual controversy has arisen over whether Paramount has a (contractual) "right to exploit Capote's Work in any manner other than through the continued exploitation of the Original Picture." (Dkt. 1, at 5-8 (emphasis added).)

The Capote Trust then requests a judicial determination of the interpretation of the 1991 Agreement that (a) the Capote Trust owns all rights, title, and interest in and to Capote's Work; (b) those rights have not been sold, assigned, or otherwise transferred to Paramount; (c) Paramount has no present or future rights other than the continued distribution of the Original Picture; and (d) the Paramount Screenplay is a derivative work of Capote's Work.

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Nowhere in the Complaint does the Capote Trust request any judicial interpretation of any federal law, including copyright law, and nothing in the Complaint suggests that there is any controversy or disagreement between the parties regarding any facet of copyright law or copyright ownership.

2. Paramount's Removal Of This Case To Federal Court

On December 18, 2020, Paramount filed a Notice of Removal of Action pursuant to 28 U.S.C. Sections 1331, 1441 and 1446. In the Notice of Removal, Paramount asserts federal question jurisdiction based upon the following purported grounds:

(1) The complaint seeks a declaration of "ownership" under the "Copyright Act" (Dkt. 1, at 3:9-4:10);

(2) The complaint seeks a determination of "derivative works" under the "Copyright Act" coupled with a declaration that Paramount may not exploit said "derivative works" (Dkt. 1, at 4:11-5:9);

(3) The complaint alleges interpretation issues relating to "renewal rights" under the "1909 Copyright Act" (Dkt 1, at 5:10-7:4); and

(4) The complaint was "strategically" filed in state court (Dkt. 1, at 7:5-8:12).

As discussed below, none of these contentions has merit or otherwise confers jurisdiction on this federal court, and the case should be remanded to state court forthwith.

II. DISCUSSION

A. GENERAL AUTHORITY FOR THE MOTION

1. Paramount Has the Burden of Demonstrating That Removal Is Proper.

Paramount has the burden of establishing the Court's original federal question jurisdiction, *i.e.,* that the action is one "arising under the Constitution, laws, or treaties of the United States." *Ethridge v. Harbor House Restaurant*, 861 F.3d 1389, 1393-1394

(9th Cir. 1988). "Furthermore, the removal statute is strictly construed against removal jurisdiction." (*Id.*)

The burden is heavy. Because the removal statute is strictly construed, and ***any doubt*** is to be resolved in favor of remand. *Duncan v. Stuetzle*, 76 F.3d 1480, 1485 (9th Cir. 1996).

> Because of the "Congressional purpose to restrict the jurisdiction of the federal courts on removal," *Shamrock Oil & Gas Corp. v. Sheets*, 313 U.S. 100, 108 (1941), the statute is strictly construed, *id*. at 108-09, and federal jurisdiction "must be rejected if there is any doubt as to the right of removal in the first instance." *Gaus v. Miles, Inc.*, 980 F.2d 564, 566 (9th Cir. 1992) (citation omitted). [The Paramount] . . . has the burden of establishing that removal was proper. *Harris v. Provident Life and Accident Ins. Co.*, 26 F.3d 930, 932 (9th Cir. 1994).

Duncan, 76 F.3d at 1485.

2. <u>Removal is Permitted Only If a Federal Question Appears on the Face of the Complaint</u>.

In general, the basis for removal jurisdiction must appear on the face of a well-pleaded complaint. *Franchise Tax Bd. v. Construction Laborers Vacation Trust For Southern California*, 463 U.S. 1, 10 (1983). The federal issue "must be disclosed on the face of the complaint, unaided by the answer or the petition for removal." *Gully v. First National Bank*, 299 U.S. 109, 113, 57 S.Ct. 96, 81 L. Ed. 70 (1936).

"A defense is not part of a plaintiff's properly pleaded statement of his or her claim." *Rivet v. Regions Bank*, 522 U.S. 470, 475, 118 S. Ct. 921, 139 L. Ed. 2d 912 (1998). "A defense that raises a federal question is inadequate to confer federal jurisdiction." *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 808, 106 S. Ct. 3229, 92 L. Ed. 2d 650 (1986). As discussed in *Beneficial National Bank v.*

Anderson, 539 U.S. 1 (2003):

> To determine whether the claim arises under federal law, we examine the "well pleaded" allegations of the complaint and ignore potential defenses: "a suit arises under the Constitution and laws of the United States only when the plaintiff's statement of his own cause of action shows that it is based upon those laws or that Constitution.

