UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES—GENERAL

Case No. CV 17-9132-MWF (JCx) **Date: April 16, 2018**
Title: ISE Entertainment Corporation v. Gerald A. Longarzo, Jr., et al.

Present: The Honorable MICHAEL W. FITZGERALD, U.S. District Judge

Deputy Clerk:	Court Reporter:
Rita Sanchez	Not Reported
Attorneys Present for Plaintiff:	**Attorneys Present for Defendant:**
None Present	None Present

Proceedings (In Chambers): ORDER RE: DEFENDANTS' MOTION TO DISMISS FIRST AMENDED COMPLAINT PURSUANT TO FED. R. CIV. PROC. 12(b)(6) AND 12(b)(1) AND MOTION TO STRIKE NEWLY-ADDED CLAIMS PURSUANT TO FED. R. CIV. PROC. 12(f) [27]

Before the Court is Defendants Gerald A. Longarzo, Jr.'s and Jeff Civillico's Motion to Dismiss First Amended Complaint Pursuant to Fed. R. Civ. Proc. 12(b)(6) and 12(b)(1) and Motion to Strike Newly-Added Claims Pursuant to Fed. R. Civ. Proc. 12(f) (the "Motion"), filed on March 13, 2018. (Docket No. 27). On March 22, 2018, Plaintiff ISE Entertainment Corporation ("ISE") filed an Opposition. (Docket No. 29). On April 2, 2018, Defendants filed a Reply. (Docket No. 32). The Court held a hearing on April 16, 2018.

For the reasons set forth below, the Motion is **DENIED** (again) as to ISE's DMCA section 512(f) claim. The Court has already denied Defendants' original motion to dismiss ISE's DMCA claim. Defendants' attempt to re-argue the issue now is in contravention of Rule 12(g)(2), and the Court rejects Defendants' attempt to frame their DMCA argument as an issue of subject matter jurisdiction. Moreover, even if the Court were inclined to consider Defendants' current DMCA arguments, Mr. Longarzo's August 2017 email correspondence with Amazon that Defendants now seek to introduce does not deprive ISE of the right to obtain discovery in relation to its DMCA claim.

The Motion is **GRANTED *with leave to amend*** as to ISE's breach of contract and rescission and restitution claims. As the Court understands the allegations in the FAC, the Deal Memo was the contract that was purportedly breached in various ways by Civillico. The Court does not see how the Deal Memo can be interpreted to impose the obligations that were allegedly breached.

I. BACKGROUND

A. ISE's Original Complaint and the Court's February 2 Order

On November 22, 2017, ISE filed a Complaint against Defendants in the Los Angeles County Superior Court. (Complaint, Docket No. 1-1). ISE alleged the following in its Complaint:

ISE, a Nevada corporation with its principal place of business in Las Vegas, is "the owner, creator and copyright holder of the television series, 'The Weekend in Vegas,' (the 'Program') which airs on the ABC Affiliate station in Las Vegas, Nevada, and was, until the actions of Defendants herein, available for download on Amazon.com." (*Id.* ¶¶ 1, 7).

Civillico, a Nevada resident, is the co-producer of the Program and appears on camera as the Program's host. (*Id.* ¶¶ 3, 9). On February 2, 2017, ISE and Civillico entered into a written "Deal Memo," a one-page document that ISE attached to its Complaint. (*Id.* ¶ 8, Ex. 1). The Deal Memo provides, *inter alia*:

> Company [ISE] and Co-Producer [Civillico] have established a business relationship through the production of the television series known as *The Weekend in Vegas*…
>
> …
>
> Co-Producer agrees that any work created during the course of business with Company is the original work and property of Company. Co-Producer further agrees that all rights,

> including copyrights, performance rights and publicity rights, belong to Company.

(*Id.* ¶ 8, Ex. 1).

On August 18, 2017, Amazon Video Direct ("Amazon Video") sent an email to "info@arttecusa.com" (apparently an email address associated with ISE), indicating that Amazon Video had received a complaint from Longarzo, a California resident and Civillico's attorney, concerning ISE's posting of Program episodes on the Amazon Video website. (*Id.* ¶¶ 2, 10-11, Exhs. 4, 6). Amazon Video's email said, in pertinent part:

> We've received a notice from a third party [Longarzo] claiming that the distribution of the following title [the Program] and/or its audio/video contents you submitted for sale through Amazon may not be properly authorized by the appropriate rights holder… As a result, we've suspended distribution of this title, pending further investigation. Below is the contact information for the third party who claims you infringed its rights [listing Longarzo's name and email address]. We expect that you'll compensate this party for any infringing copies sold.

