In response to request for Comments re: Artist’s Resale Royalty by the USCO

Alexandra Darraby

I am a former gallery owner and art dealer in California representing artists from the USA and abroad; in that capacity I purchased and sold contemporary and modern artworks to—and on behalf of—museums, private collectors and corporations. I currently represent living artists and artist estates whose artworks would be subject to a federal resale royalty, and some of whom were subject to California’s Resale Royalty Act. I was the attorney of record for the defendant in the first litigation to challenge the California law under the Copyright Act of 1976, among other grounds. A copy of the Brief opposing a remand from Central District Court of California to Los Angeles Superior Court is appended here. My work on the European resale royalty has been published abroad. A copy of the article is appended.

Background: European Union Artist’s Rights in the Global Art Market

Effective January 1, 2012, all twenty-seven EU Member States are required to implement the EU Art Resale Right Directive no. 84 of 2001, imposing an Artist’s Royalty Right (“ARR”). Under the ARR, living artists, and their heirs and beneficiaries, are entitled to payment of a royalty on re-sales of contemporary and modern art, and certain transfers of art. The Directive mandates a maximum ARR of €12,500 in all Member States for any single transaction. An artist’s right to collect monies based upon re-sales of artworks, alien to the common law concept of private property transfers, is a civil law principle known as droit de suite, an aspect of moral rights (droit moral). The Directive’s application of the droit de suite draws inspiration from Article 14ter of the Berne Convention for the Protection of Literary and Artistic Works, ratified by 185 states. See RICS The Arts Surveyor July 2012


2 Id. at art. 4 (establishing a sliding percentage scale relative to value, subject to the cap).
The scope and specificity of the objects that the ARR covers varies among Member States, and it is only triggered for certain works under certain conditions. Member States have had a decade to conform their law to the Directive.

On January 1, 2012, for example, the United Kingdom Intellectual Property Law, addressing implementation of the Directive, took effect. It extends the ARR to artists’ heirs and beneficiaries for up to seventy years after the artist’s death. An ARR is thus owed on every eligible resale, and on many non-commercial transfers, of art for the life of the artist, plus seventy years. A resale payment is owed even when the same work sells multiple times. A compulsory collective management system administers the royalties in most EU states, charging administration fees ranging from 8% to 20%. To be eligible for ARR in the United Kingdom, the Copyright, Designs, and Patents Act of 1988 must cover the artwork. In such instances, the applicability of ARR terminates when the copyright term expires.

The Directive contemplates that the ARR may be accorded to living artists who at the date of sale are nationals of a European Economic Area state, or another non Member State, if that state has legislation that provides the ARR on reciprocal terms. The Directive further contemplates that the ARR applies to the sale of the work of a deceased artist if the artist lived in or was from a state that at the time of death contemplated such rights.

American Law

The California Resale Royalty Act is addressed in the appended Brief. The private market system—and commercial law that encompasses that system—that enabled the art market to flourish in the United States historically has not recognized residual rights to creators in personal property after title passes. The exception to that was enactment of the Visual Artist’s Rights Act of 1990, which acknowledges some non-economic post-sale interests for rights of attribution and modification. A federal resale royalty were it enacted would impose in effect a tax on sales of art, an amount that rises as the art appreciates for every resale.

Collective Management

The California law has not worked effectively on a voluntary basis, is not enforced by any governmental regulation, and collection efforts—absent voluntary responses—required recourse of the courts or ADR to recover monies owed thereunder. If a federal resale royalty were imposed, a collective management organization would be necessary to assure uniform and systemic collection of royalties. There are issues regarding collective management in the music industry, raising serious practical issues about at what point the costs of administration of such a royalty in the arts would undermine any meaningful financial advantage to the intended beneficiary of artists. The art resale is a singular transaction compared to the unlimited multiplicity of replay for musical works.

Public Auction v. Private Sales

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Private sales of artworks through galleries and dealers have been largely exempt from resale royalties, because the collective management has secured the royalty in other nations through public auction, where the auction house adds the royalty to the bid, and remits to the CMO. The resale royalty system that operates only through public auction benefits only those name-brand, or so-called blue chip artists who have a secondary market that is lucrative enough for auction. The beneficiaries of such a law, if it were only imposed through the public auction system, would not be the artists referred to throughout the legislative histories and numerous articles about rewarding struggling and mid-level artists; the beneficiaries would be artists whose initial sales in the primary market were robust enough to sustain a profitable secondary market. In short, what percentage of contemporary artists benefit from a resale royalty collected only at auction? There are many public examples of artists’s dealers bidding on works at auction to protect against collapse of the artist’s primary market. The effect of a resale royalty on that calculus could further inhibit an artist’s market viability rather than enhance it.

Amount of the Royalty

In European nations the royalty is graduated and there is a maximum cap for any single sale. {see article appended} No royalty approaches the 7% proposed in the federal legislation, and in nations where economics of royalty have been studied, the royalty recommendations and implementations have not exceeded 5%.

ALEXANDRA DARRABY

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Ms. Darraby is named a Delegate to the SIPO-US Bar Council in 2012. She is a Co Chair of IP for a Russian law initiative launched under the Innovation Subcommittee of the Russia-US Bilateral Presidential Commission. She served as the Co-Leader of the Joint Task Force with the Intellectual Property Section on Comments to China’s Copyright Law Revision filed with NCAC. She is the Immediate Past Chair of International Intellectual Property Rights Committee of the ABA. Ms. Darraby is founding Chair of the International Division of the Entertainment Forum, Vice Chair of the Europe Committee, and immediate past Division Chair of Arts & Museums.


Admissions include the Court of International Trade, the California Supreme Court, federal districts in California, the United States Court of Appeals for the Ninth Circuit and the United States Court of Appeals for the Federal Circuit.

The New York Times, the LA Times, the New York Law Journal, The World, the BBC, MSNBC, newsweek.com, National Public Radio, the Smithsonsian, Art & Auction, Heritage Magazine, and Bloomberg Wealth Management Magazine have interviewed or quoted her. Her byline appears in dozens of periodicals.

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

BABY MOOSE DRAWINGS, INC.,

Plaintiff,

vs.

DEAN VALENTINE, and DOES 1 through 10,

Defendants.