Id. at 6 (quoting *Louisville & Nashville R. Co. v. Mottley*, 211 U.S. 149, 152, 29 S. Ct. 42, 53 L. Ed. 126 (1908)); *see also Franchise Tax Bd.*, 463 U.S. at 10-11, 13-14 ("since 1887 it has been settled law that a case may not be removed to federal court on the basis of a federal defense, including the defense of preemption, even if the defense is anticipated in the plaintiff's complaint, and even if both parties admit that the defense is the only question truly at issue in the case").

The same rule applies to a defense of federal preemption. The Supreme Court and the Ninth Circuit are clear: "[N]either an affirmative defense based on federal law, nor one based on federal preemption, renders an action brought in state court removable." *Berg v. Leason*, 32 F.3d 422, 426 (9th Cir. 1994), *citing Merrell Dow*, 478 U.S. at 808; *Caterpillar Inc. v. Williams*, 482 U.S. 386, 393, 107 S. Ct. 2425, 96 L. Ed. 2d 318 (1987).

3. General Ninth Circuit Test For When An Action "Arises Under" the Copyright Act.

A case does not "arise under" the federal copyright laws merely because the subject matter of the action involves or affects a copyright: "the word 'copyright' is not so compelling as to invoke federal jurisdiction upon its mere mention." *Topolos v. Caldewey*, 698 F.2d 991, 993 (9th Cir.1983). Rather, since at least 1983, the Ninth Circuit has applied a three part test to determine when an action "arises under" the Copyright Act. As discussed in *JustMed, Inc. v. Byce*, 600 F.3d 1118 (9th Cir. 2010):

> [A]n action "arises under" the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction, 17 U.S.C. § 101, or asserts a claim requiring construction of the Act . . . or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

Id. at 1123-1124 (adopting Second Circuit test in *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2d Cir.1964)). In summary, the test requires the district court to exercise jurisdiction if, and only if: "(1) the complaint asks for a remedy expressly granted by the Copyright Act; (2) the complaint requires an interpretation of the Copyright Act; or (3) federal principles should control the claims." *JustMed.* 600 F.3d at 1124.

4. Ninth Circuit Test For When A Contract Dispute Over Copyrighted Works "Arises Under" The Copyright Act.

As a consequence of the three part test stated above, "federal courts do not have jurisdiction over a suit on a contract simply because a copyright is the subject matter of the contract." *Topolos*, 698 F.2d at 993. Where a plaintiff seeks a "declaration of ownership" or "contractual rights" based upon common law or state-created rights, jurisdiction has been declined, even though the claim might *incidentally* involve a copyright or the Copyright Act. (*Id.*)

In cases involving a contract, courts direct inquiry to what they have variously described as the "primary and controlling purpose" of the suit, the "principal issue," the "fundamental controversy," and the "gist" or "essence" of the plaintiff's claim. *Id.* Thus, the *Topolos* court concluded that where the plaintiff seeks a determination of *infringement*, the question of *infringement* properly belongs to the federal court, even if the federal court must resolve contract issues relating to ownership. *Id.* In contrast, the

Topolos court concluded that, "by itself," allegations of ownership based upon a contract, from which an infringement action could spring, "would not give rise to federal jurisdiction." (*Id.*)

Consequently, it has been said that the plaintiff is "master of his claims" and may, by an exclusive reliance on state law causes of action, ensure the appropriateness solely of a state forum. *Caterpillar, Inc. v. Williams*, 482 U.S. 386 (1987).

B. THIS COURT SHOULD REMAND BECAUSE THE DECLARATORY RELIEF CLAIM DOES NOT "ARISE UNDER" THE COPYRIGHT ACT.

1. The Complaint Does Not Seek A Declaration of "Ownership" Under The "Copyright Act."

Paramount misapplies removal law when it asserts that removal jurisdiction exists because Paramount's Declaratory Relief claim seeks a declaration of "ownership" under the "Copyright Act." (Dkt. 1, at 3:9-4:10 (emphasis added).)