(*Id.* Ex. 4).

ISE claimed that Amazon Video's removal of the Program from its website was prompted by a notification of infringement that Longarzo submitted to Amazon Video pursuant to the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512, which ISE refers to as a "DMCA Notice." (Complaint ¶¶ 10-11). ISE claimed that the "DMCA Notice is false and was false at the time it was filed," because Longarzo falsely "represented in the DMCA Notice, under penalty of perjury, that the Program infringed upon the copyright of … Civillico." (*Id.* ¶ 12).

On August 24, 2017, an attorney for ISE wrote a letter to Longarzo, contending that, pursuant to the Deal Memo, Civillico "holds no rights to any intellectual property of ISE regarding [the Program]," and demanding that Longarzo "immediately notify Amazon that your client's [Civillico's] claim is withdrawn." (*Id.* ¶ 13, Ex. 5). On August 29, 2017, Longarzo responded by email, contending that ISE was in breach of a verbal agreement to pay Civillico $1,000 per week and that the Deal Memo does not permit ISE to use Civillico's "name, image or likeness in connection with [his] on-camera services" absent authorization, and refusing to withdraw the Amazon Video claim. (*Id.* ¶ 14, Ex. 6).

On November 13, 2017, ISE's current counsel sent a letter to Longarzo (which was not attached to the Complaint), allegedly informing Longarzo that, "in the DMCA Notice, Longarzo knowingly misrepresented to Amazon.com that the Program was infringing, and demanded retraction or withdrawal of the DMCA Notice." (*Id.* ¶ 15). Longarzo responded by email the next day, writing, *inter alia*, that "[t]he information in your letter is not accurate, but we thank you and Gary [principal of ISE] for your continued interest in Jeff [Civillico]." (*Id.* ¶ 15, Ex. 7).

In its Complaint, ISE asserted four claims for relief: (1) a claim for declaratory relief seeking "a judicial declaration of the rights and duties of the parties hereto with regard to who is the rightful owner of the copyright of the Program," against both Defendants; (2) "damages for false DMCA Notice" pursuant to 17 U.S.C. § 512(f), against both Defendants; (3) breach of contract, against Civillico; and (4) fraud, against both Defendants.

On December 20, 2017, Defendants removed the case from Superior Court. (*See* Notice of Removal, Docket No. 1). Defendants invoked this Court's federal-question jurisdiction with respect to ISE's claim for damages under the DMCA. On December 27, 2017, Defendants filed a motion to dismiss ISE's original Complaint pursuant to Rule 12(b)(6) and (somewhat curiously, since they had just removed the action to this Court) Rule 12(b)(1). (Docket No. 8).

In an order dated February 2, 2018 (the "February 2 Order") (Docket No. 17), the Court denied Defendants' motion to dismiss with respect to ISE's DMCA section 512(f) claim, and granted the motion with leave to amend as to ISE's breach of contract, fraud, and declaratory relief claims.

In denying Defendants' motion to dismiss as to ISE's DMCA claim, the Court rejected Defendants' argument that ISE lacked standing to bring its DMCA claim because it had not obtained a copyright registration covering the Program from the U.S. Copyright Office. The Court also rejected Defendants' arguments that ISE had not adequately alleged that Longarzo's communications with Amazon Video constituted a takedown notice under the DMCA (*i.e.*, a request that complied with 17 U.S.C. § 512(c)(3)), and that ISE failed to allege that Defendants acted with the requisite mental state (*i.e.*, a "knowing[ ] material[ ] misrepresent[ation]") to trigger section 512(f) liability. (*See* Feb. 2 Order at 7-12).

In granting Defendants' motion to dismiss as to ISE's breach of contract claim, the Court agreed with Defendants that the breach of contract claim was preempted by the Copyright Act insofar as the subject matter of the claim (the Program) fell within the subject matter of the Copyright Act and the rights asserted in connection with the breach of contract claim (*e.g.*, to publicly display and distribute the Program) were rights protected under the Copyright Act. (*See id.* at 12-16).

B. The First Amended Complaint

On February 26, 2018, ISE filed the operative First Amended Complaint, in which it asserts three claims for relief: (1) "damages for false DMCA Notice" pursuant to 17 U.S.C. § 512(f), against both Defendants; (2) breach of contract, against Civillico; and (3) "rescission and restitution," against Civillico. (FAC (Docket No. 20) ¶¶ 1-30).

The allegations relating to ISE's DMCA claim (which are most of the factual allegations) in the First Amended Complaint are identical to those in the Complaint. (*Compare* FAC ¶¶ 1-19 *with* Complaint ¶¶ 1-15, 19-23).