CASE NO. CV 11-00697 JHN (JGCx)

DEFENDANT DEAN VALENTINE’S OPPOSITION TO PLAINTIFF’S MOTION FOR REMAND

Date: March 21, 2011
Time: 2:00 p.m.
Courtroom: 790
Hon. Jacqueline H. Nguyen

[Request for Judicial Notice and Declarations of Amber Noland and Robert Younger filed and served concurrently herewith]
I. INTRODUCTION

This case involves a single claim for money involving preemptive federal constitutional rights brought by a corporate entity on behalf of an artist demanding resale royalties for sales of artworks occurring in New York and other places, based upon a California state statute commonly referred to as the California Resale Royalty Act, codified at California Civil Code section 986 (the “Royalty Act”). The statute on its face purports to provide an artist and heirs, for a period up to twenty years after the artist’s death, with a five percent resale royalty for profitable sales of certain types of original artwork in the worldwide secondary art market, the term for the resale art market.

The artwork that is the sole subject of the Royalty Act is copyrighted work federally protected and regulated under current statutory federal copyright law codified in Title 17 of the U.S. Code and the United States Constitution, the basis upon which federal statutory copyright is sourced and predicated. Neither federal copyright law, nor any of the international copyright conventions and treaties which the United States has joined or adhered to in the last 30 years amending Title 17—nor any other federal constitutional theory—supports the validity, legitimacy, or enforceability of the Royalty Act. In fact, Defendant respectfully submits, as demonstrated below, that federal law mandates federal preemption of this California law.

California is the only state among the 50 states requiring the sellers of a work of “fine art,” defined arbitrarily in the Royalty Act as an “original painting, sculpture, or drawing, or original work in glass” (hereafter “artwork”), to pay the artist who created the work (or artist’s heirs or assignee) a five percent resale royalty on the sale price, a key term undefined in the statute, whenever the artwork is resold, and at each and every time the artwork sells, wherever in the worldwide secondary resale market that the resale occurs, and regardless of how many times the artwork sells and resells within the artist’s lifetime plus twenty years. No waiver of the royalty is permissible, and any attempt by sellers to obtain a waiver from the artist results in mandatory increase in the amount of the royalty in excess of the 5 percent. (It is the seller’s financial loss if the artwork loses
value or cannot be sold for a profit). This Royalty Act imposes on California residents—and according to Plaintiff, only California residents—unprecedented financial obligations of limitless geographical scope for sales in the global markets works of original authorship that no other American or foreign seller of copyright work incurs or bears.

Furthermore, the Royalty Act: (1) is expressly preempted by, and contravenes, the federal copyright First Sale Doctrine, created by judicial law and codified in Title 17 of the U.S. Code precisely to protect the Defendant’s resale rights in the artworks at issue; (2) is expressly preempted by Title 17, and abrogates or impairs, the distribution right, an exclusive right under federal copyright law; (3) is preempted by Title 17, and impermissibly interferes with the mandate of federal copyright law to establish and maintain national royalty rates and royalty fee schedules for works of original authorship; (4) is preempted by Title 17, and contravenes the obligations of the United States as a sovereign member in the Berne Convention for the Protection of Literary and Artistic Works, to which the United States joined, and adhered, effective in 1989; (5) is preempted by Title 17, in that it arbitrarily imposes a royalty on only certain original works of authorship and denies the royalty to other original works of authorship that do not qualify under the state statutory definition of “fine art;” (6) is preempted by Title 17 and the Contracts Clause under the U.S. Constitution, and denies California residents their rights to contract freely for original works of authorship, available to each and every other American in the other forty-nine States of the United States; (7) is preempted under the Supremacy Clause of the U.S. Constitution; (8) is preempted under the Commerce Clause of the U.S. Constitution, and circumscribes and restricts, constitutionally protected interstate and international commerce; (9) is preempted, in that it imposes royalty fees and charges upon exports of works of original authorship, and certain categories of artwork, and interferes with constitutional federal powers; and (10) is preempted because it denies equal protection to certain artists who create original works of art that do not satisfy the State-prescribed definition of “fine art,” and discriminates against sellers and transferors of artworks and works of original authorship who reside in
California from those in the other forty-nine States of the United States. 4

According to the Plaintiff, the royalty is imposed on California sellers when they sell works of original authorship that qualify as artwork under the Royalty Act for all sales in California or anywhere else in the world if the seller resides in California. For example, a U.S. citizen who is now an expatriate living in Sri Lanka may use the State statute to extract a five percent royalty from the California seller of copyrighted artwork for a resale made at an auction in the Mid-East, where the auction seller is a London-based auction house. No one else in the chain of sale bears the burden of paying a copyright royalty on resale of artwork other than the Californian. Defendant hopes this Court will agree that such a preposterous result—but an actual outcome under the Royalty Act—is preempted by federal copyright law and federal law. The concept of federal copyright preemption, and both express and implied federal constitutional preemption, is to avoid the hegemony of any one State over the federal constitutional mandates of federal copyright law. This is precisely why Congress enacted the Copyright Act of 1976, to federalize copyright law and to avoid separate schemes covering statutory copyright and common law. In so doing, the federal constitutional protections were made applicable nationwide to all works of original authorship, and to the entire United States—as copyright is both constitutional and statutory—and the instant claims by Plaintiff are within the complete preemptive scope of copyright.

The California Legislature ignored the warnings of California Legislative Counsel, California Department of Finance, California Board of Equalization, and leading and prominent California lawyers, law professors, academics, economists, and others who opined that the Resale Act was preempted by Title 17 and otherwise unconstitutional. Even Alan Sieroty, the author of the royalty bill, who—despite objection from virtually

4 Although not discussed herein as a ground for opposing remand, Defendant does not waive his rights to argue at a later time that Plaintiff’s claims are preempted by the U.S. Constitution, including the commerce clause and contracts clause, for the reasons set forth above, and that the Royalty Act is unconstitutional for a host of other reasons.
every sector, persisted in pushing passage—conceded the Royalty Act might very well be preempted by the Copyright Act of 1976, as discussed below.

Defendant respectfully submits that federal preemption law is the direct judicial response to avoid such idiosyncratic state intervention on matters of federal copyright regulation (Title 17 preemption protects copyrighted material from regulation one way in one state, and a different way in another), and to protect against arbitrary, unequal and disproportionate burdens and obligations imposed by states on works of original authorship.

The Royalty Act is a far-reaching state statute that for no discernable reason favors and benefits one class of copyrighted materials—“fine art,” as arbitrarily defined by the Royalty Act, that sells for more than $1000 per object—over other original copyrighted works in other media or that sell for less. The result as a practical matter is that a small number of plaintiffs’ lawyers have used the Royalty Act to create their own cottage industry by wielding the law as a club to extract money from a limited group of owners of copyrighted artwork who are unfortunate enough to live in California, and who have been the sole targets and financial obligees to pay a royalty on worldwide art resales and finance global art markets.