As the cases set forth above establish, a Declaratory Relief action[1] does not "arise under" the Copyright Act when the controlling issue is the application of state law to interpret the parties' ownership rights flowing from a contractual agreement. *See also Stepdesign, Inc. v. Research Media, Inc.*, 442 F. Supp. 32 (S.D.N.Y. 1977) (remanding declaratory relief action to state court; federal jurisdiction will be denied if primary and controlling purpose of action is to reestablish the plaintiff as the copyright owner through a reversion of rights, *even if* there is also an incidental allegation of post-reversion copyright infringement by the defendant); *T. B. Harms Co. v. Eliscu*, 226

[1] An action for declaratory relief in the complaint is sufficient if it sets forth facts showing the existence of an actual controversy relating to the legal rights and duties of the respective parties, and requests that the rights and duties be adjudged. If these requirements are met, the court must declare the rights of the parties whether or not the facts alleged establish that the plaintiff is entitled to a favorable declaration. *Jefferson Inc. v. City of Torrance*, 266 Cal. App. 2d 300, 302 (1968).

F. Supp. 337 (S.D.N.Y. 1964), aff'd, 339 F.2d 823, 340 (2d Cir. 1964) (declaratory relief action to determine owner of renewal rights based on assertions of contractual title "is not one arising under the laws of the United States;" dismissed for lack of federal jurisdiction).

A New York state court that was presented with similar facts and issues confirmed this result. In that case, similar to the present case, the plaintiff essentially sought a declaratory judgment that the contractual rights to the novel "Nightwork" had reverted to the grantor pursuant to a contract that provided that the rights would revert if the first motion picture based upon the work was not produced within a six-year period. The plaintiff claimed that, after two extensions, the rights reverted, but the defendant refused to so acknowledge and announced plans to produce a motion picture based on the property.

The court concluded that state, and not federal, principles controlled the interpretation of the contracts involved. *Shaw v. Kastner*, 573 N.Y.S.2d 595, 598 (1991), *citing RX Data Corp. v. Department of Social Servs*., 684 F.2d 192 (2d Cir. 1982). Although the court noted a "surplusage with an 'aroma of copyright' in the complaint, *i.e.,* the request that plaintiff be declared the ***sole owner*** of the copyright and the demand for damages for deprivation of the enjoyment of copyright and for counsel fees, the dispute is ***over interpretation of the contract***." *Shaw*, 573 N.Y.S.2d at 598 (emphasis added).

In this case, under the well-pleaded complaint rule, the Capote Trust has alleged facts that Capote was the original author and copyright owner the Work (under the Copyright Act) ***before*** Paramount subsequently acquired those rights through a contract, and made the Work into the 1961 Film. The Capote Trust also alleges that it reacquired those rights pursuant to copyright law.

However, the rights that the Capote Trust seeks to adjudicate are clearly based on its 1991 Agreement with Paramount, and not any principles of copyright law. Specifically, the complaint clearly sets forth that the rights that Paramount now claims to

own flow, if at all, from Paramount's (inaccurate) interpretation ***of the 1991 Agreement*** rather than authorship, work-for-hire, or some other theory under the "Copyright Act" itself. Under the facts pleaded, it is undisputed that Paramount does not own any rights pursuant to copyright law; whatever rights it possesses to the Work is pursuant to the 1991 Agreement. Under the Capote Trust's interpretation of that Agreement, the (contractual) rights have reverted to the Capote Trust because Paramount failed to produce a new work within the time required by the terms of the contract to retain certain rights. *See Shaw. supra.*

This requirement (to produce a new work) is not a requirement of *copyright law*; it is a requirement of the *contract*. It is the disputed *contract* interpretation that is the "primary and controlling purpose," the "principal issue," the "fundamental controversy," and the "gist" or "essence" of the Capote Trust's Declaratory Relief claim.