As discussed further below, ISE has revamped its breach of contract claim to focus on Civillico's actions or inactions as co-producer of the Program instead of on, for example, Civillico's "using clips from the Program on his website without authorization…" (Complaint ¶ 27; *see* FAC ¶¶ 20-24).

II. PLEADING STANDARD

In ruling on the Motion under Rule 12(b)(6), the Court follows *Bell Atlantic v. Twombly*, 550 U.S. 544 (2007), *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), and their Ninth Circuit progeny. "Dismissal under Rule 12(b)(6) is proper when the complaint either (1) lacks a cognizable legal theory or (2) fails to allege sufficient facts to support a cognizable legal theory." *Somers v. Apple, Inc.*, 729 F.3d 953, 959 (9th Cir. 2013). "To survive a motion to dismiss, a complaint must contain sufficient factual matter . . . to 'state a claim for relief that is plausible on its face.'" *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570). The Court must disregard allegations that are legal conclusions, even when disguised as facts. *See id*. at 681 ("It is the conclusory nature of respondent's allegations, rather than their extravagantly fanciful nature, that disentitles them to the presumption of truth."); *Eclectic Properties E., LLC v. Marcus & Millichap Co*., 751 F.3d 990, 996 (9th Cir. 2014). "Although 'a well-pleaded complaint may proceed even if it strikes a savvy judge that actual proof is improbable,' plaintiffs must include sufficient 'factual enhancement' to cross 'the line between possibility and plausibility.'" *Eclectic Properties*, 751 F.3d at 995 (quoting *Twombly*, 550 U.S. at 556–57) (internal citations omitted).

The Court must then determine whether, based on the allegations that remain and all reasonable inferences that may be drawn therefrom, the complaint alleges a plausible claim for relief. *See Iqbal*, 556 U.S. at 679; *Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc*., 637 F.3d 1047, 1054 (9th Cir. 2011). "Determining whether a complaint states a plausible claim for relief is 'a context-specific task that requires the reviewing court to draw on its judicial experience and common sense.'" *Ebner v. Fresh, Inc.*, 838 F.3d 958, 963 (9th Cir. 2016) (quoting *Iqbal*, 556 U.S. at 679). Where the facts as pleaded in the complaint indicate that there are two alternative explanations, only one of which would result in liability, "plaintiffs cannot offer

allegations that are merely consistent with their favored explanation but are also consistent with the alternative explanation. Something more is needed, such as facts tending to exclude the possibility that the alternative explanation is true, in order to render plaintiffs' allegations plausible." *Eclectic Properties*, 751 F.3d at 996–97; *see also Somers*, 729 F.3d at 960.

III. DISCUSSION

A. DMCA Claim

The DMCA-related allegations in Plaintiff's First Amended Complaint are identical to the DMCA-related allegations in Plaintiff's original Complaint. The Court rejected Defendants' DMCA-related arguments in its February 2 Order. Nonetheless, Defendants again move to dismiss the DMCA claim. This time – rather than targeting the allegations in the First Amended Complaint themselves – Defendants argue that Longarzo's communications with Amazon did not ***in fact*** constitute a DMCA takedown notice because he did not specifically reference copyright infringement in those communications, and submit along with their Motion a declaration from Longarzo with an August 2017 email chain between Longarzo and two Amazon employees attached. (*See* Declaration of Gerald Longarzo, Jr. (Docket No. 27-1), Ex. A).

As an initial matter, the Court rejects Defendants' slightly tweaked re-argument regarding ISE's (identical) DMCA claim as inconsistent with Rule 12(g)(2), which provides that, except with respect to motions challenging subject matter jurisdiction (among other things that are not relevant here), "a party that makes a motion under [Rule 12] must not make another motion under [Rule 12] raising a defense or objection that was available to the party but omitted from its earlier motion." Fed. R. Civ. P. 12(g)(2). Defendants have obviously been in possession of Longarzo's email correspondence since the commencement of this action, yet declined to raise their "incorporat[ion] by reference" (Reply at 4) argument in their first motion to dismiss.