Since repeal of the Copyright Act of 1909, the Royalty Act has gone unchallenged for “fine art” sales under the Copyright Act of 1976. Defendant is a California resident, a businessman and recognized art collector, who on successive occasions under the Resale Act has made documented royalty payments in excess of $50,000.00 to the internationally successful artist, Mark Grotjahn, whose royalties from sales of his artworks are at issue. But after being sued in this action by the Plaintiff—a company controlled by Mark Grotjahn, Defendant respectfully requests that it is time for a federal District Court to revisit federal preemption of the Royalty Act under Title 17, which he submits is expressly and completely preempted by the Copyright Act, an Act that was not in effect at the time of the first—and only—legal challenge of this kind more than thirty years ago. Further, Defendant submits that federal preemption applies under the many
additional grounds raised in the Notice of Removal and discussed below.

II. SUMMARY OF ALLEGATIONS IN PLAINTIFF’S COMPLAINT

Plaintiff Baby Moose Drawings, Inc. (“Plaintiff”) alleges it is the assignee of artist Mark Grotjahn’s “rights to collect royalties” from Defendant pursuant to the Royalty Act. Complaint ¶ 1 (emphasis added). Plaintiff alleges that Grotjahn created three original works that were sold to Defendant by unspecified parties on unspecified dates—an original drawing created in 1997, an original oil painting created in 2002, and an original oil painting created in 2005. Id. at ¶¶ 6-8. Years after these works were created, Plaintiff now seeks a 5% royalty under the Royalty Act in connection with Defendant’s resale to third parties of the works at issue. Id. at ¶¶ 10-11. In essence, the sole allegation by the Plaintiff is that he is owed money by the Defendant in connection with the sale of copyrighted artwork. There is no redeeming creative motivation for the lawsuit, cultural or social issue at stake, or political or judicial interest sought by Plaintiff. Indeed, the corporate Plaintiff may have been formed by the artist for the sole purpose of acting as his collection agent. And as discussed in the attached declarations of Robert Younger and Amber Noland, Plaintiff has already been paid the royalties it seeks from Defendant in connection with at least two of the three artworks at issue in this case (and Defendant intends to seek summary judgment on that basis as soon as possible).

Yet Plaintiff inexplicably continues to prosecute this action, and is even audacious enough to ask for attorneys’ fees on this motion. Plaintiff’s request and this motion should be denied in their entirety.

III. THE CONTENTIOUS HISTORY OF THE RESALE ROYALTY ACT

The Royalty Act bill was almost universally opposed, and veto was urged, expressly and repeatedly, by virtually every segment of law and arts experts, including lawyers, economists, auction houses, academicians, and government agencies, including the Legislative Counsel of California to the California Assembly, the California Department of Finance, and prominent California and national museum directors, arts professionals, local and national trade associations and dealers. The legislative analysis,
as well as oral and written testimony, warned and opined about the preemptive force of federal law, including Section 301 preemption, under the Copyright Act of 1976.

Sotheby Parke Bernet, Inc., now Sotheby’s, emphasized preemption of the resale royalty, and urged veto of the proposed royalty bill, stating that “[w]e believe that there are grave doubts as to the Federal constitutionality of this [bill]…we submit that clearly is a field for pre-emptive Federal control rather than conflicting state legislation….”

Letter of John Marion, President, Sotheby Park Bernet, Inc., to Hon. Edmund G. Brown, Jr., at 5-6 (Sept. 17, 1976) (emphasis added) [LRI at 65-70] (Exh. A to Request for Judicial Notice [“RJN”]).

The Legislative Counsel identified the international sweep of the proposed Royalty Act and admonished then-Governor Edmund Brown: “[t]he power of Congress to control foreign commerce … is exclusive and plenary: as an exclusive power, its exercise may not be limited, qualified or impeded to any extent by state action.” Report on A.B. 1391 from George Murphy, Legislative Counsel, to Hon. Edmund G. Brown, Jr. at 2 (Sept. 14, 1976) [LRI at 35] (Exh. B to RJN).

Similarly, and with equal vehemence, the California Department of Finance recommended veto of the proposed bill creating the resale royalty, reciting that only a “small select group of persons [artists would] be protected by State, with no significant benefit to taxpayers; Potential entanglements involving state agencies in what is essentially private contractual matters.” Enrolled Bill Report, AB 1391, at 1 (Aug. 31, 1976) [LRI at 41] (Exh. C to RJN). The economic analysis continues: “[T]he artist originally was compensated at what he himself accepted as a fair price for his labors at the time of the [original] sale[and] as [the artist’s] reputation grows, new works…demand a higher price.” In fact, Defendants like Mr. Valentine who buy the artwork of the artist create the very market demand that raises the price of the artwork, and as the California Department of Finance explained, the royalty provision targets adversely the very buyers who initially support the viability of the same artist’s market.
Richard Sherwood, former Chairman of the Board of Trustees at Los Angeles County Museum of Art and a senior partner at O’Melveny & Myers urged veto, identifying among other disparities in the proposed royalty bill the lack of “waiver,” “imped[ing] the ordinary force of the marketplace,” the interference with free contract, and the “extraterritorial reach.” Letter from Richard E. Sherwood, Esq. to Hon. Edmund G. Brown, Jr. at 1-2 (Sept. 8, 1976) [LRI at 54-55] (Exh. D to RJN). The most prominent, prestigious and oldest continuous art trade organization in the United States, the Art Dealers Association of America, Inc. urged veto of the royalty. Letter from Gilbert S. Edelson, Art Dealers Association of America, Inc. to All Members (Sept. 15, 1976) [LRI at 62] (Exh. E to RJN). And Arthur Manella, founding partner of the law firm, Irell & Manella, not only urged veto, but, like others who had examined this statutory scheme, challenged the constitutionality. Letter from Arthur Manella, Esq. to Hon. Edmund G. Brown, Jr. at 2 (Sept. 16, 1976) [LRI at 72] (Exh. F to RJN).