To support removal, Paramount cites cases that are wholly inapplicable. Even worse, Paramount selectively cites specific matter from those cases in a misleading manner. Paramount first relies on *JustMed* (*supra*) to claim erroneously that a copyright "ownership" dispute of ***any*** type and determinations of copyright ownership alone create a federal question. Paramount not only fails to acknowledge *JustMed*'s recitation of the three part test described above, but further overlooks that *JustMed* did not involve any contractual rights agreement at all.

Rather, the issue in *JustMed* was whether a purported employee who developed source code created a "work for hire" as that term is ***defined*** in the Copyright Act, such that his employer could be deemed the author and copyright owner. The *JustMed* court limited its opinion to those facts, and concluded that, because resolution of "work for hire" ownership rights required interpretation of the Copyright Act itself, the case could present a federal question.

However, the *JustMed* court did not end there. The court observed that ***"because there was no written agreement as to ownership***," the "application of the work-for-hire doctrine" was "central" to the plaintiff's case and federal jurisdiction was achieved.

JustMed, 600 F.3d at 1124-1125 (emphasis added). Clearly, then, *JustMed* does not support – and in fact defies – the legal proposition that Paramount asserts.

Paramount's reliance on *Ho v. Pinsukanjana*, 2018 U.S. Dist. LEXIS 89384, *3 (N.D. Cal. 2018) fares no better. That court was not faced with the issue of removal, remand, or jurisdiction. Rather, the quote cited by Paramount – stating that the cross-complaint was removed to federal court because it sought "a declaration of ownership that relies on interpretation of federal copyright law" – is merely contained in the recitation of facts. Moreover, nothing in the opinion suggests that the allegations of ownership were based upon a contract.

Paramount's description of *Kodadek v. MTV Networks, Inc*., 152 F.3d 1209, 1212 (9th Cir. 1998) is even more misleading. *Kodadek* did not involve removal at all; that plaintiff filed an action for infringement directly in federal court, and the federal court's jurisdiction was not at issue. Instead, the issue was whether the plaintiff's state law claim for unfair competition was *preempted*. Paramount's citation of the "preemption" test has no bearing on whether this Court has jurisdiction over the Capote Trust's Declaratory Relief action seeking to settle a dispute solely over contract interpretation.

In short, Paramount's bald legal conclusions – based upon readily-distinguishable authority – that federal jurisdiction exists merely because the Capote Trust seeks "a declaration of copyright ownership" and that said copyright is protectable under the Copyright Act (Dkt. 1, at 7:3-10) is untenable and flies in the face of decades of well-established Ninth Circuit law.

2. <u>The Complaint Does Not Seek A Determination Of "Derivative Works" Under The Copyright Act</u>.

Paramount similarly misapplies removal law when it asserts that removal jurisdiction exists because the Capote Trust's declaratory relief claim seeks a determination of "derivative works" under the "<u>Copyright Act</u>" coupled with a declaration that Paramount may not exploit said "derivative works." (Dkt. 1, at 4:11-5:9

(emphasis added).)

For the same reasons discussed above, the complaint does not "arise under" the Copyright Act merely because the declaratory relief action seeks a judgment that "defendants have no present or future rights to sell, distribute, license, or otherwise exploit" the novella or "any portions or derivative works thereof" - including the Paramount Screenplay. For example, the bare claim of a right to publish does not give rise to an infringement action, and federal jurisdiction to adjudicate such a dispute is again lacking. *Borden v. Katzman*, 881 F.2d 1035, 1038 (11th Cir. 1989) (the dispute over the "ability" to exercise and enjoy the rights as the owner of a copyright depended on state law questions and not a construction of the Copyright Act). Conversely, the bare request for declaratory relief that a defendant has ***no*** rights, or only certain rights, lacks federal question jurisdiction when based on state law. (*See id.*)

Again, under the well-pleaded complaint rule, the Capote Trust has alleged facts that Capote was the original author and copyright owner the Work (under the Copyright Act) ***before*** Paramount subsequently acquired those rights through a contract and made the Work into the 1961 Film. Those allegations were informational as background to the claim, but are not part of the dispute. The only dispute in this case is over the interpretation of a *contract*, and not the interpretation of *copyright law*. Again, it is the disputed contract interpretation that is the "primary and controlling purpose," the "principal issue," the "fundamental controversy," and the "gist" or "essence" of the Capote Trust's declaratory relief claim.