Courts commonly invoke Rule 12(g)(2) to reject new arguments raised in a motion to dismiss an amended complaint that could have been raised in a previous

motion to dismiss a prior complaint but were not. *See, e.g., Chancellor v. OneWest Bank*, No. C 12-01068 LB, 2012 WL 3834951, at *3 n. 4 (N.D. Cal. Sept. 4, 2012) (rejecting a second motion to dismiss a claim for breach of a mortgage-modification plan); *Falcon v. City University of New York*, 15-cv-3421 (ADS)(ARL), 2016 WL 3920223, at *14 (E.D.N.Y. July 15, 2016) (denying a motion to dismiss Title VII claims in a proposed SAC containing "nearly identical" allegations in a FAC that was never challenged on that basis); 5D C. Wright & A. Miller *Federal Practice & Procedure* § 1385, Application of Rule 12(g) – In General (3d ed. 2017) (Rule 12(g) "generally precludes" a Rule 12 objection that could have been raised but was not). Similarly, this Court declines to endorse Defendants' piecemeal motion practice and declines to consider Longarzo's email correspondence (which easily could have been provided with Defendants' initial motion papers) in connection with the present Motion.

The Court also rejects Defendants' spurious attempt to present their DMCA-related argument as a challenge to the Court's subject matter jurisdiction. Defendants' challenge is directed at the sufficiency of the DMCA claim, not subject matter jurisdiction. The crux of Defendants' subject matter jurisdiction argument is that ISE "has not – and cannot – allege any claim under the DMCA, as no DMCA takedown notice was ever sent," and that "[a]s a consequence, federal question jurisdiction is lacking under Rule 12(b)(1)." (Mot. at 9). In their Reply, Defendants bizarrely suggest for the first time that – seemingly as a result of the Longarzo-Amazon email correspondence – ISE may lack ***constitutional standing*** to pursue its DMCA claim. (*See* Reply at 3-4).

Defendants are mistaken. Whether or not Longarzo's relevant communications with Amazon might be construed as a DMCA takedown notice goes to the viability of ISE's DMCA claim, not to the Court's federal-question jurisdiction over that claim or the issue of whether ISE has alleged a concrete and particular harm sufficient to endow it with standing to pursue that claim. For the very reasons that this Court has ***previously*** articulated, Plaintiff has sufficiently alleged a DMCA claim. Whether that claim has merit or not will be determined through summary judgment or trial.

Finally, even if the Court were inclined to consider Longarzo's August 2017 email correspondence with Amazon in connection with the present Motion, that email correspondence does not – prior to any discovery being had – operate to invalidate ISE's DMCA claim at the pleading stage. ISE has alleged, upon "inform[ation] and belie[f]…, that Defendant LONGARZO represented in the DMCA Notice, under penalty of perjury, that the Program infringed upon the copyright of Defendant CIVILLICO," that Amazon notified ISE that it was removing the Program from Amazon Video due to a "third party who claims you infringed its rights." (FAC ¶¶ 10, 12, Ex. 4). While it may be unlikely that ISE will be able to ultimately establish that Longarzo communicated with Amazon in a manner that could trigger DMCA section 512(f) liability (assuming the emails Defendants provided with their present Motion would not, which the Court does not now decide), it must be given the opportunity to conduct some discovery on the issue in light of its viable DMCA claim.

Accordingly, Defendants' Motion is **DENIED** with respect to ISE's DMCA section 512(f) claim.

B. Breach of Contract Claim

In connection with its breach of contract claim, ISE alleges that Civillico received consideration for his services under the Deal Memo (a 5% equity stake in ISE) and that ISE satisfied all of its obligations under the Deal Memo. (*See* FAC ¶¶ 21-22, Ex. 1). ISE alleges that, on "August 18, 2017, and thereafter," Civillico breached the Deal Memo by:

> a. Failing to contribute time and talent to fulfill his duties as co-producer on production of [the Program], including serving as the on-camera host of the show, scheduling, scriptwriting and logistical services ordinarily performed as a co-producer of a television show;
>
> b. Failing to contribute time, talent and resources to fulfill his duties as co-producer, by business contacts,

venues, celebrity guests, shooting locations, office and greenroom space, cross-promotion and marketing during his Comedy in Action stage show;

c. Withdrawing the following talent and resources he had contributed to the television series as co-producer:

i. Instructing KNTV Las Vega to stop airing the television series;

ii. Cancelling the Caeser's Entertainment shooting location and venue for the television series;

iii. Cancelling the greenroom facilities at the Ling Hotel;

iv. Cancelling Plaintiff's executives' Caesars Diamond Cards;

v. Cancelling celebrity guest bookings;

vi. Withdrawing the production staff of Jeff Civillico, Inc.;

vii. Cancelling cross-promotion of the television series in his Comedy in Action show; and

viii. Cancelling an arrangement with Amazon TV to distribute the television series.

d. Failing to contribute resources as co-producer, by:

i. Failing to provide monetary contributions; and

ii. Cancelling sponsor contributions from Vegas.com, Dignity Health, LiveNation, LV.Net, and Caesars Entertainment.

(FAC ¶ 23).