IV.  LEGAL ARGUMENT

A.  Plaintiffs’ Claims Are Completely Preempted By The Copyright Act Of 1976.


Plaintiff contends that “a state law action cannot be removed on the ground federal law preempts the claim even if federal preemption is the only real issue in the case.” Motion at 5:24-26. Plaintiff ignores that under the so-called doctrine of “complete preemption,” a complaint alleging only violations of state law may properly be removed if federal law “so completely preempts state law that it converts claims purportedly based on state law” into claims under federal law. See Rosciszewski v. Arete Assocs., Inc., 1 F.3d 225, 231 (4th Cir. 1993). In deciding whether the preemptive force of federal law is so extraordinary as to completely preempt a state law claim, “the focus of [the Court’s] inquiry must be congressional intent.” Id. at 232 (citing 13B C. WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 3566 (Supp. 1993) (‘[T]he Supreme Court gives great weight to the intent of Congress” in resolving whether the complete preemption doctrine applies)); see also W. SCHWARZER, ET AL., FEDERAL CIVIL PROCEDURE BEFORE
A number of federal courts have examined congressional intent underlying the Copyright Act and held that the statute was intended to completely preempt state law claims that are equivalent to copyright claims, and that removal of such state law claims to federal court is therefore proper. For example, in Roscisewski, supra, the assignee of rights to a copyrighted computer program brought an action against alleged appropriators of the program, claiming they violated a Virginia statute prohibiting copying by use of computer. The defendant removed the action to federal court. Reversing the District Court’s order remanding the case to state court, the Fourth Circuit Court of Appeals held that the state computer copying claim was preempted by the Copyright Act. On this point, the Court held in relevant part:

The parties correctly acknowledge that Roscisewski’s complaint alleges only violations of state law. Arete nevertheless maintains that removal was proper because the Copyright Act is one of those areas of federal law that so completely preempts state law that it converts claims purportedly based on state law into claims under the Copyright Act. . . . We [ ] conclude that Congress intended that actions pre-empted by § 301(a) of the Copyright Act be regarded as arising under federal law. First, Congress employed a broad mandatory preemption provision for causes of action equivalent to copyright claims. See 17 U.S.C. § 301(a). Concerning this provision, Congress has stated, ‘The declaration . . . in section 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively.’ H.R. Rep. No. 1476, 94th Cong., 2d Sess. 130 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5746. Thus, Congress has clearly indicated that state-law claims which come within the subject matter of copyright law and which protect rights equivalent to any of the exclusive rights within the scope of federal law, such as Roscisewski’s claim that Arete copied [Plaintiff’s] copyrighted ORBIS computer program, should be litigated only as a federal copyright claim. Second, 28 U.S.C.A. § 1338(a) (West 1976) provides in pertinent part, ‘The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to . . . copyrights . . . Such jurisdiction shall be exclusive of the courts of the states in . . .
copyright cases.’ Congress, therefore, afforded exclusive jurisdiction over copyright claims to the district courts . . . we view the grant of exclusive jurisdiction over copyright claims to the district courts as strong evidence that Congress intended copyright litigation to take place in federal courts.

1 F. 3d at 232 (emphasis added).

Other courts are in accord with Rosciszewski and have recognized that the Copyright Act completely preempts equivalent state law claims, and have held that removal of such state law claims is proper. See, e.g., Dielsi v. Falk, 916 F. Supp. 985, 993 (C.D. Cal. 1996) (denying motion to remand as to plaintiff’s purported state law claims preempted by the Copyright Act, and stating in relevant part: ‘‘Congress has clearly indicated that state-law claims which come within the subject matter of copyright law and which protect rights equivalent to any of the exclusive rights within the scope of federal copyright law ... should be litigated only as federal copyright claims.’ … Therefore, preempted copyright claims can be removed … .’’ (citations omitted)).

In this case, as discussed below, Plaintiff’s claims under the Royalty Act are expressly and completely preempted by Section 301 of the Copyright Act, and the Court can make this determination based on the face of the Complaint. Therefore, the Court should find this case was properly removed to federal court and deny Plaintiff’s motion.


Plaintiff contends that preemption under the Copyright Act is merely defensive and that the Copyright Act cannot accordingly serve as a basis for removal. See Motion at 5:7-6:23. Yet none of the cases Plaintiff cites on this point involved the Copyright Act. Moreover, the cases Plaintiff cites either actually support removal in this case or are distinguishable because they involved state law claims that did not come within the subject matter of federal law or protect rights equivalent to any of the exclusive rights within the scope of federal law. For example, the Court in Metropolitan Life Insurance
Company v. Taylor, 481 U.S. 58, 65, 66, 107 S. Ct. 1542, 1547, 1548, 95 L. Ed. 2d 55 (1987), upheld removal of state law claims that came within the scope of ERISA, because, as with the Copyright Act, congressional intent was that, although suits brought under an ERISA plan may be brought in state or federal court, “all such actions are to be regarded as arising under the laws of the United States.” (internal ellipses omitted).

Armstrong v. Armstrong, 696 F. 2d 1237, 1238 (9th Cir. 1983), is also distinguishable, because it did not involve the Copyright Act and instead held merely that federal question jurisdiction was lacking over a state law claim for declaratory judgment that 45% of an ex-husband’s future military retirement pay was unenforceable, where federal law issues regarding the interpretation of military retirement statutes had vitality only as defenses to the enforcement of the state court judgment.

Likewise, Nalore v. San Diego Federal Savings and Loan Association, 663 F. 2d 841, 842 (9th Cir. 1981), is distinguishable because it also did not involve the Copyright Act, and held merely that the Home Owners Loan Act of 1933 did not preempt a state court complaint asserting only that state law precluded due-on-sale clauses as restraints on alienation, where the state law claims “contain[ed] no federal ingredient.”

And finally, Giles v. NYLCare Health Plans, Inc., 172 F. 3d 332, 337 (5th Cir. 1999), is distinguishable because it did not involve the Copyright Act, and held merely that state law claims for vicarious liability and negligence in selecting a HMO plan’s providers fell outside the scope of ERISA’s civil enforcement provision and therefore were not removable. The Giles Court also held that the state common law causes of action “relate to the regulation of health care -- an area of traditional state regulation.” Id. at 340. In short, none of Plaintiff’s cited cases support the contention that complete preemption under the Copyright cannot serve as a basis for removal.
3. **The Scope Of Federal Preemption Under The Copyright Act Extends Beyond The Exclusive Rights Enumerated In Section 106 Of The Copyright Act.**

Section 301(a) of the Copyright Act provides that any rights under state law that are “equivalent” to any of the exclusive rights provided under the Copyright Act are “governed exclusively” by the Copyright Act, and that “no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.” Plaintiff does not dispute that state laws may be completely preempted by Section 301. Instead, Plaintiff claims that the scope of such preemption is limited *only* to state laws providing rights that infringe upon the bundle of exclusive rights provided to copyright owners under Section 106, and contends that the Royalty Act does not infringe upon this bundle of rights because it does not restrict the resale of copyrighted artwork *per se*. Motion at 13:7-12. Yet Plaintiff does not (and cannot) provide any authority to support this narrow construction of the Copyright Act.