Thus, the declaratory relief requested with which Paramount takes issue, *i.e.,* that "defendants have no present or future rights to sell, distribute, license, or otherwise exploit" the novella or "any portions or derivative works thereof" - does not create a federal question. The "rights" at issue flow from contract. Should a court determine that the Capote Trust's interpretation of the 1991 Agreement is in fact the correct interpretation, *i.e.*, that Paramount solely retains rights to exploit the original Film and that all other rights to the Work have reverted to the Capote Trust, then the declaratory

relief requested as to Paramount's "present and future rights" naturally flows from the contract interpretation itself. Whatever rights Paramount claims to have is not pursuant to copyright law.

Moreover, the Capote Trust has not accused Paramount of copyright infringement - including through the creation of the Paramount Screenplay itself. For example, the complaint does not allege ***who*** authored, much less owns, the Paramount Screenplay. Rather, the Capote Trust simply alleges that, during the time that Capote Trust extensively negotiated to have Paramount produce the television series, it was informed that Paramount's executives had selected a screenplay for the "Breakfast at Tiffany's" remake that they purportedly "***liked***." (Dkt. 1, at 31:5-8 (emphasis added).) The complaint does ***not*** allege that ***Paramount*** created that derivative work (*i.e.,* that ***Paramount*** infringed), but instead merely seeks declaratory relief that Paramount be determined to have no ***contractual*** rights to produce ***any*** derivative work, including, but not limited to, the Paramount Screenplay.

Nor does the Capote Trust seek any remedy for copyright infringement or other relief under the Copyright Act. Rather, the remedies under the Copyright are limited as follows: Injunctions (17 U.S.C. § 502); Impounding and disposition of infringing articles (17 U.S.C. § 503); Damages and profits (17 U.S.C. § 504) and Costs and attorney's fees (17 U.S.C. § 505). The Capote Trust requests none of these things. Although Paramount may - or may not - be ***preparing*** to infringe in the future, the declaratory relief sought by the Capote Trust does not request injunctive or similar relief under the Copyright Act itself to ***prevent*** Paramount from actually producing any future work, including the Paramount Screenplay. Rather, the Declaratory Relief requested, if granted, would only determine and put Paramount on notice that it ***lacks contractual rights*** to do so in the future.

Finally, merely because the Capote Trust requested a declaration that "the Paramount Screenplay is a derivative work of Capote's Work," does not mean that the Court has acquired federal question jurisdiction; those allegations are merely

"incidental" to the contract issues. *See Stepdesign,* 442 F. Supp at 34 (remanding declaratory relief action despite incidental allegations of post-reversion copyright infringement by the defendant); Nimmer § 12.01[A][1][c] (synthesizing the various cases, the question boils down to whether the aspect of the case which involves the Copyright Act is "a big deal").

The Paramount Screenplay is only very briefly mentioned twice in the complaint: first, that Paramount's executives "liked" it, and then in the last sentence of the declaratory relief sought. (Dkt. 1, at 31:5-8, 32:17.) The remainder of the 18-page complaint is steadfastly directed to the contract interpretation issues, thus confirming that contract interpretation under state law is the "primary and controlling purpose," the "principal issue," the "fundamental controversy," and the "gist" or "essence" of the Capote Trust's declaratory relief claim. Under these circumstances, and the principle that courts must strictly construe cases against removal, any infringement or other Copyright Act issues alleged (if any) are merely "incidental," and any attempt to impose federal jurisdiction thereon would be the proverbial tail wagging the dog.

3. <u>The Complaint Does Not Allege "Interpretation Issues" Relating To "Renewal Rights" Under The 1909 Copyright Act</u>.

Paramount raises another red herring when it asserts that removal jurisdiction exists because Paramount's Declaratory Relief claim seeks "interpretation issues" relating to "renewal rights" under the 1909 Copyright Act. (Dkt 1, at 5:10-7:4.)