Despite the fact that ISE has entirely shifted its breach of contract claim from alleging that Civillico breached the Deal Memo by interfering with ISE's alleged rights to display and distribute the Program to alleging that Civillico breached the Deal Memo by failing to do his job, Defendants again argue that the breach of contract claim is preempted by the Copyright Act. The Court disagrees.

As discussed in the February 2 Order, state law claims are preempted by the Copyright Act if two questions are answered in the affirmative: (1) Does "the 'subject matter' of the state law claim fall[ ] within the subject matter of copyright as described by 17 U.S.C. §§ 102 and 103[?]"; and (2) "[A]ssuming that it does, … [are] the rights asserted under state law … equivalent to the rights contained in 17 U.S.C. § 106, which articulates the exclusive rights of copyright holders[?]" *Laws v. Sony Music Entertainment, Inc.*, 448 F.3d 1134, 1137-38 (9th Cir. 2006) (internal citations omitted).

ISE's current breach of contract claim has almost nothing to do with rights protected by the Copyright Act – *i.e.*, the rights to, *inter alia*, reproduce, distribute, publicly perform, and publicly display that work. *See* 17 U.S.C. § 106. It has to do with the manner in which Civillico performed or did not perform his role as co-producer of the Program. Thus, the Court does not agree that the current breach of contract claim is preempted by the Copyright Act.

However, none of the newly alleged breaches are actually tied to any provisions of the one-page Deal Memo. The only things that the Deal Memo explicitly required Civillico to do were to "keep all [information he learned during the course of his relationship with ISE] … confidential and secure from all third parties, unless he obtain[ed] written consent to do otherwise," and to "agree[] that any work created during the course of business with [ISE] is the original work and property of [ISE]."

Nothing in the Deal Memo, for example, required Civillico to "contribute time and talent" to ISE or to supply ISE/the Program with any specific quantity of "business contacts, venues, celebrity guests, shooting locations, office and greenroom space, [or] cross-promotion and marketing" resources for any specific duration of time.

Simply put, if ISE intended to bind Civillico to do any of the things it now alleges he was bound to do, it should have entered a contract with him that actually said these things. The Deal Memo essentially does not require Civillico to do anything apart from keeping ISE's information confidential.

Based upon both the Complaint and the First Amended Complaint, it appears that the only "Agreement" upon which ISE asserts its breach of contract claim is the Deal Memo. (*See* Complaint ¶¶ 8, 24-28, Ex. 1; FAC ¶¶ 8, 20-24, Ex. 1). Because the Deal Memo does not require Civillico to do any of the things that ISE now alleges it required him to do, the actions or inactions ISE now complains of do not constitute breaches of the Deal Memo.

As the Court discussed at the hearing, it is possible that (a) there is some sort of contract apart from or in addition to the Deal Memo; or (b) based on the mutual understanding of the parties and extrinsic evidence, the Deal Memo might be interpreted to impose the alleged obligations. That depends, in part, on Nevada or California contract law (apparently the choice of law is disputed). While the Court has doubts about ISE's breach of contract claim given its shifting nature, the Court will allow ISE one more opportunity to amend this claim. If ISE is unable – consistent with Rule 11 – to plausibly allege a contract as described, then the Court discourages actual amendment.

Accordingly, the Motion is **GRANTED *with leave to amend*** as to the breach of contract claim.

C. Rescission/Restitution Claim

As ISE acknowledges, rescission/restitution "is not a cause of action, but a remedy for breach of contract." (Opp. at 14). Because ISE has not stated a viable breach of contract claim, it has also not stated a viable rescission/restitution claim. In light of the fact that the Court is giving (without necessarily encouraging) ISE one more opportunity to amend its breach of contract claim, it will allow ISE one more opportunity to assert its right to rescission and/or restitution.

Accordingly, the Motion is **GRANTED *with leave to amend*** as to the rescission/restitution claim.

IV. CONCLUSION

For the reasons set forth above, the Motion is **DENIED** as to ISE's DMCA section 512(f) claim, and it is **GRANTED *with leave to amend*** as to ISE's breach of contract and rescission/restitution claims.

ISE shall file a Second Amended Complaint, if any, by **May 7, 2018**.

In the event ISE elects to file a Second Amended Complaint, Defendants are cautioned not to seek dismissal of the DMCA claim. While there may be a Second Amended Complaint, there will be no Third. Any future successful motion to dismiss the contract claims will be granted ***without leave to amend.***

In the event that ISE does not file a Second Amended Complaint by May 7, 2018, Defendants shall answer the First Amended Complaint by **May 21, 2018**.

IT IS SO ORDERED.