The Royalty Act is still preempted because Section 301 of the Copyright Act preempts state laws even when they concern rights that are not necessarily coextensive with the federally created rights or one of the enumerated bundle of exclusive rights set forth in Section 106. As explained by a well known copyright treatise, Nimmer on Copyright, “[i]n determining whether a state law creates rights ‘equivalent’ to rights under the Copyright Act for pre-emption purposes, **it is not necessary that the right under state law be coextensive with the federally created right.**” 2 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 8C.04[1] (Rev. Ed. 2010) (emphasis added) (hereinafter “Nimmer”); *see also* 1 Nimmer § 1.01[B][1] (“The fact that the state-created right is either broader or narrower than its federal counterpart will not save it from pre-emption.”).

In fact, the revision comments to Section 301 of the Copyright Act illustrate that Congress intended for broad preemption to apply to any state law that falls within the general scope of the Copyright Act, and that the doctrine is not limited to state laws that...
only abridge the bundle of rights set forth in Section 106:

The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law. The declaration of this principle in section 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection. Under section 301(a) all ‘legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106’ are governed exclusively by the Federal copyright statute … . All corresponding State laws, whether common law or statutory, are preempted and abrogated. . . . [However], the preemption of rights under State law is complete with respect to any work coming within the scope of the bill, even though the scope of exclusive rights given the work under the bill is narrower than the scope of common law rights in the work might have been.”


Nimmer also agrees with the view that preemption is broad under Section 301 of the 1976 Copyright Act and that Plaintiff’s narrow view in this case must be rejected:

[T]he reference to Section 106 in the phrase found in Section 301—‘equivalent to any of the exclusive rights within the general scope of copyright as specified by Section 106’—should be construed by way of identification and not by limitation. Accordingly, if a state-created right is ‘within the general scope of copyright,’ it is subject to pre-emption, even if the precise contours of the right differ from any of those conferred by Section 106.

1 Nimmer § 1.01[B][1] (emphasis added). Even the author of the Royalty Act acknowledged that the statute may be preempted. See Letter from Hon. Alan Sieroty, State Senator, to Hon. Perry Bullard, Assemblyman, at 3 (Oct. 21, 1977) (“[T]here is a possibility that the royalty law has been preempted by the Federal Copyright Act which will become effective January 1, 1978 (this depends on whether a resale royalty is ‘equivalent’ to copyright.”) [LRI at 186] (Exh. G to RJN).
4. **The Royalty Act Is Preempted Because It Directly Impinges Upon The First Sale Doctrine Codified In Section 109 Of The Copyright Act.**

Unlike the Copyright Act of 1909, the Copyright Act of 1976 contains an express provision codifying the “first sale” doctrine. See 17 U.S.C. § 109.⁵ This doctrine allows the purchaser of a copyrighted work to resell or otherwise dispose of the work without fear of liability under the Copyright Act. Section 101 makes clear that the copy referred to in Section 109 includes the original material object owned by the collector “in which the work is first fixed.” 17 USC § 101 (“The term ‘copies’ includes the material object, … in which the work is first fixed.”). Material objects in which a work is first fixed would, of course, include original artwork. See, e.g., Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 109 S. Ct. 2166, 104 L. Ed. 2d 811 (1989) (sculpture).

Section 202 provides that “ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.” 17 U.S.C. § 202. In Community for Creative Non-Violence, supra, the United States Supreme Court made clear that the owner of the material object, in that case an artwork, has the exclusive and unfettered rights to display and transfer the “copy” he owns. See also 17 U.S.C. §§ 101, 106, 202. The revision comments to Section 109 illustrate that the statute allows a seller, who has acquired legal ownership of a work, to have the *unfettered* control over the resale and future disposition of the work:

[F]or example, the outright sale of an authorized copy of a book frees it from any copyright control **over its resale price or other conditions of its**

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⁵ Section 109 provides in relevant part:

**Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord**

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.
**future disposition.** A library that has acquired ownership of a copy is entitled to lend it under any conditions it chooses to impose.

17 U.S.C.A. § 109, West’s revision notes, Notes of the Committee on the Judiciary, House Report No. 94-1476 (1976) (emphasis added). As one Court put it:

The Copyright Act gives a copyright holder the exclusive right to … distribute copies of his work. **When a copyright holder chooses to sell a copy of his work, however, he ‘exhaust[s] his exclusive statutory right to control its distribution.’**


And at least two other courts phrased the same point in terms of restricting the right of resale. *See UMG Recordings, Inc. v. Augusto*, 558 F. Supp. 2d 1055, 1059 (C.D. Cal. 2008) (“**Section 109(a) provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies.**”) (emphasis added); *see also Omega S.A. v. Costco Wholesale Corp.*, 541 F. 3d 982, 985 (9th Cir. 2008) (“**once a copyright owner consents to the sale of particular copies of his work, he may not thereafter exercise the distribution right with respect to those copies.**”) (emphasis added); *Quality King*, 523 U.S. at 144 (“The introductory language in § 106 expressly states that all of the exclusive rights granted by that section-including, of course, the distribution right granted by subsection (3)-are limited by the provisions of §§ 107 through 120. One of those limitations, as we have noted, is provided by the terms of § 109(a), which expressly permit the owner of a lawfully made copy to sell that copy ‘[n]otwithstanding the provisions of section 106(3).’” (footnotes omitted)).

Accordingly, like the purchaser of a book, the buyer of an original artwork is allowed under the Copyright Act to resell or otherwise dispose of the purchased work as he or she sees fit pursuant to the first sale doctrine as codified in Section 109 of the Copyright Act. The Royalty Act tramples upon this unfettered right by imposing
“conditions on the future disposition” of a work of fine art—specifically, by requiring a
California seller of the work to pay royalties to the artist who originally created the piece,
even though the artist had long since “exhausted his [or her] exclusive statutory right to
control its distribution,” regardless of how many individuals or entities had resold the
work in the interim, and even though no other seller of the same work in any other State
in the United States has to pay such a royalty. Vernor, 555 F. Supp. 2d at 1168. This
type of restriction on the right of resale runs afoul of Section 109 as interpreted by the
legislative history and case law, including UMG, Vernor, and their progeny.

In sum, the Royalty Act is a statutory royalty scheme that under Title 17 is the
purview of Congress and the United States Copyright Office, with no parallel in
American jurisprudence, and is precisely the sort of attempt by a state legislature to run
roughshod over federal law that Section 301 was tailor-made to prevent. The Royalty
Act must be preempted under Section 301 to ensure that a reseller of an original artwork
can enjoy the guaranteed total freedom over the resale of that work—a right provided
under Sections 101, 109 and 202 of the Copyright Act. See 1 Nimmer § 8C.04[C][1].