The complaint does not seek interpretation of anything of the sort. As part of the background allegations explaining how the parties came to enter into the 1991 Agreement, the complaint recites how Capote's death in 1984 led a reversion of (all) rights to the Capote Estate and then the Capote Trust. By the complaint, the Capote Trust does <u>not</u> seek declaratory relief or to otherwise litigate any such prior ownership issues stemming from Capote's death; nor does it base its "interpretation" of the 1991 Agreement on Capote's death or its impact via the 1909 Copyright Act on the rights.

Instead, the complaint clearly alleges that, under the 1991 Agreement, the rights granted ***in the agreement*** have reverted to the Capote Trust because Paramount failed to produce a new work within the time ***required by the terms of the contract*** to retain certain rights.

Paramount baldly claims that the declaratory relief action and the contract interpretation issues upon which it is based will require "interpretation and construction of the Copyright Act's renewal provisions to understand[] the negotiating history and structure of the Agreement" (Dkt. 1, at 9:17-19). Such a contention is absurd. Essentially, what Paramount is arguing is that it would be nice if the court had some knowledge of how copyright renewal works under the 1909 Act, in order to determine a claim that is purely contractual in nature. Such "nicety" cannot be the basis for federal jurisdiction.[2]

That Paramount apparently believes that the Capote Trust addressed these background and preliminary issues leading to the 1991 Agreement "at length" (Dkt. 1, at 9:19-20), which purportedly demonstrates those allegations have some "relevance" to this matter (Dkt. 1, at 9:20-21) does not change the fact that they are *background* and *preliminary*, and certainly is not enough to confer federal question jurisdiction. *Topolos*, 698 F.2d at 993 (a case does not "arise under" the federal copyright laws merely because the subject matter of the action involves or affects a copyright). Rather, the issues that the Capote Trust requests the Court – not to simply *understand*, but to ***decide***, do not require an interpretation or construction of the 1909 Copyright Act.

Moreover, even the two cases that Paramount cites and relies heavily upon do not support its position. In fact, the first case completely contradicts it. In *Scholastic Ent., Inc. v. Fox Ent. Group, Inc.*, 336 F.3d 982, 986 (9th Cir. 2003), the plaintiff filed a complaint in federal court for copyright infringement. In reviewing the actual purpose of the complaint, the court determined that there was no federal jurisdiction because the

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[2]Paramount's claim that this case should be in federal court because there were once copyright issues in the case is akin to claiming that the case should be in probate court because it involved Capote's death.

case was really not about infringement, but instead was filed for the sole purpose of determining copyright ownership under the parties' publishing agreement, based upon state law.

In *Effects Assocs. v. Cohen*, 817 F.2d 72 (9th Cir. 1987) the court held that jurisdiction was established where the complaint in fact pleaded elements of copyright infringement, and pleaded neither a valid transfer of its copyright, nor the existence of a license, and "simply ***d[id] not rely on an agreement between the parties***") *Id.* at 73 (emphasis added).

By comparison, the complaint in this case requires only an interpretation of the 1991 Agreement, and Paramount's alleged (contractual) obligation to produce a new work within a limited period, as the sole basis for the relief requested.

Paramount's argument also appears solely to address its own ***defense*** to the declaratory relief claim. Although it appears to be about 30 years too late to make the argument, and even though Paramount settled the issue in 1991 by contract, Paramount appears to telegraph that it intends to "dispute[] Plaintiff's arguments concerning the effect of the Copyright Act's renewal provisions in this case," including that Paramount intends to assert that it continues to control foreign territories. (Dkt. 1, 9:3-13.) However, as discussed above, Paramount cannot use a ***defense*** of a contract claim to create federal question jurisdiction. Whether or how Paramount might assert the 1909 Copyright Act's renewal provisions, whether frivolously or not, to defend against the declaratory relief action - which is based on the ***1991 Agreement alone*** - is simply not relevant to the inquiry of federal question jurisdiction.

4. <u>The Complaint Was Not "Strategically" Filed In State Court; Such Argument Is In Bad Faith, And Irrelevant To Removal Or Remand</u>.

Paramount also cannot create federal question jurisdiction by asserting that the complaint was "strategically" filed in state court. (Dkt. 1, at 7:5-8:12.) The complaint

was not "strategically" filed in state court; it was *properly* filed in state court. Moreover, as noted above, the plaintiff is "master of his claims," and may, by an exclusive reliance on state law causes of action, ensure the appropriateness solely of a state forum. *Caterpillar*, 482 U.S. at 387.

Paramount nevertheless unfairly attempts to impugn the character of the Capote Trust and its counsel by suggesting that they have filed a meritless claim, solely on the basis that its counsel had drafted a prior, unfiled version of the complaint asserting a copyright infringement action to be filed in this federal court, but purportedly decided against federal court only because Paramount "warned" it would seek its attorney fees pursuant to 17 U.S.C. §505. (1 Dkt., at 10:5-14.) Paramount attaches a copy of the draft complaint and counsel's letter (*see* 1 Dkt., at 194-217) in support of its assertions that the Capote Trust recognized its claim lacked merit, and thus wrongfully evaded federal jurisdiction by improperly filing a declaration relief action in state court instead. Paramount's argument is erroneous on many levels.

The simple fact is that the Capote Trust and its counsel, after preparing a complaint for filing in federal court and sending it to Paramount, realized that this is not a copyright case, but exclusively a contract case. That decision was certainly not made in response to Paramount's threat to seek attorneys' fees, as Paramount would not get an award of fees, even if this were a copyright case, unless it prevailed in the action. The Capote Trust would not have filed this case – in state court or federal court – unless it was confident that it was going to prevail in the case.

Even Paramount (when it suits it) takes the position that this is a contract case. In response to the demand letter and draft complaint that counsel for the Capote Trust sent to Paramount in September of 2020, Paramount cited numerous provisions in the 1991 Agreement that allegedly refuted the Capote Trust's claim. Paramount did not cite one case or statute under the Copyright Act. In fact, the letter did not even mention the word "copyright," except in its threat to seek attorneys' fees "pursuant to Section 505 of the Copyright Act." See Exhibit 1, attached to the accompanying Declaration of Edwin F.

McPherson.

Paramount cites *Cohn v. Petsmart, Inc.*, 281 F.3d 837, 840 (9th Cir. 2001), claiming that: "[t]he Ninth Circuit has recognized that pre-filing claim letters are relevant to determining whether or not federal jurisdiction is proper." (Dkt. 1, at 10:15-16.). However, Paramount's use of the *Cohn* case is troubling, in that it does not even come close to asserting the proposition for which Paramount has cited the case.

The only issue before the *Cohn* court was removal based on ***diversity*** jurisdiction and whether the ***amount in controvery*** had been met. The court held that a settlement letter was relevant evidence of the amount in controversy "if it appeared to reflect a reasonable estimate of the plaintiff's claim." *Id.* *Cohn*'s facts and reasoning can hardly be said to reverse the decades of cases reciting the well-established rules on ***federal question*** jurisdiction, including the well-pleaded complaint rule and strict prohibition against asserting a federal question on a defense or matters outside of the complaint itself.

Paramount next cites *Bright v. Bechtel Petroleum, Inc.*, 780 F.2d 766, 770 (9th Cir. 1986), for the proposition that, where "a claimant threatens to file suit under federal law and then files a claim in state court, it is proper for the court to review that context in finding that the suit, in reality, presents federal questions and raises issues regarding interpretation of federal law." Dkt. 1, at 10:21-24. However, the *Bright* case does not support that proposition, or anything close to it, either.

In that case, the plaintiff filed a complaint in state court for breach of contract, claiming that his employer issued paychecks to him that were less than the amount for which they contracted. The defendant removed the action to federal court, claiming (for the first time) that the amount withheld was mandated by federal tax laws, and thus the claim was subject to federal jurisdiction. The plaintiff then filed a motion to remand, in which he stated that he was limiting his claim to the state tax issue.

The court held that the new argument "must be regarded as disingenuous" because the complaint "simply does not state a claim limited to a state tax issue." *Id.* at 770. The

court noted that "[a] plaintiff will not be allowed to conceal the true nature of a complaint through "artful pleading." *Bright v. Bechtel*, 780 F.2d at 769, citing *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983). Thus, the context in *Bright* was, again, the ***complaint itself***, and the "new argument" to oppose removal, according to the court, constituted the "attempt to evade the jurisdiction" of the federal court." *Bright v. Bechtel*, 780 F.2d at 770.