5. Royalty Fees are Within the Mandate of Federal Copyright.

Royalty rates and royalty schedules are determined under Title 17 through the U.S.
Copyright Office. See, e.g., Copyright Royalty and Distribution Reform Act of 2004,
2004); 37 C.F.R. Ch. III; see also former Copyright Royalty Tribunal Reform and Misc.
Sess. July 3, 1990). Although the existing royalty fees apply to other types of works than
the instant action, the authority to establish and regulate royalty schedules is so critical to
Title 17 and the scope of federal copyright, Congress established the Copyright Royalty
Board comprised of three permanent copyright royalty judges.6 No State can arbitrarily
establish and impose its own royalty fees applicable to copyrighted work, and unilaterally

6 Indeed, royalty rates are so critical to the field of copyright that rates were only set after
weeks of public hearings involving more than 13,000 pages of written testimony.
mandate a royalty fee schedule when this task and function has been relegated by
Congress in other areas of copyright work to federal authorities. Nimmer agrees:

[Although an author’s right to royalties under a publication contract for a
work may be conditioned on the publisher’s acts of reproduction and
distribution of copies of the work, there is another crucial act that stands as a
condition to the publisher’s liability: the publisher’s promise to pay the
stated royalty. The publishing contract therefore is not pre-empted. … But
absent a relationship between plaintiff and defendant, a claim for
conversion of copyright royalties would seem pre-empted.

1-1 Nimmer § 1.01[B][1][a][i], [B][1][i] (footnotes omitted) (emphasis added).

An example makes clear why royalty rates are preempted under the subject matter
of copyright. If the Defendant and a New York resident were both at a New York
auction, each selling an original work of authorship that qualified as artwork under the
Royalty Act by the same artist in the same medium, like Butterfly A and Butterfly B, and
the collectors were standing side by side in the gallery, and the Butterfly works by the
same artist each sold for $100,000.00, the New Yorker and the Californian would not be
entitled to the same amount of sale proceeds from the transfer and sale of the copyrighted
works. The Californian under the state Royalty Act would be the only one owing a
royalty. Preemption is the legislative response to avoid this disparity, and unfair and
unjust result.

Thus, in Alvarez Guedes v. Marcano Martinez, owners of copyrighted sound
recordings sued a radio station for broadcasting the recordings. 131 F. Supp. 2d 272,
276-78 (D.P.R. 2001). However, unlike musical compositions, the Copyright Act does
not provide any performance right in sound recordings. Id. (citing 17 U.S.C. § 114).
Accordingly, the District Court held the plaintiffs’ state law unjust enrichment claim was
preempted, because, otherwise, the plaintiffs would “obtain rights expressly denied them
by the Copyright Act.” Id. at 280. Likewise, in this case, even assuming the California
Royalty Act is not “coextensive” with the federally created exclusive right of
distribution, it would still be preempted because, like the preempted unjust enrichment
claim in Alvarez Guedes, Congress did not provide for the right to collect a royalty on the

resale (aka redistribution) of fine art, and California law cannot “fill the gap.”

Therefore, state laws that infringe upon the general scope of copyright—even if the rights they afford do not have a direct analog to the rights set forth in Section 106—are preempted under the Copyright Act.

6. Regardless, The Resale Royalty Act Is Preempted Because It Directly Impinges Upon The Distribution Right Contained Within The Exclusive Rights Set Forth In Section 106.

The Royalty Act is preempted because it impinges upon the exclusive right of distribution set forth in Section 106 of the Copyright Act for the same reasons discussed above. See 17 U.S.C. § 106(3) (the right “to distribute copies … of the copyrighted work to the public by sale or other transfer of ownership”). Professor Nimmer agrees:

The California Resale Royalties Act does not in any way limit reproduction, performance or display of works of authorship, but it is designed precisely to inhibit the privilege to distribute those works of authorship to which it pertains. … [T]he same conduct in relation to the same subject matter that triggers either rights or immunities under both federal and state law. It would seem to follow necessarily that the state law is pre-empted.

2 Nimmer § 8C.04[C][1] (emphasis added).

Therefore, assuming arguendo that preemption requires impinging on the bundle of exclusive rights enumerated in Section 106, the motion must be denied because the Royalty Act is in direct conflict with the distribution right set forth in Section 106(3).

See also 1 Nimmer § 1.01[B][1] n.46 (quoting Supplementary Register’s Report on the General Revision of the U.S. Copyright Law (1965) at p. 84):

The pre-emption is intended to be complete with respect to any work coming within the scope of the bill, even though it would not be given as broad protection as might otherwise be available to it under the common law. For example, since sound recordings are now to be made copyrightable works, it would not be possible to afford them any rights of public performance under State law even though they are denied these rights under section 112 [now Section 114] of the statute.
7. **The Royalty Act Does Not Involve Any “Extra Elements” That Would Allow The Statute To Avoid Preemption.**

Plaintiff’s claim must also be preempted because the Royalty Act does not involve any so-called “extra elements” that are different from the substantive requirements for copyright infringement claim. It is well established that to survive federal copyright preemption, a state law must have some “extra element” that makes an action brought under the state law qualitatively different from an action that could have been brought under the Copyright Act. *See, e.g., Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F. 2d 693, 717 (2d Cir. 1992) (cited by Plaintiff in its Motion); *see also Oddo v. Ries*, 743 F. 2d 630, 635 (9th Cir. 1984) (“if violation of the state right is ‘predicated upon an act incorporating elements beyond mere reproduction or the like,’ . . . . there is no preemption”); *Motown Record Corp. v. George A. Hormel & Co.*, 657 F. Supp. 1236, 1239 (C.D. Cal. 1987) (“the ‘extra element’ . . . must be one which changes the nature of the action so that it is qualitatively different from a copyright infringement claim.”).

For example, in *Motown Record Corporation*, Judge Rea in the Central District of California held that the plaintiff’s claims for unfair competition, tortious interference, violation of Cal. Civ. Code § 3344 (unauthorized use of a person’s likeness), constructive trust, and accounting were all preempted by the Copyright Act because each of the state law claims concerned the basic act of using the plaintiff’s work in an advertisement without authorization. *See 657 F. Supp. at 1239-41*. Thus, the District Court held that the claims were not qualitatively different from the exclusive rights of reproduction and distribution provided by the Copyright Act. *See id.*

Here, the act giving rise to Plaintiff’s claim under the Royalty Act is the resale of the Plaintiff’s work, which is not qualitatively different from the exclusive right of distribution provided under section 106(3) of the Copyright Act, including the uninhibited right to dispose of a “copy” of the work after first sale. Stated another way, the right to a royalty under the California statute is not qualitatively different from an action brought under the Copyright Act, because it “is infringed by the mere act of …
distribution” via resale without payment of the state statutorily mandated royalty. *See* 1 Nimmer § 1.01[B][1], at 1-11.

The cases cited by Plaintiff on this issue are all readily distinguishable, because they involve “extra elements” that were qualitatively different from copyright infringement claims. For example, *Computer Associates* involved a state law claim for misappropriation of trade secrets, which the court held was not preempted because it involved the “extra element” of breach of duty of trust and confidentiality, which in turn “qualitatively distinguishes such trade secret causes of action from claims for copyright infringement.” 982 F. 2d at 717. *Computer Associates* is distinguishable from this case because the claim here is a right to collect a royalty upon resale, which falls squarely within the Copyright Act’s provisions governing distribution and resale of works and does not involve any extra elements that are qualitatively different. *See* 17 U.S.C. § 106(c) (exclusive right of distribution), § 109 (first sale rule).

Plaintiff also misplaces its reliance on the inapposite case of *Allied Pictures Corporation v. Rhodes*, which actually supports preemption in this case. 496 F. Supp. 408 (S.D. Ohio 1980). *Allied* involved Ohio’s statutory ban on “blind-bidding” for movie licenses, which was designed to balance out the negotiating power of the movie distributors with the movie theaters. *See id.* at 420-21, 30-31. Although acknowledging that the Ohio statute may have hindered certain advantages previously enjoyed by the distributors in negotiating licenses with the theaters, the *Allied* Court explained the statute did not concern rights “equivalent to those within the scope” of the Copyright Act, because it did not deprive the distributors of any protections afforded to them under the Copyright Act, nor did it grant any new rights already within the scope of the Copyright Act. *Id.* at 443-44. Rather, the Ohio statute merely regulated the marketplace for distributors to license their movies to theaters. *See id.* at 444.

Conversely, in this case, the Royalty Act does not simply regulate the marketplace for fine art; rather, it imposes restrictions on the distribution right afforded under the Copyright Act and purports to create a new economic right for the artists to collect a
royalty upon resale that is within the scope of federal copyright, including establishing royalty schedules. As set forth above, and as recognized in Allied, if a state law purports to grant new rights already within the general subject matter of the Copyright Act, then the state law is preempted.

Plaintiff also cites a 1932 U.S. Supreme Court case, Fox Film Corporation v. Doyal, 286 U.S. 123 (1932), for the assertion that the royalties required under the Royalty Act are “conceptually no different than a gross receipts tax imposed by a state.” Motion at 13:13-15. Plaintiff’s reliance on this case is misplaced for at least three reasons. First, “conceptually” speaking, imposing a resale royalty is not the same as imposing a tax imposed by a governmental entity—rather, it is a perpetual royalty private sellers of artworks must pay to the original artist on every resale of a work resulting in a profit. Second, the Court in Fox Film simply held that the right of a government to tax did not fall within the scope of any of the Copyright Act of 1909’s exclusive rights. See id. at 127. Third, the legislative history makes clear that Royalty Act is not a tax, and that no state taxing authority or entity is authorized to establish, collect, deposit, maintain, regulate, disburse, or account for, any of the California royalties under the Royalty Act. See Memorandum from W.W. Dunlop, Executive Secretary, California Board of Equalization, to Hon. John Francis Foran, Chairman, Assembly Committee on Ways and Means (June 11, 1975) [LRI 247-248] (Exh. H to RJN). In contrast, this case concerns the right to collect a resale royalty, which, as explained above, does fall within the general scope of the rights enumerated in the Copyright Act of 1976.8

In sum, contrary to Plaintiff’s narrow view, Section 301 of the Copyright Act preempts any state laws falling generally within the scope of copyright, and therefore it preempts the Royalty Act.

8 The Court in Fox Film also held that income derived from copyrighted works, like the property of individual owners that is derived from the United States under its public land laws, was not immune from taxation simply because the exclusive right was derived from a grant by the government. 286 U.S. at 128-29. This holding has no application here and further illustrates the inapplicability to any preemption analysis under the Copyright Act.
8. *Morseburg and Goldstein Have No Application Here.*

Plaintiff also cites *Morseburg v. Balyon*, 621 F. 2d 972 (9th Cir. 1980), for the proposition that the Ninth Circuit has already decided whether the Royalty Act was preempted by the Copyright Act. See Motion at 13:7-13. Yet, the court in *Morseburg* expressly acknowledged that it was *not* deciding whether the Copyright Act of 1976 preempted the Royalty Act because the 1909 Act was in effect. See *Morseburg*, 621 F.2d at 975 (“*W*e emphasize that this case concerns the preemptive effect of the 1909 Act only. *We do not consider the extent to which the 1976 Act, particularly section 301(a) and (b), 17 U.S.C. s 301(a) and (b), may have preempted the California Act.*”) (emphasis added). See also 2 Nimmer § 8C.04[C][2] (“*B*ecause *Morseburg* reached its pre-emption ruling only with respect to the 1909 Act, it remains open to question whether the Resale Royalties Act is pre-empted by the 1976 Act. *That Act is governed not by *Goldstein, but rather by an explicit pre-emption provision that had no analog in the 1909 Act.*”) (emphasis added, footnotes omitted).

Thus, the explicit preemption provision in the Copyright Act of 1976 (17 U.S.C. § 301) was new and intended to “accomplish a fundamental and significant change” in the law governing copyright, including the former Copyright Act of 1909 under which *Morseburg* was decided. As the Commission on the Judiciary stated in the legislative history for the statute:

> Instead of a dual system of “common law copyright” for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation. . . . By substituting a single Federal system for the present anachronistic, uncertain, impractical, and highly complicated dual system, the bill would greatly improve the operation of the copyright law and would be much more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship. . . . The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law.