Those facts do not apply here, as the Capote Trust has not made any "new" arguments in this motion which contradict the complaint as filed. Moreover, the Capote Trust has not attempted to conceal the "true nature of the complaint"; the true nature of the complaint is clearly declaratory relief over contract terms that grant certain rights.

Paramount attempts to invoke federal jurisdiction by absurdly claiming that the Court should look at what is not in the Complaint, asserting that the Capote Trust has "failed" to plead any purportedly necessary federal questions in the complaint. (Dkt. 1, at 11:5-8.) As noted above, an action for declaratory relief is sufficient if the facts alleged show the existence of an actual controversy relating to the legal rights and duties of the respective parties, and requests that the rights and duties be adjudged. *Jefferson,* 266 Cal. App. 2d at 302. As discussed in detail above, the Capote Trust has filed a complaint for declaratory relief concerning an actual controversy relating to the parties' legal rights solely obtained in accordance with the 1991 Agreement. No further allegations are required, or were omitted, concerning any federal question.

Paramount's next argument that this Court is the only court with proper "subject matter expertise" is incorrect. (Dkt. 1, at 11:9-12.). As stated quite cogently in *Durgom v. Janowiak*, 74 Cal. App. 4th 178 (1999):

> The word 'copyright' is not so compelling as to invoke federal jurisdiction upon its mere mention. Congress left a considerable residue of power in the state courts to pass on 'copyright questions,' including questions involving constructions of the copyright statute.... State courts are fully

> competent to adjudicate state-law breach of contract claims, even where the underlying contract involves the ownership, assignment, or license of a copyright.

Id. citing *Muse v. Mellin*, 212 F. Supp. 315, 316, (S.D.N.Y. 1962), aff'd. 339 F.2d 888 (2d Cir. 1964).

C. THE ABSENCE OF ANY VALID BASIS FOR REMOVAL WARRANTS AN AWARD OF ATTORNEYS' FEES AND COSTS AGAINST PARAMOUNT.

In addition to an order remanding the case, the Capote Trust respectfully requests the Court to include an order requiring Paramount to pay the Capote Trust's "just costs and any actual expenses, including attorney fees, incurred as a result of the removal." 28 U.S.C. § 1447(c); *see also* Fed. R. Civ. P. 11(b) (in removing, counsel represents that their filing is warranted by existing law and that the motion is not being presented for any improper purpose such as to cause unnecessary delay). Counsel for the Capote Trust would not ordinarily request such an award; however, the Capote Trust believes that this is an extraordinary case, and that the removal was undertaken solely to increase costs in the case for the Capote Trust, which is a charitable organization, with limited funds, in order to break the proverbial bank.

Paramount is a world-wide conglomerate with countless attorneys on staff and on retainer. Yet, Paramount's errors in the Notice of Removal were not merely a failure to understand existing law. As the aforementioned discussion clearly illustrates, Paramount has selectively quoted out of context material from cases which themselves expressly contradict Paramount's stated positions. This, in and of itself, reveals a concerted effort to evade and/or ignore well-established law on removal and/or to mislead the Court. Instead of supporting a removal with the proverbial "belts and suspenders," Paramount instead has cobbled together a removal that is held together by nothing more than "bubble gum and tooth picks," which necessarily fail, even upon a cursory examination

of the cases upon which Paramount purports to rely.

Moreover, Paramount's unfair attack on the very scruples of the Capote Trust and its counsel in filing this action further demonstrates Paramount's bad faith. Such arguments have no place in determining whether a removal on federal question jurisdiction is appropriate.

Thus, an award of the fees and costs incurred by the Capote Trust in filing this motion to remand is warranted.

III. CONCLUSION

For all the foregoing reasons, Plaintiff respectfully requests this Court to enter an Order remanding this action to the Superior Court of the State of California, County of Los Angeles, pursuant to 28 U.S.C. Section 1447(c), forthwith.

Dated: January 19, 2021

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THE LAST WILL AND
TESTAMENT OF TRUMAN
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