Plaintiff also relies heavily on *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303, 37 L. Ed. 2d 163 (1973). However, like *Moresburg*, *Goldstein* was also decided under the Copyright Act of 1909—not the Copyright Act of 1976. Therefore, *Goldstein* has no application to any preemption analysis involving the Copyright Act of 1976 and the Royalty Act. Indeed, *Goldstein* did not involve the Royalty Act at all. And unlike this case, which involves a state statute purporting to restrict distribution rights under the Copyright Act, *Goldstein* involved a state law criminal statute that made it an offense to pirate recordings produced by others when the Copyright Act of 1909 did not offer such protection. Thus, the state statute in *Goldstein* did not impinge upon rights granted under the Copyright Act or seek to grant rights within the subject matter of copyright—instead, it simply provided for criminal liability for conduct involving recordings that were not protected by copyright at the time.

**B. Plaintiff’s Claims Are Preempted Under The Berne Convention.**


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November 16, 1988, the United States acceded to Berne. Admission to membership in the Berne Union is only accorded to a country, and by joining the Union of the Berne Convention, the United States, as a nation, entered into a complex international copyright pact with 164 Union members bound as nations by copyright laws implicating multiple and various complex reciprocal copyright agreements based upon “national legislation.” (Berne Convention, Arts. 5 and 36) There is neither authority, nor latitude, under the United States of America’s international obligations under the subject matter of the Berne Convention, to authorize, enable, or permit, individual States of the United States, to “do their own thing” with respect to the subject matter of Berne.

In particular, the right to collect “an interest in any sale of [an author’s] work subsequent to the first transfer by the author of the work,” known as a resale royalty is within the express subject matter of Article 14ter of the Berne Convention. Art. 14ter(1), S. Treaty Doc. No. 99-27, 1971 WL 123138 at *20 (1). Article 14ter of the Berne Convention enables imposition by a Union member of a resale royalty only as a matter of national law: “[t]he procedure for collection and the amounts [in 14ter(1)] shall be matters for determination by national legislation.” Art. 14ter (3), S. Treaty Doc. No. 99-27, 1971 WL 123138 at *20 (3) (emphasis added). The treaty further provides that protection for an author to “enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author … may be claimed in a country of the Union [of the Berne Convention members] only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed.” Id. at Art. 14ter (1)-(2), 1971 WL 123138 at *20 (emphasis added). The issue of resale royalties was a matter of lengthy Senate hearings and Congressional testimony, another clear indicia that copyright royalties are a matter of federal statute and international treaty obligation, and not the prerogative of any one state of the United States. Although the United States has not yet decided to adopt Article 14ter of the Berne Convention, as a member of the Berne Convention, and
subject to reciprocity of rights and protections for all countries that are Berne
Convention members, the United States is neither empowered, nor authorized, to allow
single States to regulate in areas the international treaty arrogates for “national

No authority could be found for the proposition that any entity other than a
“country” is empowered to implement individual provisions of the Berne Convention by
anything other than national legislation whether or not adopted by a Member of the
Union under the Convention. If that were the case, there would be no uniform
regulation and no way for member nations to enforce the rights, remedies, and
protections in their respective nations and for their nationals of international copyright
treaties. For example, if a department in France, a State in the United States, and a stadt
in Germany each implemented select portions of the Berne Convention outside of
“national legislation” under Berne, the application and force of the Berne Convention
would dissolve, and the Union of nations that are the only permissible members of the
Berne Convention would have no meaning.

In short, California’s Royalty Act is preempted because it conflicts with the
obligations of the United States under the Berne Convention and other
international copyright agreements.

C. Plaintiff’s Request For Attorney’s Fees And Costs Should Be Denied.

Plaintiff’s request for fees and costs should be denied, because, as explained
above, removal to Federal Court was proper. 28 U.S.C. § 1447(c). However, even if the
Court grants the motion for remand, Plaintiff’s request for fees and costs is improper and
should still be denied for at least three reasons.

First, contrary to Plaintiff’s suggestion, an award of fees and costs is not
automatic; rather, it is discretionary and there is no presumption if favor of granting an
award. See Martin v. Franklin Capital Corp., 546 U.S. 136-37, 141, 126 S. Ct. 704, 708-
09, 163 L. Ed. 2d 547 (2005).

Second, any request for fees should be denied here, because Defendant had an
objectively reasonable basis for seeking removal as set forth above. In particular, Defendant’s removal was objectively reasonable because this case involves a host of novel legal issues as set forth above, and because the Royalty Act has not been challenged (at least in any published decisions) on any of the grounds set forth in this brief. See id., 546 U.S. at 141 (“[T]he standard for awarding fees should turn on the reasonableness of the removal. Absent unusual circumstances, courts may award attorney’s fees under § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal. Conversely, when an objectively reasonable basis exists, fees should be denied.”).

Third, Plaintiff’s request is particularly unreasonable, in that Plaintiff seeks to recover fees for an astonishingly high 59.55 hours of work at the constant rate of $650 per hour. Moreover, Plaintiff’s request is in bad faith, as according to Defendant’s advisors who manage his art and income, Plaintiff has already been paid the royalties it seeks from Defendant in connection with at least two of the three artworks at issue in this case. In sum, the Court should deny Plaintiff’s motion for remand and, in any event, deny Plaintiff’s request for fees and costs.

DATED: February ___, 2011

THE ART LAW FIRM

By: ________________________________
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# TABLE OF CONTENTS

I. INTRODUCTION ..................................................................................................... 5

II. SUMMARY OF ALLEGATIONS IN PLAINTIFF’S COMPLAINT ..................... 9

III. THE CONTENTIOUS HISTORY OF THE RESALE ROYALTY ACT .......... 9

IV. LEGAL ARGUMENT ............................................................................................ 11

   A. Plaintiffs’ Claims Are Completely Preempted By The Copyright Act Of 1976. .......................................................... 11


   2. Complete Preemption Under The Copyright Act Is Not Defensive Preemption ......................................................... 13

   3. The Scope Of Federal Preemption Under The Copyright Act Extends Beyond The Exclusive Rights Enumerated In Section 106 Of The Copyright Act .......................................................... 15

   4. The Royalty Act Is Preempted Because It Directly Impinges Upon The First Sale Doctrine Codified In Section 109 Of The Copyright Act .......................................................... 17

   5. Royalty Fees are Within the Mandate of Federal Copyright .......... 19

   6. Regardless, The Resale Royalty Act Is Preempted Because It Directly Impinges Upon The Distribution Right Contained Within The Exclusive Rights Set Forth In Section 106. ......................... 21

   7. The Royalty Act Does Not Involve Any “Extra Elements” That Would Allow The Statute To Avoid Preemption ...................... 22

   8. Morseburg and Goldstein Have No Application Here ................. 25

   B. Plaintiff’s Claims Are Preempted Under The Berne Convention ........ 26

   C. Plaintiff’s Request For Attorney’s Fees And Costs Should Be Denied .... 28